FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TAUNTON MUNICIPAL LIGHTING PLANT

December 31, 2000 and 1999

Grant Thornton

Accountants and
Management Consultants
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Report of Independent Certified Public Accountants

Municipal Light Commission
of the City of Taunton
Taunton, Massachusetts

We have audited the accompanying balance sheets of the Taunton Municipal Lighting Plant (a department of the City of Taunton) as of December 31, 2000 and 1999, and the related statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Plant's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraph, 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 our audits provide a reasonable basis for our opinion.

As discussed in Note H to the financial statements, certain disclosures required by the Governmental Accounting Standards Board relating to pensions have been omitted.

In our opinion, except for the omission of certain pension plan disclosures required by the Governmental Accounting Standards Board, the financial statements referred to above present fairly, in all material respects, the financial position of the Taunton Municipal Lighting Plant as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Boston, Massachusetts
March 16, 2001

Grant Thornton LLP

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Taunton Municipal Lighting Plant

BALANCE SHEETS

December 31,

ASSETS

	2000	1999
UTILITY PLANT - AT COST		
Plant in service	$128,014,759	$120,391,621
Less accumulated depreciation	82,426,257	77,518,481
Net utility plant in service	45,588,502	42,873,140
Investment in Seabrook	2,409,993	2,547,252
Construction work in progress	1,648,116	4,921,427
Total utility plant	49,646,611	50,341,819
DEPRECIATION FUND (including certificates of deposit of $2,000,000 and $4,000,000 in 2000 and 1999, respectively)	10,851,084	10,707,094
SICK LEAVE TRUST FUND	5,206,908	4,695,784
OTHER ASSETS		
Investment in Hydro Quebec Project	265,396	287,512
Investment in Energy New England LLC	215,078	102,125
Due from Plant Retirement Trust	675,716	647,137
Other	-	8,276
CURRENT ASSETS		
Cash	893,323	1,519,505
Cash - rate stabilization fund	442,064	442,064
Customer deposits	689,778	566,083
Accounts receivable – unbilled rate stabilization	1,378,130	-
Accounts receivable, less allowance for doubtful accounts of $2,065,364 and $1,364,053 respectively	4,906,871	4,461,560
Accounts receivable Internet	54,375	37,685
Materials and supplies inventory	1,748,718	2,153,156
Prepaid expenses	1,828,503	1,968,192
Total current assets	11,941,762	11,148,245
	$ 78,802,555	$ 77,937,992

RETAINED EARNINGS AND LIABILITIES

	2000	1999
RETAINED EARNINGS		
Appropriated retained earnings		
Loans repayment	$ 23,037,000	$ 21,787,000
Construction repayment	32,434	32,434
	23,069,434	21,819,434
Unappropriated retained earnings	34,528,633	33,658,565
Total retained earnings	57,598,067	55,477,999
LONG-TERM DEBT	8,746,740	10,100,094
DEFERRED REVENUE - RATE STABILIZATION	-	442,064
CURRENT LIABILITIES		
Accounts payable	3,350,149	3,081,410
Accounts payable Internet	1,055,108	303,857
Customer deposits	448,434	382,409
Current maturities of long-term debt	1,350,000	1,250,000
Accrued liabilities		
Sick leave	4,716,963	4,695,787
Vacation	794,424	930,782
Interest	392,474	434,137
Power – rate stabilization	25,000	678,124
Payroll	206,008	86,245
Other	119,188	75,084
Total current liabilities	12,457,748	11,917,835
	$ 78,802,555	$ 77,937,992

The accompanying notes are an integral part of these statements.

Taunton Municipal Lighting Plant

STATEMENTS OF EARNINGS

Years ended December 31,

	2000	1999
Operating revenues		
Sales of electricity		
Commercial and industrial	$29,219,911	$26,218,953
Residential	18,552,227	17,256,181
Sales for resale	6,717,972	3,449,716
Municipal	2,580,644	2,290,913
	57,070,754	49,215,763
Other operating revenues	576,508	259,450
Total operating revenues	57,647,262	49,475,213
Operating expenses		
Power production	36,676,119	27,552,837
Transmission and distribution	4,861,608	4,811,408
Customer accounting	2,054,976	2,178,445
Administrative and general	3,600,795	3,562,884
Depreciation and amortization	5,094,281	4,842,289
Nuclear expense	240,343	269,655
Total operating expenses	52,528,122	43,217,518
Earnings from operations	5,119,140	6,257,695
Other expense (income)		
Internet expense - net	253,007	130,711
Interest expense	836,391	933,952
Interest income	(240,341)	(213,351)
Other (income) expense	(209,985)	193,104
Total other expense	639,072	1,044,416
Earnings before provision for payment in lieu of taxes	4,480,068	5,213,279
Provision for payment in lieu of taxes	2,360,000	2,360,000
NET EARNINGS	$ 2,120,068	$ 2,853,279

The accompanying notes are an integral part of these statements.

Taunton Municipal Lighting Plant

STATEMENTS OF RETAINED EARNINGS

Years ended December 31, 2000 and 1999

	Appropriated Retained Earnings		
	Loan Repayment	Construction Repayment	Unappropriated Retained Earnings
Balance at December 31, 1998	$20,637,000	$32,434	$31,955,286
Transfer for bond repayment	1,150,000	-	(1,150,000)
Net earnings	-	-	2,853,279
Balance at December 31, 1999	21,787,000	32,434	33,658,565
Transfer for bond repayment	1,250,000	-	(1,250,000)
Net earnings	-	-	2,120,068
Balance at December 31, 2000	$23,037,000	$32,434	$34,528,633

The accompanying notes are an integral part of these statements.

Taunton Municipal Lighting Plant

STATEMENTS OF CASH FLOWS

Years ended December 31,

	2000	1999
Increase (Decrease) in Cash and Cash Equivalents		
Cash flows from operating activities:		
Net earnings	$ 2,120,068	$ 2,853,279
Adjustments to reconcile net earnings to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	5,094,281	4,842,289
Amortization of bond premium	(3,354)	(3,353)
Equity in losses of Seabrook investment	137,259	133,924
Equity in (income) losses of Energy New England LLC investment	(112,953)	263,337
Equity in losses of Hydro Quebec	22,116	-
Change in assets and liabilities:		
(Increase) decrease in customer deposit funds	(123,695)	2,059
(Increase) decrease in accounts receivable	(1,823,441)	279,148
(Increase) in accounts receivable Internet	(16,690)	(15,728)
(Increase) in due from Plant Retirement Trust	(28,579)	(27,350)
(Increase) decrease in inventory	404,438	(700,134)
(Increase) decrease in prepaid expenses	139,689	(362,406)
Decrease in other assets	8,276	56,044
Increase (decrease) in accounts payable	268,739	(208,256)
Increase (decrease) in accounts payable Internet	751,251	(28,153)
(Decrease) increase in deferred revenue - rate stabilization	(442,064)	442,064
Increase (decrease) in customer deposits	66,025	(35,663)
Increase (decrease) in accrued liabilities	(646,102)	104,663
Net cash provided by operating activities	5,815,264	7,595,764
Cash flows from investing activities:		
Net additions to utility plant	(4,536,332)	(5,390,650)
Purchases of certificates of deposit– depreciation fund	(2,000,000)	-
Increase in Sick Leave Trust Fund	(511,124)	(199,745)
Net cash used in investing activities	(7,047,456)	(5,590,395)
Cash flows from financing activities:		
Payment of long-term debt	(1,250,000)	(1,150,000)
Net (decrease) increase in cash and cash equivalents	(2,482,192)	855,369
Cash and cash equivalents at beginning of year	12,668,663	11,813,294
Cash and cash equivalents at end of year	$10,186,471	$12,668,663

Taunton Municipal Lighting Plant

STATEMENTS OF CASH FLOWS - CONTINUED

Years ended December 31,

	2000	1999
Cash and cash equivalents at end of year is reflected on the balance sheets as follows:		
Depreciation fund (exclusive of long-term investments)	$ 8,851,084	$10,707,094
Cash - operating	893,323	1,519,505
Cash - rate stabilization fund	442,064	442,064
	$10,186,471	$12,668,663

Supplemental Disclosure of Cash Flow Information:

	2000	1999
Cash paid during the year for interest	$ 878,054	$ 929,689

The accompanying notes are an integral part of these statements.

Taunton Municipal Lighting Plant

NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of Taunton Municipal Lighting Plant's (the "Plant") significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Nature of Business

The Plant is a regulated municipal electric utility located in Taunton, Massachusetts. The Plant operates as an enterprise fund of the City of Taunton, Massachusetts, and produces, purchases and distributes electricity to approximately 33,000 customers in the City of Taunton and the surrounding areas. The Plant also operates an internet access business unit and provides services to approximately 3,500 customers. Revenue and expense for this business unit is presented in other expense (income) in the statement of earnings. The business unit leases certain assets from the Plant. For the years ended December 31, 2000 and 1999, other operating revenue for the Plant and internet expense includes approximately $153,000 and $153,000, respectively, relating to this lease.

2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates relating to the allowance for doubtful accounts and contingencies (see note F) represent the significant estimates included in the financial statements. Management bases their estimates of these items on historical experience, specific identification and future expectations.

3. Rates

The Plant is under the charge and control of the Municipal Light Plant Commissioners in accordance with Chapter 164, Section 55 of the General Laws of the Commonwealth of Massachusetts. Electric power is both produced and purchased and is distributed to customers within their service area. The rates charged by the Plant to its customers are filed with the Department of Telecommunications and Energy ("DTE") (formerly the Massachusetts Department of Public Utilities) and are subject to Chapter 164, Section 58 of the General Laws, which provide that prices shall be fixed to yield not more than 8% per annum on the cost of the plant after repayment of operating expenses, interest on outstanding debt, the requirements of any serial debt and depreciation. The Plant's resulting net earnings amounted to approximately 4.0% and 5.7% of utility plant in 2000 and 1999, respectively.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Depreciation

Pursuant to the DTE regulations, depreciation is calculated as a percentage of depreciable property at January 1. Depreciation is computed using a rate of 4% of the cost of depreciable property.

Depreciation Fund cash is used in accordance with state laws for replacements, enlargements and additions to the utility plant in service.

5. Pension Plan

Substantially all employees of the Plant are covered by a contributory pension plan administered by the City of Taunton in conformity with State Retirement Board requirements (see note G).

6. Inventory

Materials and supplies inventory is carried at cost, principally on the average cost method.

7. Sick Leave Trust Fund

The Plant established a Sick Leave Trust Fund ("Trust") in 1982 for the financing of future sick leave payments. It is the Plant's intention that the Trust be funded to the extent of the Plant's sick leave liability and that future sick leave expense will be paid by the Trust once full funding is achieved. Full funding was achieved in fiscal 1999. The assets of the Trust are shown in the financial statements to provide a more meaningful presentation, as the assets of the Trust are for the sole benefit of the Plant.

In March 1997, the Governmental Accounting Standards Board issued Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" ("GASB 31"). Under GASB 31, investments are required to be reported at fair value in the balance sheet, and investment income, including changes in fair value of investments, is required to be recognized as revenue in the operating statement. The provisions of GASB 31 were adopted retroactively.

Realized gains and losses, and declines in value are included in the statement of earnings.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net investment income for the Trust was approximately $224,000 and $219,000 in 2000 and 1999, respectively. The net (income) expense for sick leave was approximately ($167,000) and $385,000 for the years ended December 31, 2000 and 1999, respectively.

8. Deferred Fuel Costs/Rate Stabilization

The Plant's rates include a Purchased Power Cost Adjustment (PPCA) which allows an adjustment of rates charged to customers in order to recover all changes in power costs from stipulated base costs. The PPCA provides for a quarterly reconciliation of total power costs billed with the actual cost of power incurred.

9. Investment in Seabrook

The Plant's Investment in Seabrook represents a 0.10034% joint ownership share. The Plant records annually depreciation computed at 4% of the initial investment in Seabrook. The Plant's percentage share of new plant additions are capitalized and their share of operating and maintenance expenses, and decommissioning expenses (see note C) are charged against earnings.

10. Cash Equivalents

For purposes of the Statement of Cash Flows, the Plant considers certificates of deposit with maturities of three months or less to be cash equivalents.

11. Internet

The Plant experienced its first full year as an internet provider in 1999. This new venture generated revenues of approximately $947,000 and $939,000 for the years ended December 31, 2000 and 1999, respectively. Expenses were approximately $1,200,000 and $1,070,000 for the same periods.

12. Reclassifications

Certain reclassifications have been made to the fiscal 1999 financial statements in order to conform with current year's presentation.

NOTE B - CASH AND CERTIFICATES OF DEPOSIT

The Plant's cash is deposited with the City of Taunton Treasurer who commingles it with other City funds. The City invests the cash and credits the Plant each year with interest earned on the cash deposits.

Cash, certificates of deposit deposited and short term investments with the City of Taunton consists of the following at December 31,

	2000	1999
Interest bearing pooled funds including restricted customer deposits of $689,778 and $566,083, respectively	$10,876,249	$ 9,234,746
Certificates of deposit with rates of 5.5% maturing February 2000	-	4,000,000
Certificates of deposit with rates of 6.52% maturing April 2001	2,000,000	-
	$12,876,249	$13,234,746

Cash, certificates of deposit and short term investments at December 31, is reflected as follows:

	2000	1999
Depreciation Fund - capital additions and replacements	$ 4,942,077	$ 5,003,844
Depreciation Fund - Major overhaul	327,318	327,318
Depreciation Fund - Unit 9 principal and interest	4,853,005	4,647,248
Depreciation Fund - other	728,684	728,684
Cash – including operating and rate stabilization fund	1,335,387	1,961,569
Customer deposit - principal and interest fund	689,778	566,083
	$12,876,249	$13,234,746

Certain cash amounts have been designated as restricted for the purpose of a rate stabilization fund. This fund is designated to offset potential future customer rate increases.

At December 31, 2000, cash overdraft in the amount of $1,128,022 for Internet was reclassed into accounts payable Internet.

NOTE C - INVESTMENTS

The Plant is a 0.10034% joint owner of the Seabrook New Hampshire Unit 1.

The joint owners of Seabrook have established a Decommissioning Fund that is currently held by a Trustee. The Plant's share of the estimated decommissioning liability is approximately $491,000 as of January 1, 1998 (the most current valuation date). The Plant is currently contributing, based on a present value formula, $2,013 per month over 26 years.

Energy New England

In 1998, the Plant, in conjunction with the Reading Municipal Light Department, the Braintree Electric Light Department and the Connecticut Municipal Electric Energy Cooperative, formed a new cooperative, Energy New England LLC, as allowed under Chapter 164 of the General Laws of the Commonwealth of Massachusetts. Each founding system invested $500,000 in order to initially fund the new corporation. Energy New England is an energy and energy services cooperative established to assist publicly owned entities to ensure their continued viability in the newly deregulated wholesale electric utility markets and to strengthen their competitive position in the retail energy market for the benefit of the municipal entities' customers. Energy New England functions as an autonomous, entrepreneurial business unit that is free from many of the constraints imposed on traditional municipal utility operations. Each founding member has one seat on the Board of Directors along with three outside Directors. Energy New England commenced the management of the founders power supply operations in the newly restructured NEPOOL wholesale markets as of May 1, 1999. The Plant records this investment under the equity method. Included in other (income) expense is approximately $113,000 of income and $263,000 of losses for the years ended December 31, 2000 and 1999, respectively, representing the Plant's share of Energy New England's net (income) losses.

NOTE D - LONG-TERM DEBT

Long-term debt is comprised of the following bonds:

	2000	1999
Electric Loan Act of 1969		
Interest rate - 8%, interest payable February 1 and August 1, due serially to February 1, 2006	$10,080,000	$11,330,000
Unamortized premium	16,740	20,094
	10,096,740	11,350,094
Less current maturities	1,350,000	1,250,000
Total long-term debt	$ 8,746,740	$10,100,094

NOTE D - LONG-TERM DEBT - Continued

Aggregate maturities of long-term debt at December 31, 2000, are as follows:

2001	$ 1,350,000
2002	1,465,000
2003	1,585,000
2004	1,750,000
2005	1,890,000
Thereafter	2,040,000
	$10,080,000

NOTE E - CONTRIBUTION IN LIEU OF TAXES

The Plant contributed $2,360,000 in 2000 and 1999 to the City of Taunton in lieu of taxes. All contributions to the City are voted by the Municipal Light Commission.

NOTE F - COMMITMENTS AND CONTINGENCIES

Hydro-Quebec Agreement

In 1988, the Plant entered into an agreement with the Massachusetts Municipal Wholesale Electric Company and other New England Utilities to support the operation of a transmission line to permit the interchange of electricity between such utilities and Hydro-Quebec Electric Corporation (HydroQuebec). In connection with the agreement, the Plant advanced approximately $800,000 toward development of the project of which approximately $450,000 was returned after the project had obtained financing. In 1991, the Hydro Quebec project was completed. Upon completion of this project, each participant received stock in the New England Hydro Transmission Electric Company and The New England Hydro Transmission Corporation proportional to their advances. The investment is being accounted for on the cost basis. The stock received is not readily marketable, but gives the holder rights to purchase power at a percentage of the fossil fuel rate.

During the years ended December 31, 2000 and 1999, the Plant received dividends from the above noted Companies of approximately $51,000 and $62,000, respectively.

NOTE F - COMMITMENTS AND CONTINGENCIES - Continued

Litigation and Other Matters

1. The Plant has a contract with Vermont Yankee and certain of its Sponsors for 0.4602 percent of the output of the Vermont Yankee Plant. On January 6, 2000, Vermont Yankee Nuclear Power Corporation, Vermont Electric Power Company, and AmerGen Vermont, LLC, initiated a number of related proceedings before FERC all arising from the proposed sale of the Vermont Yankee Plant to AmerGen.

   The Plant and 21 other Massachusetts Municipals with similar Secondary Purchase Contracts for the Vermont Yankee output filed to intervene in FERC proceedings and subsequently filed a Protest and Request for Hearing, on February 14, 2000, with FERC as to the manner in which the Applicants above noted sought to effectuate the transfer and sale of the Plant. It is the position of the Plant and the other Massachusetts Municipals that the proposals before FERC would essentially transform their existing secondary purchase agreements, which expire in November 2002, and provide little if any benefits to the Plant. As a consequence, the Plant and other Massachusetts Municipals sought a hearing to investigate the many issues they raised in their Protest, and requested that FERC provide relief, including ordering protections to which they are entitled under their contracts and pursuant to the law; or in the alternative, to declare their contracts at an end.

   By Order issued June 29, 2000, the Commission issued an Order authorizing the AmerGen sale essentially on the terms requested by VY and AmerGen. However, as to the rate issues concerns arising from the Amendatory Agreements that the intervenors raised, the Commission's Order established a hearing to determine whether Vermont Yankee's rates under the Amendatory Agreement with the Sponsors was just and reasonable. A refund effective date was established by Order issued June 30, 2000, commencing 60 days after the publication of the Notice in the Federal Register, which was September 5, 2000. The Commission found that the other concerns raised by the intervenors, including the Municipals' complaint as to the breach of the contract, were outside the scope of the transfer proceeding. On July 31, 2000, Taunton and 21 municipals filed for rehearing and clarification. On August 23, 2000, the Commission issued an "Order Granting Rehearing for Further Clarification".

NOTE F - COMMITMENTS AND CONTINGENCIES - Continued

On June 22, 2000, Taunton and the 21 Municipals filed a complaint with the Commission, in which they asserted that they were entitled to refunds for transaction costs incurred in the sale of the Plant and for certain decommissioning contributions, which together could amount to over $1.2-million. In addition, they sought consolidation with the then pending transfer proceedings discussed above. This complaint proceeding is designed as Docket No. EL00-86-000. Vermont Yankee, VELCO, and AmerGen Vermont opposed the consolidation; and VY and the Sponsors responded that the complaint was without merit. By Order issued August 31, 2000, the Commission set the complaint for hearing and consolidated the dockets, as requested by the Municipals. A refund effective date of August 21, 2000 was also established.

Subsequent to these Orders, Taunton and the 21 Massachusetts Municipals have engaged in settlement negotiations with the Vermont Yankee Sponsors and also with the other parties to the FERC litigation, and continue to do so. It is the further position of Taunton that the increased decommissioning amounts sought by the Company for service for Vermont Yankee, beginning January 1, 2000, are not permissible and it has objected to the collection of the increased amounts.

On February 14, 2001, the Vermont Public Service Board issued an order dismissing the state's review of VY's proposal to sell the plant to AmerGen. All parties basically conceded, the Board found, that the existence of a competing, more favorable proposal from Entergy to buy the plant prevented the Board from finding that the AmerGen purchase proposal was in the public interest. This action moots the FERC case filed by VY which FERC had set for hearing and which has been in settlement discussions since September 2000. It is anticipated that VY will file another proposal to sell the Plant, either through an auction or negotiations.

However, the Massachusetts Secondary Purchasers' complaint proceeding includes a claim for refunds of the transaction costs that VY has been incurring in connection with the AmerGen deal and passing through to the Sponsors and Secondary Purchasers through the formula rates. This refund claim is *not* mooted by the state's rejection of the AmerGen deal.

The Plant and the other Secondary Purchasers as well as other parties continue their attempts to settle, but the outcome remains uncertain.

2. The Plant is involved in various legal matters incident to its business, none of which is believed by management to be significant to the financial condition or the results of operations of the Plant.

3. The Plant is also involved in proceedings relating to environmental matters. Although it is difficult to estimate the liability, if any, of the Plant related to these environmental matters, the Plant believes that these matters will not have a material adverse effect upon its financial condition or the results of operations.

NOTE G - PENSION PLANS

The Plant contributes to the City of Taunton Retirement System (the "System"), a public employee retirement system that acts as the investment and administrative agent for the City. All full-time employees participate in the System.

Instituted in 1937, the System is a member of the Massachusetts Contributory System and is governed by Massachusetts General Laws Chapter 32. Membership in the System is mandatory upon the commencement of employment for all permanent, full-time employees.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

Members of the System become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining twenty years of service. The System also provides for early retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was on the City's payroll on January 1, 1978, (3) voluntarily left City employment on or after that date, and (4) left accumulated annuity deductions in the fund. Active members contribute either 5%, 7%, 8%, or 9% of their regular compensation depending on the date upon which their membership began. The System also provides death and disability benefits.

The System does not make a separate measurement of assets and the pension benefit obligation for the Plant. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the System on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the System. As of January 1, 2000 (the most current valuation date), the Plant's unfunded actuarial accrued liability is approximately $12,393,611.

The Plant has established a separate Employees Retirement Trust Fund ("Trust Fund") for the financing of future pension payments. The market value of the net assets at December 31, 2000 and 1999 was approximately $13,710,000 and $13,150,000, respectively. These funds are invested in money market funds, fixed income securities including government and corporate bonds and other equity securities. The Plant has made no contributions to the Trust Fund in 2000 and 1999.

NOTE G - PENSION PLANS - Continued

The Plant receives from the Trust Fund, over the next twenty-eight years, an amount equal to one hundred percent of the annual amortization of the unfunded pension liability.

The following represents the components of the Plant's recorded pension expense:

	December 31, 2000	December 31, 1999
Contributions to the System	$1,822,402	$1,743,737
Contributions from the Trust Fund	(1,294,120)	(1,238,553)
Recorded pension expense	$ 528,282	$ 505,184

Prior to 1993, the System's funding policy for the participating entities was not actuarially determined. The participating entities were required to contribute each fiscal year an amount approximating the pension benefits (less certain interest credits) expected to be paid during the year ("pay-as-you-go" method). Effective for fiscal year ends 1993 and beyond, the System has removed the "pay-as-you-go" method and will amortize the unfunded pension benefit obligation over thirty-two years. This change has been approved by Public Employees Retirement Association.

Accounting standards require certain related disclosures be made including the components of pension costs and the funded status of the System. The effect of omitting such disclosure on the accompanying financial statements has not been determined.

NOTE H - POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in note G, the Plant provides post employment health care benefits to retirees that meet certain requirements. Retirees of the Plant under age 65 are eligible for the same health benefits as active employees, while retirees over the age of 65 are eligible for MEDEX. The costs of the benefits provided to retirees are borne 75% by the Plant, and 25% by the retirees.

The Plant is charged their prorata portion of the "pay-as-you-go" cost of benefits based on an allocation by the City done annually. For 2000 and 1999, the costs allocated to the Plant were approximately $510,000 and $464,000, respectively.

SUPPLEMENTAL INFORMATION

Report of Independent Certified Public Accountants
on Supplemental Information

Taunton Municipal Lighting Plant

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole of Taunton Municipal Lighting Plant for the years ended December 31, 2000 and 1999, which are presented in the preceding section of this report. The supplemental information presented hereinafter is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, except for the omission of certain pension plan disclosures required by the Governmental Accounting Standards Board, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Grant Thornton LLP

Boston, Massachusetts
March 16, 2001

Taunton Municipal Lighting Plant

OPERATING EXPENSES

Years ended December 31,

	2000	1999
POWER PRODUCTION		
Operation		
Supervision and engineering	$ 1,017,840	$ 1,040,817
Fuel	12,384,201	5,601,264
Labor and expenses	2,241,532	2,160,139
	15,643,573	8,802,220
Maintenance		
Supervision and engineering	356,448	442,445
Structures	141,304	140,363
Boiler plant	1,048,892	618,692
Electric plant	793,130	655,218
Miscellaneous	912,155	670,498
	3,251,929	2,527,216
Purchased power	17,780,617	16,223,401
Total power production	36,676,119	27,552,837
TRANSMISSION AND DISTRIBUTION		
Operation		
Supervision and engineering	168,845	226,319
Labor	-	4,443
Supplies and expenses	22,701	33,439
Meter expenses	329,846	298,563
Customer installation	-	5,265
Transmission by others	1,106,619	1,083,565
Overhead lines	118,391	123,371
Miscellaneous	546,406	456,391
	2,292,808	2,231,356
Maintenance		
Supervision and engineering	548,239	463,151
Lines - electric	1,554,909	1,550,412
Street lighting and signal systems	122,342	157,489
Meters	-	6,022
Structures and equipment	-	1,293
Line transformers	124,228	143,963
Station equipment	204,840	187,635
Miscellaneous	14,242	70,087
	2,568,800	2,580,052
Total transmission and distribution	4,861,608	4,811,408
Forward	41,537,727	32,364,245

Taunton Municipal Lighting Plant

OPERATING EXPENSES - CONTINUED

Years ended December 31,

	2000	1999
Brought forward	$41,537,727	$32,364,245
CUSTOMER ACCOUNTING		
Meter reading labor and expenses	368,688	322,829
Accounting and collecting expenses	1,251,468	1,156,522
Uncollectible accounts	284,677	591,278
Advertising expense	150,143	107,816
Total customer accounting	2,054,976	2,178,445
ADMINISTRATIVE AND GENERAL		
Operation		
Administrative and general salaries	928,998	1,010,721
Office supplies and expenses	257,370	248,738
Outside services employed	252,573	298,010
Property insurance	217,906	220,615
Injuries and damages	246,701	233,593
Employee pensions and benefits	1,911,746	2,349,684
Miscellaneous general expenses	1,043,554	450,521
Transportation expenses	210,408	307,672
Transfer employee benefit expense	(2,320,320)	(2,168,443)
Regulatory commission expense	-	-
	2,748,936	2,951,111
Maintenance		
General plant	571,488	301,635
Office building	280,371	310,138
	851,859	611,773
Total administrative and general	3,600,795	3,562,884
DEPRECIATION AND AMORTIZATION	5,094,281	4,842,289
NUCLEAR EXPENSE	240,343	269,655
	$52,528,122	$43,217,518

HUDSON LIGHT AND POWER DEPARTMENT

Financial Statements
December 31, 2000 and 1999

Goulet, Salvidio & Associates, P.C.
Certified Public Accountants

HUDSON LIGHT AND POWER DEPARTMENT
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DECEMBER 31, 2000 and 1999

Goulet, Salvidio & Associates, P.C.
Certified Public Accountants

James F. Goulet, CPA, MST
Catherine A. Kuzmeskus, CPA

Michael A. Salvidio, CPA
James R. Dube, CPA

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Hudson Light and Power Department

We have audited the accompanying financial statements of Hudson Light and Power Department of Hudson, Massachusetts, as of and for the years ended December 31, 2000 and 1999 as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraphs, 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.

As discussed in Note 6 to the financial statements, the Department records pension expense based on a formula determined by the Town of Hudson and an additional contribution based on a percentage determined by an independent actuarial study, whereas generally accepted accounting principles require the use of actuarial methods in determining annual pension expense and certain disclosures required by the Governmental Accounting Standards Board relating to pensions which have been omitted. The effect on the financial statements of not using actuarial methods has not been determined.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we used the independent actuarial study to determine pension expense and the omission of certain pension plan disclosures required by the Governmental Accounting Standards Board on the 2000 and 1999 financial statements, the financial statements referred to above present fairly, in all material respects, the financial position of the Hudson Light and Power Department as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Goulet, Salvidio & Associates, P.C.

Goulet, Salvidio + Associates, P.C.

Worcester, Massachusetts
May 9, 2001

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HUDSON LIGHT AND POWER DEPARTMENT
BALANCE SHEETS
OPERATING FUND
DECEMBER 31, 2000 AND 1999

ASSETS

	2000	1999
UTILITY PLANT:		
Intangible Plant	$ 3,880	$ 3,880
Production Plant	7,019,116	7,008,650
Nuclear Fuel	349,013	313,998
Transmission Plant	1,650,205	1,644,305
Distribution Plant	10,070,367	9,998,050
General Plant	2,244,916	2,161,843
	21,337,497	21,130,726
Less: Accumulated Depreciation	15,875,948	15,220,261
Net Utility Plant	5,461,549	5,910,465
OTHER PROPERTY AND INVESTMENTS:		
Funds on Deposit with Town Treasurer		
Depreciation Fund	471,269	126,073
Depreciation Investment Fund	3,919,583	3,692,521
Investment	96,794	105,987
Total Other Property and Investments	4,487,646	3,924,581
CURRENT ASSETS:		
Funds on Deposit with Town Treasurer		
Operating Fund	5,289,840	4,975,604
Customer Deposits	321,548	282,344
Customer Deposits-Interest	177,181	153,139
Petty Cash	500	500
Customer Accounts Receivable	3,306,247	2,028,834
Other Receivables	26,560	430,933
Due from Rate Stabilization Fund	0	949,983
Deferred Debit-Fuel Charge	1,535,547	0
Materials and Supplies	1,058,832	854,753
Purchased Power Prepayments	621,187	174,968
Purchased Power Working Capital	636,827	340,076
Total Current Assets	12,974,269	10,191,134
TOTAL ASSETS	$ 22,923,464	$ 20,026,180

See Accompanying Notes to Financial Statements

HUDSON LIGHT AND POWER DEPARTMENT
BALANCE SHEETS
OPERATING FUND
DECEMBER 31, 2000 AND 1999

CAPITALIZATION AND LIABILITIES

	2000	1999
CAPITALIZATION:		
Contributions in Aid of Construction	$ 428,752	$ 428,752
Appropriated Retained Earnings-Bond Repayments	1,925,000	1,925,000
Unappropriated Retained Earnings	17,371,642	15,058,731
Total Capitalization	19,725,394	17,412,483
CURRENT LIABILITIES:		
Accounts Payable	2,241,454	777,797
Customer Deposits	321,638	325,823
Customer Deposits-Interest	176,417	152,376
Tax Collections Payable	18,090	13,405
Miscellaneous Current and Accrued Liabilities	438,371	401,147
Deferred Credit - Fuel Charge	0	332,862
Total Current Liabilities	3,195,970	2,003,410
OTHER NONCURRENT LIABILITIES:		
Accumulated Provision for Insurance	0	605,394
DEFERRED CREDITS:		
Customer Advances for Construction	2,100	2,100
Deferred Credits-Other	0	2,793
Total Deferred Credits	2,100	4,893
TOTAL CAPITALIZATION AND LIABILITIES	$ 22,923,464	$ 20,026,180

See Accompanying Notes to Financial Statements

HUDSON LIGHT AND POWER DEPARTMENT
BALANCE SHEETS
DECEMBER 31, 2000 AND 1999

RATE STABILIZATION TRUST FUND

ASSETS

	2000	1999
OTHER PROPERTY AND INVESTMENTS:		
Funds on Deposit with Town Treasurer		
Rate Stabilization Trust Fund	$ 6,811,327	$ 8,037,854

CAPITALIZATION AND LIABILITIES

	2000	1999
CAPITALIZATION:		
Appropriated Retained Earnings for Rate Stabilization Trust Fund	$ 6,811,327	$ 7,087,871
LIABILITIES:		
Due to Operating Fund	0	949,983
TOTAL CAPITALIZATION AND LIABILITIES	$ 6,811,327	$ 8,037,854

RETIREMENT TRUST FUND

ASSETS

	2000	1999
OTHER PROPERTY AND INVESTMENTS:		
Funds on Deposit with Town Treasurer		
Retirement Trust Fund	$ 6,575,922	$ 6,345,707

CAPITALIZATION

	2000	1999
CAPITALIZATION		
Appropriated Retained Earnings for Retirement Trust Fund	$ 6,575,922	$ 6,345,707

See Accompanying Notes to Financial Statements

HUDSON LIGHT AND POWER DEPARTMENT
STATEMENTS OF INCOME AND UNAPPROPRIATED RETAINED EARNINGS
OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000	1999
OPERATING REVENUES	$ 29,444,534	$ 26,456,236
OPERATING EXPENSES:		
Production Expenses	809,072	752,424
Purchased Power Expenses	22,815,221	21,006,992
Transmission Expenses	1,399,386	1,502,955
Distribution Expenses	686,987	616,432
General Expenses	1,879,811	1,709,962
Real Estate and Other Taxes	17,638	23,610
Depreciation Expense	623,026	614,423
Total Operating Expenses	28,231,141	26,226,798
OPERATING INCOME	1,213,393	229,438
OTHER INCOME (EXPENSE):		
Interest and Dividend Income	440,165	298,546
Realized Gains (Losses) on Maturities of Investments	283	452
Miscellaneous Nonoperating Income	7	58
Interest Charges	(70)	(39)
Total Other Income (Expense)	440,385	299,017
NET INCOME	1,653,778	528,455
Unappropriated Retained Earnings - January 1,	15,058,731	14,652,489
Appropriation of Funds Transferred to Rate Stabilization Trust Fund	(247,212)	(750,000)
Prior Period Adjustments	1,131,345	852,787
Appropriation Returned to Town	(225,000)	(225,000)
Unappropriated Retained Earnings - December 31,	$ 17,371,642	$ 15,058,731

See Accompanying Notes to Financial Statements

HUDSON LIGHT AND POWER DEPARTMENT
STATEMENTS OF INCOME AND APPROPRIATED RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999.

RATE STABILIZATION TRUST FUND

	2000	1999
OTHER INCOME (EXPENSE):		
Interest Earned on Invested Funds	$ 467,924	$ 619,438
Accrued Interest Paid at Purchase	(4,892)	(19,834)
Gain (Loss) from Security Redemption	10	1,093
Purchased Power Expenses	(2,550,000)	(3,943,581)
NET INCOME (LOSS)	(2,086,958)	(3,342,884)
APPROPRIATED RETAINED EARNINGS - January 1,	7,087,871	9,680,755
ADD: Transfer from Operating Fund	1,810,414	750,000
APPROPRIATED RETAINED EARNINGS - December 31,	$ 6,811,327	$ 7,087,871

RETIREMENT TRUST FUND

	2000	1999
OTHER INCOME (EXPENSE):		
Interest Earned on Invested Funds	$ 396,227	$ 404,289
Accrued Interest Paid at Purchase	(9,455)	(12,642)
Gain (Loss) from Security Redemption	1,418	888
Annual Contribution from Light Department	349,753	133,085
Annual Pension Expense	(507,728)	(504,347)
NET INCOME (LOSS)	230,215	21,273
APPROPRIATED RETAINED EARNINGS - January 1,	6,345,707	6,324,434
APPROPRIATED RETAINED EARNINGS - December 31,	$ 6,575,922	$ 6,345,707

See Accompanying Notes to Financial Statements

HUDSON LIGHT AND POWER DEPARTMENT
STATEMENTS OF CASH FLOWS
OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 1,653,778	$ 528,455
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	623,026	614,423
Amortization of Nuclear Fuel	20,982	25,383
Interest and Dividend Income	(440,165)	(298,546)
Realized (Gains) Losses on Sales of Investments	(283)	(452)
Appropriation Returned to Town	(225,000)	(225,000)
Appropriation Transferred to Rate Stabilization	(247,212)	(750,000)
Prior Period Adjustments	1,131,345	852,787
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Customer Accounts Receivable	(1,277,413)	720,709
Other Accounts Receivable	404,373	(219,434)
Deferred Debit-Fuel Charge	(1,535,547)	229,705
Materials and Supplies	(204,079)	(100,034)
Purchased Power Prepayments	(446,219)	22,565
Purchased Power Working Capital	(296,751)	(1,924)
Increase (Decrease) in:		
Accounts Payable	1,463,657	(1,226,439)
Customer Deposits	(4,185)	78,595
Customer Deposits-Interest	24,041	18,940
Tax Collections Payable	4,685	(2,374)
Deferred Credit-Fuel Charge	(332,862)	332,862
Misc. Current and Accrued Liabilities	34,431	190,614
Accumulated Provision for Insurance	(605,394)	0
Net Cash Provided by Operating Activities	(254,792)	790,835

Continued

See Accompanying Notes to Financial Statements

HUDSON LIGHT AND POWER DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000	1999
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of Utility Plant Assets	$ (160,075)	$ (559,374)
Purchases of Nuclear Fuel	(35,017)	(6,121)
Net Cash Used in Capital and Related Financing Activities	(195,092)	(565,495)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividend Income	440,165	298,546
Due from Rate Stabilization Fund	949,983	(949,983)
Net Proceeds from Maturities (Purchases) of Investments	(112,721)	(224,747)
Net Cash Provided by (Used in) Investing Activities	1,277,427	(876,184)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	827,543	(650,844)
CASH AND CASH EQUIVALENTS - JANUARY 1	5,538,677	6,189,521
CASH AND CASH EQUIVALENTS - DECEMBER 31	$ 6,366,220	$ 5,538,677

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

The following amounts are considered to be cash or cash equivalents for the purpose of the statements of cash flows:

	2000	1999
Depreciation Fund	$ 471,269	$ 126,073
Depreciation Investment Fund (Note 10)	105,882	1,017
Operating Fund	5,289,840	4,975,604
Customer Deposits	321,548	282,344
Customer Deposits-Interest	177,181	153,139
Petty Cash	500	500
	$ 6,366,220	$ 5,538,677

Cash paid for interest expense in 2000 and 1999 was $70 and $39, respectively.

See Accompanying Notes to Financial Statements

HUDSON LIGHT AND POWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of Hudson Light and Power Department are as follows:

Reporting Entity
The Hudson Light and Power Department is a component unit of the Town of Hudson, Massachusetts. The Department purchases power from various sources and sells it to the ultimate customers at rates submitted to the Massachusetts Department of Telecommunications and Energy (DTE). The Municipal Light Board (an elected Town Board) appoints a Manager who has full charge of the operations and management of the Department under the direction and control of the Municipal Light Board.

Regulation and Basis of Accounting
The Town of Hudson complies with Generally Accepted Accounting Principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Under Massachusetts law, electric rates of the Department are set by the Municipal Light Board and may be changed not more often than once every three months. Rate schedules are filed with the Massachusetts Department of Telecommunications and Energy (DTE). While the DTE exercises general supervisory authority over the Department, the Department's rates are not subject to DTE approval.

Depreciation
The general laws of Massachusetts allow utility plant to be depreciated at an annual rate of 3%. In order to change this rate, approval must be obtained from the Department of Telecommunications and Energy. Changes in annual depreciation rates may be made for financial factors relating to cash flow rather than for engineering factors relating to estimates of useful lives. The Department used a depreciation rate of 3% for 2000 and 1999.

The Department charges maintenance to expense when incurred. Replacements and betterments are charged to utility plant.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Revenues

Revenues from sales of electricity are recorded on the basis of bills rendered from monthly readings taken on a cycle basis. The revenues are based on rates established by the Department which are applied to the customers' consumption of electricity.

The Department has a power cost adjustment clause pursuant to which increased power costs (power costs in excess of amounts recovered through base rates) are billable to customers. The Department records estimated unbilled fuel adjustment charge revenue at the end of accounting periods.

Materials and Supplies

Materials and supplies are valued using the average cost method.

Taxes

The Department is exempt from federal and state income taxes. Although also exempt from property taxes the Department pays amounts in lieu of taxes to the Town of Hudson. Taxes are paid to the State of New Hampshire resulting from ownership in the Seabrook, New Hampshire Nuclear Power Plant.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Department considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Advertising

The Department expenses advertising costs as incurred. At December 31, 2000 and 1999 advertising expense was $1,502 and $697, respectively.

Reclassification

Certain amounts in the 1999 financial statements have been reclassified to conform with the 2000 presentation with no effect on previously reported net income.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Compensated Absences

In accordance with Town and Light Department policies, employees are allowed to accumulate sick days, up to a maximum of 960 hours. Upon termination of employment with the Light Department, the employee will not be paid and upon retirement up to 50% of their accumulated sick time at employee's regular rate of pay. The percentage is based on employees age and number of years of service with the Light Department.

Employees are permitted to carry vacation time from one year to the next. Upon termination of employment with the Light Department, the employee will be paid for unused vacation time based on the employee's base rate of pay at the time of termination. Union employees have to use their vacation by April of the following year.

Allowance for Doubtful Accounts

The Light Department considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

NOTE 2 - UNBILLED REVENUE:

No recognition is given to the amount of sales to customers which are unbilled at the end of the accounting period.

NOTE 3 - CONCENTRATION OF CREDIT RISK:

Light Department cash is deposited with the Town Treasurer and are commingled and invested with deposits from other Town funds. Accordingly, it is not practical to disclose the related bank balance and credit risk of such cash deposits for the Light Department. Funds on deposit with financial institutions are subject to the insurance coverage limits imposed by the Federal Deposit Insurance Corporation (FDIC). The amount of insurance coverage for the Light Department deposits is not determinable because the limits of insurance are computed on a Town-wide basis.

NOTE 4 - INVESTMENT:

The Department owns shares of Hydro Quebec Phase II stock. The securities are stated at cost. Fair market value approximates stated value.

NOTE 5 - MMWEC PARTICIPATION:

The Town of Hudson acting through its Light and Power Department is a Participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC).

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in and to issue revenue bonds to finance electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other utilities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other Utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its pro rata share of MMWEC's costs related to the Project, which costs include debt service on bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should any Project Participant fail to make payment, other Project Participants may be required to increase (step-up) their payments and correspondingly their Participants' share of Project Capability to an additional amount not to exceed 25% of their original Participants' share of the Project Capability. Project Participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs.

MMWEC also contracts to purchase power from third parties which is resold to Members and other utilities under agreements known as Power Purchase Agreements (PPAs).

The payments required to be made to MMWEC under the PSAs and the PPAs are payable solely from Light Department revenues. Under the PSAs, each Participant is unconditionally obligated to make payments due to MMWEC whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

NOTE 6 - PENSION PLAN:

The Department is a member of the Middlesex Retirement System which in turn is a member of the Massachusetts Contributory Retirement System which is governed by M.G.L. c.32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees. The plan is a contributory defined benefit plan for all county employees and employees of participating towns and districts except those employees who are covered by the teachers retirement board.

NOTE 6 - PENSION PLAN (Continued):

Massachusetts Contributory Retirement System benefits are uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

A $30,000 salary cap, upon which members' benefits were calculated, was removed by the Middlesex Retirement System effective January 1, 1991. Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total contributions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired after 1978 contribute an additional 2% of annual pay above $30,000. These contributions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Public Employees' Retirement Administration's Commission (PERAC's) actuary. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors, including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veterans' status, and group classification. Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total contributions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those contributions.

NOTE 6 - PENSION PLAN (continued):

Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The Governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as determined by PERAC's actuary. The Town of Hudson's last available actuarial study was on January 1, 1997. As of that date, the Town's share of the total estimated actuarial liability of the system was $21,400,291 and its share of assets was $11,332,679, leaving an estimated unfunded actuarial liability of $10,067,612. Because the Department's employees comprise only approximately 25% of the Town of Hudson's participants in the retirement system, the Department's portion of the unfunded actuarial accrued liability is not separately calculated by PERAC's actuary.

The Department has made provisions for their share of the Town of Hudson's unfunded actuarial liability by setting up the Town of Hudson Light and Power Department Employees' Retirement Trust to which they make contributions as deemed necessary by an actuary hired every two years to analyze the trust's estimated actuarial liability and assets. The last available actuarial study of the Department's trust dated January 1, 1999 indicated that the trust was adequately funded. (See Footnote 15)

NOTE 7 - DEPRECIATION FUND:

Pursuant to provisions of the Commonwealth General Laws, cash in an amount equivalent to the annual depreciation expense is transferred from unrestricted funds to the depreciation fund. Interest earned on the balance of the fund must also remain in the fund. Such cash may only be used to pay for additions to utility plant and for various contractual commitments relating to power supply expenditures.

NOTE 8 - PURCHASED POWER WORKING CAPITAL:

MMWEC Participants approved working capital amendments to the various power purchase agreements. The implementation of the Working Capital Program began August 1, 1985. The income earned allocated to the Department will be applied as a credit to MMWEC Power Sales Billing. The balance in the Fund as of December 31, 2000 and 1999 is $636,827 and $340,076, respectively.

NOTE 9 - OTHER RECEIVABLES:

Other receivables represent funds due to the Department as follows:

	2000	1999
Merchandising and Jobbing	$ 26,560	$ 16,652
Power Contract Refunds	0	414,281
	$ 26,560	$ 430,933

NOTE 10 - APPROPRIATION RETURNED TO TOWN:

By vote of the Municipal Light Board, the Department agreed to contribute $225,000 in 2000 and 1999 to the Town of Hudson in lieu of real estate taxes. All contributions to the Town are voluntary.

NOTE 11 - MAJOR CUSTOMER:

The Department's revenues include approximately $8,485,423 and $8,696,920 billed to one major customer during 2000 and 1999, respectively. Amounts due from this customer included in accounts receivable were $802,544 and $0 at December 31, 2000 and 1999, respectively.

NOTE 12 - INVESTMENTS AND CASH EQUIVALENTS:

The Department's cash, cash equivalents and investments are held by the Hudson Town Treasurer. The Department's investments are classified as held to maturity and are recorded at unamortized cost plus accrued interest paid at purchase. The Depreciation Investment Fund is allocated between investments and cash equivalents as follows:

NOTE 12 - INVESTMENTS AND CASH EQUIVALENTS (Continued):

At December 31, 2000 and 1999 securities maturing within one year amounted to $3,813,701 and $3,691,504 respectively.

		Investments		Cash Equivalents		Total
				2000		
Depreciation Fund	$	3,813,701	$	105,882	$	3,919,583
				1999		
Depreciation Fund	$	3,691,504	$	1,017	$	3,692,521

The gross unrealized holding gains on the U.S. Treasury Notes were $8,108 and $8,704 at December 31, 2000 and 1999 respectively. The gross unrealized holding gains on the Certificates of Deposits were $0 and $901, at December 31, 2000 and 1999.

NOTE 13 - PRIOR PERIOD ADJUSTMENTS:

During 2000 and 1999, the Department received and paid certain amounts relating to activities that occurred in prior years as follows:

			2000		1999
Pilgrim	- Decommissioning Refund	$	287,780	$	0
Millstone 3 Litigation	- 96-98 Transmission Settlement		277,148		0
Insurance Reserve	- Write off unfunded reserve		605,394		0
Boston Edison	- True-Up for 1995 and 1996		0		24,016
Deferred Fuel Charge Adj.			2,794		179,743
NEPOOL	- 97-98 Overcharge Settlement		(41,771)		250,602
NE Power	- 96-98 Tariff #9 Settlement		0		398,426
		$	1,131,345	$	852,787

NOTE 14 - RATE STABILIZATION TRUST FUND:

The Hudson Light and Power Board of Commissioners voted (January 11, 1997) to establish a Rate Stabilization Trust Fund for the purpose of providing the necessary funds to meet future power supply costs. Approximately $9 million was transferred from the special insurance escrow reserve account to the Rate Stabilization Trust Fund in March, 1997. Under the terms of the trust any assets remaining after the final payment of Power Sales Agreement obligations will revert back to the Department.

The Department's cash equivalents and investments are held by the Hudson Town Treasurer. The Department's investments are classified as held to maturity and are recorded at unamortized cost plus accrued interest paid at purchase.

Total cash equivalents and investments are comprised of the following securities maturing within one year.

	Cost Plus Accrued Interest	Accrued Interest	Unamortized Cost	Fair Value
		2000		
Cash Equivalents	$ 2,078,918	$ 0	$ 2,078,918	$ 2,077,295
U.S. Treasury Notes	3,777,304	252	3,777,052	3,757,131
Certificates of Deposit	955,105	0	955,105	953,000
	6,811,327	252	6,811,075	6,787,426
		1999		
Cash Equivalents	1,086,357	0	1,086,357	1,083,931
U.S. Treasury Notes	6,277,809	367	6,277,442	6,135,133
Certificates of Deposit	673,688	4,713	668,975	670,000
Total	$ 8,037,854	$ 5,080	$ 8,032,774	$ 7,889,064

NOTE 14 - RATE STABILIZATION TRUST FUND: (Continued)

At December 31, 2000 the gross unrealized holding losses on the U.S. Treasury Notes were $19,922, the gross unrealized holding losses on cash equivalents were $1,624, at December 31, 2000. The gross unrealized holding gains on Certificates of Deposit were $50 and the gross unrealized holding losses were $2,155.

At December 31, 1999 the gross unrealized holding gains on the U.S. Treasury Notes were $-0-, the gross unrealized holding losses were $142,676, the gross unrealized holding gains on cash equivalents were $298, and the gross unrealized holding losses were $2,724, at December 31, 1999. The gross unrealized holding gains on Certificates of Deposit were $446 and the gross unrealized holding losses were $4,134.

NOTE 15 - RETIREMENT TRUST FUND:

The Department's cash equivalents and investments are held by the Hudson Town Treasurer. The Department's investments are classified as held to maturity and are recorded at unamortized cost plus accrued interest paid at purchase.

Total cash equivalents and investments are comprised of the following securities maturing within one year.

	Cost Plus Accrued Interest	Accrued Interest	Unamortized Cost	Fair Value
		2000		
Cash Equivalents	$ 1,174,574	$ 0	$ 1,174,574	$ 1,174,524
U.S. Treasury Notes	1,687,259	0	1,687,259	1,687,853
Certificates of Deposit	3,714,089	651	3,713,438	3,687,845
	6,575,922	651	6,575,271	6,550,222
		1999		
Cash Equivalents	743,694	0	743,694	743,795
U.S. Treasury Notes	4,842,338	6,597	4,835,741	4,676,366
Certificates of Deposit	759,675	0	759,675	760,000
Total	$ 6,345,707	$ 6,597	$ 6,339,110	$ 6,180,161

NOTE 15 - RETIREMENT TRUST FUND: (Continued)

At December 31, 2000 the gross unrealized holding gains on the U.S. Treasury Notes were $ 14,625, the gross unrealized holding losses were $40,918, the gross unrealized holding gains on Certificate of Deposits were $594, and the gross unrealized holding gains on Cash Equivalents were $50, at December 31, 2000.

At December 31, 1999 the gross unrealized holding gains on the U.S. Treasury Notes were $17,442, the gross unrealized holding losses were $183,414, the gross unrealized holding gains on Certificate of Deposits were $325, and the gross unrealized holding gains on Cash Equivalents were $101.

NOTE 16 - COMMITMENTS AND CONTINGENCIES:

Stow Municipal Electric Department
Hudson Light and Power Department has supplied the town of Stow with electric service since 1898 over a distribution system owned and operated by the Hudson Light and Power Department. In June 1994, Stow notified the Hudson Light and Power Department that it had voted to establish its own municipal lighting plant. The proceeding at the Department of Telecommunications and Energy (DTE) was commenced because the parties were unable to reach agreement on the price to be paid by Stow for Hudson Light and Power Department's assets, including the amount of damages to be paid for Hudson Light and Power Department's stranded power supply costs that would be incurred as a result of Stow's departure.

In its initial February 16, 1996 decision, the DTE denied Hudson Light and Power Department's request for damages associated with its stranded power supply costs. The DTE also calculated the price to be paid for Hudson Light & Power Department's distribution assets based upon a 50/50 weighting of Hudson Light & Power Department's method, reproduction cost new less depreciation and Stow's method, original cost less depreciation.

On appeal to the Supreme Judicial Court, the Court affirmed the DTE's ruling with respect to the valuation of the distribution assets, but reversed the ruling on stranded costs, and remanded the case to the DTE. Specifically, the Court ordered the DTE to consider whether it would be in the public interest to require Stow to take a slice of the Hudson Light and Power Department damages for the power supply costs that would become stranded due to Stow's departure from the system.

NOTE 16 - COMMITMENTS AND CONTINGENCIES: (Continued)

On remand, the DTE determined that a Slice of System would be in the public interest, and accordingly, ordered Stow take 12/9% of Hudson Light & Power Department's long term power supply if it departs from the Hudson Light & Power Department system. Stow has requested reconsideration of the DTE's ruling, as well as a stay of the order pending any appeals. The DTE has not yet ruled on Stow's Motion for Reconsideration

MMWEC Contingencies and Litigation

Through its participation in MMWEC, the Hudson Light and Power Department is contingently liable on the various Projects in which they participate as detailed below.

MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project fossil-fueled power plants. MMWEC has a 22.7 MW interest in the W.F. Wyman Unit No. 4 plant, currently operated by a subsidiary of Florida Power & Light pursuant to an April 1999 agreement

MMWEC's 11.6% ownership interest in the Seabrook Station nuclear generating unit represents a substantial portion of its plant investment and financing program. It is anticipated that certain other joint owners of Seabrook, not MMWEC, intend to sell their ownership interests in Seabrook through a bid process commencing this year.

In addition, MMWEC has a 4.8% ownership interest in the Millstone Unit 3 nuclear unit. In August 2000, all of the joint owners of Millstone No.3 except MMWEC and Central Vermont Public Service Corp. entered into purchase and sale agreements with Dominion Resources, Inc., pursuant to which Dominion agreed to purchase the other joint owners' collective 93.47% ownership interest in Millstone No. 3. Dominion intends to assign its rights under the agreements to Dominion Nuclear Connecticut, an indirect wholly-owned subsidiary of dominion, which will assume all responsibility for the operation, maintenance and decommissioning of the units. The sale is contingent on receiving all regulatory approvals and an April 2001 closing date is targeted.

The MMWEC Seabrook and Millstone Project Participants, per the PSAs, are liable for their proportionate share of the costs of a nuclear incident at those power plants as outlined in the Price-Andersen Act. The Project Participants are also liable for the decommissioning expenses, which are being funded through monthly Project billings.

NOTE 16 - COMMITMENTS AND CONTINGENCIES: (Continued)

In November 1997, the Commonwealth of Massachusetts enacted legislation effective March 1, 1998 to restructure the electric utility industry. MMWEC and the municipal light departments are not specifically subjected to the legislation. However, it is management's belief that industry restructuring and retail customer choice promulgated within the legislation will have an effect on MMWEC and the Participant's operations.

MMWEC is involved in various legal actions. In the opinion of management, the outcome of such litigation or claims will not have a material effect on the financial position of the company.

As of December 31, 2000 total capital expenditures associated with the Projects amounted to $1,486,563,000, of which $162,451,000 represents the amount associated with the Department's Project Capability. MMWEC's debt outstanding for the Projects included Power Supply System Revenue Bonds and commercial paper notes totaling $1,158,055,000, of which $120,959,000 is associated with the Department's share of Project Capability and PPA. As of December 31, 2000, MMWEC's total future debt service requirement on outstanding bonds issued for Projects and commercial paper notes for the PPA is $1,692,776,000, of which $189,064,000 is anticipated to be billed to the Department.

Hudson Light and Power Department has entered into PSAs and PPAs with MMWEC. Under these agreements, the Department is required to make certain payments to MMWEC. The aggregate amount of Hudson Light and Power Department's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, through MMWEC at December 31, 2000 and estimated for future years is shown below.

	ANNUAL COST	
For years ended December 31,	2001	$ 11,200,000
	2002	11,209,000
	2003	11,217,000
	2004	11,244,000
	2005	11,267,000
Later Fiscal Years		132,927,000
TOTAL		$ 189,064,000

In addition, the Department is required to pay its share of the Operation and Maintenance (O&M) costs of the Projects in which they participate. The Department's total O&M costs including debt service under the PSAs were $17,430,000 and $16,863,000 for the years ended December 31, 2000 and 1999, respectively.

HUDSON LIGHT AND POWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(000)

	PERCENTAGE SHARE	TOTAL PROJECT EXPENDITURES TO DATE	PARTICIPANTS SHARE	DEBT ISSUED & OUTSTANDING 12/31/00	PARTICIPANTS SHARE	TOTAL DEBT SERVICE ON BONDS OUTSTANDING	PARTICIPANTS SHARE
Stony Brook Peaking Project	-	$ 56,554	$ -	$ 23,020	$ -	$ 24,538	$ -
Stony Brook Intermediate Project	-	153,056	-	81,375	-	94,642	-
Nuclear Mix No. 1-SBK	3.3984	15,011	510	13,150	447	17,657	600
Nuclear Mix No. 1-MLS	3.3984	111,061	3,774	97,290	3,306	130,631	4,439
Nuclear Project No. 3-MLS	1.5997	137,319	2,197	186,245	2,979	267,267	4,275
Nuclear Project No. 4-SBK	4.2300	313,252	13,251	212,115	8,972	315,410	13,342
Nuclear Project No. 5-SBK	1.8613	85,601	1,593	64,635	1,203	97,629	1,817
Wyman Project	9.2536	7,518	696	3,830	354	4,532	419
Project No. 6-SBK	23.1278	607,191	140,430	448,370	103,698	709,847	164,172
TOTAL		$ 1,486,563	$ 162,451	$ 1,130,030	$ 120,959	$ 1,662,153	$ 189,064
Commercial Paper Program	-	$ -	$ -	$ 28,025	$ -	$ 30,623	$ -

	PERCENTAGE SHARE	OPERATION & MAINTENANCE 12/31/99	PARTICIPANTS SHARE	OPERATION & MAINTENANCE 12/31/00	PARTICIPANTS SHARE
Stony Brook Peaking Project	-	$ 8,902	$ -	$ 9,361	$ -
Stony Brook Intermediate Project	-	41,367	-	44,854	-
Nuclear Mix No. 1-SBK	3.3984	1,940	66	1,889	64
Nuclear Mix No. 1-MLS	3.3984	16,666	566	17,739	603
Nuclear Project No. 3-MLS	1.5997	27,806	445	30,182	483
Nuclear Project No. 4-SBK	4.2300	31,489	1,332	32,425	1,372
Nuclear Project No. 5-SBK	1.8613	9,073	169	9,451	176
Wyman Project	9.2536	2,855	264	3,324	308
Project No. 6-SBK	23.1278	60,622	14,021	62,367	14,424
TOTAL		$ 200,720	$ 16,863	$ 211,592	$ 17,430
Commercial Paper Program	-	$ -	$ -	$ -	$ -

(000)

	PERCENTAGE SHARE	2001 ANNUAL COST	PARTICIPANTS SHARE	2002 ANNUAL COST	PARTICIPANTS SHARE	2003 ANNUAL COST	PARTICIPANTS SHARE
Stony Brook Peaking Project	-	$ 5,200	$ -	$ 5,156	$ -	$ 5,178	$ -
Stony Brook Intermediate Project	-	12,938	-	12,938	-	12,937	-
Nuclear Mix No. 1-SBK	3.3984	1,368	46	1,368	46	1,368	46
Nuclear Mix No. 1-MLS	3.3984	10,118	344	10,121	344	10,123	344
Nuclear Project No. 3-MLS	1.5997	16,406	262	16,434	263	16,477	264
Nuclear Project No. 4-SBK	4.2300	18,144	767	18,092	765	18,264	773
Nuclear Project No. 5-SBK	1.8613	5,806	108	5,837	109	5,806	108
Wyman Project	9.2536	565	52	564	52	567	52
Project No. 6-SBK	23.1278	41,599	9,621	41,639	9,630	41,639	9,630
TOTAL		$ 112,144	$ 11,200	$ 112,149	$ 11,209	$ 112,359	$ 11,217
Commercial Paper Program	-	$ 8,960	$ -	$ 8,914	$ -	$ 8,713	$ -

	PERCENTAGE SHARE	2004 ANNUAL COST	PARTICIPANTS SHARE	2005 ANNUAL COST	PARTICIPANTS SHARE	AFTER 2005 ANNUAL COST	PARTICIPANTS SHARE
Stony Brook Peaking Project	-	$ 5,180	$ -	$ 3,191	$ -	$ 633	$ -
Stony Brook Intermediate Project	-	12,938	-	12,937	-	29,954	-
Nuclear Mix No. 1-SBK	3.3984	1,364	46	1,364	46	10,824	370
Nuclear Mix No. 1-MLS	3.3984	10,095	343	10,093	343	80,082	2,721
Nuclear Project No. 3-MLS	1.5997	16,538	265	16,556	265	184,856	2,956
Nuclear Project No. 4-SBK	4.2300	18,818	796	19,507	825	222,585	9,416
Nuclear Project No. 5-SBK	1.8613	6,010	112	5,998	112	68,172	1,268
Wyman Project	9.2536	570	53	531	49	1,735	161
Project No. 6-SBK	23.1278	41,632	9,629	41,626	9,627	501,712	116,035
TOTAL		$ 113,145	$ 11,244	$ 111,803	$ 11,267	$ 1,100,553	$ 132,927
Commercial Paper Program	-	$ 3,638	$ -	$ 398	$ -	$ -	$ -

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

The Municipal Light Board
Hudson Light and Power Department

Our audits were made for the purpose of forming an opinion on the financial statements of Hudson Light and Power Department for the years ended December 31, 2000 and 1999, which are presented in the preceding section of this report. The supplemental information presented on pages 25 through 27 is for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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.

Goulet, Salvidio & Associates, P.C.

Goulet, Salvidio & Associates, P.C.

Worcester, Massachusetts
May 9, 2001

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HUDSON LIGHT AND POWER DEPARTMENT
SCHEDULES OF OPERATING REVENUES
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000	1999
Sales to Residential Customers	$ 6,886,770	$ 6,822,138
Sales to Commercial Customers	1,861,175	1,633,422
Sales to Power Customers	11,591,450	12,054,405
Private Property Lighting Sales	87,888	83,905
Municipal Sales		
Hudson Street Lights	101,000	103,097
Hudson Municipal Buildings	70,569	66,448
Hudson Municipal Power	374,720	353,311
All Electric Municipal Buildings	422,926	403,450
Stow and Berlin Street Lights	7,495	6,869
Stow, Maynard and Other Municipal Services	102,430	114,325
Total Revenue from Sales of Electricity	21,506,423	21,641,370
Power Adjustment Charges		
Residential Sales	1,085,128	913,453
Commercial Sales	412,169	324,584
Power Sales	4,281,225	4,069,506
Private Property Lighting	15,507	13,224
Municipal Power Adjustment Charges		
Street Lighting Stow, et al	10,240	906
Municipal Power Hudson	107,315	94,873
Municipal Commercial Hudson	15,717	13,366
Municipal Power Stow, et al	23,147	24,572
Municipal Commercial Stow, et al	3,044	2,928
Municipal All Electric	79,528	63,016
Miscellaneous Electric Sales	1,868,409	(742,308)
Total Power Adjustment Charges	7,901,429	4,778,120
Other Income		
Other Electric Revenues	36,682	36,746
TOTAL OPERATING REVENUES	$ 29,444,534	$ 26,456,236

See Independent Auditors' Report on Supplemental Information

HUDSON LIGHT AND POWER DEPARTMENT
SCHEDULES OF OPERATION AND MAINTENANCE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000	1999
PRODUCTION EXPENSES:		
Nuclear Power Generation:		
Operation Supervision	$ 17,581	$ 18,144
Fuel	27,263	32,193
Coolants and Water	1,729	1,687
Steam Expenses	16,668	13,152
Electric Expenses	644	3,497
Miscellaneous Nuclear Power Generation Expenses	38,685	36,624
Maintenance Supervision	9,701	8,506
Maintenance of Structures	2,524	2,575
Maintenance of Reactor Plant Equipment	14,160	16,371
Maintenance of Generation and Electric Plant	16,332	12,901
Maintenance of Miscellaneous Nuclear Power	660	386
Total Nuclear Power Generation Expenses	145,947	146,036
Other Power Generation:		
Operation Supervision	31,437	29,030
Fuel-Oil	107,769	52,181
Fuel-Natural Gas	92,806	98,958
Generation Expenses	82,175	64,195
Generation Expenses-Lube	5,775	8,934
Miscellaneous Other Power Generation Expenses	130,647	104,307
Maintenance Supervision	32,245	27,887
Maintenance of Structures	80,708	98,252
Maintenance of Generation and Electric Plant	99,563	122,567
Maintenance of Miscellaneous Generation Plant	0	77
Total Other Power Generation Expenses	663,125	606,388
TOTAL PRODUCTION EXPENSES	$ 809,072	$ 752,424
PURCHASED POWER EXPENSES:		
Purchased Power-Entitlement	$ 18,266,139	$ 19,929,177
Purchased Power-Nepex System Control and Load	4,540,129	1,072,762
Dispersion	8,953	9,193
Other Purchased Power Expenses	0	(4,140)
TOTAL PURCHASED POWER EXPENSES	$ 22,815,221	$ 21,006,992

See Independent Auditors' Report on Supplemental Information

HUDSON LIGHT AND POWER DEPARTMENT
SCHEDULES OF OPERATION AND MAINTENANCE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000	1999
TRANSMISSION EXPENSES	$ 1,399,386	$ 1,502,955
DISTRIBUTION EXPENSES:		
Operation Supervision and Engineering	$ 34,951	$ 32,027
Station Expenses	127,815	125,376
Overhead Line Expenses	10,293	9,420
Underground Line Expenses	2,871	3,006
Street Lighting and Signal Expenses	8,193	9,825
Meter Expenses	92,766	70,113
Customer Installation Expenses	5,529	5,335
Miscellaneous Distribution Expenses	4,776	8,226
Maintenance Supervision and Engineering	34,782	32,055
Maintenance of Station Equipment	136	332
Maintenance of Overhead Lines	328,516	275,098
Maintenance of Underground Lines	19,698	29,041
Maintenance of Line Transformer	5,166	7,186
Maintenance of Street Lighting	10,536	7,699
Maintenance of Meters	959	1,693
TOTAL DISTRIBUTION EXPENSES	$ 686,987	$ 616,432
GENERAL EXPENSES:		
Supervision	$ 15,059	$ 14,747
Meter Reader Expenses	53,075	55,160
Customer Records and Collection Expenses	257,900	247,378
Miscellaneous Sales Expenses	5,548	8,462
Administrative and General Salaries	422,242	345,836
Office Supplies and Expenses	14,747	18,084
Outside Services Employed	210,414	118,789
Property Insurance	25,221	24,446
Injuries and Damages	55,162	62,767
Employee Pension and Benefits	678,994	650,918
Regulatory Commission Expenses	4	4
General Advertising Expense	2,081	3,503
Miscellaneous General Expenses	41,322	41,513
Maintenance of General Plant	61,667	54,461
Transportation Expenses	36,375	63,894
TOTAL GENERAL EXPENSES	$ 1,879,811	$ 1,709,962

See Independent Auditors' Report on Supplemental Information

BayCorp

HOLDINGS, LTD.

2000

ANNUAL REPORT

BayCorp
HOLDINGS, LTD.

LETTER TO SHAREHOLDERS

As you know, 2000 was a tumultuous year for the stock market. Much of the stock market volatility was attributable to the boom and bust of Internet stocks. Based in part on its exposure to B2B e-commerce through its investment in HoustonStreet Exchange, BayCorp's stock price reflected this volatility, reaching a high of $32.25 per share in March and closing the year at $6.63 per share. Despite the fluctuation in its stock price, BayCorp made significant progress in 2000 toward achieving its long-term goal of maximizing shareholder value. Major accomplishments in 2000 included (1) achieving positive cash flow from its ownership in the Seabrook Nuclear Power Plant, (2) completing an agreement with Northeast Utilities to sell its 15% interest in Seabrook at auction along with a majority of the other owners at Seabrook while realizing certain price guarantees in the auction process, and (3) continuing development of HoustonStreet, including the launch of on-line trading platforms for crude oil and refined products in the United States and the launch of a European subsidiary with support and investment from three of the six largest utilities in Europe.

Seabrook Operations

Since most of the costs at Seabrook are fixed, the economics of the Seabrook plant are driven largely by two factors: (1) capacity factor, and (2) Northeast wholesale power prices. Capacity factor is the actual plant output divided by the output that would be achieved if the plant operated at its maximum capacity throughout the period. In 2000, Seabrook operated at a capacity factor of 85.2%. This includes downtime for the final two and a half months of 2000 due to the extension of the refueling outage that began on October 21, 2000. Outside of the refueling outage, Seabrook's capacity factor in 2000 was a very strong 97%. Unfortunately, the extension of the refueling outage caused by damage to one of the plant's emergency diesel generators undermined Seabrook's strong operating performance earlier in the year. Scheduled to last 30 days and end on November 21, 2000, the refueling outage lasted until February 1, 2001 for a total duration of 100 days. The extended outage resulted in a significant drain on BayCorp's available cash resources. In response to this cash impact, early in 2001 BayCorp secured bridge financing to pay its share of Seabrook operating costs for the months of February and March 2001. Assuming the plant operates at or near full capacity, BayCorp expects to be able to repay the bridge financing by the middle of 2001 and begin generating positive cash flow for the remainder of the year.

Wholesale power prices followed crude oil and natural gas prices higher in 2000. To a certain degree, because Seabrook utilizes nuclear fuel rather than fossil fuel to generate electricity, an investment in Seabrook represents a hedge against increasing fossil fuel prices. Overall, power prices earned by Great Bay in 2000 increased 23% as compared to 1999, to $38.74 per megawatt hour from $31.32 per megawatt hour. Higher prices, however, can be a double-edged sword for BayCorp. While the company realizes higher revenues and increased cash flow from higher power prices when Seabrook is operating, if Seabrook suffers an unscheduled outage or a lengthy delay of a scheduled refueling outage, Great Bay is forced to cover firm power commitments by purchasing power in the open market at these higher prices and as a result incurs losses. Power prices thus far in 2001 continue to remain strong, and assuming Seabrook operates for the rest of the year at a 95% capacity factor, BayCorp should generate approximately $5 million in positive cash flow in 2001.

Seabrook Auction

As part of deregulation legislation in Connecticut and New Hampshire, Northeast Utilities ("NU"), the operator and largest owner of Seabrook, is required to sell its ownership interests in its electric generating

facilities. This includes the sale at auction of its interests in Seabrook by December 31, 2003. Given the success of the sale of the Millstone nuclear plant in 2000 and the likely strong bidder interest in Seabrook, NU has publicly expressed its desire to sell its share of Seabrook through an auction process as soon as practicable. In October 2000, BayCorp announced that it had reached an agreement with NU to join with NU in the sale of its 15% ownership interest in Seabrook. By combining to sell our share with NU and several other owners, the ultimate purchaser will be able to acquire a controlling interest in the plant. We believe this will result in the best possible price for BayCorp's share of Seabrook.

Under the terms of the agreement, BayCorp will receive the sales price established by the auction process. In the event that the sale yields proceeds for BayCorp of more than \$87.2 million, BayCorp and NU will share the excess proceeds. Should BayCorp's sales proceeds be less than \$87.2 million, NU will make up the difference below that amount on a dollar for dollar basis up to a maximum of \$17.4 million. Under the agreement, BayCorp will be paid separately for nuclear fuel and inventory. The agreement also limits any top-off amount required to be funded by BayCorp for decommissioning as part of the sale process at the amount required by Nuclear Regulatory Commission regulations. We estimate this potential exposure to be less than \$10 million. We expect the auction process for Seabrook to begin this summer, with a closing to occur in the first half of 2002.

One factor that could potentially slow down the sale of Seabrook would be a delay in the push for deregulation of electricity markets in the Northeast as a result of the energy crisis in California. At this point, however, we fully expect the Seabrook auction to move forward as planned, but we will continue to monitor this situation closely.

HoustonStreet

HoustonStreet was an early mover in the on-line energy trading arena. Since launching its first trading platform for power in July 1999, HoustonStreet has continued to expand the types of energy commodities traded on its platforms. HoustonStreet has also expanded on a global basis. In May 2000, HoustonStreet launched platforms for trading crude oil and refined products (e.g. gasoline, heating oil and jet fuel). These platforms were launched with the support of major industry players such as Equiva Trading Company (a U.S. trading arm for Shell, Texaco and Saudi Aramco) and Conoco. HoustonStreet has established itself as a recognized leader in online trading of crude oil and refined products, with over \$2 billion of petroleum products traded on its site.

In December 2000, HoustonStreet signed an important strategic agreement with EnronOnline. EnronOnline is the most successful on-line energy trading platform, having traded over \$420 billion in energy-related commodities since its launch in November 1999. Under this agreement, North American electricity and natural gas prices posted on EnronOnline will automatically be posted on HoustonStreet.com. Traders will be able to act on the EnronOnline prices via either platform. HoustonStreet anticipates launching its platform for the trading of natural gas at the same time as the anticipated interconnection with EnronOnline. HoustonStreet expects the interconnection with EnronOnline will go live in the second quarter of 2001. We believe it is reasonable to expect some of the liquidity and trading volume on EnronOnline to migrate to HoustonStreet as a result of this link between the two platforms. We also believe this arrangement is a harbinger of things to come – an interconnected world where liquidity and trading execution is shared across numerous on-line platforms.

In September 2000, HoustonStreet launched its European operations with the release of an on-line trading platform for power. HoustonStreet received support and a multi-million dollar investment from three of Europe's six largest utilities, RWE, Vattenfall and Electrabel. Europe represents a tremendous opportunity for HoustonStreet. In fact, in some ways, Europe has been quicker to adopt electronic trading for energy because there is not a strong legacy of entrenched telephone brokers.

The battle for HoustonStreet today is to obtain critical mass and liquidity on its site. Support from industry participants and the agreement with EnronOnline should help HoustonStreet achieve that liquidity. We do not believe, however, that liquidity is the end game, but rather the starting point. We are just starting to scratch the surface of the Internet's ability to provide significant efficiencies in the internal and industry-wide

business processes that occur within, between and among large energy companies. Integrating HoustonStreet into energy companies' back offices and providing other technology solutions to the industry is yet another step toward HoustonStreet's goal of becoming "how energy companies do business."

What's ahead for HoustonStreet? No one can be certain, but we do know that HoustonStreet operates in a very competitive environment. There are two industry consortium competitors as well as several independent players. There will likely be much attrition and consolidation in this market in the months ahead. While we cannot predict exactly how this market will unfold, I am confident that if HoustonStreet remains focused on those things within its ability to influence and control, it will be a significant player in an enormously attractive market.

Conclusion

Now that it appears we will likely sell our Seabrook asset at some point over the next 18 months, I often get asked the question, "what will you do with the cash?" The answer is simple – the Board of Directors will examine all of its options and do whatever it believes provides the greatest return to our shareholders. We will continue to look for attractive energy-related investments, but if no such investments can be identified, we will return cash to shareholders in the most tax efficient manner possible. We operate under the principle that if we can't find opportunities to invest your money that provide attractive returns, we will return it to you.

Thank you for your continued support of BayCorp. I also want to thank the dedicated employees of BayCorp, HoustonStreet and Great Bay. It has been a tumultuous year in many respects, but the dedication, perseverance and creativity exhibited by our employees has been truly extraordinary. It is something for which we should all be proud and thankful. I understand the sacrifices that were made. Please know that your efforts are deeply appreciated.

Frank W. Getman Jr.
Chairman, President and CEO

March 2001

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2000

OR

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

Commission file number 1-12527

BAYCORP HOLDINGS, LTD.
(Exact name of registrant as specified in its charter)

Delaware *(State or other jurisdiction of incorporation or organization)*	**02-0488443** *(I.R.S. Employer Identification No.)*
222 International Drive, Suite 125 **Portsmouth, New Hampshire** *(Address of principal executive offices)*	**03801-6819** *(Zip Code)*

Registrant's telephone number, including area code: (603) 431-6600

20 International Drive, Suite 301 **Portsmouth, New Hampshire** *(Former address of principal executive offices)*	**03801-6809** *(Former Zip Code)*

Securities registered pursuant to Section 12(b) of the Act:
Common Stock, $.01 par value
(Title of Class)

American Stock Exchange
(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

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. √ No___

Indicate by check mark if disclosure of delinquent filers to Item 405 of Regulations S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.[ ]

As of March 21, 2001, the approximate aggregate market value of the voting stock held by non-affiliates of the registrant was $27,872,179 based on the last reported sale price of the registrant's Common Stock on the American Stock Exchange as of the close of business on March 21, 2001. There were 8,519,316 shares of Common Stock outstanding as of March 21, 2001.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Part of Form 10-K into which incorporated
Portions of the Registrant's Proxy Statement for the 2001 Annual Meeting of Shareholders	Items 10, 11, 12 & 13 of Part III

PART I

Item 1. *Business.*

Introduction

BayCorp Holdings, Ltd. ("BayCorp" or the "Company") is a holding company incorporated in Delaware in 1996. BayCorp has two wholly-owned subsidiaries that generate and trade wholesale electricity, Great Bay Power Corporation ("Great Bay") and Little Bay Power Corporation ("Little Bay"). In addition, BayCorp owns a 45.9% equity interest in HoustonStreet Exchange, Inc. ("HoustonStreet"), an Internet-based energy trading and information business.

Great Bay and Little Bay's principal asset is a combined 15% joint ownership interest in the Seabrook Nuclear Power Project in Seabrook, New Hampshire (the "Seabrook Project"). This ownership interest entitles the companies to approximately 174 megawatts ("MWs") of the Seabrook Project's power output. Great Bay and Little Bay are exempt wholesale generators ("EWGs") under the Public Utility Holding Company Act of 1935 ("PUHCA"). Unlike regulated public utilities, Great Bay and Little Bay have no franchise area or captive customers. The companies sell their power in the competitive wholesale power markets.

Great Bay was incorporated in New Hampshire in 1986 and was formerly known as EUA Power Corporation. Little Bay was incorporated in New Hampshire in 1998. Great Bay sells its power, including its share of the electricity output of the Seabrook Project, in the wholesale electricity market, primarily in the Northeast United States. Little Bay sells its power solely to Great Bay under an intercompany agreement. Neither BayCorp nor its subsidiaries has operational responsibilities for the Seabrook Project. Great Bay currently sells all but approximately 10 MWs of its share of the Seabrook Project capacity in the wholesale short-term market. In addition to selling its owned generation, Great Bay purchases power on the open market for resale to third parties.

In November 1999, Little Bay purchased an additional 2.9% interest in the Seabrook Project from Montaup Electric Company ("Montaup"), a subsidiary of Eastern Utilities Associates ("EUA"), for a purchase price of $3.2 million, plus approximately $1.7 million for certain prepaid items, primarily nuclear fuel and capital expenditures. In addition, Montaup prefunded the decommissioning liability associated with Little Bay's 2.9% share of Seabrook by transferring approximately $12.4 million into Little Bay's decommissioning account, an irrevocable trust earmarked for Little Bay's share of Seabrook Project decommissioning expenses.

HoustonStreet was incorporated in Delaware in 1999. HoustonStreet developed and operates HoustonStreet.com, an Internet-based trading platform and information portal for wholesale energy-related commodities. Currently, HoustonStreet offers online trading exchanges for electricity, crude oil and refined products in the United States and exchanges for electricity in Europe. HoustonStreet plans to develop and launch trading platforms for natural gas and other energy-related commodities and is also exploring additional opportunities in the European and Asian markets.

HoustonStreet initially launched its Internet-based wholesale electricity trading exchange in the Northeast in July 1999 and nationwide in September 1999. In May 2000, HoustonStreet launched exchanges for crude oil, refined products, and a new electricity platform (*SpeedWay*) dedicated to standard products trading. In September 2000, HoustonStreet launched an exchange for electricity in Europe with trading floors for the United Kingdom, Germany, Belgium, Switzerland, Austria and the Netherlands.

As of February 2001, over 200 trading companies and over 1,200 individual traders have registered on HoustonStreet. Nine of the top ten U.S. electricity trading companies and all of the top ten international oil trading companies have registered on the Web site. As of February 7, 2001, over $2.0 billion had been transacted on HoustonStreet's oil platforms since their launch in May 2000.

HoustonStreet is also pursuing opportunities that extend beyond the trading platform, including the integration of trading data with customer mid-and back-office applications and facilitating how companies perform the wide range of activities that precede and follow wholesale energy transactions. HoustonStreet is currently developing applications to integrate customers' trading data and has two pilot programs underway for

implementation in the second quarter of 2001. HoustonStreet is currently piloting its integration system with Williams Energy.

HoustonStreet maintains strategic relationships with Equiva Trading Company, Williams Energy, Conoco, Inc., Vivendi S.A., Bowstreet, Enron Net Works, LLC, RWE Trading GmbH, Vattenfall AB, Electrabel, N.V. and others in order to facilitate the development of various energy-related commodity trading platforms. HoustonStreet expects to continue to enter into similar strategic relationships to facilitate expansion into other energy-related trading markets.

Recent Developments

Wholesale Electricity Generation and Trading Business

On October 10, 2000, the Company reached an agreement with Northeast Utilities ("NU") under which the Company's generating subsidiaries, Great Bay and Little Bay, will include their aggregate 15% ownership share of the Seabrook Project in the upcoming auction of NU's subsidiaries' shares of the Seabrook Project. Under the terms of the agreement, BayCorp will receive the sales price established by the auction process. In the event that the sale yields proceeds for BayCorp of more than $87.2 million, BayCorp and NU will share the excess proceeds. Should BayCorp's sales proceeds be less than $87.2 million, NU will make up the difference below that amount on a dollar for dollar basis up to a maximum of $17.4 million. Under the agreement, BayCorp will be paid separately for nuclear fuel and inventory. The agreement also limits any top-off amount required to be funded by BayCorp for decommissioning as part of the sale process at the amount required by the Nuclear Regulatory Commission ("NRC") regulations. The auction is expected to begin in the second quarter of 2001 with a closing expected in the first half of 2002.

On February 6, 2001, Great Bay executed a Purchased Power Agreement with Select Energy ("Select") whereby Great Bay will sell 50 MWs of energy associated with Seabrook to Select in exchange for 25 MWs of energy associated with Millstone Unit 2 and 25 MWs of energy associated with Millstone Unit 3. The term of this agreement is April 1, 2001 through December 31, 2001. Delivery of power from either company is contingent on the Seabrook and Millstone units operating at certain capacity. See "— Wholesale Electricity and Trading Business — Purchased Power Agreements."

Seabrook Unit 1 transmits its generated power to the New England 345 kilovolt transmission grid, a major network of interconnecting lines covering New England, through three separate transmission lines emanating from the station. On March 5, 2001, the Seabrook Project began experiencing interruptions of the connections to the transmission system due to icing from a severe winter storm that resulted in the plant automatically tripping offline. During this shutdown, a problem was identified with the steam-driven emergency feedwater pump and plant chemistry personnel detected the presence of chlorides in the condenser hotwells, indicating leakage of seawater into the condenser. Repair of the emergency feedwater pump was completed allowing the plant to return on-line on March 15, 2001. Power was limited to approximately 70% while plant personnel continued to repair the condenser leakage. On March 19, 2001, plant operators identified a problem with the main turbine valve control system requiring that the plant be taken off-line. After repairs were completed, the plant was placed on-line on March 22, 2001 and power was increased to approximately 70%. The plant reached full power on March 25, 2001.

Internet-based Energy Trading and Information Business

As of December 31, 1999, the Company owned 100% of HoustonStreet. HoustonStreet raised additional equity in 2000 from outside investors and as a result, as of December 4, 2000, the Company's ownership fell below 50%, to 45.9%. Subsequently, the Company deconsolidated HoustonStreet as of December 4, 2000 and started accounting for this investment on the equity method.

On March 22, 2001, HoustonStreet received commitments to receive up to approximately $3.9 million in additional funding, including $900,000 from BayCorp. Although HoustonStreet has received some of the funding, until the closing of the financing, there can be no assurance that HoustonStreet will receive the balance of the committed funds. This financing involves the sale by HoustonStreet of senior secured notes,

warrants to purchase HoustonStreet preferred stock and warrants to purchase HoustonStreet common stock. Collectively, these securities are referred to as the "HoustonStreet Series C Units."

In March 2001, BayCorp entered into discussion with HoustonStreet involving the conversion of BayCorp's $7.0 million loan made in September 2000, together with approximately $1.0 million in accrued interest and penalties on the note and past due management fees, into approximately $8.0 million of HoustonStreet Series C Units. There can be no assurance that this proposed refinancing will be successfully completed. The loan, accrued interest and receivables from HoustonStreet had been written down to zero at December 31, 2000, and as such, the conversion of these amounts will have no accounting impact.

Wholesale Electricity Generation and Trading Business

BayCorp's principal wholesale electricity generation and trading assets are its 100% equity interests in Great Bay and Little Bay. The business of Great Bay and Little Bay consists of managing their joint ownership interests in the Seabrook Project and the sale in the wholesale power market of their share of electricity produced by the Seabrook Project. Neither Great Bay nor Little Bay has operational responsibility for the Seabrook Project. Great Bay is a party to one long-term power contract for approximately 10 MW of Great Bay's share of the Seabrook Project capacity. Great Bay has also entered into a one-year contract, as of November 19, 1999, with Little Bay to purchase all of the output from the portion of Seabrook owned by Little Bay. This contract was renewed on November 20, 2000. See "— Purchased Power Agreements." Great Bay's business strategy is to utilize unit contingent and firm forward sales contracts to maximize the value of its 174 MW power supply from the Seabrook Project.

Traditionally, Great Bay sold most of its share of the Seabrook Project electricity output under unit contingent contracts. Under unit contingent contracts, Great Bay is obligated to provide the buyer with power only when the Seabrook Project is operating. In late 1998, Great Bay began to sell some of its electricity as firm power, which entitles the buyer to electricity whether or not the Seabrook Project is operating. Buyers pay a premium for firm power over unit contingent power because they can rely on uninterrupted electricity. In order to supply firm power during Seabrook unscheduled outages, Great Bay purchases power from the spot market during these outages and resells that power to its firm power customers. Spot market sales are subject to price fluctuations based on the relative supply and demand of electricity. As a result of spot market power price fluctuations, Great Bay may have to purchase power at prices exceeding prices paid by Great Bay's firm power customers during outages. Although Great Bay bears the primary risk of these price fluctuations, Great Bay maintains insurance to protect Great Bay during periods of extreme price volatility, subject to certain deductibles and coverage limits. This insurance, provided by ACE USA (formerly CIGNA), currently provides Great Bay up to $18.6 million of coverage through May 2002.

The Seabrook Project

The Seabrook Project is located on an 896-acre site in Seabrook, New Hampshire. It is owned by Great Bay, Little Bay and nine other utility companies, consisting of North Atlantic Energy Company, Connecticut Light and Power, The United Illuminating Company, Canal Electric Company, Massachusetts Municipal Wholesale Electric Company, New England Power Company, New Hampshire Electric Cooperative, Inc., Taunton Municipal Lighting Plant and Hudson Light & Power Department (together with Great Bay and Little Bay, the "Participants").

Seabrook Unit 1 is a 1,150-MW nuclear-fueled steam electricity generating station. It employs a four loop, pressurized water reactor and support auxiliary systems designed by the Westinghouse Electric Company. The reactor is housed in a steel-lined reinforced concrete containment structure and a concrete containment enclosure structure. Reactor cooling water is obtained from the Atlantic Ocean through a 17,000-foot-long intake tunnel and returned through a 16,500-foot-long discharge tunnel. The station has a remaining expected license life of 25 years. As noted above, Seabrook Unit 1 transmits its generated power to the New England 345 kilovolt transmission grid, a major network of interconnecting lines covering New England, through three separate transmission lines emanating from the station. On March 15, 1990, the Participants received from the NRC a full power operating license that authorizes operation of Seabrook

Unit 1 until October 2026. Commercial operation of Seabrook Unit 1 commenced on August 19, 1990. Management believes that Seabrook Unit 1 is in good condition.

Since the Seabrook Project was originally designed to consist of two generating units, Great Bay and Little Bay also own a combined 15% joint ownership interest in Seabrook Unit 2. Great Bay and Little Bay assigned no value to Seabrook Unit 2 because on November 6, 1986, the joint owners of the Seabrook Project voted to dispose of Unit 2. Thereafter, Great Bay wrote off its investment in Unit 2. Little Bay has no investment in Unit 2. Certain assets of Seabrook Unit 2 have been and are being sold from time to time to third parties. However, there have been no material sales of Unit 2 assets since July 1996.

The Participants are considering additional plans regarding disposition of Seabrook Unit 2, but such plans have not yet been finalized and approved. Great Bay and Little Bay are unable to estimate the costs for which they will be responsible in connection with the disposition of Seabrook Unit 2. Because Seabrook Unit 2 was never completed or operated, costs associated with its disposition are not included in the amounts collected for the decommissioning of Unit 1 and the common facilities. Great Bay and Little Bay currently pay their share of monthly expenses required to preserve and protect the value of the Seabrook Unit 2 components.

Joint Ownership of Seabrook

Great Bay, Little Bay and the other Participants are parties to the Agreement for Joint Ownership, Construction and Operation of New Hampshire Nuclear Units (the "JOA"), which establishes the respective ownership interests of the Participants in the Seabrook Project and defines their responsibilities with respect to the ongoing operation, maintenance and decommissioning of the Seabrook Project. In general, all ongoing costs of the Seabrook Project are divided proportionately among the Participants in accordance with their ownership interests in the Seabrook Project. Ownership interests in the Seabrook Project are several and not joint, and each Participant is only liable for its share of the Seabrook Project's costs and not liable for any other Participant's share. Great Bay and Little Bay's combined joint ownership interest of 15% is the third largest interest among the Participants, exceeded only by the approximately 40% interest held by NU and its affiliates and the 17.5% interest held by The United Illuminating Company.

A Participant may sell any portion of its ownership interest to any entity that is engaged in the electric utility business in New England. Before such sale, however, such selling Participant must give certain other Participants the right of first refusal to purchase the interest on the same terms. Any Participant may transfer, free from the foregoing right of first refusal, any portion of its interest (a) to a wholly-owned subsidiary, (b) to another company in the same holding company system or a construction trust for the benefit of the transferor or another company in the same holding company system, or (c) in connection with a merger, consolidation or acquisition of substantially all of the properties or all of the generating facilities of a Participant.

The failure to make monthly payments under the JOA by owners of the Seabrook Project other than Great Bay and Little Bay may have a material effect on Great Bay and Little Bay if either should choose to pay a greater proportion of the Seabrook Unit 1 and Seabrook Unit 2 expenses in order to preserve the value of its share of the Seabrook Project. In the past, certain of the owners of the Seabrook Project other than Great Bay and Little Bay have not made their full respective payments. At the current time, the electric utility industry is undergoing significant changes as competition and deregulation are introduced into the marketplace. Some utilities, including certain Participants, have indicated in state regulatory proceedings that they may be forced to seek bankruptcy protection if regulators, as part of the industry restructuring, do not allow for full recovery of stranded costs. If a Participant other than Great Bay or Little Bay filed for bankruptcy, and that Participant was unable to pay its share of Seabrook Project expenses, Great Bay and/or Little Bay might choose to pay a greater portion of Seabrook Project expenses. In the past, the filing of bankruptcy by a Participant has not resulted in a failure to pay Seabrook Project expenses or an increase in the percentage of expenses paid by other Participants.

The JOA provides for a Managing Agent to carry out the daily operational and management responsibilities of the Seabrook Project. The current Managing Agent, appointed by certain of the Participants on June 29, 1992, is North Atlantic Energy Service Corporation ("NAESCO"), a wholly-owned subsidiary of NU. NU, in conjunction with certain of its affiliates, holds the largest joint ownership interest in the Seabrook

Project, as described above. Certain material decisions regarding the Seabrook Project are made by an Executive Committee consisting of the chief executive officers of certain of the Participants or their designees. There are currently five members of the Executive Committee. The Executive Committee acts by a majority vote of its members, although any action of the Executive Committee may be modified by a vote of 51% of the ownership interests. Frank W. Getman Jr., the Company's President and Chief Executive Officer, is currently a member of the Executive Committee. Anthony Callendrello, the Company's Chief Operating Officer, is a member of the Audit Committee and is Vice Chairperson of the Budget Subcommittee and Non-Operating Participants Committee. Under the JOA, the managing agent of the Seabrook Project may be removed and a new managing agent appointed by a 51% interest of the Participants.

Marketing and Customers

Great Bay currently sells most of its power in the Northeast United States in the short-term wholesale power market. Great Bay does not currently depend on any single customer because many utilities and marketers are willing to buy Great Bay's share of electricity from the Seabrook Project at substantially the same price. Prices in the short-term market are typically higher during the summer and winter because the demand for electrical power is higher during these periods in the Northeast United States. The Company utilizes unit contingent and firm forward sale contracts to maximize the value of the uncommitted portion of its 174 megawatt power supply from the Seabrook Project.

During 2000, sales by Great Bay to Enron Power Marketing Inc., Aquila Power Corporation, Select Energy Inc. and Central Vermont Public Service accounted for 17%, 15%, 14% and 13% respectively, of total operating revenues. Sales by Little Bay to Great Bay represent 100% of its operating revenues.

Purchased Power Agreements

Great Bay is party to a purchased power agreement, dated as of April 1, 1993 (the "UNITIL Purchased Power Agreement"), with UNITIL Power Corporation ("UNITIL") that provides for Great Bay to sell to UNITIL approximately 10 MW of power. The UNITIL Purchased Power Agreement commenced on May 1, 1993 and runs through October 31, 2010. The current price of power under the UNITIL Purchased Power Agreement is 5.38 cents per kilowatt-hour ("kWh"). The price is subject to increase in accordance with a formula that provides for adjustments at less than the actual rate of inflation. UNITIL has an option to extend the UNITIL Purchased Power Agreement for an additional 12 years until 2022.

The UNITIL Purchased Power Agreement was front-end loaded whereby UNITIL paid higher prices, on an inflation-adjusted basis, in the early years of the Agreement and lower prices in later years. The amount of the excess paid by UNITIL in the early years of the UNITIL Purchased Power Agreement is quantified in a "Balance Account" which increased annually to a total of $4.1 million in July 1998, and now decreases annually, reaching zero in July 2001. If the UNITIL Purchased Power Agreement terminates prior to its scheduled termination, and if at that time there is a positive amount in the Balance Account, Great Bay is obligated to refund that amount to UNITIL.

To secure the obligations of Great Bay under the UNITIL Purchased Power Agreement, including the obligation to repay UNITIL the amount in the Balance Account, the UNITIL Purchased Power Agreement grants UNITIL a mortgage on Great Bay's interest in the Seabrook Project. This mortgage may be subordinated to first mortgage financing of up to a maximum amount of $80,000,000. The UNITIL Purchased Power Agreement further provides that UNITIL's mortgage will rank pari passu with other mortgages that may hereafter be granted by Great Bay to other purchasers of power from Great Bay to secure similar obligations, provided that (i) the maximum amount of indebtedness secured by the first mortgage on the Seabrook Interest may not exceed $80,000,000, and (ii) the combined total of all second mortgages on the Seabrook Interest may not exceed the sum of (a) $80,000,000 less the total amount of Great Bay's debt then outstanding which is secured by a first mortgage plus (b) $57,000,000.

Great Bay originally entered into a power sales agreement, dated as of November 19, 1999, with Little Bay. Great Bay and Little Bay renewed this agreement on November 20, 2000 for a one-year term ending November 19, 2001. Under the terms of the agreement, Little Bay sells at cost, and Great Bay purchases, all

of the output of the portion of Seabrook owned by Little Bay. This agreement is a unit power sale agreement. Accordingly, when all or part of Little Bay's interest in Seabrook is not producing, the obligation of Little Bay to sell (and of Great Bay to purchase) is proportionately eliminated. The agreement can be terminated at any time by mutual consent of the parties, after any notice required by law.

On February 6, 2001, Great Bay executed a Purchase Power Agreement with Select whereby Great Bay will sell 50 MWs of energy associated with Seabrook to Select in exchange for 25 MWs of energy associated with Millstone Unit 2 and 25 MWs of energy associated with Millstone Unit 3. Millstone is a nuclear power plant located in Connecticut. The term of this agreement is April 1, 2001 through December 31, 2001. Delivery of power from either company is contingent on each of the units operating at certain capacity.

As part of the agreement, Select made a prepayment of $3.7 million to Great Bay in February 2001 and a second prepayment of $3.3 million is required in March 2001. Great Bay is compensating Select for the prepayments by (i) paying 12% annual interest for the period from February 6, 2001 through March 31, 2001 and (ii) giving Select a price differential for the power being exchanged until such time as the Select prepayment has been repaid. In order to collateralize the transaction, Great Bay and Little Bay have each provided Select with a mortgage lien and security interest in their respective interests in the Seabrook Project. Once Great Bay has repaid Select, the mortgage liens and security interests will be released and there will be no price differential in exchanging power throughout the remaining terms of the agreement.

Competition

Great Bay sells its share of Seabrook electricity into the wholesale electricity market in the Northeast United States. There are a large number of suppliers to this market and a surplus of capacity, resulting in competition. A source of competition comes from traditional utilities, some of which presently have excess capacity. In addition, non-utility wholesale generators of electricity, such as independent power producers ("IPPs"), Qualifying Facilities ("QFs") and EWGs, as well as power marketers and brokers, actively sell electricity in this market.

Great Bay may face increased competition, primarily based on price, from all the foregoing sources in the future. Great Bay believes that it will be able to compete effectively in the wholesale electricity market because of the current low cost of electricity generated by the Seabrook Project in comparison with existing alternative sources.

NEPOOL

Great Bay is a member of the New England Power Pool ("NEPOOL") and is a party to the New England Power Pool Agreement (the "NEPOOL Agreement"). NEPOOL is a voluntary association of companies engaged in the electricity business in New England and its membership is open to all investor-owned, municipal and cooperative electric utilities in New England and other companies that transact business in the region's bulk power market. Certain end users of electricity may also become NEPOOL members. The NEPOOL Agreement imposes on its participants obligations concerning generating capacity reserves and the right to use major transmission lines.

New England's independent system operator, ISO New England, Inc. ("ISO-NE"), was established in July 1997 and is responsible for maintaining the safety and reliability of the transmission grid and bulk power market within the NEPOOL region. ISO-NE performs these functions under a services contract with NEPOOL. ISO-NE administers a bid-based wholesale market system in New England that is designed to provide a competitive and efficient generation market through an hourly clearing price mechanism.

NERTO

On January 16, 2001, in response to Federal Energy Regulatory Commission ("FERC") Order No. 2000, ISO-NE and six companies owning transmission facilities in New England filed a joint petition for a declaratory order to form the New England Regional Transmission Organization ("NERTO"). Under the plan submitted to FERC, ISO-NE, Bangor Hydro-Electric Company, Central Maine Power Company,

National Grid USA, Northeast Utilities Service Company, The United Illuminating Company and Vermont Electric Power Company, Inc. proposed a Regional Transmission Organization ("RTO") consisting of two entities working in concert: (1) a new independent transmission company, Northeast Independent Transmission Company, LLC ("NE ITC") and (2) an independent system operator. Like ISO-NE, the NE ITC will be subject to FERC regulations.

FERC Order No. 2000, issued in December 1999, anticipated that transmission owners and operators would develop and join RTOs on a voluntary basis. Order No. 2000 is premised on obtaining public benefits through competition and the effective and reliable operation of a region's transmission system including the upgrading of existing facilities and the development of new transmission facilities.

Nuclear Power, Energy and Utility Regulation

The Seabrook Project and Great Bay and Little Bay, as part owners of a licensed nuclear facility, are subject to the broad jurisdiction of the NRC, which is empowered to authorize the siting, construction and operation of nuclear reactors after consideration of public health and safety, environmental and antitrust matters. Great Bay and Little Bay have been, and will be, affected to the extent of their proportionate share by the cost of any such requirements made applicable to the Seabrook Project.

Great Bay and Little Bay are also subject to the jurisdiction of the FERC under Parts II and III of the Federal Power Act and, as a result, are required to file with FERC all contracts for the sale of electricity. FERC has the authority to suspend the rates at which Great Bay and Little Bay propose to sell power, to allow such rates to go into effect subject to refund and to modify a proposed or existing rate if FERC determines that such rate is not "just and reasonable." FERC's jurisdiction also includes, among other things, the sale, lease, merger, consolidation or other disposition of facilities, interconnection of certain facilities, accounts, service and property records.

Because they both are EWG's, Great Bay and Little Bay are not subject to the jurisdiction of the Securities and Exchange Commission ("SEC") under PUHCA. In order to maintain their EWG status, Great Bay and Little Bay must continue to engage exclusively in the business of owning and/or operating all or part of one or more "eligible facilities" and to sell electricity only at wholesale (i.e. not to end users) and activities incidental thereto. An "eligible facility" is a facility used for the generation of electric energy exclusively at wholesale or used for the generation of electric energy and leased to one or more public utility companies. The term "facility" may include a portion of a facility. In the case of Great Bay and Little Bay, their combined 15% joint ownership interest in the Seabrook Project comprises an "eligible facility."

The New Hampshire Public Utilities Commission ("NHPUC") and the regulatory authorities with jurisdiction over utilities in New Hampshire and state legislatures of several other states in which Great Bay sells electricity are considering or are implementing initiatives relating to the deregulation of the electric utility industry. Simultaneously with the deregulation initiatives occurring in each of the New England states, NEPOOL restructured to create and maintain open, non-discriminatory, competitive, unbundled markets for energy, capacity, and ancillary services. These markets commenced operation in May 1999. All of the deregulation initiatives open electricity markets to competition in the affected states. While Great Bay and Little Bay believe they are low-cost producers of electricity and will benefit from the deregulation of the electric industry, it is not possible to predict the impact of these various initiatives on the companies.

Nuclear Power Issues

Nuclear units in the United States have been subject to widespread criticism and opposition, which has led to construction delays, cost overruns, licensing delays and other difficulties. Various groups have sought to prohibit the completion and operation of nuclear units and the disposal of nuclear waste by litigation, legislation and participation in administrative proceedings. The Seabrook Project was the subject of significant public controversy during its construction and licensing and remains controversial. An increase in public concerns regarding the Seabrook Project or nuclear power in general could adversely affect the operating license of Seabrook Unit 1. While the Company cannot predict the ultimate effect of such controversy, it is possible that it could result in a premature shutdown of the unit.

In the event of a permanent shutdown of any unit, NRC regulations require that the unit be completely decontaminated of any residual radioactivity. While the owners of the Seabrook Project are accumulating monies in a trust fund to pay decommissioning costs, if these costs exceed the amount of the trust fund, the owners, including Great Bay and Little Bay, will be liable for the excess.

Nuclear Related Insurance

In accordance with the Price Anderson Act, the limit of liability for a nuclear-related accident is approximately $9.5 billion, effective November 18, 1994. The primary layer of insurance for this liability is $200 million of coverage provided by the commercial insurance market. The secondary coverage is approximately $9.3 billion, based on the approximately 106 currently licensed reactors in the United States. The secondary layer is based on a retrospective premium assessment of $88.1 million per nuclear accident per licensed reactor, payable at a rate not exceeding $10 million per year per reactor. 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 available, then each licensee can be assessed an additional 5% ($4.4 million) of the maximum retrospective assessment. With respect to the Seabrook Project, Great Bay and Little Bay would be obligated to pay their ownership share of any assessment resulting from a nuclear incident at any United States nuclear generating facility. Great Bay and Little Bay estimate their maximum liability per incident currently would be an aggregate amount of approximately $13.2 million per accident, with a maximum annual assessment of about $1.5 million per incident, per year.

Great Bay and Little Bay also independently purchase business interruption insurance from Nuclear Electric Insurance Limited ("NEIL"). The current policy is in effect from April 1, 2000 until April 1, 2001 and a renewal policy has been signed which will be in effect from April 1, 2001 until April 1, 2002. The policy provides for the payment of a fixed weekly loss amount of $670,000 in the event of an outage at the Seabrook Project of more than 23 weeks resulting from the property damage occurring from a "sudden fortuitous event, which happens by chance, is unexpected and unforeseeable." The maximum amount payable to Great Bay and Little Bay is a total of $90.6 million. Under the terms of the policy, Great Bay and Little Bay are subject to a potential retrospective premium adjustment of up to approximately $469,335 should NEIL's board of directors deem that additional funds are necessary to preserve the financial integrity of NEIL. Since NEIL was founded in 1980, there has been no retrospective premium adjustment; however, there can be no assurance that NEIL will not make retrospective adjustments in the future. The liability for this retrospective premium adjustment ceases six years after the end of the policy unless prior demand has been made.

Nuclear Fuel

The Seabrook Project's managing agent has made, or expects to make, various arrangements for the acquisition of uranium concentrate, the conversion, enrichment, fabrication and utilization of nuclear fuel and the disposition of that fuel after use. Many of these arrangements are pursuant to multi-year contracts with concentrate and service providers. Based on the Seabrook Project's existing contractual arrangements, Great Bay and Little Bay believe that the Seabrook Project has available, or under supply contracts, sufficient nuclear fuel for operations through approximately 2003. Uranium concentrate and conversion, enrichment and fabrication services currently are available from a variety of sources. The cost of such concentrate and such services varies based upon market forces.

Nuclear Waste Disposal

Costs associated with nuclear plant operations include amounts for nuclear waste disposal, including spent fuel, as well as for the ultimate decommissioning of the plants. The Nuclear Waste Policy Act of 1982 (the "NWPA") requires the United States Department of Energy (the "DOE"), subject to various contingencies, to design, license, construct and operate a permanent repository for high level radioactive waste and spent nuclear fuel, which are collectively referred to as "high-level waste."

The joint owners of the Seabrook Project, through their managing agent NAESCO, entered into contracts with the DOE for high-level waste disposal in accordance with the NWPA. Under these contracts and the NWPA, the DOE was required to take title to and dispose of the Seabrook Project's high-level waste beginning no later than January 31, 1998. However, the DOE has announced that its first high-level waste repository will not be in operation until 2010 at the earliest.

As a result of this delay, many states and nuclear plant operators, including NAESCO, sued the DOE for injunctive relief and monetary damages. Two U.S. Courts of Appeals ordered the DOE to proceed with its high-level waste disposal obligations and ruled that plant operators are entitled to money damages from DOE. However, there can be no assurance that the Seabrook Project will collect damages from the DOE because, among other things, NAESCO's case against the DOE is still pending.

In March 2000, Congress passed amendments to the NWPA that would require the DOE to begin accepting nuclear waste shipments at a Nevada site in 2007. However, former President Clinton vetoed this legislation and Congress did not override Mr. Clinton's veto. Until the DOE begins receiving nuclear waste materials in accordance with the NWPA and its contracts, nuclear plants such as Seabrook must retain high-level waste on-site or make other storage provisions.

NAESCO, the managing agent of the Seabrook Project, has advised the Company that the Seabrook Project's on-site storage capacity for low-level waste ("LLW") is expected to be sufficient to meet the project's storage requirements through 2006. In addition, NAESCO advises that the Seabrook Project has adequate on-site storage capacity for high-level waste until approximately 2010.

The Low-Level Radioactive Waste Policy Act of 1980 requires each state to provide disposal facilities for LLW generated within the state, either by constructing and operating facilities or by joining regional compacts with other states to jointly fulfill their responsibilities. However, the Low-Level Radioactive Waste Policy Amendments Act of 1985 permits each state in which a currently operating disposal facility is located (South Carolina, Nevada and Washington) to impose volume limits and a surcharge on shipments of LLW from states that are not members of their regional compact.

The Seabrook Project ships certain LLW to privately owned facilities in Tennessee and Utah. All LLW generated by the Seabrook Project that exceeds the maximum radioactivity level of LLW accepted by these facilities is currently stored on-site at the Seabrook facility.

Decommissioning

NRC licensing requirements and restrictions are also applicable to the decommissioning of nuclear generating units at the end of their service lives, and the NRC has adopted comprehensive regulations concerning decommissioning planning, timing, funding and environmental review. Changes in NRC requirements or technology can increase estimated decommissioning costs.

Great Bay and Little Bay are responsible for their pro rata share of the decommissioning and cancellation costs for Seabrook. Great Bay pays its share of decommissioning funding on a monthly basis. Little Bay's share of decommissioning costs was prefunded by Montaup, the owner of the 2.9% interest in the Seabrook Project that Little Bay acquired in November 1999. As part of that acquisition, Montaup transferred approximately $12.4 million into Little Bay's decommissioning account, an irrevocable trust earmarked for Little Bay's share of Seabrook Plant decommissioning expenses.

The Seabrook decommissioning funding schedule is determined by the New Hampshire Nuclear Decommissioning Financing Committee (the "NDFC"). The NDFC reviews the decommissioning funding schedule for the Seabrook Project at least annually and, for good cause, may increase or decrease the amount of the funds or alter the funding schedule.

In January 2001, the NDFC issued an Order relating to proceeding NDFC Docket 2000-1, the comprehensive update of Seabrook Unit #1 Decommissioning Fund. For funding purposes, this Order reflects decommissioning beginning in 2015, shortening the funding period, which commenced in 1990, from 36 to 25 years. Great Bay began funding at an accelerated rate in 1998 in response to New Hampshire legislation,

and as such, the accelerated funding required by this Order is not expected to have a material impact on Great Bay. Great Bay's 2000 decommissioning payments totaled approximately $1.8 million.

Funds collected by Seabrook for decommissioning are deposited in an external irrevocable trust pending their ultimate use. The earnings on the external trusts also accumulate in the fund balance. The trust funds are restricted for use in paying the decommissioning of Unit 1. The investments in the trust are available for sale. Great Bay and Little Bay have therefore reported their investment in trust fund assets at market value and any unrealized gains and losses are reflected in equity. There was an unrealized holding gain of approximately $338,100 as of December 31, 2000.

Although the owners of the Seabrook Project are accumulating funds in an external trust to defray decommissioning costs, these costs could substantially exceed the value of the trust fund, and the owners, including Great Bay and Little Bay, would remain liable for the excess.

In June 1998, the New Hampshire State legislature enacted legislation that provides that in the event of a default by Great Bay on its payments to the decommissioning fund, the other Seabrook joint owners would be obligated to pay their proportional share of such default. As a result of the enactment of this legislation, the staff of the NRC notified Great Bay in July 1998 of the staff's determination that Great Bay complied with the decommissioning funding assurance requirements under NRC regulations.

In response to the obligations imposed on the other Joint Owners under the New Hampshire legislation, Great Bay agreed to make accelerated payments to the Seabrook decommissioning fund such that Great Bay will have contributed sufficient funds by the year 2015 to allow sufficient monies to accumulate, with no further payments by Great Bay to the fund, to the full estimated amount of Great Bay's decommissioning obligation by the time the current Seabrook operating license expires in 2026. Based on the currently approved funding schedule and Great Bay's accelerated funding schedule, Great Bay's decommissioning payments will be approximately $2.6 million in 2001 and escalate at 4% each year thereafter through 2015.

The current estimated cost to decommission the Seabrook Project (based on the NDFC Docket 2000-1, as updated by NDFC Order No. 5 in January 2001) is approximately $609.4 million in 2001 dollars, assuming (for decommissioning funding purposes) a remaining 14-year life for the facility and a future cost escalation rate of 4.0%. Based on this estimate, the value of Great Bay and Little Bay's 15% share of this liability is approximately $91.6 million in 2001 dollars.

On November 15, 1992, Great Bay's former parent, EUA, and certain other parties entered into a settlement agreement. Under the settlement agreement, EUA guaranteed an amount not to exceed $10 million of Great Bay's future decommissioning costs of Seabrook Unit 1 in the event that Great Bay is unable to pay its share of such decommissioning costs.

Environmental Regulation

The Seabrook Project, like other electric generating stations, is subject to standards administered by federal, state and local authorities with respect to the siting of facilities and associated environmental factors. The United States Environmental Protection Agency (the "EPA"), and certain state and local authorities, have jurisdiction over releases of pollutants, contaminants and hazardous substances into the environment and have broad authority in connection therewith, including the ability to require installation of pollution control devices and remedial actions. The NRC has promulgated a variety of standards to protect the public from radiological pollution caused by the normal operation of nuclear generating facilities.

The EPA issued a National Pollutant Discharge Elimination System ("NPDES") permit, valid for a period of five years, to NAESCO on October 30, 1993 authorizing discharges from Seabrook Station into the Atlantic Ocean and the Browns River in accordance with limitations, monitoring requirements and conditions specified in the permit. A renewal application was filed in April 1998 and supplemented in August and September of 1998 and in September 1999. NAESCO has advised Great Bay that the Seabrook Station's initial five-year NPDES permit will remain effective during the renewal process.

On July 26, 1999, the New Hampshire Department of Environmental Services issued a renewal of NAESCO permits to operate two auxiliary boilers, two emergency diesel generators and other smaller units in accordance with New Hampshire Revised Statutes Annotated Chapter 125-C. These permits prescribe limits of the emission of air pollutants into the ambient air as well as record keeping and other reporting criteria. Because the liabilities of the Participants under the JOA are several and not joint, in the event that NAESCO violates the emissions limits contained in its permits, if at all, Great Bay and Little Bay will be liable for their pro rata share of any costs and liabilities assessed for the emissions violations.

In some environmental areas, the NRC and the EPA have overlapping jurisdiction. Thus, in addition to being subject to NRC regulations, the Seabrook Project is subject to all conditions imposed by the EPA and a variety of federal environmental statutes, including obtaining permits for the discharge of pollutants (including heat, which is discharged by the Seabrook Project) into the nation's navigable waters. In addition, the EPA has established standards, and is in the process of reviewing existing standards, for certain toxic air pollutants, including radionuclides, under the United States Clean Air Act which apply to NRC-licensed facilities. The effective date for the new EPA radionuclide standard has been stayed as applied to nuclear generating units. Environmental regulation of the Seabrook Project may result in material increases in capital and operating costs, delays or cancellation of construction of planned improvements, or modification or termination of operation of existing facilities. Management believes that Great Bay and Little Bay are in compliance in all material respects with applicable EPA, NRC and other regulations relating to pollution caused by nuclear generating facilities.

Internet-based Energy Trading and Information Business

Introduction

BayCorp owns a 45.9% equity interest in HoustonStreet, which developed and operates HoustonStreet.com, an Internet-based trading platform and information portal for wholesale energy-related commodity traders. Currently, HoustonStreet offers online energy-related commodity trading exchanges that allow traders to trade electricity, crude oil and refined products for the United States markets over the Internet. HoustonStreet plans to develop and launch trading platforms for natural gas and other energy-related commodities for the United States markets.

HoustonStreet also is exploring opportunities to develop similar energy-related commodity exchanges in both European and Asian markets. In September 2000, HoustonStreet launched an electricity trading platform in the United Kingdom, Germany, Belgium, Switzerland, Austria and the Netherlands through its newly-formed and wholly-owned subsidiary, HoustonStreet B.V. On September 15, 2000, HoustonStreet B.V. entered into an agreement with RWE Trading GmbH, a German private limited liability company, Vattenfall AB, a Swedish public company, and Electrabel, N.V., a Belgian public limited liability company, pursuant to which RWE Trading, Vattenfall and Electrabel use HoustonStreet B.V.'s platform for energy trading activities. There can be no assurance that these relationships will be successful. HoustonStreet plans to enter other European markets in electricity and other energy-related commodities.

HoustonStreet initially launched its Internet-based wholesale electricity trading exchange in the Northeast on July 8, 1999 and achieved first mover position in the online market for electricity trading. On September 13, 1999, HoustonStreet launched electricity trading throughout the United States, four months ahead of schedule. HoustonStreet launched its crude oil and refined products trading platforms on May 18, 2000 and its new electricity trading platform, SpeedWay, on May 22, 2000.

As of February 2001, over 200 companies and over 1,200 individual traders have registered on HoustonStreet. Nine of the top ten U.S. electricity trading companies and all of the top ten international oil trading companies have registered on the Web site. As of February 7, 2001, over $2.0 billion had been transacted on HoustonStreet's oil platform since its launch in May 2000.

HoustonStreet is also pursuing opportunities that extend beyond the wholesale trading platform in its efforts to become "how energy companies do business." HoustonStreet intends to leverage its open architecture in order to integrate trade information with its customers' mid- and back-office applications.

Through its energy portal, HoustonStreet plans to offer a suite of value-added offerings that help energy companies become more efficient and trade on real-time information.

Industry Background

Today, almost all electricity, crude oil, refined products and approximately half of all natural gas trading is conducted by telephone. As online exchanges develop and provide more accurate and comprehensive real-time information and faster execution of trades, HoustonStreet's management believes that energy traders will increasingly adopt the online trading method. In addition, HoustonStreet's management believes that trading companies facing increased competition and lower profit margins will utilize online trading technology to realize cost savings and efficiencies. Moreover, HoustonStreet's management believes that virtually all wholesale energy traders use the Internet for certain aspects of their business, including scheduling, interfacing with various regulatory bodies and accessing information from power pools, such as ISO New England and PJM ISO. Since traders already use the Internet for other business activities, HoustonStreet's management believes that traders will also use the Internet for trading.

State of Wholesale Electricity Market. The electricity market in the United States can be divided into two categories based on the electricity producing entity. The first type of producer, the vertically integrated utility, generates power and sells it directly to its end users. The second type of producer, the independent power producer, generates electricity and sells it on a wholesale basis. Utilities and independent power producers trade wholesale electricity. Wholesale electricity can be traded multiple times, as traders routinely buy and sell power to accommodate varying delivery point and delivery time requirements.

In addition to utilities and independent power producers, electricity is traded by power marketers. Power marketers are non-regulated companies that buy and sell wholesale electricity at market prices. Although power marketers traditionally do not own electrical generation, transmission or distribution assets, they are in some instances affiliated with enterprises that own such assets.

Wholesale trading of electricity in the United States totaled approximately $85 billion in 1999, representing over 3.5 billion-megawatt hours. According to Power Markets Week, power marketer sales alone reached 2.7 billion megawatt hours in 1999.

Electricity Trading and Deregulation. With the onset of electric utility deregulation in the United States, the wholesale power trading market has grown and changed significantly. Historically, electric utilities traded power among themselves primarily on a "real time" (electric power for the next hour) and "day ahead" (today for tomorrow) basis. Forward transactions (beyond the next day) were less common. With vertically integrated utilities, the need for wholesale trading is mainly driven by plant outages and maintenance. Traditional regulated utilities priced transactions based on cost and rate of return rather than market dynamics.

There are two primary factors driving the change and growth of the wholesale power trading market in the United States – the breakup of the vertically integrated model and the introduction of non-rate of return regulated participants. The break up of vertically integrated organizations has increased the need for the resulting organizations to engage in wholesale transactions. When utilities were vertically integrated, captive generation was used to serve captive load and transactions were used to fill in mismatches between the two. Unaffiliated load-serving and generation entities must purchase and sell power to conduct their ongoing businesses.

Twelve states have completed electric utility deregulation as of October 2000. These states represent approximately 29% of the United States' electricity consumption. In addition, 12 other states have enacted restructuring legislation to date. These states represent an additional approximately 25% of the United States' electricity consumption. HoustonStreet's management believes that the ongoing deregulation process will continue and thereby generate a substantially larger market for trading on HoustonStreet.com.

Trading Versus Consumption Volume. Commodity energy products typically trade multiple times prior to consumption. For example, a given cubic foot of natural gas trades approximately eight times before consumption, based on data available from the United States DOE and the New York Mercantile Exchange.

Electricity trading is in its early stages of development, with a trading to consumption multiple of less than one. Based on United States Department of Energy statistics, the production of electricity in 1998 constituted an approximate $80 billion market with a corresponding trading market of $70 billion. HoustonStreet's management believes that this multiple will increase as electricity trading matures, offering HoustonStreet a significant opportunity for growth. Principally as a result of deregulation of the electric utility industry and divestiture of electricity generating assets, management believes that electricity promises to be one of the largest traded commodities in the United States.

Technology

HoustonStreet's modular and scalable architecture is designed to accommodate enhancements, additional capacity and future expansion into other markets. HoustonStreet has developed an e-commerce solution designed to integrate energy trading with companies' mid- and back-office systems, streamlining internal trading processes and providing cost savings and efficiencies. An example of this scalability is an application developed by HoustonStreet, which enables traders to capture details of all of their trades, even those conducted off the HoustonStreet platforms. The integration capability provides the potential for trading information to be passed directly into the company's mid- and back-office systems thereby eliminating manual effort, reducing errors and facilitating real-time risk management.

Sources of Revenue

HoustonStreet receives a fee for every trade completed on its Web site. The transaction fees charged by HoustonStreet are generally at or below the commissions charged by telephone brokers. Commissions on energy trades typically range from 0.01% to 0.05% of the volume of the energy traded online.

Services

HoustonStreet currently offers three trading platforms — electricity, crude oil and refined products. In May 2000, HoustonStreet launched SpeedWay, a platform for trading standard blocks of power at standard delivery points. HoustonStreet's crude oil platform includes several trading floors, organized by grade and location. The platform allows for a user-customized view where the user can specify which markets it wants to appear together on a floor, regardless of grade, location or type. HoustonStreet's refined products platform also includes several trading floors, organized by commodity, pipeline and geographic location. Bids and offers are segmented by trading period (month and cycle) and by grade. Commodities traded include numerous grades of gasoline and distillates, including jet fuel, number 2 heating oil, low sulfur diesel, regular gas, regular RFG gas, premium gas and premium RFG gas. HoustonStreet is currently developing its natural gas trading platform, which it expects to launch in the second quarter of 2001. HoustonStreet's natural gas platform is designed to cover major geographic points and trading types, including cash, index, swing swap, fixed for float and basis.

Competition

HoustonStreet's trading exchanges compete with brokers who arrange for trades by telephone and, to a lesser extent, electronic brokerage services. Moving traders from the telephone to the Internet is perhaps the largest competitive challenge facing HoustonStreet. Currently, most transactions are conducted on the telephone either directly between two traders or through a telephone broker. The broker does not act as a principal in the transaction. The purchasing and selling entities are disclosed to each other upon completion of every transaction. This process can be inefficient and time consuming. In addition, the human element in the telephone broker market introduces a risk of error or omission in the dissemination of market information. The level of price transparency is low. HoustonStreet is aware of several electronic brokerages currently in operation that, to a varying extent, compete with HoustonStreet. In addition, HoustonStreet is aware of several energy companies that have announced Internet-based systems designed to give users the ability to trade energy-related commodities with only that company. These Web sites are not independent exchanges, but rather Internet-based distribution systems for company-specific products and services.

Employees and Management

As of March 21, 2001, BayCorp had 10 employees. Its subsidiaries, Great Bay and Little Bay, had no employees. HoustonStreet (US) had 31 employees and HoustonStreet (UK) had 14 employees.

BayCorp has entered into Management and Administrative Services Agreements (the "Services Agreements"), with Great Bay and HoustonStreet pursuant to which BayCorp provides Great Bay and HoustonStreet a full range of management services, including general management and administration, accounting and bookkeeping, budgeting and regulatory compliance. Under the Services Agreements, BayCorp charged Great Bay $1,114,100 in 2000 and charged HoustonStreet $641,400 in 2000. Each Services Agreement has a one-year term and provides for automatic one-year renewals.

Item 2. ***Properties.***

BayCorp's principal assets include its 100% equity interests in Great Bay and Little Bay. In turn, Great Bay and Little Bay's principal asset is a combined 15% joint ownership interest in the Seabrook Project. The Seabrook Project is a nuclear-fueled, steam electricity, generating plant located in Seabrook, New Hampshire, which was planned to have two Westinghouse pressurized water reactors, Seabrook Unit 1 and Seabrook Unit 2 (each with a rated capacity of 1,150 megawatts), utilizing ocean water for condenser cooling purposes. Seabrook Unit 1 entered commercial service on August 19, 1990. Seabrook Unit 2 has been canceled. See "Business — The Seabrook Project." BayCorp has a 45.9% equity interest in HoustonStreet.

BayCorp's corporate headquarters is located in Portsmouth, New Hampshire where it occupies approximately 2,600 square feet of office space. BayCorp's management believes that the corporate headquarters in Portsmouth, New Hampshire meets its current requirements and that additional space can be obtained to meet requirements for the foreseeable future.

Item 3. ***Legal Proceedings.***

Not Applicable.

Item 4. ***Submission of Matters to a Vote of Security Holders.***

Not Applicable.

Executive Officers of the Registrant

The executive officers of BayCorp are:

Name	Age	Position
Frank W. Getman Jr.	37	Chief Executive Officer and President
Anthony M. Callendrello	49	Chief Operating Officer and Secretary
Patrycia T. Barnard	45	Vice President of Finance and Treasurer

Frank W. Getman Jr. has served as Chief Executive Officer and President of the Company since May 1998. Mr. Getman served as Chief Operating Officer of the Company from September 1996 to March 2000 and Vice President, Secretary and General Counsel of Great Bay from August 1995 to September 1996. From September 1991 to August 1995, Mr. Getman was an attorney with the law firm of Hale and Dorr LLP, Boston, Massachusetts. Mr. Getman holds J.D. and M.B.A. degrees from Boston College and a B.A. in Political Science from Tufts University.

Anthony M. Callendrello has served as the Company's Chief Operating Officer since April 2000 and as the Secretary of the Company since May 2000. Mr. Callendrello has over 20 years experience in the nuclear industry. With over 16 years at the Seabrook Nuclear Power Plant, Mr. Callendrello most recently served as the plant's Manager of Environmental, Government and Owner Relations. From 1980 to 1983, Mr. Callendrello was employed with Stone & Webster Engineering Corporation in New York.

Mr. Callendrello has a Master of Engineering — Mechanical degree and a Bachelor of Engineering degree from Stevens Institute of Technology in Hoboken, New Jersey.

Patrycia T. Barnard has served as Vice President of Finance and Treasurer of the Company since January 2001. Ms. Barnard served as Director of Accounting since May 1996 and has served as Treasurer since 1998. Ms. Barnard has over 15 years experience in multi-national, corporate accounting and finance. From 1978 until 1993, Ms. Barnard was employed by BTR, Plc., most recently as Assistant Controller for Clarostat Mfg. Co. Inc., currently located in Plano, Texas and Juarez, Mexico. Ms. Barnard holds an M.B.A. and a Masters in Accounting from New Hampshire College. She also holds a B.S. in Business Administration from the University of New Hampshire.

PART II

Item 5. *Market for Registrant's Common Equity and Related Stockholder Matters.*

Following are the reported high and low sales prices of BayCorp common stock ("MWH") on the American Stock Exchange ("ASE") as reported in the Wall Street Journal daily as traded, for each quarter of 1999 and 2000:

	High	Low
1999		
First Quarter	$4.44	$3.50
Second Quarter	6.00	3.38
Third Quarter	7.31	6.00
Fourth Quarter	9.69	6.25
	High	**Low**
2000		
First Quarter	$32.25	$9.81
Second Quarter	23.75	7.13
Third Quarter	12.00	7.00
Fourth Quarter	11.50	5.50

As of March 21, 2001, the Company had 26 holders of record of its common stock. The Company believes that as of March 21, 2001, the Company had approximately 1,037 beneficial holders of its common stock. The number of beneficial owners substantially exceeds the number of record holders because many of the Company's stockholders hold their shares in street name.

BayCorp has never paid cash dividends on its common stock and currently expects that it will retain all of its future earnings and does not anticipate paying a dividend in the foreseeable future.

Item 6. *Selected Financial Data.*

Selected Financial Data

The following table presents selected financial data of the Company as of and for the years ended December 31, 2000, 1999, 1998, 1997 and 1996. The information below should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's financial statements, including the notes thereto, contained elsewhere in this Report.

SELECTED FINANCIAL DATA
(Dollars in Thousands)

	For the Years Ended December 31,				
	2000	1999	1998	1997	1996
Income Statement Data:					
Operating Revenues	$56,347	$45,731	$32,034	$26,642	$30,324
Operating Expenses	67,060	45,626	37,310	36,880	32,563
Net Income (Loss)	(15,669)	(4,740)	(6,769)	(11,215)	4,100
Balance Sheet Data:					
Cash, Cash Equivalents & Short Term Investments	14,109	5,930	12,055	19,092	28,775
Working Capital	283	17,707	17,761	23,079	30,552
Total Assets	153,594	157,110	140,358	140,158	152,418
Decommissioning Liability	71,618	79,443	60,274	55,846	53,215
Capitalization:					
Common Equity	51,539	66,246	71,359	78,139	89,625
Total Capitalization	51,539	66,246	71,359	78,139	89,625

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

Overview

BayCorp derives substantially all of its revenue through its energy trading activities and its 100% equity interest in Great Bay and Little Bay. Great Bay and Little Bay are electric generating companies whose principal asset is a combined 15% joint ownership interest in the Seabrook Nuclear Power Project in Seabrook, New Hampshire.

BayCorp reported net losses for the years ended December 31, 2000, 1999, 1998, 1997 and reported net income for the year ended December 31, 1996. The 2000 net loss was primarily attributable to the non-cash charge to earnings for unrealized losses on firm forward energy trading contracts and the 2000 Seabrook refueling outage. The 1999 net loss was primarily due to costs associated with the refueling outage that began on March 27, 1999, with the plant resuming full operating capacity on May 21, 1999. The 1998 net loss was primarily due to unscheduled outages at the Seabrook Project that occurred during the year and to the charge related to the termination of a power marketing agreement between Great Bay and PECO Energy Company. The 1997 net loss was primarily due to scheduled and unscheduled outages at the Seabrook Project that occurred during that year. The 1996 net income was primarily due to a gain of $7,036,800 from the sale of unused steam generators from Seabrook Unit 2.

The Seabrook Project from time to time experiences both scheduled and unscheduled outages. BayCorp incurs losses during outage periods due to the loss of all revenues from the sale of generation and additional costs associated with the outages as well as continuing operating and maintenance expenses and depreciation. Unscheduled outages or operation of the unit at reduced capacity can occur due to the automatic operation of safety systems following the detection of a malfunction. In addition, it is possible for the unit to be shut down or operated at reduced capacity based on the results of scheduled and unscheduled inspections and routine surveillance by Seabrook Project personnel. It is not possible for BayCorp to predict the frequency or duration of any future unscheduled outages; however, it is likely that such unscheduled outages will occur. The Seabrook Project conducted a refueling outage in 2000, which began on October 21, 2000. This refueling outage was scheduled for approximately 30 days, however due to unexpected mechanical problems, the Seabrook Project did not return to full power until February 1, 2001. Refueling outages are generally scheduled every 18 months depending upon the Seabrook Project capacity factor and the rate at which the nuclear fuel is consumed. The next refueling outage is scheduled to begin in May 2002.

The following discussion focuses solely on operating revenues and operating expenses that are presented in a substantially consistent manner for all of the periods discussed.

Results of Operations

Operating Revenues

BayCorp's operating revenues for 2000 increased by approximately $10.6 million, or 23.2%, to $56,347,000 as compared to $45,731,000 for 1999. This increase was primarily attributable to increases in selling prices in 2000 as compared to 1999. During 2000, the sales price per kilowatt-hour ("kWh") (determined by dividing total sales revenue by the total number of kWhs sold in the applicable period) increased 23% to 3.87 cents per kWh as compared with 3.13 cents per kWh in 1999. Sales of electricity decreased slightly by approximately 0.2% to 1,453,263,900 kWhs in 2000 as compared to 1,457,110,270 kWhs in 1999. The 2000 capacity factor at the Seabrook Project was 85.2% of the rated capacity as compared to a capacity factor of 85.6% for 1999. Operating revenues and capacity factor were adversely impacted in 2000 by the scheduled refueling outage at the Seabrook Project that began on October 21, 2000. A return to full power was expected on November 21, 2000. The outage was extended when damage to one of the plant's emergency diesel generators occurred, requiring an extensive repair effort. The Plant returned to full power on February 1, 2001. Operating revenues and capacity factor were adversely impacted in 1999 by the scheduled refueling outage that began on March 27, 1999. The Plant resumed full operating capacity on May 21, 1999. Great Bay purchased approximately 262,409,300 kWhs for resale in 2000 primarily to cover firm contracts during the extended outage in the fourth quarter. Great Bay purchased approximately 369,703,000 kWhs in 1999 to cover firm contracts and for resale. Average purchase prices for power were approximately 5.06 cents per kWh in 2000 and 3.02 cents per kWh in 1999.

Great Bay's cost of power (determined by dividing total operating expenses by kWhs sold during the applicable period) increased 38% to 4.61 cents per kWh in 2000 as compared to 3.33 cents per kWh in 1999. This increase was primarily the result of the expense associated with the unrealized losses on firm forward contracts of approximately $12.2 million in 2000 as compared to $806,000 in 1999.

BayCorp's operating revenues for 1999 increased by approximately $13.7 million, or 42.8%, to $45,731,000 as compared with $32,034,000 for 1998. This increase was primarily due to an increase in sales by Great Bay of power purchased in the open market in 1999. The 1999 capacity factor at the Seabrook Project was 85.6% of the rated capacity as compared to a capacity factor of 83.3% for 1998. Operating revenues and capacity factor were adversely impacted in 1999 by the scheduled refueling outage at the Seabrook Project that began on March 27. The Plant resumed full operating capacity on May 21 and operated at full capacity thru December 31, 1999. In contrast, while there was no refueling outage in 1998, the Seabrook Project had approximately 64 unscheduled outage days in 1998.

Sales of electricity increased by approximately 38.2% to 1,457,110,270 kWhs in 1999 as compared to 1,054,203,800 kWhs in 1998. During 1999, the sales price per kWh increased 3% to 3.13 cents per kWh as compared with 3.04 cents per kWh in 1998. Great Bay's cost of power decreased 5.9% to 3.33 cents per kWh in 1999 as compared to 3.54 cents per kWh in 1998. This decrease was primarily the result of the higher capacity factor at the Seabrook Project during 1999 as compared to 1998. Scheduled and unscheduled outage time increases Great Bay's cost of power because Seabrook costs are spread over fewer kWhs.

Expenses

BayCorp's total operating expenses for 2000 increased $21.4 million, or 47%, in comparison with 1999. This increase was primarily the result of the non-cash charge to earnings for unrealized losses on firm energy trading contracts. Unrealized losses for firm energy trading contracts was $12,232,000 for 2000 as compared to $806,000 for 1999. In December 1998, the Emerging Issues Task Force reached consensus on Issue No. 98-10, Accounting for Contracts Involved in Energy Trading and Risk Management Activities ("EITF 98-10"). EITF 98-10 is effective for fiscal years beginning after December 15, 1998. EITF 98-10 requires energy trading contracts to be recorded at fair value on the balance sheet, with the changes in fair value included in earnings. The effects of initial application of EITF 98-10 were reported as a cumulative

effect of a change in accounting principle. Financial statements for periods prior to initial adoption of EITF 98-10 were not restated. The cumulative effect of this accounting change as of January 1, 1999 was an increase in net income of approximately $159,000 to recognize gains on net open physical purchase and sales commitments considered to be trading activity.

Production costs increased approximately $6.8 million, or 37.3%, from $18,220,000 in 1999 to $25,016,000 in 2000. This increase was primarily the result of the Company's increased ownership in the Seabrook Project, from approximately 12.1% for the first eleven months of 1999 to approximately 15% for December 1999 and all of 2000. In addition, the increase in operating expenses in 2000 as compared to 1999 was attributable to the costs associated with the extended refueling outage in the fourth quarter of 2000. Purchased power expenses increased approximately $1 million, or 8.5%, from $12,232,000 in 1999 to $13,270,000 in 2000. This increase was primarily attributable to an increase in the purchase price of power in 2000 as compared to 1999. Purchased power expenses have increased primarily because Great Bay purchased power in 2000 and 1999 in the open market to resell to third parties and to cover firm sales during scheduled and unscheduled outages in 2000 and 1999. As Great Bay enters into more sales transaction agreements to supply firm power, Great Bay's expenses to purchase power to cover firm power obligations during scheduled and unscheduled outages may increase.

Administrative and general expenses increased approximately $666,000, or 9.9%, from $6,706,000 in 1999 to $7,372,000 in 2000. Depreciation and amortization increased approximately $336,000, or 8.8%, from $3,823,000 in 1999 to $4,159,000 in 2000. These increases were primarily attributable to the increased ownership in the Seabrook Project in 2000 as compared to 1999. Taxes other than income increased approximately $972,000, or 32.8%, from $2,966,000 in 1999 to $3,938,000 in 2000. In addition to expenses increasing as a result of the Company's increased ownership in the Seabrook Project, Great Bay also received a property tax refund in 1999 as settlement for changes in assessed property values.

Interest income increased approximately $514,000, or 79.3%, from $648,000 in 1999 to $1,162,000 in 2000, primarily due to higher average cash balances during 2000 as compared to 1999. Decommissioning cost accretion increased $313,000, or 9.4%, to $3,633,000 in 2000 as compared to $3,320,000 in 1999. This accretion is a non-cash charge that reflects Great Bay's liability related to the closure and decommissioning of the Seabrook Project in current year dollars over the licensing period during which the Seabrook Project is licensed to operate. Decommissioning trust fund income increased $971,000, or 128%, to $1,726,000 in 2000 as compared to $755,000 in 1999. The increase in interest earned on the decommissioning trust fund reflected the higher 2000 fund balances as Great Bay continued to make contributions to the Great Bay decommissioning trust fund and the addition of the Little Bay decommissioning trust funds in 2000. Other Income increased approximately $443,000, or 143%, to $753,000 in 2000 as compared to $310,000 in 1999, primarily due to miscellaneous sales of Unit 2 equipment at Seabrook.

Equity loss in HoustonStreet investment was $4,352,000 in 2000 and $3,396,000 in 1999. As of December 31, 1999, the Company owned 100% of HoustonStreet. The Company recognized its ownership share of HoustonStreet's losses, $3,396,000, for 1999. HoustonStreet raised additional equity in 2000 from outside investors and as a result, as of December 4, 2000, the Company's ownership fell below 50%, to 45.9%. Subsequently, the Company deconsolidated HoustonStreet as of December 4, 2000 and started accounting for this investment on the equity method. The net financial impact of this deconsolidation was $4,352,000, recorded in 2000 (see Note 12. Investment in Unconsolidated Affiliates.)

BayCorp's total operating expenses for 1999 increased $8.3 million, or 22.3%, in comparison with 1998. This increase was primarily the result of purchased power costs in 1999. Purchased power increased approximately $11,186,000, from $1,069,000 in 1998 to $12,232,000 in 1999. Purchased power expenses have increased primarily because Great Bay purchased power in 1999 in the open market to resell to third parties and to cover firm sales during unscheduled outages in 1999. Production costs decreased approximately $2.6 million, or 12.3%, from $20.8 million in 1998 to $18.2 million in 1999. This decrease was primarily the result of fewer unscheduled outage days in 1999 compared to 1998. Administrative and general expenses decreased approximately $1.3 million, or 16%, from $7,988,000 in 1998 to $6,706,000 in 1999. Depreciation and amortization decreased approximately $167,000, or 4.6%, from $3,656,000 in 1998 to $3,823,000 in 1999.

In 1999, the Company recognized $806,000 in unrealized losses on firm energy trading contracts. There was no comparable charge in 1998. The effects of initial application of EITF 98-10 were reported as a cumulative effect of a change in accounting principle. Financial statements for periods prior to initial adoption of EITF 98-10 were not restated.

Other Deductions increased $3.5 million, or 235%, in 1999 as compared to 1998. This increase was primarily attributable to the equity loss in HoustonStreet investment in 1999. There was no HoustonStreet investment in 1998. Decommissioning cost accretion increased $447,000, or 15.6%, to $3.3 million in 1999 as compared to $2.9 million in 1998. Decommissioning trust fund income increased $142,000, or 23.2%, to $755,000 in 1999 as compared to $613,000 in 1998. The increase in interest earned on the decommissioning trust fund reflected the higher 1999 fund balance as Great Bay continued to make contributions to the decommissioning trust fund.

Net Operating Losses

For federal income tax purposes, as of December 31, 2000, the Company had net operating loss carry forwards ("NOLs") of approximately $225 million, which are scheduled to expire between 2005 and 2019. Because the Company has experienced one or more ownership changes, within the meaning of Section 382 of the Internal Revenue Code of 1986, as amended, an annual limitation is imposed on the ability of the Company to use $131 million of these carryforwards. The Company's best estimate at this time is that the annual limitation on the use of $131 million of the Company's NOLs is approximately $5.5 million per year. Any unused portion of the $5.5 million annual limitation applicable to the Company's restricted NOL's is available for use in future years until such NOL's are scheduled to expire. The Company's other $94 million of NOLs are not currently subject to such limitations.

Liquidity and Capital Resources

BayCorp's subsidiary, Great Bay, currently sells most of its power in the Northeast United States short-term wholesale power market. The cash generated from electricity sales by Great Bay was sufficient to meet the Company's ongoing cash requirements in 2000. If the Seabrook Project operates at a capacity factor below historical levels, or if expenses associated with the ownership or operation of the Seabrook Project, including without limitation decommissioning costs, are materially higher than anticipated, or if the prices at which Great Bay is able to sell its share of the Seabrook Project electricity decrease from current price levels, BayCorp or Great Bay would be required to raise additional capital, either through a debt financing or an equity financing, to meet ongoing cash requirements. Nonetheless, there can be no assurance that BayCorp or Great Bay will be able to raise additional capital on acceptable terms or at all.

During 2000, the Company loaned $7,000,000 to HoustonStreet. Due to the continuous losses at HoustonStreet, the Company wrote down its equity investment in HoustonStreet and subsequently its loan and receivable from HoustonStreet. As of December 31, 2000, the Company had no investments or receivables from HoustonStreet recognized on its balance sheet.

BayCorp's total cash and short term investments increased approximately $8.2 million during 2000. Liquidity improved principally because BayCorp's operating revenues exceeded its cash operating expenses in 2000. Operating expenses consist of both cash and non-cash charges. The Company had a net loss for 2000 of approximately $15.7 million. This loss included a non-cash charge to income in 2000 of approximately $12.2 million for unrealized losses on firm energy trading contracts. Other non-cash charges to income included $4.3 million for the equity loss in HoustonStreet, $4.2 million for depreciation and amortization, $4.8 million for nuclear fuel amortization and $3.6 million for decommissioning trust fund accretion. A decrease in prepaids and other assets of approximately $1.9 million was primarily due to the timing of funding as requested by Seabrook for operating expenses. There was an increase in accounts payable of approximately $7.2 million primarily due to purchased power expenses of $6.6 million for November and December 2000. Offsetting these non-cash charges to income were cash charges to income including a $5.5 million increase in December 2000 accounts receivable. Other cash charges included approximately $2.1 million for capital expenditures and $6.8 million for nuclear fuel.

Great Bay's 2000 decommissioning payments totaled approximately $1.8 million. The decommissioning funding schedule is determined by the NDFC, which reviews the schedule for the Seabrook Project at least annually. Great Bay expects to use revenues from the sale of power to make decommissioning payments. See "Business — Decommissioning."

Great Bay and Little Bay anticipate that their share of the Seabrook Project's capital expenditures for the 2001 fiscal year will total approximately $6.8 million for nuclear fuel and various capital projects. In addition, Great Bay and Little Bay are required under the JOA to pay their share of Seabrook Unit 1 and Seabrook Unit 2 expenses, including, without limitation, operation and maintenance expenses, construction and nuclear fuel expenditures and decommissioning costs, regardless of the level of Seabrook Unit 1's operations.

On February 6, 2001, Great Bay executed a Purchase Power Agreement with Select whereby Great Bay will sell 50 MWs of energy associated with Seabrook to Select in exchange for 25 MWs of energy associated with Millstone Unit 2 and 25 MWs of energy associated with Millstone Unit 3. The term of this agreement is April 1, 2001 through December 31, 2001. Delivery of power from either company is contingent on each of the units operating at certain capacity.

As part of the agreement, Select made a prepayment of $3.7 million to Great Bay in February 2001 and a second prepayment of $3.3 million is required in March 2001. Great Bay is compensating Select for the prepayments by (i) paying 12% annual interest for the period from February 6, 2001 through March 31, 2001 and (ii) giving Select a price differential for the power being exchanged until such time as the Select prepayment has been repaid. In order to collateralize the transaction, Great Bay and Little Bay have each provided Select with a mortgage lien and security interest in their respective interests in the Seabrook Project. Once Great Bay has repaid Select, the mortgage liens and security interests will be released and there will be no price differential in exchanging power throughout the remaining terms of the agreement.

The Company's principal asset available to serve as collateral for borrowings is Great Bay's and Little Bay's combined 15% interest in the Seabrook Project. Pursuant to a purchased power agreement, dated as of April 1, 1993, between Great Bay and UNITIL, Great Bay's interest in the Seabrook Project is encumbered by a mortgage. This mortgage may be subordinated to up to $80 million of senior secured financing. Also, as noted above, in order to collateralize the transaction with Select, Great Bay and Little Bay each provided Select with a mortgage lien and security interest in their respective interests in the Seabrook Project. See "Business — Purchased Power Agreements."

Seabrook Unit 1 transmits its generated power to the New England 345 kilovolt transmission grid, a major network of interconnecting lines covering New England, through three separate transmission lines emanating from the station. On March 5, 2001, the Seabrook Project began experiencing interruptions of the connections to the transmission system due to icing from a severe winter storm that resulted in the plant automatically tripping offline. During this shutdown, a problem was identified with the steam-driven emergency feedwater pump and plant chemistry personnel detected the presence of chlorides in the condenser hotwells, indicating leakage of seawater into the condenser. Repair of the emergency feedwater pump were completed allowing the plant to return on-line on March 15, 2001. Power was limited to approximately 70% while plant personnel continued to repair the condenser leakage. On March 19, 2001, plant operators identified a problem with the main turbine valve control system requiring that the plant be taken off-line. After repairs were completed, the plant was placed on-line on March 22, 2001 and power was increased to approximately 70%. The plant reached full power on March 25, 2001.

Management believes the plant will operate at historical levels and believes that it will be able to fulfill its obligations with respect to the agreement with Select. As mentioned previously, if this does not happen, the company will be required to raise additional funding.

The Company expects that HoustonStreet expenses and capital expenditures will substantially exceed HoustonStreet's revenues until late in 2001. HoustonStreet raised approximately $37.4 million from investors to date.

On March 22, 2001, HoustonStreet received commitments to receive up to approximately $3.9 million in additional funding, including $900,000 from BayCorp. Although HoustonStreet has received some of the funding, until the closing of the financing, there can be no assurance that HoustonStreet will receive the balance of the committed funds. This financing involves the sale by HoustonStreet of senior secured notes, warrants to purchase HoustonStreet preferred stock and warrants to purchase HoustonStreet common stock.

In March 2001, BayCorp entered into discussion with HoustonStreet involving the conversion of BayCorp's $7.0 million loan made in September 2000, together with approximately $1.0 million in accrued interest and penalties on the note and past due management fees, into approximately $8.0 million of HoustonStreet Series C Units. There can be no assurance that this proposed financing will be successfully completed. The loan, accrued interest and receivables from HoustonStreet had been written down to zero at December 31, 2000, and as such, the conversion of these amounts will have no accounting impact.

Certain Factors That May Affect Future Results

This Annual Report on Form 10-K contains forward-looking statements. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," "intends" and similar expressions are intended to identify forward-looking statements. There are a number of important factors that could cause the results of BayCorp and/or its subsidiaries to differ materially from those indicated by such forward-looking statements. These factors include, without limitation, those set forth below and elsewhere in this Annual Report.

History of Losses

BayCorp has never reported an operating profit for any year since its incorporation. Historically, electricity sales at short-term rates have not resulted in sufficient revenue to enable BayCorp to meet its cash requirements for operations, maintenance and capital related costs. In addition, and despite recently increasing prices for electricity in the northeast United States, there can be no assurance that Great Bay or Little Bay will be able to sell power at prices that will enable them to meet their cash requirements.

Liquidity Needs

As of December 31, 2000, BayCorp had approximately $14.1 million in cash and cash equivalents, restricted cash and short-term investments. The Company believes that such cash, together with the anticipated proceeds from the sale of electricity by Great Bay and Little Bay, will be sufficient to enable the Company and its wholly-owned subsidiaries to meet their cash requirements in 2001. However, if in 2001 or thereafter, the Seabrook Project operated at a capacity factor below historical levels, or if expenses associated with the ownership or operation of the Seabrook Project, including without limitation decommissioning costs, are materially higher than anticipated, or if the prices at which Great Bay and Little Bay are able to sell their share of the Seabrook Project electricity decrease from current price levels, the Company or its wholly-owned subsidiaries would be required to raise additional capital, either through a debt financing or an equity financing, to meet ongoing cash requirements. In any event, the Company and its wholly-owned subsidiaries will likely need to raise additional capital from outside sources. There is no assurance that the Company or its subsidiaries would be able to raise such capital or that the terms on which any additional capital is available would be acceptable. If additional funds are raised by issuing equity securities, dilution to then existing stockholders will result.

Factors Related to Great Bay and Little Bay

Primary Reliance on a Single Asset. BayCorp's principal source of revenue is its wholesale electricity generation and trading business, which depends in large part on Great Bay and Little Bay's 15% combined joint interest in the Seabrook Nuclear Power Project in Seabrook, New Hampshire. Accordingly, BayCorp's results of operations significantly depend on the successful and continued operation of the Seabrook Project.

In particular, if the Seabrook Project experiences unscheduled outages of significant duration, BayCorp's results of operations will be materially adversely affected.

Changes in the New England Wholesale Power Market. During recent years in New England, the combination of (1) small increases in the demand for electricity and (2) electric industry deregulation has resulted in increased uncertainty regarding the price of electricity in the wholesale power market. Although Great Bay's average selling price per kWh (determined by dividing total sales revenue by the total number of kWhs sold in the applicable period) increased from 3.04 cents in 1998 to 3.13 cents in 1999 and to 3.87 cents in 2000, there can be no assurance that Great Bay or Little Bay will be able to sell their power at these prices or higher prices in the future.

Risks in Connection with Joint Ownership of Seabrook Project. Great Bay and Little Bay are required under the JOA to pay their share of Seabrook Unit 1 and Seabrook Unit 2 expenses, including without limitation operations and maintenance expenses, construction and nuclear fuel expenditures and decommissioning costs, regardless of Seabrook Unit 1's operations. Under certain circumstances, a failure by Great Bay or Little Bay to make their monthly payments under the JOA entitles certain other joint owners of the Seabrook Project to purchase Great Bay or Little Bay's interest in the Seabrook Project for 75% of the then fair market value thereof.

In addition, the failure to make monthly payments under the JOA by owners of the Seabrook Project other than Great Bay and Little Bay may have a material adverse effect on the Company. For example, Great Bay or Little Bay could opt to pay a greater proportion of the Seabrook Project expenses in order to preserve the value of their share of the Seabrook Project. In the past, certain of the owners of the Seabrook Project other than Great Bay and Little Bay have not made their full respective payments. The electric utility industry is undergoing significant changes as competition and deregulation are introduced into the marketplace. Some utilities, including certain Participants, have indicated in state regulatory proceedings that they may be forced to seek bankruptcy protection if regulators, as part of the industry restructuring, do not allow for full recovery of stranded costs. If a Participant other than Great Bay or Little Bay filed for bankruptcy and that Participant was unable to pay its share of Seabrook Project expenses, Great Bay or Little Bay might opt to pay a greater portion of Seabrook Project expenses in order to preserve the value of their share of the Seabrook Project. In the past, the filing of bankruptcy by a Participant has not resulted in a failure to pay Seabrook Project expenses or an increase in the percentage of expenses paid by other Participants.

The Seabrook Project is owned by Great Bay, Little Bay and the other owners thereof as tenants in common, with the various owners holding varying ownership shares. This means that Great Bay and Little Bay, which together own only a 15% interest, do not have control of the management of the Seabrook Project. As a result, decisions may be made affecting the Seabrook Project notwithstanding Great Bay and/or Little Bay's opposition.

Certain costs and expenses of operating the Seabrook Project or owning an interest therein, such as certain insurance and decommissioning costs, are subject to increase or retroactive adjustment based on factors beyond the control of BayCorp or its subsidiaries. The cost of disposing of Unit 2 of the Seabrook Project is not known at this time. These various costs and expenses may adversely affect BayCorp, Great Bay and Little Bay, possibly materially.

Risks Associated with Agreement to Sell Seabrook Ownership Interests. On October 10, 2000, the Company and its wholly-owned subsidiaries entered into an agreement with Northeast Utilities ("NU") under which Great Bay and Little Bay will join with NU in the sale of NU's ownership interests in the Seabrook Project. Under the terms of the agreement, BayCorp will receive the sales price established by an auction process led by NU. Although the auction is expected to begin in the second quarter of 2001 with a closing expected the first half of 2002, the Company cannot control the procedure or timing of the joint sale of the Seabrook Project, and the sale may be delayed, abandoned or otherwise affected by factors beyond the Company's control. Significantly, the price obtained by Great Bay and Little Bay in the sale of their Seabrook interests cannot be predicted. Further, the value of the fuel and inventory owned by Great Bay and Little Bay, currently estimated at between $10 million to $14 million, may be materially different than estimated.

Extensive Government Regulation. The Seabrook Project is subject to extensive regulation by federal and state agencies. In particular, the Seabrook Project, and Great Bay and Little Bay as part owners of a licensed nuclear facility, are subject to the broad jurisdiction of the NRC, which is empowered to authorize the siting, construction and operation of nuclear reactors after consideration of public health and safety, environmental and antitrust matters. Great Bay and Little Bay are also subject to the jurisdiction of the FERC and, as a result, are required to file with FERC all contracts for the sale of electricity. FERC's jurisdiction also includes, among other things, the sale, lease, merger, consolidation or other disposition of facilities, interconnection of certain facilities, accounts, service and property records. Noncompliance with NRC requirements may result, among other things, in a shutdown of the Seabrook Project.

The NRC has promulgated a broad range of regulations affecting all aspects of the design, construction and operation of a nuclear facility, such as the Seabrook Project, including performance of nuclear safety systems, fire protection, emergency response planning and notification systems, insurance and quality assurance. The NRC retains authority to modify, suspend or withdraw operating licenses, such as the license pursuant to which the Seabrook project operates, at any time that conditions warrant. For example, the NRC might order Seabrook Unit 1 shut down (i) if flaws were discovered in the construction or operation of Seabrook Unit 1, (ii) if problems developed with respect to other nuclear generating plants of a design and construction similar to Unit 1, or (iii) if accidents at other nuclear facilities suggested that nuclear generating plants generally were less safe than previously believed.

Risk of Nuclear Accident. Nuclear reactors have been used to generate electric power for more than 35 years and there are currently more than 100 nuclear reactors used for electric power generation in the United States. Although the safety record of these nuclear reactors in the United States generally has been very good, accidents and other unforeseen problems have occurred both in the United States and elsewhere, including the well-publicized incidents at Three Mile Island in Pennsylvania and Chernobyl in the former Soviet Union. The consequences of such an accident can be severe, including loss of life and property damage, and the available insurance coverage may not be sufficient to pay all the damages incurred.

Waste Disposal; Decommissioning Cost. There has been considerable public concern and regulatory attention focused upon the disposal of low- and high-level nuclear wastes produced at nuclear facilities and the ultimate decommissioning of such facilities. As to waste disposal concerns, both the federal government and the State of New Hampshire are currently delinquent in the performance of their statutory obligations.

The joint owners of the Seabrook Project, through their managing agent NAESCO, entered into contracts with the DOE for high-level waste disposal in accordance with the NWPA. Under these contracts and the NWPA, the DOE was required to take title to and dispose of the Seabrook Project's high-level waste beginning no later than January 31, 1998. However, the DOE has announced that its first high-level waste repository will not be in operation until 2010 at the earliest.

The Seabrook Project increased its on-site storage capacity for low-level waste ("LLW") in 1996 and that capacity is expected to be sufficient to meet the Project's storage requirements through 2006. In addition, the managing agent of the Seabrook Project has advised the Joint Owners that the Seabrook Project has adequate on-site storage capacity for high-level waste until approximately 2010. If the Seabrook Project were unable to store nuclear waste on site or make other disposal provisions, the Company's business, results of operations and financial condition would be materially and adversely affected. See "Business — Wholesale Electricity Generation and Trading Business — Nuclear Waste Disposal."

As to decommissioning, NRC regulations require that upon permanent shutdown of a nuclear facility, appropriate arrangements for full decontamination and decommissioning of the facility be made. These regulations require that during the operation of a facility, the owners of the facility must set aside sufficient funds to defray decommissioning costs. While the owners of the Seabrook Project are accumulating monies in a trust fund to defray decommissioning costs, these costs could substantially exceed the value of the trust fund, and the owners (including Great Bay and Little Bay) would remain liable for the excess. Moreover, the amount that is required to be deposited in the trust fund is subject to periodic review and adjustment by an independent commission of the State of New Hampshire, which could result in material increases in such amounts.

Factors Related to HoustonStreet

Need for Additional Financing. Based on current levels of operations and planned growth, HoustonStreet's management anticipates that the net proceeds from sales of its stock and other securities, from commitments for further cash investments based on HoustonStreet's meeting certain performance goals and from cash generated from operations will be sufficient to meet HoustonStreet's needs through December 2001. If HoustonStreet is unable to close the sale of its Series C Units, requires additional funding or determines that it is appropriate to raise additional funding, HoustonStreet may be unable to raise additional funds. Further, any such funding may result in significant dilution to existing HoustonStreet stockholders, including BayCorp. The inability to obtain sufficient funds from operations and external sources when needed would have a material adverse effect on HoustonStreet's business, results of operations and financial condition.

Limited Operating History. HoustonStreet was incorporated in Delaware on April 27, 1999. HoustonStreet initially launched its online electricity trading platform in the Northeast on July 8, 1999 and nationwide on September 13, 1999. HoustonStreet launched its online oil trading floor on May 18, 2000. HoustonStreet has only a limited operating history upon which to evaluate its performance.

Significant Future Losses Expected. HoustonStreet's business is subject to the risks and uncertainties encountered by companies in early stages of development, particularly enterprises in new and rapidly evolving markets, such as electronic trading of energy products over the Internet. HoustonStreet's substantial operating expenses and capital expenditures from formation to date have greatly exceeded its revenues over the same period. HoustonStreet expects to continue to incur substantial operating losses until later in 2001. However, there is no assurance that HoustonStreet will be able to achieve or sustain profitability in 2001 or thereafter.

Internet-based Wholesale Energy Trading is a New and Evolving Market. Wholesale trading of energy products over the Internet is a new and rapidly evolving market. HoustonStreet cannot be certain that a viable market will emerge or be sustainable. If the market for Internet-based wholesale energy trading fails to develop, if it develops more slowly than expected, if it becomes saturated with competitors or if it does not achieve widespread market acceptance, HoustonStreet would be materially adversely affected.

Dependence on Internet-based Wholesale Energy Trading. Substantially all of HoustonStreet's revenues depend on the continued and expanded use of Internet-based wholesale energy trading platforms. HoustonStreet currently depends on its wholesale crude and refined oil trading platform for substantially all of its current revenues. During 2000, approximately 45% of HoustonStreet's revenue consisted of commission on wholesale electricity trading and the other 55% of HoustonStreet's revenue consisted of commissions on wholesale crude oil and refined products trading. From January 1, 2001 to March 15, 2001, nearly all of HoustonStreet's revenue was generated by commissions on wholesale crude and refined products. HoustonStreet will likely depend on other energy trading platforms, including platforms for natural gas trading, if planned expansion is successful.

Businesses have only recently begun significant use of the Internet for electronic commerce. Although Internet usage has grown dramatically, HoustonStreet cannot assure you that usage will continue to increase for commerce or trading wholesale energy products. A decrease in the use of the Internet or a reduction in the currently anticipated growth in the use of the Internet would have a material adverse effect on HoustonStreet. Businesses may reject the Internet as a viable commercial medium for a number of reasons, including potentially inadequate network infrastructure, slow development of enabling technologies, insufficient commercial support or privacy concerns. The Internet's infrastructure may be unable to support the demands placed on it by increased usage. In addition, delays in developing or adopting new standards and protocols required to handle increased levels of Internet activity, or increased government regulation, could cause the Internet to lose its viability as a commercial medium.

Dependence on Trading Liquidity. HoustonStreet will need to achieve trading liquidity on its Internet-based wholesale energy trading exchange in order to increase and sustain revenues. If the volume and level of trades on the exchange do not increase, HoustonStreet will not achieve profitability. If HoustonStreet fails to register additional users or generate increased traffic on its Web site, the number of trades completed on the

exchange may not increase. If the number, size and frequency of transactions do not increase, HoustonStreet will be unable to increase its revenues and HoustonStreet's business will not achieve profitability.

Dependence on Increased Business from Unaffiliated Customers. If HoustonStreet fails to grow its customer base or generate repeat and expanded business from customers that are not affiliated with HoustonStreet, HoustonStreet will be unable to achieve or sustain profitability. During 2000, Equiva Trading Company, the oil trading alliance of Shell Oil Company, Texaco and Saudi Aramco, was a party to 56% of all crude and refined oil trades on HoustonStreet. In addition, Sithe Energies, Inc. was a party to 47% of all electricity trades on HoustonStreet. HoustonStreet earns standard commissions from all trades on HoustonStreet, including trades by Equiva Trading Company and Sithe Energies, Inc. and its counterparties. Equiva Trading Company and Sithe Energies, Inc. have made private investments in HoustonStreet and are holders of HoustonStreet capital stock. To date, a substantial majority of HoustonStreet's revenue has been derived from commissions from trades involving affiliated parties and their counterparties.

HoustonStreet's management expects that commissions from trades involving affiliated parties and their counterparties will be a less significant portion of revenue in the future as the number of registered traders and the volume of trades increases. If trading volume does not increase as anticipated, HoustonStreet's revenue will not increase and HoustonStreet's business and financial results will be materially adversely affected.

Reliance on Strategic Relationships. HoustonStreet may be unable to implement its strategic growth plans without successfully identifying, forming, maintaining and enhancing strategic relationships, such as its strategic relationship with Equiva. HoustonStreet's ability to achieve significant future revenue growth will depend in part on adding new strategic partners. If HoustonStreet is unable to form or successfully develop additional strategic relationships, HoustonStreet may be unable to grow its revenues and HoustonStreet could be materially adversely affected.

International Expansion. HoustonStreet currently has foreign subsidiary offices located in Amsterdam and London. HoustonStreet expects to continue expanding its international presence. If HoustonStreet is unable to expand its international presence further, HoustonStreet may be unable to take advantage of the potential revenue associated with energy trading on a global level. While HoustonStreet's management believes that HoustonStreet can become profitable if its services are widely adopted by power traders in the United States, the global energy market represents a much larger source of revenue.

To be successful, HoustonStreet's management believes that HoustonStreet must expand further its operations in international markets. International operations subject HoustonStreet to a number of risks that may increase HoustonStreet's costs and require significant management attention. These risks include:

- difficulties and increased expenses associated with staffing and managing foreign operations,
- differing technology standards that may impede HoustonStreet's ability to integrate its trading platforms across international borders,
- reluctance or inability of energy traders abroad to accept Internet-based wholesale energy trading as a method of conducting business,
- changes in regulatory requirements,
- currency exchange rate fluctuations, and
- potentially adverse tax consequences, including restrictions on the repatriation of earnings.

Regulatory Risks and Privacy Concerns. As use of the Internet evolves, federal, state and foreign agencies could adopt regulations covering issues such as user privacy, content and taxation of products and services. If enacted, government regulations could limit the market for HoustonStreet's services.

In order to use HoustonStreet's trading exchange, traders must first register with HoustonStreet. The registration process requires that users provide certain information about themselves and the companies for which they trade. Although HoustonStreet collects this data only with the consent of a visitor, privacy concerns may cause visitors to resist registering to use the exchange. In addition, legislative or regulatory

requirements may heighten privacy concerns. Other countries and political entities, such as the European Economic Community, have adopted legislation or regulatory requirements relating to privacy. The United States may adopt similar legislation or regulatory requirements. If privacy legislation is enacted or privacy concerns are not adequately addressed, HoustonStreet's business could be materially adversely affected.

Unpredictability of Future Revenues; Potential Fluctuation in Quarterly Operating Results. As a result of HoustonStreet's limited operating history and the emerging nature of the market for Internet-based trading of wholesale energy products, HoustonStreet is unable to forecast its revenues accurately. HoustonStreet expects to experience significant fluctuations in its future quarterly operating results due to a variety of factors, many of which are outside HoustonStreet's control. These factors include the demand for HoustonStreet's trading services, the introduction and market acceptance of new services in the industry, reductions in trading commissions or changes in how services are priced, and the amount and timing of operating costs and capital expenditures related to expanding HoustonStreet's business, operations and infrastructure. Quarterly results also can be affected by changes in the use of the Internet and electronic commerce, changes in governmental regulations, and changes in general economic conditions and economic conditions specifically related to the Internet and energy trading markets.

In addition, trading volumes can fluctuate due to the seasonal nature of the wholesale electricity trading market. Typically, there are substantial declines in the volume of wholesale electricity trading during the fourth quarter of the calendar year. HoustonStreet's management believes that fourth quarter trading can be adversely affected by seasonal trading patterns, the inclination of some utilities, independent power producers and power marketers to maintain existing trading positions near year-end and other factors.

It is difficult to forecast the effect such factors, or the combination of any of these factors, would have on HoustonStreet's results of operations for any given fiscal quarter. HoustonStreet's management believes that HoustonStreet's quarterly revenues, expenses and operating results could vary significantly in the future and that period-to-period comparisons should not be relied on as indications of future performance.

System Maintenance and Protection. Unanticipated problems at the third party facility that houses substantially all of HoustonStreet's computer and communications hardware systems could cause interruptions or delays in HoustonStreet's business, loss of data or render HoustonStreet unable to process wholesale energy trades. Any such interruptions or delays at the facility would harm HoustonStreet's revenue and results of operations. In addition, these third-party systems and operations are vulnerable to damage or interruption from intentional malicious acts, fire, flood, power loss, telecommunications failure, break-ins, earthquake and similar events. HoustonStreet does not carry business interruption insurance. In addition, the failure by the third-party facility to provide the data communications capacity required by HoustonStreet, as a result of human error, natural disaster or other operational disruptions, could result in interruptions in HoustonStreet's service. The occurrence of any or all of these events could harm HoustonStreet's reputation and brand and business.

Traders on the HoustonStreet.com may also be harmed by any system or equipment failures experienced by HoustonStreet. In that event, HoustonStreet's relationship with these traders may be adversely affected, HoustonStreet may lose traders, HoustonStreet's ability to attract new users may be adversely affected and HoustonStreet could be exposed to liability.

If users of HoustonStreet's trading platform suffer similar interruptions in their operations, for any of the reasons discussed above or for other reasons, HoustonStreet's business could also be adversely affected. In addition, if traders' computer systems suffer interruptions, the link to HoustonStreet's Web site could be severed and the traders' wholesale energy trades could be delayed or stopped.

Rapid Technological Change. To remain competitive, HoustonStreet must continue to enhance and improve its services. The Internet is characterized by rapid technological change, changes in user and customer requirements and preferences, frequent new product and service introductions embodying new

technologies and the emergence of new industry standards and practices. HoustonStreet's success will depend, in part, on its ability to:

- develop leading Internet-based technologies useful for wholesale energy trading,
- enhance its existing services,
- develop new services and technology that address the increasingly sophisticated and varied needs of wholesale energy traders, and
- respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis.

HoustonStreet would be materially adversely affected if it is unable, for technical, legal, financial or other reasons, to adapt in a timely manner to changing market conditions or customer requirements.

Intense Competition. Wholesale energy trading markets are dynamic and intensely competitive. Competition is likely to increase in the future as new companies enter the market and current competitors expand their products and services. See "Business — Internet-based Energy Trading and Information Business — Competition." Many of these potential competitors are likely to enjoy substantial competitive advantages, including:

- larger technical, production and marketing staffs,
- a more established presence in the wholesale energy trading community,
- greater brand recognition, and
- substantially greater financial, marketing, technical and other resources.

If HoustonStreet does not compete effectively or if it experiences pricing pressures, reduced margins or loss of market share resulting from increased competition, HoustonStreet's business would be materially adversely affected.

Dependence on Management and Key Employees. HoustonStreet is, and for the foreseeable future will be, dependent upon the services of its directors, executive officers and key employees. HoustonStreet's future success depends on its ability to identify, attract, hire, train, retain and motivate highly skilled technical, managerial, marketing, sales and customer service personnel. The loss of the services of current key personnel and the failure to hire new personnel could have a material adverse effect upon HoustonStreet's results of operations, product development efforts and ability to grow.

In 2000, each of BayCorp and HoustonStreet entered into a new employment agreement with Frank W. Getman Jr. Mr. Getman serves as the President and Chief Executive Officer of each company and is separately compensated by each company. Although HoustonStreet purchased key man term life insurance on the life of Frank W. Getman Jr. in 2000, HoustonStreet does not plan to purchase life insurance on the lives of any of its other key personnel.

Management of Growth. In 2000, HoustonStreet experienced significant growth in its business operations. This growth placed a substantial strain on HoustonStreet's resources. HoustonStreet's need to manage its growth successfully will require it to implement appropriate operational, financial, accounting and management information systems and controls. HoustonStreet's failure to manage its growth effectively would have a material adverse effect on HoustonStreet.

Protection of Proprietary Rights. HoustonStreet's ability to compete depends significantly on the proprietary nature of its Web site technology as well as its patent applications. HoustonStreet has filed three patent applications to date. HoustonStreet seeks to protect its proprietary rights through a combination of patent, copyright and trade secret law and confidentiality agreements. However, there can be no assurance that a third party will not misappropriate or otherwise obtain access to HoustonStreet's proprietary technology or develop similar technology independently. Competitors may also be able to circumvent any patents that HoustonStreet obtains.

In recent years, there has been significant litigation involving patents and other intellectual property rights. HoustonStreet could incur substantial costs to prosecute or defend any intellectual property litigation. If HoustonStreet litigated to enforce its rights, it would be expensive, would divert management resources and may not be adequate to prevent the use of its intellectual property by third parties.

Potential Intellectual Property Infringement. While HoustonStreet currently is not aware that it infringes any other patents, it is possible that HoustonStreet's technology infringes patents held by third parties. If HoustonStreet were to be found infringing, the owner of the patent could sue HoustonStreet for damages, prevent HoustonStreet from making, selling or using the owner's patented technology or could impose substantial royalty fees for those privileges.

Item 7A. *Quantitative and Qualitative Disclosure About Market Risk.*

Commodity Price Risk

The prices of electricity are subject to fluctuations resulting from changes in supply and demand. Great Bay sells a portion of its physical electrical output through forward, fixed-price power contracts. Great Bay tracks its market exposure for these forward contracts in a mark-to-market model that is updated daily with current market prices and is reflected in the company's balance sheet. See Note 5 — Energy Marketing. The positive, or negative, value of Great Bay's portfolio of firm power commitments represents an estimation of the gain, or loss, that Great Bay would experience if open firm commitments were covered at then-current market prices.

The table below presents total megawatt-hour ("MWh") volumes and mark-to-market values for replacing the contracts that Great Bay has entered into as of year-end (December 31, 2000.)

Commodity position	MWhs	Carrying Amount	Fair Value
Forward sales	877,040	($14,076,994)	($14,076,994)
Forward purchases	(157,360)	1,197,566	1,197,566
		($12,879,428)	($12,879,428)

Item 8. *Financial Statements and Supplementary Data.*

The response to this item is submitted in the response found under Item 14(a)(1) in this report.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosures.*

Not Applicable.

PART III

Item 10. *Directors and Executive Officers of the Registrant.*

(a) *Directors.* The information with respect to directors required under this item is incorporated herein by reference to the section captioned "Election of Directors" in the Company's Proxy Statement with respect to the Annual Meeting of Stockholders to be held on May 2, 2001.

(b) *Executive Officers.* The information with respect to executive officers required under this item is incorporated by reference to Part I of the Report.

Item 11. *Executive Compensation.*

The information required under this item is incorporated herein by reference to the sections entitled "Election of Directors — Compensation for Directors," "— Executive Compensation," "— Employment Agreements," "— Report of the Compensation Committee" and "— Stock Performance Graph" in the Company's Proxy Statement with respect to the Annual Meeting of Stockholders to be held on May 2, 2001.

Item 12. *Security Ownership of Certain Beneficial Owners and Management.*

The information required under this item is incorporated herein by reference to the section entitled "Security Ownership of Certain Beneficial Owners and Management" in the Company's Proxy Statement with respect to the Annual Meeting of Stockholders to be held on May 2, 2001.

Item 13. ***Certain Relationships and Related Transactions.***

The information required under this item is incorporated herein by reference to the section entitled "Certain Relationships and Related Transactions" in the Company's Proxy Statement with respect to the Annual Meeting of Stockholders to be held on May 2, 2001.

PART IV

Item 14. ***Exhibits, Financial Statement Schedules and Reports on Form 8-K.***

(a) *Documents filed as a part of this Form 10-K:*

1. *Financial Statements.* The Consolidated Financial Statements listed in the Index to Consolidated Financial Statements and Financial Statement Schedules are filed as part of this Annual Report on Form 10-K.

2. *Financial Statement Schedules.* The Financial Statement Schedules listed in the Index to Consolidated Financial Statements and Financial Statement Schedules are filed as part of this Annual Report on Form 10-K.

3. *Exhibits.* The Exhibits listed in the Exhibit Index immediately preceding such Exhibits are filed as part of this Annual Report on Form 10-K.

(b) *Reports on Form 8-K:*

On October 16, 2000, the Company filed a Current Report on Form 8-K dated October 10, 2000 reporting that the Company, Great Bay and Little Bay agreed to sell the interests in the Seabrook Nuclear Power Plant of Great Bay and Little Bay by including their aggregate 15% ownership share in the upcoming sale of Northeast Utilities' subsidiaries' shares of the Seabrook Plant.

INDEX TO FINANCIAL STATEMENTS

BAYCORP HOLDINGS, LTD.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
BayCorp Holdings, Ltd.

We have audited the accompanying consolidated balance sheets of BayCorp Holdings, Ltd. (a Delaware corporation) and its wholly-owned subsidiaries, as of December 31, 2000 and 1999, and the related consolidated statements of income and comprehensive income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2000. 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 auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BayCorp Holdings, Ltd. and its wholly-owned subsidiaries as of December 31, 2000 and 1999, and the results of their operations and cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Boston, Massachusetts
February 8, 2001
(except for the matters
discussed in Note 13,
as to which the date is
March 25, 2001)

BAYCORP HOLDINGS, LTD.

CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)

	December 31, 2000	December 31, 1999
ASSETS:		
Current Assets:		
Cash & Cash Equivalents	$ 9,071	$ 3,046
Restricted Cash — Escrow	2,016	2,503
Short-term Investments, at market	3,022	381
Accounts Receivable	3,131	8,682
Materials & Supplies, net	4,760	4,611
Prepayments & Other Assets	1,135	3,133
Total Current Assets	23,135	22,356
Property, Plant, & Equipment and Fuel:		
Utility Plant Assets	111,491	121,043
Non-utility Plant Assets	104	104
Total Property, Plant & Equipment	111,595	121,147
Less: Accumulated Depreciation	(19,776)	(16,044)
Net Property, Plant & Equipment	91,819	105,103
Nuclear Fuel	18,348	20,243
Less: Accumulated Amortization	(7,956)	(11,863)
Net Nuclear Fuel	10,392	8,380
Net Property, Plant & Equipment and Fuel	102,211	113,483
Other Assets:		
Decommissioning Trust Fund	28,146	24,483
Deferred Debits & Other	102	5
Total Other Assets	28,248	24,488
Equity Investment in HoustonStreet Exchange, Inc.	—	(3,217)
Total Assets	$153,594	$157,110
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current Liabilities:		
Accounts Payable and Accrued Expenses	$ 8,187	$ 1,098
Miscellaneous Current Liabilities	14,665	3,551
Total Current Liabilities	22,852	4,649
Operating Reserves:		
Decommissioning Liability	71,618	79,443
Miscellaneous Other	470	545
Total Operating Reserves	72,088	79,988
Other Liabilities & Deferred Credits	7,115	6,227
Commitments & Contingencies		
Stockholders' Equity:		
Common stock, $0.01 par value Authorized — 20,000,000 shares; issued and outstanding — 8,519,316 at December 31, 2000 and 8,417,800 at December 31, 1999	86	84
Less: Treasury Stock — 185,052 shares, at cost	(1,396)	(1,396)
Additional Paid-in Capital	92,934	92,295
Accumulated Other Comprehensive Income	318	(3)
Accumulated Deficit	(40,403)	(24,734)
Total Stockholders' Equity	51,539	66,246
Total Liabilities and Stockholders' Equity	$153,594	$157,110

(The accompanying notes are an integral part of these consolidated statements.)

BAYCORP HOLDINGS, LTD.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Years Ended December 31,
(Dollars in Thousands)

	2000	1999	1998
Operating Revenues	$ 56,347	$ 45,731	$ 32,034
Operating Expenses:			
Production	25,016	18,220	20,775
Transmission	1,073	873	880
Purchased Power	13,270	12,232	1,046
Unrealized Loss on Firm Energy Trading Contracts	12,232	806	0
Administrative & General	7,372	6,706	7,988
Depreciation & Amortization	4,159	3,823	3,656
Taxes Other than Income	3,938	2,966	2,965
Total Operating Expenses	67,060	45,626	37,310
Operating Loss	(10,713)	105	(5,276)
Other Income:			
Interest and Dividend Income	(1,162)	(647)	(938)
Decommissioning Cost Accretion	3,633	3,320	2,873
Decommissioning Trust Fund Income	(1,726)	(755)	(613)
Equity Loss in HoustonStreet Investment	4,352	3,396	—
Other (Income) Deductions	(753)	(310)	171
Total Other Deductions	4,344	5,004	1,493
Loss Before Income Taxes and Accounting Change	(15,057)	(4,899)	(6,769)
Provision for Income Taxes	(612)	—	—
Loss Before Change in Accounting Principle	(15,669)	(4,899)	(6,769)
Cumulative Effect of Change in Accounting Principle	—	159	—
Net Loss	(15,669)	(4,740)	(6,769)
Other Comprehensive Income (Expense), net of tax	321	(568)	449
Comprehensive Loss	$ (15,348)	$ (5,308)	$ (6,320)
Weighted Average Shares Outstanding	8,293,475	8,207,866	8,242,858
Basic and Diluted Net Loss per Share	$ (1.89)	$ (0.58)	$ (0.82)

(The accompanying notes are an integral part of these consolidated statements.)

BAYCORP HOLDINGS, LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Dollars in Thousands)

	Common Stock, $0.01 Par Value		Less: Treasury Stock					
	Issued and outstanding Shares	Issued and outstanding Amount	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
Balance at December 31, 1997	8,417,800	$84	145,000	$(1,168)	$92,100	$ 116	$(12,992)	$78,140
Treasury Stock — at cost	—	—	40,052	(228)	—	—	—	(228)
Shares Retired	(40,800)	—	—	—	—	—	(233)	(233)
Net Change in Unrealized Holding Gain	—	—	—	—	—	449	—	449
Financial Results, January 1 to December 31, 1998	—	—	—	—	—	—	(6,769)	(6,769)
Balance at December 31, 1998	8,377,000	$84	185,052	$(1,396)	$92,100	$ 565	$(19,994)	$71,359
Stock Options Exercised	40,000	—	—	—	195	—	—	195
Net Change in Unrealized Holding Loss	—	—	—	—	—	(568)	—	(568)
Financial Results, January 1 to December 31, 1999	—	—	—	—	—	—	(4,740)	(4,740)
Balance at December 31, 1999	8,417,000	$84	185,052	$(1,396)	$92,295	$ (3)	$(24,734)	$66,246
Stock Options Exercised	102,316	2	—	—	534	—	—	536
Other Incentive Stock Option Transactions	—	—	—	—	105	—		105
Net Change in Unrealized Holding Gain	—	—	—	—	—	321	—	321
Financial Results, January 1 to December 31, 2000	—	—	—	—	—	—	(15,669)	(15,669)
Balance at December 31, 2000	8,519,316	$86	185,052	$(1,396)	$92,934	$ 318	$(40,403)	$51,539

(The accompanying notes are an integral part of these consolidated statements.)

BAYCORP HOLDINGS, LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,
(Dollars in Thousands)

	2000	1999	1998
Net cash flow from operating activities:			
Net Loss	$(15,669)	$(4,740)	$ (6,769)
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Equity loss in HoustonStreet investment	4,352	3,396	—
Depreciation and Amortization	4,159	3,787	3,656
Stock compensation expense	105	—	—
Amortization of nuclear fuel	4,791	4,032	4,104
Unrealized loss on energy contracts	12,232	647	—
Decommissioning trust accretion	3,633	3,320	2,873
Decommissioning trust interest	(1,604)	(670)	(617)
(Increase) decrease in accounts receivable	5,550	(5,631)	(2,586)
(Increase) decrease in materials & supplies	(373)	(160)	4
(Increase) decrease in prepaids and other assets	1,900	60	(1,607)
Increase in accounts payable	7,202	160	124
Increase in taxes accrued	612	—	—
Increase (decrease) in misc. current liabilities	(1,003)	116	2,167
Other	—	—	374
Net cash provided by operating activities	25,887	4,317	1,723
Net cash flows from investing activities:			
Capital additions	(2,108)	(1,797)	(2,700)
Nuclear fuel additions	(6,803)	(1,999)	(4,314)
Acquisition of additional Seabrook Project interest	—	(4,913)	—
Payments to decommissioning fund	(1,763)	(1,696)	(1,343)
Short-term investments, net	(2,641)	9,063	6,384
Net cash used in investing activities	(13,315)	(1,342)	(1,973)
Net cash from financing activities:			
Investment in HoustonStreet	(7,570)	(180)	—
Stock option exercise	536	195	—
Reacquired capital stock	—	—	(461)
Net cash provided by (used in) financing activities	(7,034)	15	(461)
Net increase (decrease) in cash and cash equivalents	5,538	2,990	(711)
Cash and cash equivalents, beginning of period	5,549	2,559	3,270
Cash and cash equivalents, end of period	$ 11,087	$ 5,549	$ 2,559

(The accompanying notes are an integral part of these consolidated statements).

BAYCORP HOLDINGS, LTD.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Company

BayCorp Holdings, Ltd. ("BayCorp" or the "Company") is a holding company incorporated in Delaware in 1996. BayCorp has two wholly-owned subsidiaries that generate and trade wholesale electricity, Great Bay Power Corporation ("Great Bay") and Little Bay Power Corporation ("Little Bay"). In addition, BayCorp owns a 45.9% equity interest in HoustonStreet Exchange, Inc. ("HoustonStreet"), an Internet-based energy trading and information business. The Company accounts for HoustonStreet under the equity method.

Great Bay and Little Bay's principal asset is a combined 15% joint ownership interest in the Seabrook Nuclear Power Project in Seabrook, New Hampshire (the "Seabrook Project"). This ownership interest entitles the companies to approximately 174 megawatts ("MWs") of the Seabrook Project's power output. Great Bay and Little Bay are exempt wholesale generators ("EWGs") under the Public Utility Holding Company Act of 1935 ("PUHCA"). Unlike regulated public utilities, Great Bay and Little Bay have no franchise area or captive customers. The companies sell their power in the competitive wholesale power markets.

Great Bay was incorporated in New Hampshire in 1986 and was formerly known as EUA Power Corporation. Little Bay was incorporated in New Hampshire in 1998. Great Bay sells its share of the electricity output of the Seabrook Project in the wholesale electricity market, primarily in the Northeast United States. Little Bay sells its power solely to Great Bay under an intercompany agreement. Intercompany revenues are eliminated in consolidation. Neither BayCorp nor its subsidiaries have operational responsibilities for the Seabrook Project. Great Bay currently sells all but approximately 10 MWs of its share of the Seabrook Project capacity in the wholesale short-term market. In addition to selling its owned generation, Great Bay purchases power on the open market for resale to third parties.

On November 19, 1999, Little Bay purchased a 2.9% interest in the Seabrook Project from Montaup Electric Company ("Montaup") for a purchase price of $3.2 million, plus approximately $1.7 million of certain prepaid items (see N. Acquisitions.)

On October 10, 2000, the Company entered into an agreement with Northeast Utilities ("NU") under which the Company's generating subsidiaries, Great Bay and Little Bay, will include their aggregate 15% ownership share of Seabrook in the upcoming auction of NU's subsidiaries' shares of the Seabrook plant. Under the terms of the agreement, BayCorp will receive the sales price established by the auction process. In the event that the sale yields proceeds for BayCorp of more than $87.2 million, BayCorp and NU will share the excess proceeds. Should BayCorp's sales proceeds be less than $87.2 million, NU will make up the difference below that amount on a dollar for dollar basis up to a maximum of $17.4 million. Under the agreement, BayCorp will be paid separately for nuclear fuel and inventory. The agreement also limits any top-off amount required to be funded by BayCorp for decommissioning as part of the sale process at the amount required by the Nuclear Regulatory Commission ("NRC") regulations. The auction is expected to begin in the second quarter of 2001 with a closing expected in the first half of 2002.

The Seabrook Project is a nuclear-fueled, steam electricity, generating plant located in Seabrook, New Hampshire, which was originally planned to have two Westinghouse pressurized water reactors, Seabrook Unit 1 and Seabrook Unit 2 (each with a rated capacity of 1,150 megawatts), utilizing ocean water for condenser cooling purposes. Seabrook Unit 1 entered commercial service on August 19, 1990. Seabrook Unit 2 has been canceled. Great Bay became a wholesale generating company when Seabrook Unit 1 commenced commercial operation on August 19, 1990. In 1993, the Company became an EWG under the Energy Policy Act of 1992.

The Seabrook Project is owned by Great Bay, Little Bay and nine other utility companies, consisting of North Atlantic Energy Company, Connecticut Light and Power, The United Illuminating Company, Canal Electric Company, Massachusetts Municipal Wholesale Electric Company, New England Power Company, New Hampshire Electric Cooperative, Inc., Taunton Municipal Lighting Plant and Hudson Light & Power Department (together with Great Bay and Little Bay, the "Participants"). Great Bay, Little Bay and the other Participants are parties to the Agreement for Joint Ownership, Construction and Operation of New Hampshire Nuclear Units (the "JOA"), which establishes the respective ownership interests of the Participants in the Seabrook Project and defines their responsibilities with respect to the ongoing operation, maintenance and decommissioning of the Seabrook Project. In general, all ongoing costs of the Seabrook Project are divided proportionately among the Participants in accordance with their ownership interests in the Seabrook Project. Each Participant is only liable for its share of the Seabrook Project's costs and not liable for any other Participant's share as ownership interests in the Seabrook Project are several and not joint. Great Bay's and Little Bay's combined joint ownership interest of 15% is the third largest interest among the Participants, exceeded only by the approximately 40% interest held by NU and its affiliates and the 17.5% interest held by The United Illuminating Company.

Great Bay's business strategy is to utilize unit contingent and firm forward sales contracts to maximize the value of its and Little Bay's 174 MW power supply from the Seabrook Project. Traditionally, Great Bay sold most of its share of the Seabrook Project electricity output under unit contingent contracts. Under unit contingent contracts, Great Bay is obligated to provide the buyer with power only when the Seabrook Project is operating. In late 1998, Great Bay began to sell some of its electricity as firm power, which entitles the buyer to electricity whether or not the Seabrook Project is operating. Buyers pay a premium for firm power over unit contingent power because they can rely on uninterrupted electricity. In order to supply firm power during Seabrook unscheduled outages, Great Bay purchases power from the spot market during these outages and resells that power to its firm power customers. Spot market sales are subject to price fluctuations based on the relative supply and demand of electricity. As a result of spot market power price fluctuations, Great Bay has, and may in the future have, to purchase power at prices exceeding prices paid by Great Bay's firm power customers during outages. Although Great Bay bears the primary risk of these price fluctuations, Great Bay maintains insurance to protect Great Bay during periods of extreme price volatility, subject to certain deductibles and coverage limits. This insurance, provided by ACE USA (formerly CIGNA), currently provides Great Bay up to $18.6 million of coverage through May 2002.

As of February 8, 2001, BayCorp had ten employees. BayCorp's subsidiaries, Great Bay and Little Bay, had no employees.

HoustonStreet developed and operates HoustonStreet.com, an Internet-based trading platform and information portal for energy traders. Currently, HoustonStreet offers online trading exchanges for electricity and crude oil and refined products. HoustonStreet is developing an interconnection with EnronOnline, a global Internet-based transaction system for wholesale energy and other commodities whereby North American electricity and natural gas prices posted on EnronOnline will automatically be posted on HoustonStreet. HoustonStreet has continued to develop its platform for trading natural gas and anticipates that it will launch the natural gas platform at approximately the same time as the anticipated interconnection with EnronOnline. HoustonStreet expects the interconnection with EnronOnline will go live in the second quarter of 2001. BayCorp remains the largest stockholder in HoustonStreet with an equity interest of 45.9% as of December 31, 2000.

In September 2000, the Company loaned $7,000,000 to HoustonStreet. HoustonStreet is still in the early stages of development, operation and expansion and has continued to incur substantial cash deficits. During 2000, HoustonStreet covered such deficits with third-party invested capital. As a result of changes in market conditions, HoustonStreet had been unable to raise additional invested capital and thus amounts loaned to HoustonStreet have not been repaid as anticipated.

On October 2, 2000, the Seabrook Project began a refueling outage with a return to full power operation planned for November 21, 2000. The outage was extended when damage to one of the plant's emergency diesel generators occurred, requiring an extensive repair effort. The Seabrook Project did not return to full power until February 1, 2001. The replacement power costs, normal operating costs and additional costs of the extended outage significantly impacted earnings and cash flow.

The Seabrook outage and HoustonStreet loan impacted the Company's unrestricted cash, which was approximately $3,500,000 as of February 8, 2001. To deal with the adverse effects of these events the Company entered into an agreement with Select Energy ("Select") (see Note 6) whereby Select advanced approximately $7,000,000 to the Company. Management believes this advance will be sufficient to solve any liquidity issues until such time as revenues are collected from customers in April. However, if subsequent to February 2001, the Seabrook Project operates at below historical levels or expenses associated with the Seabrook Project are materially higher than anticipated, the Company would be required to raise additional funds to meet ongoing cash requirements. Management believes that they will be able to raise additional funds if necessary, due to the expected Seabrook auction price and the related agreements with NU.

B. Regulation

Great Bay and Little Bay are subject to the regulatory authority of the Federal Energy Regulatory Commission ("FERC"), the NRC, the New Hampshire Public Utilities Commission ("NHPUC") and other federal and state agencies as to rates, operations and other matters. Great Bay's and Little Bay's cost of service, however, is not regulated. As such, Great Bay's and Little Bay's accounting policies are not subject to the provisions of Statement of Financial Accounting Standards ("SFAS") No. 71, "Accounting for the Effects of Certain Types of Regulation."

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Utility Plant

The costs of additions to utility plant and non-utility plant are recorded at original cost.

E. Depreciation

Utility plant is depreciated on the straight-line method at rates designed to fully depreciate all depreciable properties over the lesser of estimated useful lives or the Seabrook Project's remaining NRC license life, which expires in 2026.

Capital projects constituting retirement units are charged to electric plant. Minor repairs are charged to maintenance expense. When properties are retired, the original costs, plus costs of removal, less salvage, are charged to the accumulated provision for depreciation.

F. Amortization of Nuclear Fuel

The cost of nuclear fuel is amortized to expense based on the rate of burn-up of the individual assemblies comprising the total core. Great Bay and Little Bay also provide for the cost of disposing of spent nuclear fuel at rates specified by the United States Department of Energy ("DOE") under a contract for disposal between

Great Bay and Little Bay, through their managing agent North Atlantic Energy Service Corporation ("NAESCO"), and the DOE.

Great Bay recorded the estimated cost of the final unspent nuclear fuel core, which is expected to be in place at the expiration of the Seabrook Project's NRC operating license, as part of Great Bay's original "Fresh Start" balance sheet.

G. Amortization of Materials and Supplies

Great Bay and Little Bay amortize to expense an amount designed to fully amortize the cost of the material and supplies inventory that is expected to be on hand at the expiration of the Plant's NRC operating license.

H. Decommissioning

Based on the Financial Accounting Standards Board's ("FASB") tentative conclusions, reflected on the February 7, 1996, Exposure Draft titled "Accounting for Certain Liabilities Related to Closure and Removal of Long-Lived Assets," Great Bay and Little Bay have recognized as a liability their proportionate share of the present value of the estimated cost of Seabrook Project decommissioning. For Great Bay, the initial recognition of this liability was capitalized as part of the Fair Value of the Utility Plant at November 23, 1994. For Little Bay, the amount was provided for in the purchase price allocation.

New Hampshire enacted a law in 1981 requiring the creation of a state-managed fund to finance decommissioning of any nuclear units in the state. The Seabrook Project's decommissioning estimate and funding schedule is subject to review each year by the New Hampshire Nuclear Decommissioning Financing Committee ("NDFC"). This estimate is based on a number of assumptions. Changes in assumptions for such things as labor and material costs, technology, inflation and timing of decommissioning could cause these estimates to change, possibly materially, in the near term. During March 2000, the NDFC issued an order that adjusted the decommissioning collection period and funding levels as if decommissioning would begin in 2015 and the decommissioning fund would be fully funded by 2015. The current estimated cost to decommission the Seabrook Project (based on the NDFC Docket 2000-1, as updated by NDFC Order No. 5 in January 2001) is approximately $609.4 million in 2001 dollars, assuming for decommissioning funding purposes, a remaining 14-year life for the facility and a future cost escalation rate of 4.0%.

The Staff of the Securities and Exchange Commission ("SEC") has questioned certain of the current accounting practices of the electric utility industry regarding the recognition, measurement and classification of decommissioning costs for nuclear generating stations and joint owners in the financial statements of these entities. In response to these questions, the FASB agreed to review the accounting for nuclear decommissioning costs. On February 17, 2000, the FASB issued a "Revision of Exposure Draft issued February 7, 1996, Proposed Statement of Financial Accounting Standards: Accounting for Obligations Associated with the Retirement of Long-Lived Assets." On June 30, 2000, the respective proposed statement was issued by the FASB. The final statement is expected to be issued by the fourth quarter of 2001. Great Bay's and Little Bay's accounting for decommissioning is based on the FASB's original tentative conclusions. The proposed statement requires that an obligation associated with the retirement of a tangible long-lived asset be recognized as a liability when incurred, and that the amount of the liability resulting from (a) the passage of time and (b) revisions to either the timing or amount of estimated cash flows should also be recognized. The proposed statement also requires that, upon initial recognition of a liability for an asset retirement obligation, an entity capitalize that cost by recognizing an increase in the carrying amount of the related long-lived asset. Upon adoption, the proposed statement would be effective for financial statements issued for fiscal years beginning after December 15, 2001.

The proposed statement requires the initial measurement of the liability to be based on fair value, where the fair value is the amount that an entity would be required to pay in an active market to settle the asset retirement obligation in a current transaction in circumstances other than a forced liquidation or settlement. Because in most circumstances, a market for settling asset retirement obligations does not exist, the FASB described an expected present value technique for estimating fair value. If the proposed statement is adopted, Great Bay's and Little Bay's decommissioning liability and annual provision for decommissioning accretion could change relative to 2000. Great Bay and Little Bay have not quantified the impact, if any, that the proposed statement will have on the consolidated financial statements.

Great Bay and Little Bay, based on the initial exposure draft, have been recognizing a liability based on the present value of the estimated future cash outflows required to satisfy their obligations using a risk free rate. As of December 31, 2000, the estimated undiscounted cash outflows for Great Bay and Little Bay, for decommissioning, based on the March 2000 NDFC study, with decommissioning expenditures starting in 2013 and being completed in 2042, was $217.2 million, which discounted at an average rate of 4.75%, to December 31, 2000 represented a liability of $71.6 million reflected in the accompanying balance sheet. As of December 31, 1999, and based on the prior NDFC study, the estimated undiscounted cash outflows for Great Bay and Little Bay, for decommissioning, starting in 2013 and being completed in 2039 was $253.4 million, which discounted at an average rate of 4.75%, to December 31, 1999 represented a liability of $79.4 million reflected in the accompanying consolidated balance sheet. In accordance with the original exposure draft the companies record any adjustments to the decommissioning liability due to changes in estimates in the utility plant account.

Great Bay and Little Bay accrete their share of the Seabrook Project's decommissioning liability. This accretion is a non cash charge and recognizes their liability related to the closure and decommissioning of their nuclear plant in current year dollars over the licensing period of the plant. The non cash accretion charge recorded in the accompanied consolidated statements of income was $3,633,000, $3,320,000 and $2,873,000 for the years ended December 31, 2000, 1999 and 1998. The change in the accretion between years reflects adjustments to the estimated decommissioning by the NDFC.

Funds collected by Seabrook for decommissioning are deposited in an external irrevocable trust pending their ultimate use. The earnings on the external trusts also accumulate in the fund balance. The trust funds are restricted for use in paying the decommissioning of Unit 1. The investments in the trust are available for sale. Great Bay and Little Bay have therefore reported their investment in trust fund assets at market value and any unrealized gains and losses are reflected in equity. There was an unrealized holding gain of $338,100 and $42,000 as of December 31, 2000 and 1999.

Although the owners of Seabrook are accumulating funds in an external trust to defray decommissioning costs, these costs could substantially exceed the value of the trust fund, and the owners, including Great Bay and Little Bay, would remain liable for the excess.

In June 1998, the New Hampshire State legislature enacted legislation that provides that in the event of a default by Great Bay on its payments to the decommissioning fund, the other Seabrook joint owners would be obligated to pay their proportionate share of such default. As a result of the enactment of this legislation, the staff of the NRC notified Great Bay in July 1998 of the staff's determination that Great Bay complies with the decommissioning funding assurance requirements under NRC regulations.

In response to the obligations imposed on the other Joint Owners under the New Hampshire legislation, Great Bay agreed to make accelerated payments to the Seabrook decommissioning fund such that Great Bay would have contributed sufficient funds by the year 2015 to allow sufficient monies to accumulate, with no further payments by Great Bay to the fund, to the full estimated amount of Great Bay's decommissioning obligation by the time the current Seabrook operating license expires in 2026. Based on the currently approved

funding schedule and Great Bay's accelerated funding schedule, Great Bay's decommissioning payments will be approximately $2.6 million in 2001 and escalate at 4% each year thereafter through 2015. Little Bay's share of decommissioning costs was prefunded by Montaup, the owner of the 2.9% interest in the Seabrook Project that Little Bay acquired in November 1999. As part of that acquisition, Montaup transferred approximately $12.4 million into Little Bay's decommissioning account, an irrevocable trust earmarked for Little Bay's share of Seabrook Plant decommissioning expenses. As of December 31, 2000, the fair market value of the Little Bay decommissioning account was $13.2 million.

On November 15, 1992, Great Bay, the Bondholder's Committee and the Predecessor's former parent, Eastern Utilities Associates ("EUA") entered into a settlement agreement that resolved certain proceedings against EUA brought by the Bondholder's Committee. Under the settlement agreement, EUA reaffirmed its guarantee of up to $10 million of Great Bay's future decommissioning costs of Seabrook Unit 1.

I. Operating Revenues

Revenues are recorded on an accrual basis based on billing rates provided for in contracts and approved by FERC. During the year ended December 31, 2000, four customers accounted for 17%, 15%, 14% and 13% of total operating revenues. For the year ended December 31, 1999, two customers accounted for 29%, and 24% of total operating revenues. For the year ended December 31, 1998, three customers accounted for 28%, 17% and 12% of total operating revenues.

J. Taxes On Income

The Company accounts for taxes on income under the liability method required by SFAS No. 109, "Accounting for Income Taxes."

K. Cash Equivalents and Short Term Investments

For purposes of the Statements of Cash Flows, the Company considers all highly liquid short-term investments with an original maturity of three months or less to be cash equivalents. The carrying amounts approximate fair value because of the short-term maturity of the investments.

All other short-term investments with a maturity of greater than three months are classified as available for sale and reflected as a current asset at market value. Changes in the market value of such securities are reflected in equity. The unrealized holding loss on short-term investments was $20,100 as of December 31, 2000 and the unrealized holding gain on short-term investments was $44,000 as of December 31, 1999.

L. Seabrook Unit 2

Since the Seabrook Project was originally designed to consist of two generating units, Great Bay and Little Bay also own a 15% joint ownership interest in Seabrook Unit 2. Great Bay and Little Bay assign no value to Seabrook Unit 2 because on November 6, 1986, the joint owners of the Seabrook Project, recognizing that Seabrook Unit 2 had been canceled in 1984, voted to dispose of Unit 2. Certain assets of Seabrook Unit 2 have been and are being sold from time to time to third parties. There were no material sales of Unit 2 assets in 2000 or 1999.

The Participants are considering plans regarding disposition of Seabrook Unit 2, but such plans have not yet been finalized and approved. Great Bay and Little Bay are unable to estimate the costs for which they will be responsible in connection with the disposition of Seabrook Unit 2. Because Seabrook Unit 2 was never completed or operated, costs associated with its disposition will not include any amounts for decommissioning. The costs associated with the disposition of Seabrook Unit 2 are not included in the decommissioning estimate. Great Bay and Little Bay currently pay their share of monthly expenses required to preserve and protect the value of the Seabrook Unit 2 components. Any sales of Unit 2 property or inventory are reflected in

other income as gains on the sale or transfer of assets. Transfers of Unit 2 items to Unit 1 were done at the historical basis of Unit 2 property or components.

M. Seabrook Outage Costs

The Company's operating results and the comparability of these results on an interim and annual basis are directly impacted by the operations of the Seabrook Project, including the cyclical refueling outages (generally 18 months apart) as well as unscheduled outages. During outage periods at the Seabrook Project, Great Bay and Little Bay have no electricity for resale from the Seabrook Project and consequently no related revenues. Therefore the impact of outages on the Company's and Great Bay's and Little Bay's results of operations and financial position are materially adverse.

Great Bay and Little Bay accrue for the incremental costs of the Seabrook Project's scheduled outages over the periods between those outages. However, Great Bay and Little Bay continue to expense the normal Seabrook operating and maintenance expenses as incurred. Therefore, the Company will incur losses during scheduled outage periods as a result of the combination of the lack of revenue and the recognition of normal recurring operation and maintenance costs as well as the continuing depreciation of the utility plant. At the Seabrook Project, a scheduled refueling outage began on October 21, 2000. Seabrook resumed full operating capacity on February 1, 2001. Great Bay's share of the incremental operations and maintenance costs was approximately $6.1 million for the year ended December 31, 2000.

N. Acquisitions

On November 19, 1999, BayCorp's wholly-owned subsidiary, Little Bay, purchased an additional 2.9% interest in the Seabrook Nuclear Power Project from Montaup, a subsidiary of EUA. The purchase price was $3.2 million plus approximately $1.9 million for certain prepaid items, primarily nuclear fuel and capital expenditures. The purchase price was funded with existing cash. Little Bay allocated the purchase price based on the estimated fair value of the assets acquired and liabilities assumed. A summary of the components of the purchase price and the purchase price allocation is as follows:

	(Dollars in Thousands)
Allocation of purchase price:	
Current assets	$1,005
Utility plant	3,890
Nuclear fuel	1,845
Liabilities assumed and other	(1,827)
	$4,913

In addition, Montaup prefunded the decommissioning liability associated with Little Bay's 2.9% share of Seabrook by transferring approximately $12.4 million into Little Bay's decommissioning account, an irrevocable trust earmarked for Little Bay's share of the Seabrook Plant decommissioning expenses. Little Bay recorded an asset, Decommissioning Trust Fund, for $12.4 million and a corresponding liability for the same amount. The purchase agreement required that a restricted cash-escrow account be established for $2.5 million to cover Little Bay's share of budgeted cash requirements for a six-month period. This fund is to be used to pay Little Bay's share of Seabrook costs of operations and capital expenditures during periods of Seabrook shutdowns.

Little Bay sells its power solely to Great Bay under an intercompany agreement at cost. Great Bay then sells the power purchased from Little Bay in the wholesale electricity market. The accompanying consolidated

financial statements include the results of the acquisition since November 19, 1999. Intercompany amounts between Little Bay and Great Bay have been eliminated in consolidation.

O. Segment Information

The Company has adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 establishes standards for the reporting of information about operating segments in annual and interim financial statements and requires restatement of prior year information. Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker(s) in deciding how to allocate resources and in assessing performance. SFAS No. 131 also requires disclosures about products and services, geographic areas and major customers. The Company currently operates only in the electric generating segment in the Northeast United States.

P. Earnings Per Share

Basic earnings (loss) per share is computed by dividing net earnings by the weighted number of common shares outstanding for all periods presented. Diluted earnings (loss) per share reflects the dilutive effect of shares under option plans, warrants and preferred stock. Potentially dilutive shares outstanding during the period have been excluded from dilutive earnings (loss) per share because their effect would be antidilutive.

Based on an average market price of common stock of $11.35 per share for the year ended December 31, 2000 and $5.58 per share for the year ended December 31, 1999, the following table reconciles the weighted average common shares outstanding to the shares used in the computation of the basic and diluted earnings per share outstanding.

	December 31, 2000	December 31, 1999
Weighted average number of common shares outstanding and used in basic and diluted EPS calculation	8,293,475	8,207,866
Shares under option plans, excluded in computation of diluted EPS due to antidilutive effects	276,296	3,341

There were no potentially dilutive shares outstanding during 1998.

Q. Accumulated Other Comprehensive Income

Effective January 1, 1998, the Company adopted SFAS No. 130, "Reporting Comprehensive Income" which requires the Company to report the changes in shareholders' equity from all sources during the period other than those resulting from investments by shareholders (i.e., issuance or repurchase of common shares and dividends.) Although adoption of this standard has not resulted in any change to the historic basis of determination of earnings or shareholders' equity, the other comprehensive income components recorded under generally accepted accounting principles and previously included under the category "retained earnings"

are displayed as "accumulated other comprehensive income" within the balance sheet. The composition of other comprehensive income is as follows:

	Unrealized Gains (Losses) on Securities	Accumulated Other Comprehensive Income
Twelve Months Ending December 31, 1998		
Beginning Balance	$116,000	$116,000
1998 Change	449,000	449,000
December 31, 1998	565,000	565,000
1999 Change	(568,000)	(568,000)
December 31, 1999	(3,000)	(3,000)
2000 Change	321,032	321,032
December 31, 2000	$318,032	$318,032

R. Reclassifications

Certain reclassifications have been made in prior years' financial statements to conform to classifications and presentation used in the current year.

S. Principles of Consolidation

The Consolidated Financial Statements include the accounts of the Company and all its subsidiaries. The Company consolidates all majority-owned and controlled subsidiaries and applies the equity method of accounting for investments between 20% and 50%. All significant intercompany transactions have been eliminated. At December 31, 1999, BayCorp owned 100% of HoustonStreet. As of December 31, 2000, the Company owned 45.9% of HoustonStreet. Therefore, during 2000, the Company deconsolidated HoustonStreet. At December 31, 2000, the Company accounts for this investment on the equity method and is presenting the prior-year financial statements on a comparative basis (see Note 12.) The Company has an agreement with HoustonStreet under which it is providing certain management and administrative services to HoustonStreet for the periods April 1999 to December 2000 and for the calendar year 2001. Income related to such services was $641,400 for the period ending December 31, 2000 of which $569,800 remained outstanding at December 31, 2000. In addition, the company loaned HoustonStreet $7,000,000 (see Note 12).

T. Long-Lived Assets and Long-Lived Assets to be Disposed Of.

SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", requires that long-lived assets held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review of the recoverability, the entity should estimate the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized. Otherwise, an impairment loss is not recognized. This statement requires that long-lived assets and certain identifiable intangibles to be disposed of be reported at the lower of carrying amount or fair value less cost to sell. The sales agreement with NU established an expected value for the Company's investment in the Seabrook plant. The company estimates that the current carrying amount for the respective investment is the lower of the carrying amount or fair value less cost to sell in accordance with SFAS No. 121.

2. NUCLEAR ISSUES

Like other nuclear generating facilities, the Seabrook Project is subject to extensive regulation by the NRC. The NRC is empowered to authorize the siting, construction and operation of nuclear reactors after consideration of public health, safety, environmental and antitrust matters.

The NRC has promulgated numerous requirements affecting safety systems, fire protection, emergency response planning and notification systems and other aspects of nuclear plant construction, equipment and operation. Great Bay and Little Bay have been, and may be, affected to the extent of their proportionate shares by the cost of any such modifications to Seabrook Unit 1.

Nuclear units in the United States have been subject to widespread criticism and opposition. Some nuclear projects have been canceled following substantial construction delays and cost overruns as the result of licensing problems, unanticipated construction defects and other difficulties. Various groups have by litigation, legislation and participation in administrative proceedings sought to prohibit the completion and operation of nuclear units and the disposal of nuclear waste. In the event of a shutdown of any unit, NRC regulations require that it be completely decontaminated of any residual radioactivity. The cost of such decommissioning, depending on the circumstances, could substantially exceed the owners' investment at the time of cancellation.

Public controversy concerning nuclear power could adversely affect the operating license of Seabrook Unit 1. While the Company cannot predict the ultimate effect of such controversy, it is possible that it could result in a premature shutdown of the unit.

A. Nuclear Fuel

The Seabrook Project's managing agent has made, or expects to make, various arrangements for the acquisition of uranium concentrate, the conversion, enrichment, fabrication and utilization of nuclear fuel and the disposition of that fuel after use. Many of these arrangements are pursuant to multi-year contracts with concentrate and service providers. Based on the Seabrook Project's existing contractual arrangements, Great Bay and Little Bay believe that the Seabrook Project has available, or under supply contracts, sufficient nuclear fuel for operations through approximately 2003. Uranium concentrate and conversion, enrichment and fabrication services currently are available from a variety of sources. The cost of such concentrate and such services varies based upon market forces.

Costs associated with nuclear plant operations include amounts for nuclear waste disposal, including spent fuel, as well as for the ultimate decommissioning of the plants. The Nuclear Waste Policy Act of 1982 (the "NWPA") requires the United States DOE, subject to various contingencies, to design, license, construct and operate a permanent repository for high-level radioactive waste and spent nuclear fuel, which are collectively referred to as "high-level waste."

The joint owners of the Seabrook Project, through their managing agent NAESCO, entered into contracts with the DOE for high-level waste disposal in accordance with the NWPA. Under these contracts and the NWPA, the DOE was required to take title to and dispose of the Seabrook Project's high-level waste beginning no later than January 31, 1998. However, the DOE has announced that its first high-level waste repository will not be in operation until 2010 at the earliest.

As a result of this delay, many states and nuclear plant operators, including NAESCO, sued the DOE for injunctive relief and monetary damages. Two U.S. Courts of Appeals ordered the DOE to proceed with its high-level waste disposal obligations and ruled that plant operators are entitled to money damages from DOE. However, there can be no assurance that the Seabrook Project will collect damages from the DOE because, among other things, NAESCO's case against the DOE is still pending.

In March 2000, Congress passed amendments to the NWPA that would require the DOE to begin accepting nuclear waste shipments at a Nevada site in 2007. However, former President Clinton vetoed this

legislation and Congress did not override Mr. Clinton's veto. Until the DOE begins receiving nuclear waste materials in accordance with the NWPA and its contracts, nuclear plants such as Seabrook must retain high-level waste on-site or make other storage provisions.

NAESCO, the managing agent of the Seabrook Project, has advised the Company that the Seabrook Project's capacity for on-site storage capacity for low level waste ("LLW") is expected to be sufficient to meet the project's storage requirements through 2006. In addition, NAESCO advises that the Seabrook Project has adequate on-site storage capacity for high-level waste until approximately 2010.

The Low-Level Radioactive Waste Policy Act of 1980 requires each state to provide disposal facilities for LLW generated within the state, either by constructing and operating facilities or by joining regional compacts with other states to jointly fulfill their responsibilities. However, the Low-Level Radioactive Waste Policy Amendments Act of 1985 permits each state in which a currently operating disposal facility is located (South Carolina, Nevada and Washington) to impose volume limits and a surcharge on shipments of LLW from states that are not members of their regional compact.

In April 1995, a privately owned facility in Utah was approved as a disposal facility for certain types of LLW. The Seabrook Project began shipping certain LLW to the Utah facility in December 1995. In 1999, the Seabrook Project also began shipping some LLW to a privately owned facility in Tennessee. All LLW generated by the Seabrook Project that exceeds the maximum radioactivity level of LLW accepted by these facilities is currently stored on-site at the Seabrook facility.

B. Federal Department of Energy Decontamination and Decommissioning Assessment

Title XI of the Energy Policy Act of 1992 (the "Policy Act") provides for decontaminating and decommissioning of the Federal DOE's enrichment facilities to be partially funded by a special assessment against domestic utilities. Each utility's share of the assessment is to be based on its cumulative consumption of DOE enrichment services. As of December 31, 2000, the Company had accrued its pro rata estimated obligation of $451,974 related to the project's prior years' usage to be paid over the 15-year period beginning October 1, 1992.

C. Price Andersen Act

In accordance with the Price Anderson Act, the limit of liability for a nuclear-related accident is approximately $9.5 billion, effective November 18, 1994. The primary layer of insurance for this liability is $200 million of coverage provided by the commercial insurance market. The secondary coverage is approximately $9.3 billion, based on the approximately 106 currently licensed reactors in the United States. The secondary layer is based on a retrospective premium assessment of $88.1 million per nuclear accident per licensed reactor, payable at a rate not exceeding $10 million per year per reactor. 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 available, then each licensee can be assessed an additional 5% ($4.4 million) of the maximum retrospective assessment. With respect to the Seabrook Project, Great Bay and Little Bay would be obligated to pay its ownership share of any assessment resulting from a nuclear incident at any U.S. nuclear generating facility. Great Bay and Little Bay estimate their maximum liability per incident currently would be an aggregate amount of approximately $13.2 million per accident, with a maximum annual assessment of about $1.5 million per incident, per year.

D. Nuclear Insurance

Insurance has been purchased by the Seabrook Project from Nuclear Electric Insurance Limited ("NEIL") to cover the costs of property damage, decontamination or premature decommissioning resulting

from a nuclear incident and American Nuclear Insurance/Mutual Atomic Energy Liability Underwriters ("ANI") to cover workers' claims. All companies insured with NEIL and ANI are subject to retroactive assessments, if losses exceed the accumulated funds available to NEIL and ANI, respectively. The maximum potential assessment against the Seabrook Project with respect to losses arising during the current policy years are $10.9 million. The Company's liability for the retrospective premium adjustment for any policy year ceases six years after the end of that policy year unless prior demand has been made.

Great Bay and Little Bay also independently purchase business interruption insurance from NEIL. The current policy is in effect from April 1, 2000 until April 1, 2001 and a renewal policy has been signed that will be in effect from April 1, 2001 until April 1, 2002. The policy provides for the payment of a fixed weekly loss amount of $670,000 in the event of an outage at the Seabrook Project of more than 23 weeks resulting from the property damage occurring from a "sudden fortuitous event, which happens by chance, is unexpected and unforeseeable." The maximum amount payable to Great Bay and Little Bay is $90.6 million. Under the terms of the policy, Great Bay and Little Bay are subject to a potential retrospective premium adjustment of up to approximately $469,335 should NEIL's board of directors deem that additional funds are necessary to preserve the financial integrity of NEIL. Since NEIL was founded in 1980, there has been no retrospective premium adjustment; however, there can be no assurance that NEIL will not make retrospective adjustments in the future. The liability for this retrospective premium adjustment ceases six years after the end of the policy unless prior demand has been made.

3. TAXES ON INCOME

The following is a summary of the provision for income taxes for the years ended December 31, 2000, 1999 and 1998:

	December 31, 2000	December 31, 1999	December 31, 1998
		(Dollars in Thousands)	
Federal			
Current	$ 50	$(3,426)	$(6,192)
Deferred	—	3,426	6,192
	50	0	0
State			
Current	562	(817)	(1,476)
Deferred	—	817	1,476
	562	0	0
Total provision	$612	$ 0	$ 0

Accumulated deferred income taxes consisted of the following at December 31, 2000 and 1999:

	2000	1999
	(Dollars in Thousands)	
Assets		
Net operating loss carryforwards	$ 87,905	$ 87,875
Decommissioning expense	6,696	5,279
Unfunded pension expense	2,044	1,311
Unrealized loss on firm commitments	(5,023)	252
Inventory	564	477
Other, net	(994)	680
Liabilities		
Utility plant	(30,008)	(30,298)
Accumulated deferred income tax asset	71,230	65,576
Valuation allowance	(71,230)	(65,576)
Accumulated deferred income tax asset, net	$ 0	$ 0

The federal income tax provision set forth above represents 1%, 0% and 0% of pre-tax loss in the years ended December 31, 2000, 1999 and 1998. The following table reconciles the statutory federal income tax rate to those percentages:

	December 31, 2000	December 31, 1999	December 31, 1998
	(Dollars in Thousands)		
Loss before taxes	$(15,057)	$(4,739)	$(6,759)
Federal statutory rate	34%	34%	34%
Federal income tax benefit at statutory levels	(5,119)	(1,611)	(2,301)
Decrease (increase) from statutory levels			
State tax net of federal tax benefit	(562)	(217)	(345)
Valuation allowance	5,705	1,917	2,721
Alternative Minimum Tax	50	0	0
Other	(24)	89	75
Effective federal income tax expense	$ 50	$ 0	$ 0

Valuation allowances have been provided against any deferred tax assets, net due to the limitations on the use of carryforwards, discussed below, and the uncertainty associated with future taxable income. The valuation allowance of $56,086,000 as of December 31, 1994, if subsequently recognized, will be allocated directly to paid in capital.

For federal income tax purposes, as of December 31, 2000, the Company had net operating loss carry forwards ("NOLs") of approximately $225 million, which are scheduled to expire between 2005 and 2019. Because the Company has experienced one or more ownership changes, within the meaning of Section 382 of the Internal Revenue Code of 1986, as amended, an annual limitation is imposed on the ability of the Company to use $131 million of these carryforwards. The Company's best estimate at this time is that the annual limitation on the use of $131 million of the Company's NOLs is approximately $5.5 million per year. Any unused portion of the $5.5 million annual limitation applicable to the Company's restricted NOLs is available for use in future years until such NOLs are scheduled to expire. The Company's other $94 million of NOLs are not currently subject to such limitations.

4. CAPITAL EXPENDITURES

The Company's cash capital expenditures, including nuclear fuel, are estimated to be approximately $6.8 million in 2001 and to aggregate approximately $10.4 million for the years 2002 through 2003.

5. ENERGY MARKETING

The Company utilizes unit contingent and firm forward sales contracts to maximize the value of its 174 MW power supply from the Seabrook Project. As of December 31, 2000, the Company had forward sales commitments that extend to the end of 2001. As of December 31, 1998, the unrealized gain on these open positions was $159,000. The value of open positions was determined using exchange settlement prices or, if applicable, over the counter prices.

Effective January 1, 1999, Great Bay adopted Emerging Issues Task Force Issue ("EITF") No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." EITF Issue No. 98-10 requires energy trading contracts to be recorded at fair value on the balance sheet, with the changes in fair value included in earnings. The cumulative effect of the accounting change as of January 1, 1999 was to decrease net loss by $159,000, or $0.02 per weighted average common share, and to recognize gains on net open firm purchase and sales commitments considered to be trading activity.

EITF Issue No. 00-17, "Measuring the Fair Value of Energy-Related Contracts in Applying Issue 98-10", ("EITF 00-17"), reached a consensus that energy contracts within the scope of EITF Issue No. 98-10 should be reported at fair value on a stand-alone, or individual contract, basis. The estimate of fair value should be based on the best information available in the circumstances. The price at which an energy contract is exchanged normally is its initial fair value. The Company is marking the related contracts to market based on the estimated, contract replacement value at each balance sheet date.

As of December 31, 2000, the Company had a net unrealized loss of approximately $12,879,427 recorded in accrued expenses. The net change in unrealized loss on trading activities for the year ended December 31, 2000 was $12,232,427 and is included in the accompanying consolidated statement of income for 2000.

As of December 31, 1999, the Company had a net unrealized loss of approximately $647,000 recorded in accrued expenses. The net change in unrealized loss on trading activities for the year ended December 31, 1999 was $806,000 and is included in the accompanying consolidated statement of income for 1999.

6. PURCHASED POWER AGREEMENTS

Great Bay is party to a purchased power agreement, dated as of April 1, 1993 (the "UNITIL Purchased Power Agreement"), with UNITIL Power ("UNITIL") that provides for Great Bay to sell to UNITIL approximately 10 MW of power. The UNITIL Purchased Power Agreement commenced on May 1, 1993 and runs through October 31, 2010. The current price of power under the UNITIL Purchased Power Agreement is 5.38 cents per kilowatt-hour ("kWh"). The price is subject to increase in accordance with a formula that provides for adjustments at less than the actual rate of inflation. UNITIL has an option to extend the UNITIL Purchased Power Agreement for an additional 12 years until 2022.

The UNITIL Purchased Power Agreement was front-end loaded whereby UNITIL paid higher prices, on an inflation adjusted basis, in the early years of the Agreement and lower prices in later years. The average price per kWh and the contract formula rate in the contract are fixed over the life of the contract, so that any excess cash received in the beginning of the contract will be returned by the end of the contract, provided the contract does not terminate early. The difference between revenue billed under each rate is recorded in a "Balance Account", which increased annually to $4.1 million in July 1998, and now decreases annually, reaching zero in July 2001. Therefore, contract revenue is recorded under generally accepted accounting principles and EITF Ruling 91-6 based on the contract rates and no liability for the "Balance Account" is

recognized provided that it is not probable that the contract will terminate early. If the UNITIL Purchased Power Agreement terminates prior to its scheduled termination, and if at that time there is a positive amount in the Balance Account, Great Bay is obligated to refund that amount to UNITIL. Management believes it is not probable that either party will terminate this contract prior to the end of its initial term.

To secure the obligations of Great Bay under the UNITIL Purchased Power Agreement, including the obligation to repay UNITIL the amount in the Balance Account, the UNITIL Purchased Power agreement grants UNITIL a mortgage on Great Bay's interest in the Seabrook Project. This mortgage may be subordinated to first mortgage financing of up to a maximum amount of $80,000,000. The UNITIL Power Purchase Agreement further provides that UNITIL's mortgage will rank pari passu with other mortgages that may hereafter be granted by Great Bay to other purchasers of power from Great Bay to secure similar obligations, provided that (i) the maximum amount of indebtedness secured by the first mortgage on the Seabrook Interest may not exceed $80,000,000 and (ii) the combined total of all second mortgages on the Seabrook Interest may not exceed the sum of (a) $80,000,000 less the total amount of Great Bay's debt then outstanding, which is secured by a first mortgage plus (b) $57,000,000.

On February 6, 2001, Great Bay executed a Purchase Power Agreement with Select whereby Great Bay will sell 50 MWs of energy associated with Seabrook to Select in exchange for 25 MWs of energy associated with Millstone Unit 2 and 25 MWs of energy associated with Millstone Unit 3. Millstone is a nuclear power plant located in Connecticut. The term of this agreement is April 1, 2001 through December 31, 2001. Delivery of power from either company is contingent on each of the units operating at certain capacity.

As part of the agreement, Select made a prepayment of $3.7 million to Great Bay in February 2001 and a second prepayment of $3.3 million is required in March 2001. Great Bay is compensating Select for the prepayments by (i) paying 12% annual interest for the period from February 6, 2001 through March 31, 2001 and (ii) giving Select a price differential for the power being exchanged until such time as the Select prepayment has been repaid. In order to collateralize the transaction, Great Bay and Little Bay have each provided Select with a mortgage lien and security interest in their respective interests in the Seabrook Project. Once Great Bay has repaid Select, the mortgage liens and security interests will be released and there will be no price differential in exchanging power throughout the remaining terms of the agreement.

7. PECO ENERGY COMPANY SERVICES AGREEMENT AND WARRANT AGREEMENT

Great Bay and PECO Energy Company ("PECO") entered into a Services Agreement as of November 3, 1995, pursuant to which PECO was appointed as Great Bay's exclusive agent to market and sell Great Bay's uncommitted portion of electricity generated by the Seabrook Project. In June 1998, Great Bay and PECO terminated the power marketing agreement between the companies and Great Bay paid PECO approximately $2.5 million. During the quarter ended June 30, 1998, Great Bay made an approximate $2.5 million charge to income for this expense. This expense is reflected in administrative and general expenses in the accompanying 1998 Consolidated Statement of Income.

8. STOCK OPTION PLAN

On April 24, 1995, the Board of Directors of the Company established the 1995 Stock Option Plan (the "Plan"), which received shareholder approval at the Company's annual meeting on April 16, 1996. The purpose of the Plan is to secure for the Company and its shareholders the benefits arising from capital stock ownership by employees, officers and directors of, and consultants or advisors to, the Company who are expected to contribute to the Company's future growth and success. Options granted pursuant to the Plan may be either incentive stock options meeting the requirements of Section 422 of the Internal Revenue Code or nonstatutory options which are not intended to meet the requirements of Section 422. The Plan is administered by the Board of Directors of the Company and may be modified or amended by the Board in any respect, subject to shareholder approval in certain instances. In July 1999, the Board of Directors increased the

number of shares reserved for issuance under the Plan from 600,000 to 900,000 shares, subject to stockholder approval. The Company's stockholders approved that increase in May 2000.

The Company accounts for the plan under APB Opinion No. 25, and as such no compensation cost has been recognized as the options are granted at Fair Market Value.

On December 3, 1998, the Board of Directors of the Company voted to reprice all of the outstanding options of the Company, at that date, as the then outstanding options were "out of the money." The Board of Directors determined that the then outstanding options no longer had the desired motivational effect or compensatory benefit for the employees. The repricing of the options was based on the current market value of the stock as of December 18, 1998. Simultaneously with the repricing, 139,583 existing options were forfeited.

FASB Interpretation No. 44, "Accounting for Certain Transactions involving Stock Compensation' (FIN 44), effective July 1, 2000 and applied prospectively (except for direct or indirect option repricings and the definition of an employee in which case the effective date is December 15, 1998), addresses compensation issues regarding the definition of an employee, modifications to plan awards, changes in grantee status, business combinations and share repurchase features. For transactions subject to the December 15, 1998 effective date, no compensation expense recognized for the period between December 15, 1998 and July 1, 2000. FIN 44 requires variable accounting when direct or indirect reductions of the exercise price occur. During 2000 the Board of Directors of the Company accelerated the vesting period of the options held by certain employees of the Company. In accordance with FIN 44, the Company recorded the expense related to the repriced and the accelerated options with the total credit of $105,000 being recorded in equity.

Had compensation cost for the Plan been determined consistent with SFAS No. 123, Accounting for Stock Based Compensation, the Company's net income and earnings per share would have been reduced to the following pro forma amounts.

	2000	1999	1998
	(Dollars in Thousands)		
Net Loss: As Reported	$(15,669)	$(4,740)	$ (6,769)
Pro Forma	(16,780)	(5,146)	(7,050)
Earnings Per Share (Basic and Diluted) As Reported	$ (1.89)	$ (0.58)	$ (0.82)
Pro Forma	(2.02)	(0.63)	(0.86)

A summary of the Company's stock option plan at December 31, 2000, 1999 and 1998, and changes during the years then ended, is presented in the table and narrative below:

	2000		1999		1998	
	Shares	Wtd Avg Ex Price	Shares	Wtd Avg Ex Price	Shares	Wtd Avg Ex Price
Outstanding at beginning of year	700,917	$5.36	417,417	$4.92	505,000	$8.05
Granted	132,400	$9.40	323,500	$2.88 to $6.88	52,000	$4.25
Exercised	(102,316)	$5.01	(40,000)	$4.90	—	
Forfeited	(20,000)	$4.75	—		(139,583)	$8.65
Expired	—		—		—	
Outstanding at end of year	711,001	$6.14	700,917	$5.36	417,417	$4.92
Exercisable at end of year	571,668	$5.86	476,005	$4.92	322,849	$4.97
Weighted average fair value of options granted		$6.85		$3.66		$1.29

The 711,001 options outstanding at December 31, 2000 have exercise prices between \$2.88 and \$12.69, with a weighted average exercise price of \$6.14, and a remaining weighted average contractual life of 5.21 years.

The 700,917 options outstanding at December 31, 1999 have exercise prices between \$2.88 and \$6.88, with a weighted average exercise price of \$5.36, and a remaining weighted average contractual life of 5.8 years.

The 417,417 options outstanding at December 31, 1998 had exercise prices between \$4.90 and \$7.25, with a weighted average exercise price of \$4.92 and a remaining weighted contractual life of 5 years.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for grants in 2000, 1999 and 1998 respectively: weighted average risk-free interest rates of 6.4%, 5.5% and 4.7%; expected dividend yields of 0 %; and expected live of seven years and expected volatility of 71%, 54% and 31%, respectively.

9. NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded on the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

SFAS No. 133, as amended by SFAS No. 137, was effective for all fiscal quarters of all fiscal years beginning after June 15, 2000. SFAS No. 133 must be applied to (a) derivative instruments and (b) certain derivative instruments embedded in hybrid contracts that were issued, acquired or substantively modified after December 31, 1997 (and, at the company's election, before January 1, 1998).

The Company completed its review and implementation of SFAS No. 133, effective January 1, 2001. The Company has taken an inventory of its contracts and identified the forward sale and purchase contracts that are currently marked to market in accordance with EITF 98-10, as derivatives under SFAS No. 133. The Company did not identify any other contracts to be derivatives under SFAS No. 133. The Company will continue to mark to market its forward sale and purchase contracts in accordance with EITF 98-10 and EITF 00-17 and thus the adoption of SFAS No. 133 is not expected to have an impact on the Company's financial position or results of operations.

10. PROPERTY TAXES

For each of the tax years 1994, 1995, 1996, 1997 and 1998, Great Bay filed property tax abatement applications with the towns of Hampton and Hampton Falls. The abatement requests were denied. Great Bay filed appeals for each of those years with the New Hampshire Board of Tax and Land Appeals (the "BTLA"). On November 11, 1999, Great Bay reached agreements settling the property tax litigation. As a result of the settlement agreement, Great Bay received \$146,450 from the Town of Hampton and \$21,967 from the Town of Hampton Falls. With regard to Hampton Falls, the settlement established an assessed valuation of \$7,000,000 for 1999 and \$2,500,000 for 2000. With regard to the Town of Hampton, the settlement established an assessed valuation of \$20,000,000 for 1999 and \$15,000,000 for 2000.

11. COMMITMENTS AND CONTINGENCIES

BayCorp and its wholly owned subsidiaries currently lease office space under noncancelable operating leases. Rental expense under operating lease agreements for the years ended December 31, 2000 and 1999 was $78,747 and $96,500, respectively.

Future minimum commitments for operating leases as of December 31, 2000 are as follows:

Year Ending	Operating Leases
December 31, 2001	$151,375
December 31, 2002	151,375
December 31, 2003	113,065
December 31, 2004	74,755
December 31, 2005	43,607
Total	$534,177

12. INVESTMENTS IN UNCONSOLIDATED AFFILIATES

As of December 31, 1999, the Company owned 100% of HoustonStreet. HoustonStreet raised additional equity in 2000 from outside investors and as a result, as of December 4, 2000, the Company's ownership fell below 50%, to 45.9%. Subsequently, the Company deconsolidated HoustonStreet as of December 4, 2000, started accounting for this investment on the equity method and suspended recognition of additional HoustonStreet losses as of that date. Prior-year financial statements are presented in conformance with the equity method of accounting. Prior to the deconsolidation, the Company recognized its share of the losses of HoustonStreet in the consolidated financial statements. Summarized financial information for the Company's investment in HoustonStreet, as accounted by the equity method, is as follows:

HoustonStreet

	2000	1999
Total assets	$11,958,624	$2,984,415
Total liabilities	15,395,770	6,201,372
Net sales	523,393	59,186
Net loss	(40,046,837)	(3,396,957)
Company's equity in net loss	(22,258,967)	(3,396,957)

During 2000, the Company loaned $7,000,000 to HoustonStreet. Due to the continuous losses at HoustonStreet, the Company wrote down its equity investment in HoustonStreet and subsequently its loan and receivable from HoustonStreet. As of December 31, 2000, the Company had no investments or receivables from HoustonStreet recognized on the accompanying balance sheet. A reconciliation from the beginning of the year carrying value to the carrying value as of December 31, 2000 is as follows:

Carrying value at December 31, 1999	$(3,216,957)
Company's equity in HoustonStreet net loss for the period ended December 4, 2000	(22,258,967)
Loan to HoustonStreet	7,000,000
Receivables due from HoustonStreet	569,766
Gain on deconsolidation at December 4, 2000	17,906,158
Carrying value of Investment at December 31, 2000	$ 0

13. SUBSEQUENT EVENTS

Seabrook Unit 1 transmits its generated power to the New England 345 kilovolt transmission grid, a major network of interconnecting lines covering New England, through three separate transmission lines emanating from the station. On March 5, 2001, the Seabrook Project began experiencing interruptions of the connections to the 345 kV transmission system due to icing from a severe winter storm that resulted in the plant automatically tripping offline. During this shutdown, a problem was identified with the steam-driven emergency feedwater pump and plant chemistry personnel detected the presence of chlorides in the condenser hotwells, indicating leakage of seawater into the condenser. Repair of the emergency feedwater pump was completed allowing the plant to return on-line on March 15, 2001. Power was limited to approximately 70% while plant personnel continued to repair the condenser leakage. On March 19, 2001, plant operators identified a problem with the main turbine valve control system requiring that the plant be taken off-line. After repairs were completed, the plant was placed on-line on March 22, 2001 and power was increased to approximately 70%. The plant reached full power on March 25, 2001.

Management believes the plant will operate at historical levels and believes that it will be able to fulfill its obligations with respect to the agreement with Select. As mentioned previously, if this does not happen, the Company will be required to raise additional funding.

On March 22, 2001, HoustonStreet received commitments to receive up to approximately $3.9 million in additional funding, including $900,000 from BayCorp. Although HoustonStreet has received some of the funding, until the closing of the financing, there can be no assurance that HoustonStreet will receive the balance of the committed funds. This financing involves the sale by HoustonStreet of senior secured notes, warrants to purchase HoustonStreet preferred stock and warrants to purchase HoustonStreet common stock. Collectively, these securities are referred to as the "HoustonStreet Series C Units."

In March 2001, BayCorp entered into discussion with HoustonStreet involving the conversion of BayCorp's $7.0 million loan made in September 2000, together with approximately $1.0 million in accrued interest and penalties on the note and past due management fees, into approximately $8.0 million of HoustonStreet Series C Units. There can be no assurance that this proposed refinancing will be successfully completed. The loan, accrued interest and receivables from HoustonStreet had been written down to zero at December 31, 2000, and as such, the conversion of these amounts will have no accounting impact.

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.

BAYCORP HOLDINGS, LTD.

March 30, 2001

By: /s/ FRANK W. GETMAN JR.

Frank W. Getman Jr.
President

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.

Signature	Title	Date
/s/ FRANK W. GETMAN JR. Frank W. Getman Jr.	President, Director and Chief Executive Officer (principal executive officer, principal financial officer and principal accounting officer)	March 30, 2001
/s/ ALEXANDER ELLIS III Alexander Ellis III	Director	March 30, 2001
/s/ STANLEY I. GARNETT II Stanley I. Garnett II	Director	March 30, 2001
/s/ MICHAEL R. LATINA Michael R. Latina	Director	March 30, 2001
/s/ LAWRENCE M. ROBBINS Lawrence M. Robbins	Director	March 30, 2001
/s/ JOHN A. TILLINGHAST John A. Tillinghast	Director	March 30, 2001

EXHIBIT INDEX

Exhibit Number	Description Of Exhibit
3.1	Certificate of Incorporation of BayCorp Holdings, Ltd. (1)
3.2	By-laws of BayCorp Holdings, Ltd. (1)
10.1	Agreement Between Bangor Hydro-Electric Company, Central Maine Power Company, Central Vermont Public Service Corporation, Fitchburg Gas and Electric Light Company, Maine Public Service Company and EUA Power Corporation relating to use of certain transmission facilities, dated October 20, 1986.(2)
10.2	Limited Guaranty by Eastern Utilities Associates of Decommissioning Costs in favor of Joint Owners of the Seabrook Project, dated May 5, 1990.(2)
10.3	Composite Agreement for Joint Ownership, Construction and Operation of New Hampshire Nuclear Units, as amended, dated November 1, 1990.(2)
10.4	Seventh Amendment to and Restated Agreement for Seabrook Project Disbursing Agent as amended through and including the Second Amendment, by and among North Atlantic Energy Service Corporation, Great Bay Power Corporation and other Seabrook Project owners, dated November 1, 1990.(2)
10.5	Seabrook Project Managing Agent Operating Agreement by and among the North Atlantic Energy Service Corporation, Great Bay Power Corporation and parties to the Joint Ownership Agreement, dated June 29, 1992.(2)
10.6	Settlement Agreement by and among EUA Power Corporation, Eastern Utilities Associates and the Official Bondholders' Committee, dated November 18, 1992.(2)
10.7	Purchased Power Agreement between UNITIL Power Corporation and Great Bay Power Corporation, dated April 26, 1993.(2)
10.8	Power Purchase Option Agreement between UNITIL Power Corporation and Great Bay Power Corporation, dated December 22, 1993.(2)
10.9	Second Mortgage and Security Agreement between UNITIL Power Corporation and Great Bay Power Corporation, dated December 22, 1993.(2)
10.10	Third Mortgage and Security Agreement between UNITIL Power Corporation and Great Bay Power Corporation, dated December 22, 1993.(2)
10.11	Registration Rights Agreement between Great Bay Power Corporation and the Selling Stockholders, dated April 7, 1994.(2)
10.12	Amendment to Registration Rights Agreement between Great Bay Power Corporation and the Selling Stockholders, dated November 23, 1994.(2)
10.13	Stock and Subscription Agreement among Great Bay Power Corporation and the Selling Stockholders, dated April 7, 1994.(2)
10.14	Acknowledgement and Amendment to Stock and Subscription Agreement, dated November 23, 1994.(2)
10.15	Settlement Agreement by and among Great Bay Power Corporation, the Official Bondholders' Committee and the Selling Stockholders, dated September 9, 1994.(2)
10.16	Letter Agreement, dated December 20, 1994, between Great Bay Power Corporation and the Selling Stockholders amending Registration Rights Agreement, as previously amended on November 23, 1994.(2)
10.17	Letter Agreement, dated March 29, 1995, between Great Bay Power Corporation and the Selling Stockholders amending Registration Rights Agreement, as previously amended on November 23, 1994 and December 20, 1994.(2)
10.18	1996 Stock Option Plan of BayCorp Holdings, Ltd.(1)(4)
10.19	Employment Agreement between Frank W. Getman Jr. and BayCorp Holdings, Ltd., dated May 25, 2000.(4)(11)
10.20	Employment Agreement between Frank W. Getman Jr. and HoustonStreet Exchange, Inc., dated September 1, 2000.(4)(11)
10.21	Incentive Stock Option Agreement, dated as of August 1, 1995, by and between Frank W. Getman Jr. and Great Bay Power Corporation.(4)(6)

Exhibit Number	Description Of Exhibit
10.22	Incentive Stock Option Agreement, dated as of September 17, 1996, by and between Frank W. Getman Jr. and Great Bay Power Corporation.(4)(7)
10.23	Incentive Stock Option Agreement, dated July 30, 1999, by and between Frank W. Getman Jr. and BayCorp Holdings, Ltd.(4)(10)
10.24	1999 Stock Incentive Plan of HoustonStreet Exchange, Inc.(4)(10)
10.25	Amended and Restated Incentive Stock Option Agreement, dated as of July 30, 1999, by and between Frank W. Getman Jr. and HoustonStreet Exchange, Inc. (first of two identically titled and dated agreements).(4)(10)
10.26	Amended and Restated Incentive Stock Option Agreement, dated as of July 30, 1999, by and between Frank W. Getman Jr. and HoustonStreet Exchange, Inc. (second of two identically titled and dated agreements).(4)(10)
10.27	Asset Purchase Agreement by and between Montaup Electric Company and Great Bay Power Corporation, dated as of June 24, 1998.(8)
10.28	Assignment by and between Great Bay Power Corporation and Little Bay Power Corporation dated as of August 28, 1998.(9)
10.29	Escrow Agreement by and between Little Bay Power Corporation and Citizens Bank New Hampshire dated November 10, 1999.(9)
10.30	Series A Convertible Preferred Stock Purchase Agreement dated as of February 2, 2000, as amended, by and among HoustonStreet Exchange, Inc. and the Purchasers (as defined therein).(10)
10.31	Amended and Restated Stockholders' Voting Agreement dated as of March 6, 2000 by and among BayCorp Holdings, Ltd. and the Purchasers (as defined therein).(10)
10.32	Investor Rights Agreement dated as of February 2, 2000, as amended, by and among HoustonStreet Exchange, Inc., BayCorp Holdings, Ltd. and the Purchasers (as defined therein).(10)
10.33	Rights of First Refusal and Co-Sale Agreement dated as of February 2, 2000, by and among HoustonStreet Exchange, Inc. and the Purchasers (as defined therein).(10)
10.34	Form of Omnibus Signature Page dated as of March 6, 2000 relating to the four preceding exhibits.(10)
10.35	Purchase Power Agreement between Great Bay Power Corporation and Select Energy, Inc., dated February 6, 2001.(11)
10.36	Mortgage and Security Agreement between Great Bay Power Corporation and Select Energy, Inc., dated February 6, 2001.(11)
10.37	Mortgage and Security Agreement between Little Bay Power Corporation and Select Energy, Inc., dated February 6, 2001.(11)
21.1	List of Subsidiaries of BayCorp Holdings, Ltd.(11)
23.1	Consent of Arthur Andersen LLP.(11)

(1) Filed as an exhibit to the Registration Statement on Form S-4 of BayCorp Holdings, Ltd. (Registration Statement 333-3362) filed on July 12, 1996 and incorporated herein by reference.

(2) Filed as an exhibit to the Registration Statement on Form S-1 of Great Bay Power Corporation (Registration No. 33-88232) declared effective on April 17, 1995 and incorporated herein by reference.

(3) Filed as an exhibit to the Quarterly Report on Form 10-Q of BayCorp Holdings, Ltd. for the quarter ended July 30, 1998 (File No. 1-12527) on August 13, 1998 and incorporated herein by reference.

(4) Management contract or compensation plan or arrangement required to be filed as an exhibit pursuant to Item 14(c) of Form 10-K.

(5) Filed as an exhibit to the Company's Annual Report on Form 10-K (File No. 1-12527) on March 31, 1999 and incorporated herein by reference.

(6) Filed as an exhibit to the Quarterly Report on Form 10-Q of Great Bay Power Corporation for the quarter ended March 31, 1995 (File No. 0-25748) on May 9, 1995 and incorporated herein by reference.

(7) Filed as an exhibit to the Company's Annual Report on Form 10-K (File No. 1-12527) on March 26, 1997 and incorporated herein by reference.

(8) Filed as an exhibit to the Quarterly Report on Form 10-Q of BayCorp Holdings, Ltd. for the quarter ended June 30, 1998 (File No. 1-12527) on August 13, 1998 and incorporated herein by reference.

(9) Filed as an exhibit to the Current Report on Form 8-K of BayCorp Holdings, Ltd. (File No. 1-12527) dated November 19, 1999 and filed on December 3, 1999 and incorporated herein by reference.

(10) Filed as an exhibit to the Company's Annual Report on Form 10-K (File No. 1-12527) on March 30, 2000 and incorporated herein by reference.

(11) Filed as an exhibit to this Annual Report on Form 10-K.

BOARD OF DIRECTORS

Frank W. Getman Jr.
Chairman of the Board
President and Chief Executive Officer,
BayCorp Holdings, Ltd.

Alexander Ellis III
Member
Rockport Partners, LLC

Stanley I. Garnett II
Associate Partner
PA Consulting

Michael R. Latina
Portfolio Manager
Elliott Associates, L.P.

Lawrence M. Robbins
Chief Executive Officer
Glenview Capital Management

John A. Tillinghast
President
TILTEC

OFFICERS

Frank W. Getman Jr.
President and Chief Executive Officer

Anthony M. Callendrello
Chief Operating Officer and Secretary

Patrycia T. Barnard
Vice President, Finance and Treasurer

CORPORATE COUNSEL

Choate, Hall & Stewart
53 State Street
Boston, Massachusetts 02109

McLane, Graf, Raulerson & Middleton, P.A.
900 Elm Street
Manchester, New Hampshire 03105

TRANSFER AGENT

American Stock Transfer and Trust Company
59 Maiden Lane
New York, New York 10007

INDEPENDENT AUDITORS

Arthur Andersen LLP
225 Franklin Street
Boston, Massachusetts 02110

CORPORATE OFFICES

222 International Drive, Suite 125
Portsmouth, New Hampshire 03801

ANNUAL MEETING

The Annual Meeting of Stockholders
will be held on May 2, 2001
at 11:30 a.m. EST at the offices of the
American Stock Exchange, 86 Trinity Place,
New York, New York.

FORM 10-K

For a copy of the Form 10-K Annual Report
filed with the Securities and Exchange Commission,
write to the Company's corporate offices
or call (603) 431-6600.

STOCK INFORMATION

The Company's stock is listed on
the American Stock Exchange under
the symbol "MWH".

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