BOSTON EDISON

25 Braintree Hill Park
Braintree, Massachusetts 02184

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10CFR140.15(b)(1)

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Annual Financial Statement

In accordance with 10CFR50.71(b) and 10CFR140.15(b)(1), Boston Edison is submitting the 1992 Annual Report and the Securities and Exchange Commission (SEC) Form 10-K which corresponds to the 1992 Annual Report.

H. V. Oheim

H. V. Oheim, Manager
Regulatory Af' rs and
Emergency Prep.redness
Department

GGW/cab/ANFINRPT

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Senior NRC Resident Inspector
Pilgrim Nuclear Power Station

Boston Edison Company 1992 Annual Report

Financial highlights

	years ended December 31,		
	1992	1991	% change
Operating revenues (000)	$1,411,753	$1,354,501	+ 4.2%
Income available for common stock (000)	$90,748	$77,059	+17.8%
Common shares outstanding - weighted average (000)	43,144	39,348	+ 9.6%
Common stock data:			
Earnings per share	$2.10	$1.96	+ 7.1%
Dividends declared per share	$1.655	$1.595	+ 3.8%
Payout ratio	78%	81%	– 3.7%
Book value per share	$18.71	$17.90	+ 4.5%
Return on average common equity	11.5%	11.3%	+ 1.8%
Fixed charge coverage (SEC)	1.93x	1.86x	+ 3.8%

Certain reclassifications have been made to the data reported in the prior year to conform to the method of presentation used in 1992.

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In 1992, Boston Edison organized its service territory into three geographic areas to better meet the needs of customers and communities.

Our customers are demanding flexibility and choices, and the communities we serve rightfully expect us to be a good neighbor. In establishing three areas, it is our objective to work more closely with customers, deliver our services on a timely basis, increase the value of our products and services to customers and to participate in and support important community activities.

Serviced by Boston Edison:

- Northeast Area
- Central Area
- Southwest Area

Wholesale customer

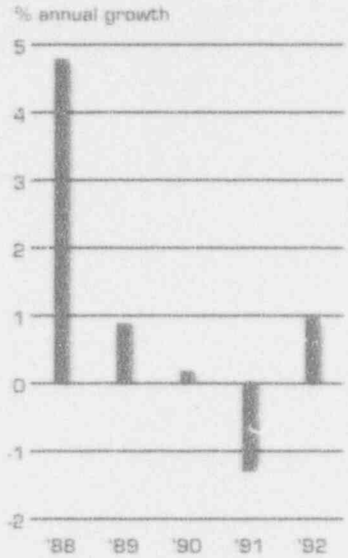
1. Mystic Station, Everett
2. New Boston Station, South Boston
3. Pilgrim Nuclear Power Station, Plymouth

About the Company

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

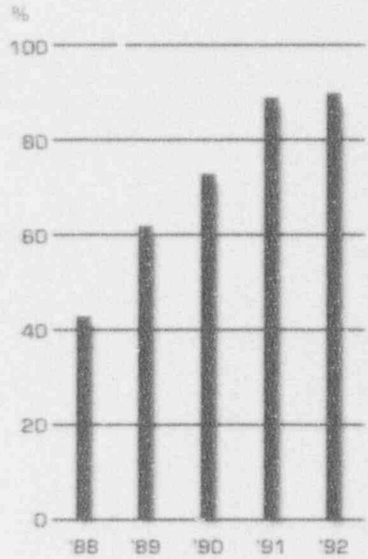
We also supply electricity to other utilities and municipal electric departments at wholesale for resale. About 85 percent of our revenues are derived from retail electric sales, 13 percent from wholesale sales and 2 percent from other sources.

Retail Sales Growth



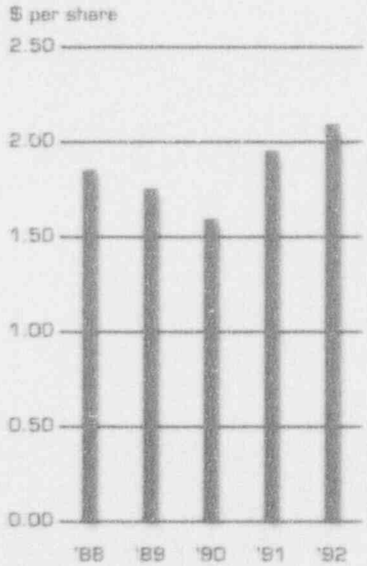
Despite cooler weather, retail sales began a slight rebound in 1992.

Internal Generation



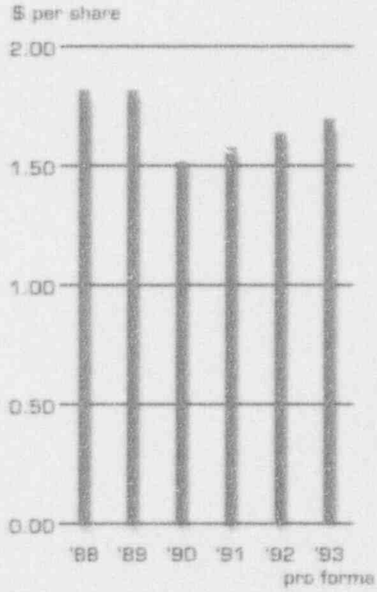
Internal cash generation continues to improve each year as we fund more capital expenditures from operating cash flow.

Earnings Per Share From Operations



Earnings per share rose 7% in 1992.

Dividends Paid Per Share



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

Dear Shareholder:

Boston Edison is a healthy, stable electric utility, performing among the best in the industry. Earnings from 1992 operations reached $2.10 per share of common stock, compared to $1.96 in 1991. For the third consecutive year, we increased your dividend by six cents per share or 3.7 percent. The price of common stock increased from $24.75 per share to $27.50 at the stock market's close on December 31. Combined, these increases provided you with a total return on your investment of 18.8 percent, which means for the fourth consecutive year, Boston Edison outperformed the averages of both the overall stock market and the industry.

Among our most notable accomplishments in 1992 was the successful completion of a second consecutive three-year rate settlement. This agreement enables the Company to meet goals for continued financial progress, while stabilizing the cost of electricity to our customers. We reached another settlement in 1992, which will provide recovery of our Demand-Side Management (DSM) program costs through 1994, financial incentives for outstanding DSM performance and recovery of revenues lost due to lower sales resulting from DSM. And, during the summer we completed our second common stock offering within nine months. With the sale of an additional 2.3 million shares, we have strengthened our balance sheet to a common equity level of 39 percent.

The news was not all good in 1992. During the fourth quarter, we wrote down our $8 million investment in the Edgar Energy Park project. Since we can see no obvious need for new generating capacity for several years, we have deferred the project.

There were many operational accomplishments in 1992. We beat the competition for our largest customer's business by submitting the winning bid for the Massachusetts Bay Transit Authority's long-term power needs. All of our generating plants performed well; our DSM programs received praise from state regulators; our service reliability improved to its best in 11 years; and our overall favorability rating with residential customers remained at 85 percent for the second consecutive year.

With our three-year rate settlement in place, our regulatory future is more stable than other utilities, and our financial outlook is bright. It seems now we have the opportunity to focus some attention on the future.

The top priority issue Boston Edison faces is competition. Our goal is to be the energy provider of choice from the standpoint of both cost and customer service. Therefore, we must focus all efforts on meeting our customers' needs. To do that, we will employ new technologies and replace outdated methods; be more flexible and accommodating; and encourage more cross-organizational teamwork and cooperation.

The second big issue is the environment. Enactment of the Clean Air Act and the National Energy Strategy is providing excellent opportunities to promote the efficient use of all energies and to offer electricity as a way of reducing emissions from mobile sources, such as automobiles, mass transportation and lawn mowers. For the immediate future, we will stress the production of "clean electricity" and continue to promote efficiency through DSM services and other new electrotechnologies.

Another very important issue is the economy, especially as it affects our financial health. We will continue to support its revival through our own Economic Development programs, which

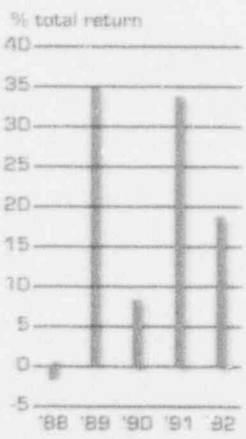
are detailed later in this report. We must also create our own economic growth, and some of the best opportunities can be pursued through unregulated subsidiaries. We have filed a plan with the Massachusetts Department of Public Utilities (state regulators), seeking approval to form such a subsidiary. Through it, we would invest up to $45 million of equity in DSM services, generation services and electric transportation. Any new business opportunities we pursue will be related to our core energy business, where we have a proven expertise.

We face many challenges in these changing times for our industry, but none are so serious as competition. We will succeed because our managers understand the new business environment and have an entrepreneurial spirit to meet it. Our employees view competition as an opportunity to grow and are prepared and motivated to work together. Boston Edison's proud record goes back to the very beginnings of the electric energy story. We outperformed the competition then and became the power of Boston. We are positioned to do so again.

Today our product is more competitively priced, our DSM programs help customers put electricity to the best and most efficient use and our service is very reliable. We are ready for the challenge of competition, we are in control of our business and we are creating our future.

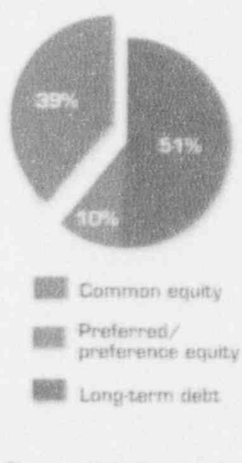
Bernard W. Reznicek
Chairman, President and Chief Executive Officer
February 11, 1993

Annual Total Return to Shareholders



Annual total return to shareholders has exceeded industry and market averages for the past four years.

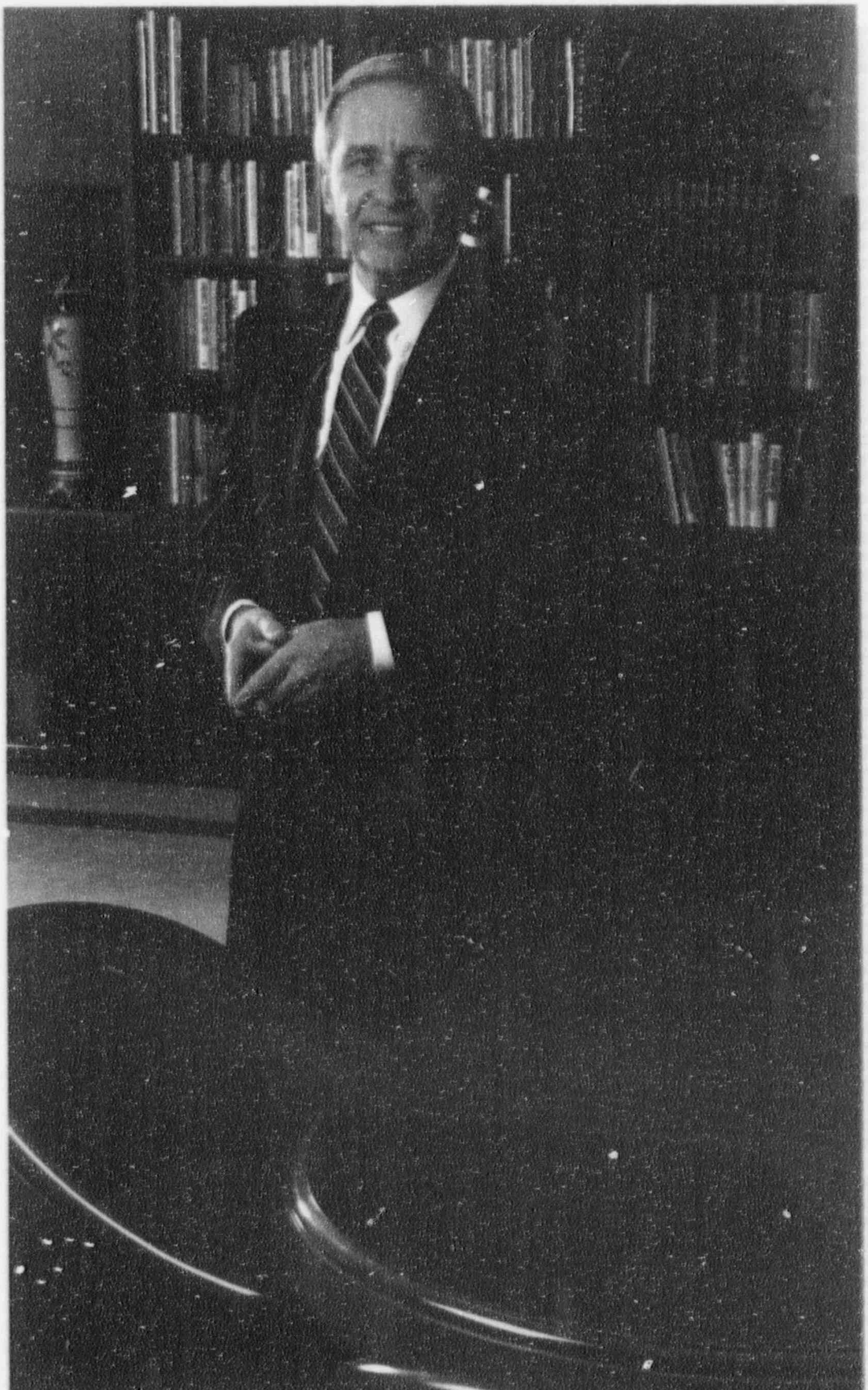
Capitalization



Our capital structure at the end of 1992 includes the sale of 2.3 million shares of common stock, further improving our financial strength.

System Average Interruption Duration (SAID)

In 1992 the reliability of our system hit an eleven year high by providing the lowest average number of minutes within the year that a customer was without power since 1981.



Bernie Reznicek

Mission Statement

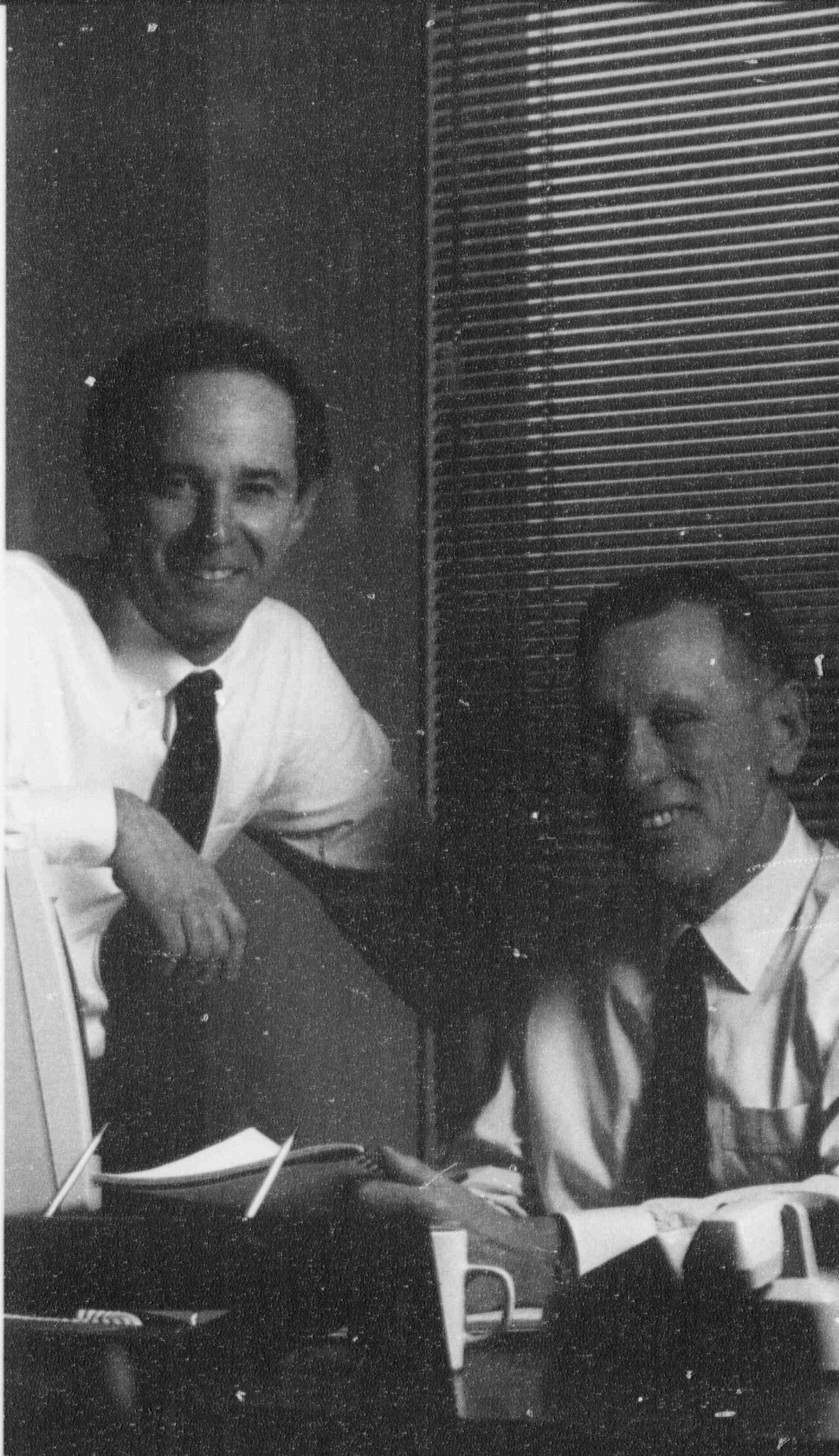
Energy and energy services are the reason we are in business. To establish and maintain the lasting confidence of all the publics we serve, our mission must be to provide energy and energy services in a safe, environmentally sound, competitively priced and reliable manner. Rising standards of excellence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

Tom May (left)
Boston Edison
Executive Vice
President

"We have been preparing for competition for the past five years, keeping costs down and getting to know our customers better. We are particularly proud that we have improved our competitive position with regard to price. We are now the second lowest-cost provider of electricity among the state's major utilities; we were once the highest-cost utility. We are also proud that our power plants already meet emission standards established by the Clean Air Act and produce the cleanest electricity in Massachusetts."

George Davis
Boston Edison
Executive Vice
President

"We are in business for our customers, employees, shareholders and our communities, which are vitally important to our future success. Being a good neighbor and contributing to the area's quality of life in a meaningful way are as important as providing excellent service. All of our employees recognize this and are working hard to meet our neighbors' expectations."



"The settlement is indicative of improved relations with state regulators..."

Stable Financial Condition

Stability and predictability for all stakeholders in Boston Edison are important advantages of the latest rate settlement. It generates $42 million annually in new revenues, beginning in 1993, through a performance charge based on Pilgrim Nuclear Power Station's (Pilgrim Station) operations, and additional increases of $29 million in each year, 1994 and 1995. The ability to retain any savings realized by efficient operations and other resources will also help the Company reach the 1992 settlement's return on equity cap of 11.75 percent.

Under the terms of another settlement reached in 1992, the Company's spending for DSM programs will be set at $53.6 million in 1993 and $57.5 million in 1994. A portion of these costs will be recovered as spent, while a majority will be capitalized and expensed over a six-year period. We will recover one-sixth of these costs each year and be able to earn a return on the remaining balance. The agreement also includes an allowance for lost revenues and financial incentives for meeting electricity savings targets.

During the next two years, we will take advantage of lower interest rates by issuing up to $1.1 billion in securities. State regulators approved our financing plan, which calls for most of the funds to be dedicated to refinancing existing long-term securities, while the balance will be available for either capital expenditures or refinancing short-term debt.

Electricity sales rebounded in 1992, increasing 1.0 percent over 1991 sales. And, due to aggressive expectations from our DSM programs, our forecast for compound annual sales growth is 0.5 percent through the year 2002.

Challenges to financial performance in 1993 will be inflationary increases in operations and maintenance expenses and continued increases in property taxes and depreciation expenses. Through strict cost control and the implementation of efficiency improvements, however, we expect our record of financial progress to continue.

Doug Horan (top)
Boston Edison
General Counsel and
Jim Judge
Assistant Treasurer

"Our 1992 rate settlement marks the successful negotiation of our second consecutive three-year agreement. The settlement is indicative of improved relations with state regulators and the effectiveness of our case preparation. It provides stability for customers, shareholders and our Company."

"Boston Edison's efficient lighting program was a big hit..."

Operational Excellence

Jerilyn McQuade
Boston Edison
Efficient Lighting
Program Administrator

"During our Fall promotion, we sold more than 10,000 efficient light bulbs, more than double our goal, through a joint effort with major chain stores. We made it easy for customers to participate by mailing them instant rebate coupons, which they could redeem at participating retailers, like BJ's."

The reliability of electrical generation and distribution to our customers continued to improve in 1992. This trend of excellent performance is the result of capital improvements and exceptional employee efforts in every corner of the operation. Improvements to the transmission and distribution system, for instance, reduced the average power interruption to our customers to an eleven year low.

The fossil-fueled generating units, as a group, achieved their best ever system availability record of 85.6 percent in 1992. New Boston 1 set another record for consecutive days of operation, running 226 days. The Mystic units all performed well, and the installation of digital control technology on Mystic 6 made it more attractive for dispatch by the New England Power Pool, increasing its availability to a 29-year high of 90.9 percent.

Pilgrim Station performed well during its 20th year of operation, completing its mid-cycle outage under budget and operating above its performance target at a capacity factor of 84.2 percent. Pilgrim's outstanding performance during the 12-month period ending October 31, 1992 earned the Company $8.2 million in incentive revenues. Pilgrim Station is performing well and should continue to earn financial incentives in the future.

DSM programs also contributed significantly toward meeting our customers' needs in 1992. These programs were successful in reducing customer usage by 290 million kilowatthours, and our 1992 summer peak load by 84 megawatts. Program design is key to our DSM success, and as noted by state regulators in their order approving recovery of our 1991 DSM costs, "the Company has put forth a comprehensive set of cost-effective programs deserving of a financial bonus for exemplary performance." We were awarded $834,000.

In 1993 and beyond, we will focus more closely on capturing DSM opportunities in the new construction, remodeling and equipment replacement markets. For example, we will offer incentives to customers for new construction of super efficient residential, commercial and industrial buildings. These efficiency improvements can be accomplished during construction at significantly lower costs than the more well known retrofitting options. And, while we'll continue to offer traditional DSM retrofit programs to all classes of customers, we will seek increased customer contributions to project costs in 1993 and beyond.

Tom Kallio
BJ's Wholesale Club
General Manager
Stoughton, MA

"Our success depends on the ability to offer our customers low everyday prices on top quality brand-name merchandise. Boston Edison's efficient lighting program was a big hit with us and our customers, and we're proud of our participation because we sold a lot of light bulbs, which will help our customers save energy and money."

Jim Rooney
MBTA
Deputy General
Manager

"In working to provide our subway, streetcar and trackless trolley fleet and nearly 700,000 daily passengers with a reliable and cost-effective source of electricity, the MBTA entered into a ten-year contract for power with Boston Edison. Edison was selected over proposals from 18 other power producers following a competitive RFP process, in which the MBTA used both economic models and non-economic criteria, incorporating DPU approved procedures."

"We won the MBTA contract by being flexible..."

Competition and Customer Service

Economic considerations have driven some of our largest and oldest customers to seek potentially less expensive suppliers of electricity. Two wholesale customers, the towns of Reading and Wellesley, and our largest retail customer, the Massachusetts Bay Transit Authority (MBTA), sought bids from other suppliers to replace contracts with Boston Edison that were due to expire soon.

The Company won these solicitations and retained these valued customers by offering a "total value" package, including price, DSM incentives and other services. All of the cost controls and efficiency improvements we have implemented over the past five years made it possible for us to successfully compete.

When it comes to competition, we not only intend to retain current customers, but we expect to increase our share of the state's energy market. We successfully reached a new agreement to continue providing long-term power to the town of Concord, and we are aggressively pursuing new wholesale customers. We are working with state regulators and non-utility generators to ensure all purchased power is necessary and least-cost. And, we are running our own generating units to outperform the competition in the areas of price and reliability.

Our Economic Development department, established in 1991, seeks to help revitalize the Boston area economy and further strengthen the Company's financial health. Bernard Reznicek, Chairman, President and Chief Executive Officer, is chairing the Massachusetts Ambassadors Program, an effort sponsored by Governor William Weld that employs the state's corporate CEO's to recruit new businesses to our area.

Boston Edison is also participating in a cooperative site finding effort, which provides potential new businesses access to a statewide real estate database of commercial and industrial properties and demographics, taxes, regulatory requirements and any incentive programs for relocating to Massachusetts.

To improve service reliability, we have automated the equipment in our overhead distribution system and implemented new technologies in our underground system. A new state-of-the-art Energy Control System is being built at our Boston Service Center to improve distribution of electricity within our service area. We have installed a new incoming telephone call management system, and we are developing a customer portfolio system that will provide customers with "one-stop shopping" for billing questions, problems with service, applications for new service and requests for DSM programs.

Arthur Strang
Boston Edison
Manager of Wholesale & Customer Generation

"We won the MBTA contract by being flexible, guaranteeing significant cost savings, emphasizing the continuing power delivery relationship for the territory which we both serve and developing a partnership to promote electric transportation technologies and DSM services."

"We are positioning ourselves to be in the forefront of technological advancements..."

Jim Hogarth
Boston Edison
Electric Vehicle
Product Manager

"We are positioning ourselves to be in the forefront of technological advancements in the developing alternative fuel transportation market. Recently enacted state and federal clean air standards will greatly facilitate attempts to position emission-free electric transportation as the environmental choice. We will play a leadership role in that movement."

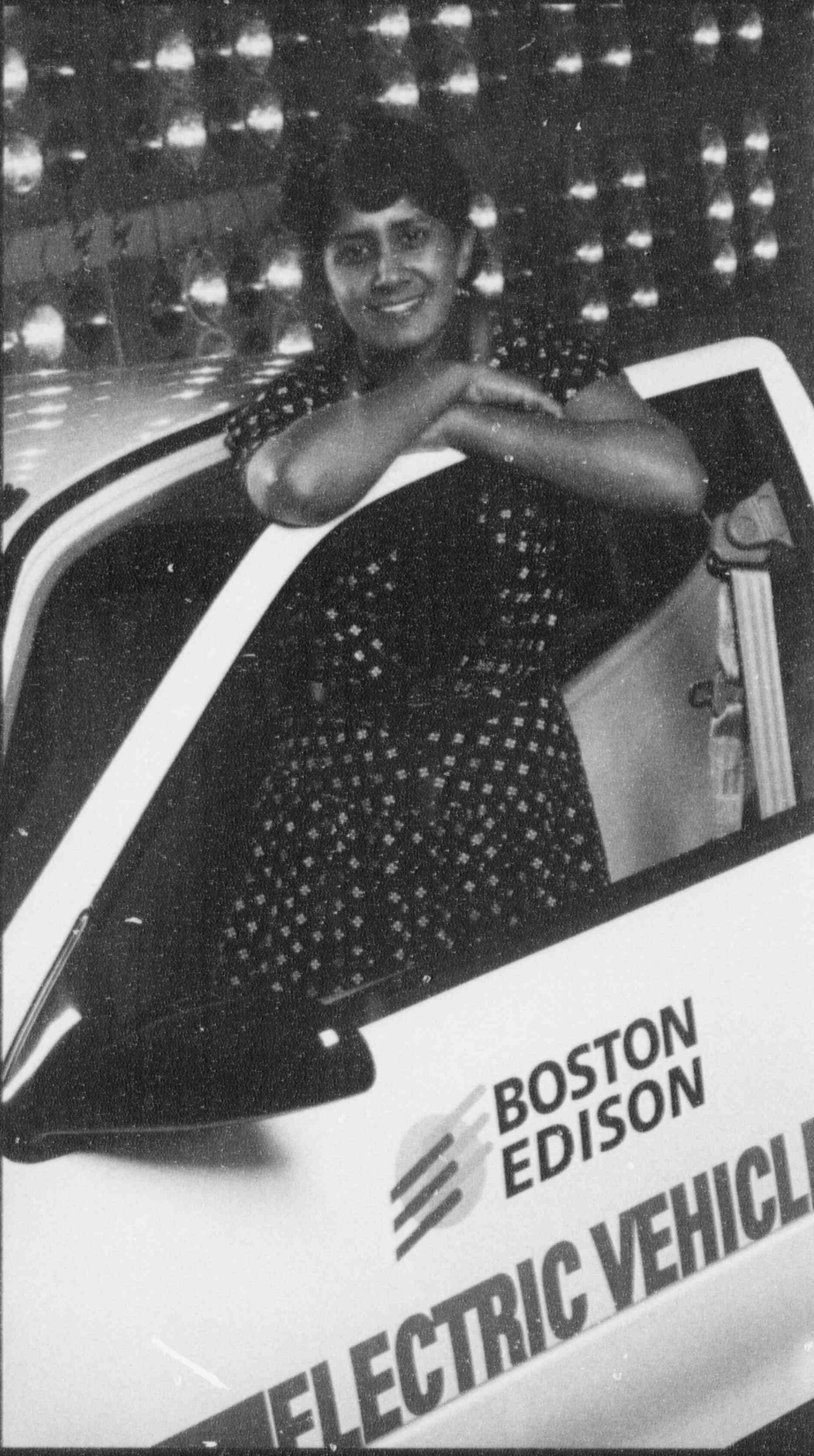
New Opportunities

Our first subsidiary is the Harbor Electric Energy Company (HEEC). It leases facilities for distribution of electricity to the Massachusetts Water Resources Authority (MWRA), which is constructing new waste water treatment facilities for use in cleaning up Boston Harbor. In 1994, HEEC will also begin providing the MWRA with backup generation, which will provide a cost-effective solution to their need for a second source of power, and after 1994, will provide Boston Edison approximately $15 million in annual revenues.

We have filed a plan with state regulators to form a new subsidiary, the Boston Energy Technology Group (Boston Energy). Boston Energy would be an unregulated subsidiary that would invest in new ventures related to our core business. We seek approval to invest up to $45 million in opportunities like DSM services, electric transportation development and generation-related services such as engineering, operations and fuel procurement.

We are currently working closely with the Massachusetts Port Authority and the Electric Power Research Institute on a research proposal for the increased electrification of Logan International Airport in Boston. To reduce emissions from the airport, the proposal includes electrification of buses, baggage handling and other means of ground transportation. We are also looking for opportunities to increase electric-powered mass transportation.

Expecting to be a major participant in the development of electric transportation, we are currently testing several electric vans and cars in our fleet and closely following electric vehicle development. Our interests may not be in the actual manufacture of vehicles but rather in the recharging station market. Whatever form this business opportunity takes, it could provide a real bonus by generating new revenues while improving the environment by taking advantage, for the most part, of off-peak generation to recharge the vehicles.

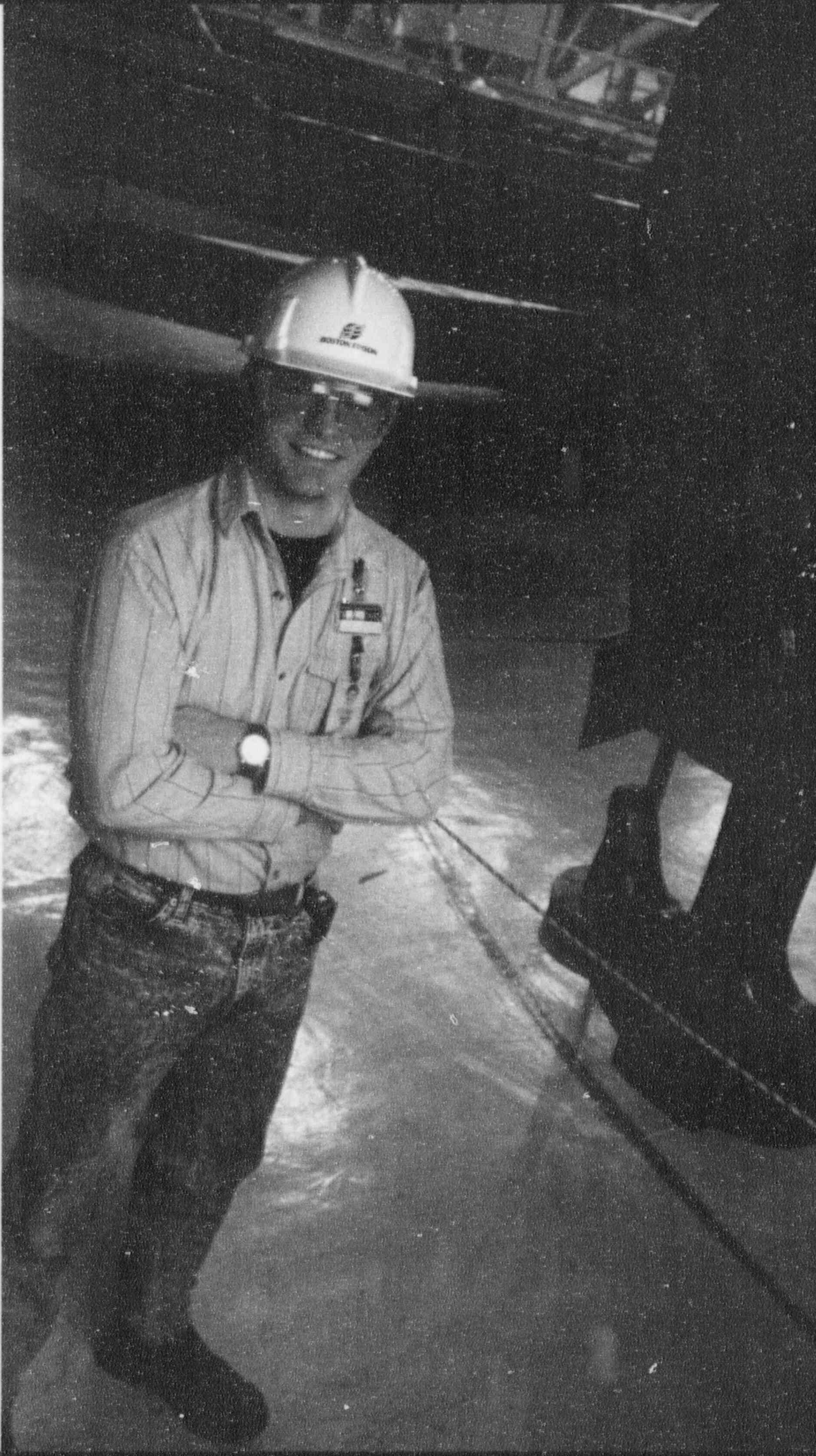


Anita Rajan
Solectria Corporation
President
Arlington, MA

"Our dream is that the vehicle of tomorrow be environmentally correct. We are converting GEO Metros from conventional gasoline powered cars that pollute our environment into exhaust-free electric vehicles. Boston Edison is helping make our dream come true by purchasing and testing our vehicles in their fleet."

John Cunningham
Boston Edison
Pilgrim Station
Nuclear Control
Technician

"We are very proud of our accomplishments at Pilgrim Station during 1992, especially the one in which we exceeded the state regulators' target for capacity and earned the Company over $8 million in incentive revenues. We will continue to pursue operational excellence in 1993."



"We're very proud of our accomplishments..."

Employee Effectiveness

Several initiatives were begun in 1992 to change the internal structure of Boston Edison, and some of the outcomes include reduced costs, improved efficiencies and increased productivity. These were accomplished by combining certain jobs, eliminating layers of management and implementing new technologies. We successfully decreased through attrition the number of employees from 4637 to 4540, or 2.1 percent. Since our target is to reduce the work force by one to two percent annually, this puts us ahead of our goal to reach 4000 employees by the year 2000.

Another change affects the selection of new managers. For years we considered education, performance, years of experience, and technical ability. New to the process are characteristics and behaviors, called competencies, that set superior performing managers apart from others. We look for the ability to manage change and communicate with employees, and qualities such as leadership, flexibility, forward thinking and customer focus. Through a competency based selection process, we are developing stronger managers, who can meet today's challenges and prepare the Company for the future.

We have also initiated a project to review and improve the efficiency and effectiveness of Company operations. Key managers are working together in design teams to create a vision for their respective organization's future, diagnose current issues and problems, determine which existing services are no longer necessary and which new ones must be implemented, and develop an implementation plan for needed reorganization. All organizations are to complete this review process by the end of 1993.

The Power Delivery organization is now implementing the results and recommendations of its self-examination. They realigned the underground divisions by craft and created an operations division to handle scheduling. These changes have led to increased productivity; in some instances tripling the amount of maintenance work that can be accomplished in one week.

Jimmy Wilson (top)
Boston Edison
New Boston Plant
Services Supervisor
and Steve Turcott
Mystic 7 Watch
Engineer

"We had our greatest year ever in terms of efficiency, availability and operations. Our achievements are attributable to teamwork, common goals and attention to details. We overhauled our older fossil units, upgraded equipment and installed new digital control systems."

"Too often our children take electricity for granted..."

Dena Lehman
Boston Edison
Manager, Educational Services

"In 1993 we are introducing a terrific new program for high school students called 'In Concert With The Environment'®. After completing the course, students will recognize their responsibility to protect the environment, and hopefully they will be committed to taking lifelong steps to effect positive change."

Community Reputation

Capturing opportunities and solving problems at the first point of contact is the best strategy for earning a good community reputation. Regular communications with our neighbors eliminates misunderstandings and results in relationships that are mutually beneficial.

After assessing our community relations efforts of recent years, we restructured our entire program for dealing with our neighbors. We realize that even the most routine actions like keeping our facilities neat, the grass mowed and trucks cleaned impact our reputation. That's why we made community relations part of all managers' job responsibilities and why we are providing training and information to employees on the importance of community involvement and being sensitive to our neighbors' needs.

In South Boston, for instance, to ensure the cleanest air possible we are working closely with residents during installation of environmental modifications to our New Boston Station. We also invited the community to join us in monitoring the air quality in South Boston, and working with a group of concerned citizens, we have identified a number of ways in which we can participate positively in the community.

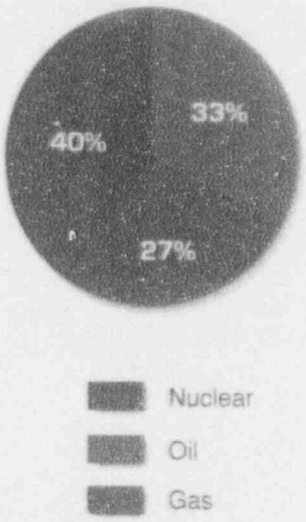
A partnership we are particularly excited about involves Northeastern University. It conforms with revised contributions criteria of the Boston Edison Foundation, which focus on health, education, the environment, economic development and the arts. In Northeastern University's Balfour Academy program, Boston public school students in grades 7 through 12 will be provided mentoring and tutorial services during the school year and summer courses focusing on math and science. Upon successful graduation from high school, these students will be offered tuition assistance at Northeastern through the Boston Edison Scholars Program. The Boston Edison Foundation will commit $250,000 over the next five years to this partnership, and will look for other opportunities to improve the quality of life in the Greater Boston area.

Today, simply providing good service is not enough. A company must be a good neighbor and make a positive contribution to the communities it serves, especially in areas where its facilities have a major impact. Since Boston Edison has high visibility throughout our service area, the public's expectations of us are high. We all work hard to meet their expectations.

Jeanne McCabe
C.R. Edwards
Middle School
Teacher
Charlestown, MA

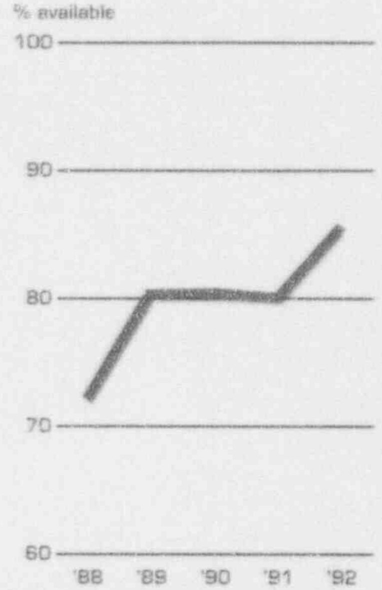
"Boston Edison's educational programs are a vital part of my annual curriculum. Too often our children take electricity for granted and do not realize its dangers. Edison's Al Davis teaches my students not only how electricity is made and distributed, but also the key safety rules to live by."

Company Generated Fuel Mix



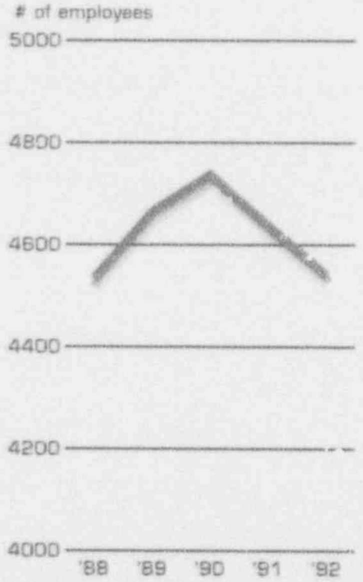
1992 Company generated fuel mix was balanced because our three largest fossil units can burn either oil or gas, whichever is cheapest.

Fossil System Availability



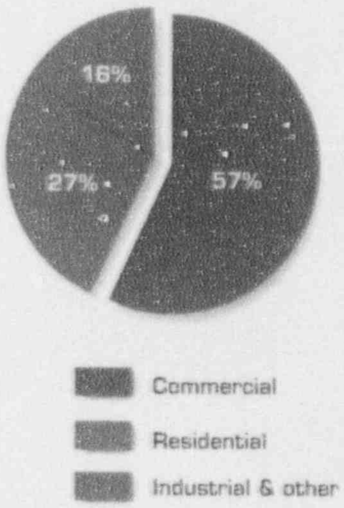
In 1992 the average availability of our fossil system was its best ever, by having our units available to run 85.6% of the time.

Complement



Through attrition we have been able to reduce our number of employees to their 1988 level and are on track for reducing those numbers by 1 - 2% annually through the year 2000.

Retail Customer Sales Mix



The stability of our commercial and residential sectors in our retail customer mix helps minimize the effects of regional economic swings.

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Regulatory Proceedings

Retail Settlement Agreements

On October 30, 1992, the Commonwealth of Massachusetts Department of Public Utilities (state regulators) approved a settlement agreement (the 1992 Retail Settlement Agreement) relating to the request we filed on April 15, 1992 to increase our rates charged to retail customers. The agreement covers the three years from November 1, 1992 through October 31, 1995. During the first year it provides us with additional revenues from billings under the new performance adjustment rate established by the 1989 Retail Settlement Agreement. We will charge customers an additional $42,000,000 in revenues for the first performance year subject to adjustment based upon the performance of Pilgrim Nuclear Power Station (Pilgrim Station). This performance adjustment was established in our 1989 Retail Settlement Agreement (discussed below) and took effect November 1, 1992. The agreement also provides us with a revenue increase of $29,000,000 in the second year, and an additional $29,000,000 increase in the third year. We are also limited to a rate of return on common equity of 11.75% in the calendar years 1993, 1994 and 1995, exclusive of any penalties or rewards resulting from any performance incentive mechanisms.

The 1992 Retail Settlement Agreement allows us to add back into income in 1993 and 1994 up to a total of $30,000,000 of certain previously recorded deferred income tax reserves if we would not otherwise achieve an 11.75% rate of return on common equity in those years (exclusive of any penalties or rewards from incentives). The agreement also provides for the recovery of certain regulatory assets such as deferred nuclear outage-related and other deferred costs and increases in nuclear decommissioning. Also, we will not expense any remaining costs associated with the cancelled Pilgrim 2 nuclear unit in 1993, but will instead expense them in 1994 and/or 1995. Additionally, the agreement stipulates that no change will be made to the rates we charge customers during the settlement period due to the termination on October 31, 1993 of a long-term purchased power contract (with annual charges of approximately $60,000,000) or any potential replacement of that contract with a new long-term purchased power contract. We also agreed to continue our investment in demand side management (DSM) conservation programs through 1994 and established a procedure to collect the costs of these programs from customers.

On October 31, 1989, state regulators approved a settlement agreement effective November 1, 1989 (the 1989 Retail Settlement Agreement), relating to certain proceedings in which we were involved. Under that agreement, we agreed to limit retail revenue increases prior to November 1, 1992 to approximately 2% per year, subject to adjustment based on the performance of Pilgrim Station. In accordance with this settlement agreement, annual retail revenues increased approximately $20,000,000, $22,500,000 and $25,000,000 on November 1, 1989, 1990 and 1991, respectively, adjusted for the performance of Pilgrim Station. In addition, the agreement allowed us to make accounting adjustments by adding back into income certain deferred income tax reserves up to $38,000,000 over the three years and certain municipal property tax abatements.

Results of Operations

1992 Versus 1991

Earnings per common share amounted to $2.10 in 1992 and $1.96 in 1991.

Total 1992 operating revenues amounted to $1,411,753,000, an increase of 4.2% over the prior year, broken down as follows:

1.0% increase in retail electricity sales billed	$15,443,000
Increase in performance rate revenues (a)	24,431,000
Decrease in fuel and purchased power revenues (b)	(12,217,000)
Increase in wholesale sales, interchange and other (c)	29,595,000
Increase in total revenues	$57,252,000

(a) In accordance with the 1989 Retail Settlement Agreement, retail revenues increased by approximately $25,000,000 over the period November 1, 1991 to October 31, 1992. We also recorded in the fourth quarter of 1992 approximately $8,200,000 in incentive revenues for the same period, based upon Pilgrim Station's capacity factor exceeding its target. We began charging customers for this amount on November 1, 1992 and for approximately $42,000,000 under the new performance adjustment rate.

(b) Decreases in fuel and purchased power revenues are due primarily to an increase in short-term power sales which serve to reduce billings to customers. The majority of fuel and purchased power expenses are collected from our customers through fuel and purchased power revenues.

(c) Reflects increased sales due to increased output from Pilgrim Station and revenues from DSM program costs related to 1991 expenditures, lost sales revenues from the electricity saved from these programs and incentives.

Purchased power and demand side management expense increased $24,484,000 principally due to new long-term purchased power contracts. The cost of purchased power contracts is collected primarily through fuel and purchased power revenues. In 1991 we deferred $9,200,000 of DSM costs, of which approximately $8,000,000 was expensed and collected from customers in 1992 in accordance with an order from state regulators. The remainder will be expensed and collected in 1993. In 1992 we deferred $14,000,000 of DSM costs, for which we received approval to expense and collect from customers over twelve months beginning in February 1993.

Other operations and maintenance expenses increased $8,592,000 due to increases in employee benefit expenses and bad debts. Approximately $6,100,000 of pension costs was deferred in 1992 as compared to $4,300,000 in 1991. The 1992 Retail Settlement Agreement allows us to continue to defer these costs and assures us recovery from customers over time. In 1991 we also deferred $3,600,000 of storm costs associated with damage caused by an August hurricane. We received approval from state regulators to charge to customers and expense these costs over time beginning November 1, 1992, as part of the 1992 Retail Settlement Agreement. The balance of these items are also included in "Other deferred debits" on the consolidated balance sheet at December 31, 1992.

In 1991 we deferred approximately $22,871,000 (net) of costs associated with the 1991 refueling outage at Pilgrim Station, of which $4,901,000 and $2,443,000 were expensed in 1992 and 1991, respectively. We began to expense these costs over five years in September 1991 as approved by state regulators.

Municipal property and other taxes increased 21% due to the reduction in residential and commercial real estate values associated with a depressed economy which resulted in higher tax rates applied to our personal property values. In accordance with the 1989 Retail Settlement Agreement, municipal property tax expenses were reduced by adding back into income certain tax abatements of $10,400,000 in 1992 and $13,000,000 in 1991.

The effective annual income tax rate for 1992 was 8.7% versus a 16.5% rate for 1991. Both rates were significantly affected by the implementation of the terms of the 1989 Retail Settlement Agreement whereby we reduced income tax expense by adding back into income certain deferred income taxes of $23,000,000 and $13,000,000 for 1992 and 1991, respectively. In addition, federal income tax expense was reduced in those periods by $7,250,000 and $3,700,000, respectively, due to the deduction of certain payments mandated by that agreement. Based upon the 1992 Retail Settlement Agreement, we expect our effective income tax rate to be approximately 20% in 1993.

In 1992 we expensed approximately $8,000,000 of costs previously invested in the deferred Edgar Energy Park project. This is included in "Other, net" in the consolidated statements of income at December 31, 1992.

Total interest expense declined $6,484,000 primarily due to lower interest rates on our average short-term borrowings. Allowance for funds used during construction (AFUDC, which represents the financing costs of construction) totaled $7,847,000, a decline of 13% from 1991, primarily due to a lower AFUDC rate.

Preferred and preference dividends declined $1,061,000 primarily due to the replacement of the $1.46 preference stock with a less costly new issue of preferred stock.

Net income increased $12,628,000 or 13%. However, earnings per common share for 1992 increased only 7%, reflecting an increase in the weighted average number of common shares outstanding primarily associated with our 1991 and 1992 common stock issuances.

1991 Versus 1990

Earnings per common share amounted to $1.96 in 1991 and $2.01 in 1990. Results for 1990 included $0.41 per common share due to the cumulative effect of a change in accounting principle effective January 1, 1990 (accrual of unbilled revenues). Certain reclassifications were made to 1991 data to conform to the method of presentation used in 1992.

Total 1991 operating revenues amounted to $1,354,501,000, which represented an increase of 3.0% over the prior year, broken down as follows:

1.3% decrease in retail electricity sales billed	$ (3,567,000)
Increase in performance rate revenues [a]	23,401,000
Increase in fuel and purchased power revenues [b]	21,144,000
Change in wholesale sales, interchange, and other	(917,000)
Increase in total revenues	$40,061,000

(a) As part of the 1989 Retail Settlement Agreement, we were permitted to increase our retail revenues by approximately $22,500,000 effective November 1, 1990 and effective November 1, 1991 by an additional $25,000,000.

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

Other operation and maintenance expenses declined $5,300,000 from 1990. This was primarily due to reduced maintenance and pension expenses, which were partially offset by increases in labor, certain employee benefits, research and development costs, bad debts, and nuclear operations expense. Through December 31, 1991, we deferred $22,871,000 of net costs associated with the 1991 refueling outage at Pilgrim Station. Similarly, about $4,300,000 of pension costs and $3,600,000 of storm costs associated with damage caused by an August 1991 hurricane were deferred. These items were included in "Other deferred debits" on the consolidated balance sheet at December 31, 1991.

Municipal property and other tax expenses increased 18.6% due to the reduction in residential and commercial real estate values associated with a depressed economy which resulted in higher tax rates applied to our personal property values. In accordance with the 1989 Retail Settlement Agreement, municipal property tax expenses were reduced by $13,000,000 in both 1991 and 1990 by adding back into income certain tax abatements.

Our effective income tax rate was 16.5% in 1991 versus 30.4% in 1990 which included the cumulative effect of a change in accounting principle. The 1991 and 1990 rates were affected by the implementation of the terms of the 1989 Retail Settlement Agreement. Based on those terms, we reduced income tax expense by adding back into income certain deferred income taxes of approximately $13,000,000 and $2,000,000 in 1991 and 1990, respectively. In addition, 1991 income reflects a reduction in federal income tax expense of $3,700,000 arising from the deduction of certain payments mandated by the 1989 Retail Settlement Agreement.

AFUDC totaled $8,984,000, an increase of 2% from 1990, due to an increase in the construction work in progress base, partially offset by a lower AFUDC rate.

Total interest expense increased $10,610,000, primarily related to interest on higher long-term debt balances partially offset by a decrease in short-term interest expense due to a decline in interest rates. The increase in average total borrowings has been to cover the cost of our plant expenditures. A portion of plant expenditures is financed through funds generated by operations with the balance through external financings.

Financial Condition, Outlook for the Future and Liquidity

Financial Condition

The 1992 Retail Settlement Agreement provides us with increased customer billing rates over the three year period ending October 31, 1995. The annual rate of return on common equity during that period is not permitted to exceed 11.75%, exclusive of certain performance incentives and penalties.

Our ability to achieve or exceed the stipulated rate of return on common equity will be primarily dependent upon our ability to control costs and to earn performance incentives. The 11.75% rate of return may be exceeded if we earn incentives from DSM and generation performance mechanisms specified in both the 1989 and 1992 Retail Settlement Agreements. If Pilgrim Station operates between 60% to 68% capacity, we will be provided with approximately $42,000,000 in revenues in the year November 1, 1992 through October 31, 1993. In the first year this may be adjusted down to approximately $25,000,000 or up to approximately $61,000,000, on a sliding scale, if the unit runs below 60% capacity or above 68% capacity. Annual revenues can also increase or decrease up to $4,000,000 based on fossil generation unit performances in each of the three settlement years.

Our electric generating units, other than Pilgrim Station, are fossil fuel-fired. The majority of fossil fuel purchases is imported residual fuel oil acquired primarily from international suppliers, and natural gas which is supplied on an "interruptible" basis. We currently charge both our retail and wholesale customers for fossil fuel costs incurred through the existing fuel and purchased power revenues.

Expected Plant Expenditures and Outlook for the Future

Our current estimate of plant expenditures over the next five years (which is subject to continuing review and adjustments), is approximately $1,060,000,000 (excluding AFUDC, DSM and $76,000,000 in nuclear fuel expenditures).

Retail electricity sales billed for 1992 were 1.0% higher than 1991. A large portion of our electricity sales is in the commercial sector as compared to the industrial sector. Since New England continues to experience a sluggish economy, we do not anticipate significant growth in retail electricity sales in the near term. Implementation of DSM programs which are designed to assist customers in reducing their use of electricity may lower growth in electricity sales. In December 1992 state regulators approved a DSM settlement agreement. This agreement establishes annual DSM spending levels over $50,000,000 through 1994 with approximately 70% of certain costs collected from customers over a six-year period and the remainder collected primarily in the year spent. We will also collect a return on the deferred costs, as well as incentives and recovery of certain lost revenues based on the actual electricity saved by our customers from these DSM programs.

In February and July 1991 we increased our rates charged to three wholesale customers by a total of approximately $9,600,000. In July 1991 we entered into a settlement with one of these three, the Town of Reading, Massachusetts. As a result of this settlement no refunds were paid to Reading. On October 26, 1992, we entered into a long-term power supply agreement with one of the remaining two, the Town of Wellesley, Massachusetts. This agreement, which was approved in early 1993 by federal regulators, settles

all outstanding cases with Wellesley, including the wholesale rate increase. Pursuant to this agreement, we will make refunds to Wellesley, which are fully provided for in the consolidated financial statements at December 31, 1992. We are continuing settlement discussions with the remaining wholesale customer.

Liquidity and Financing

The funds we generated internally through operations (excluding the cash payments related to the 1989 settlement agreements) represented approximately 90%, 89% and 73% of our plant expenditures in the years 1992, 1991 and 1990, respectively.

Our estimate of working capital needs for 1993 and 1994 is expected to be consistent with historical levels (excluding the effects of the 1989 Retail Settlement Agreement). We meet working capital requirements, as well as interim financing needs to cover our current program of plant expenditures, primarily with internally generated funds, supplemented by the issuance of short-term commercial paper and bank borrowings. We currently have short-term borrowing authority from federal regulators of $350,000,000 which is believed to be adequate to cover our working capital and other liquidity requirements. We have available a $200,000,000 revolving credit facility. We also have arrangements with certain banks to provide additional short-term credit on a committed as well as on an uncommitted and as available basis. As of December 31, 1992, we had approximately $275,500,000 of short-term debt outstanding (which excludes $6,800,000 of long-term debt due within one year).

In June 1992 we retired $15,000,000 of 4.25% Series H first mortgage bonds which matured and also issued $40,000,000 of 8.25% cumulative non-mandatory redeemable preferred stock. The proceeds were used to retire all of our outstanding 2,675,000 shares of $1.46 series preference stock. In the third quarter of 1992 we issued 2,300,000 shares of $1.00 per share par value common stock at $26 1/8 per common share and $60,000,000 of 8 1/4% debentures due September 15, 2022. The proceeds from these two issuances were used to reduce short-term debt. In September 1992 we retired $50,000,000 of 9.65% medium-term notes at par with accrued interest. We purchased at a discount in the open market 20,000 shares of our cumulative preferred stock, 7.27% Series, in the third quarter of 1992. This purchase satisfies the mandatory sinking fund requirement for May 1993. In October 1992 we redeemed the remaining $45,000,000 of outstanding 11% first mortgage bonds, Series X, due September 15, 2017, at a redemption price of 107.59% with accrued interest to the redemption date.

Based on securities currently outstanding, our long-term debt maturities and sinking fund requirements for debt and preferred stock total $271,545,000 in the next five years. In early 1993 state regulators approved a financing plan which will allow us to issue up to $1,100,000,000 in securities over the next two years and to use the proceeds of these issuances mostly to refinance outstanding long-term securities and for the payment of capital expenditures made for extensions, additions and improvements to our plant investment or for the refinancing of short-term debt. In late January 1993 we sold approximately $65,000,000 of 6.8% debentures due in the year 2000. We used the proceeds to retire short-term debt. In February 1993 we filed a registration statement with the Securities and Exchange Commission to issue the remaining securities under this plan.

Edgar Energy Park and Future Generation

On April 10, 1992, the Energy Facilities Siting Council (EFSC) issued its Phase I final decision involving our 1990 demand forecast and the Edgar Energy Park project proposal (the project). In its decision, the EFSC stated that we would be in an excess capacity position in 1996 and 1997 by 149 and 120 megawatts, respectively.

In light of the EFSC's decision and the current assessment of the need for power, we decided to indefinitely defer this project. Notwithstanding such deferral, we continue to seek environmental permits for this project so as to allow prompt action in the future when there is a need for additional capacity. The Energy Facilities Siting Board (EFSB), the successor agency of the EFSC, concluded hearings in September 1992 to review siting and environmental issues associated with the project, and we are awaiting a decision. Since it was determined in the fourth quarter of 1992 that we will not have the need for additional power for several years, $8,000,000 of before-tax costs associated with this project was charged to expense.

In early 1992 state regulators required us to issue a request for proposals (RFP 3) for the purchase of 132 MW of power to be in service by 1997. We have requested that RFP 3 be cancelled in light of the determination of the EFSC that we do not have a near term need for generating capacity. State regulators have not yet ruled on our request.

In December 1992 we filed with state regulators a draft Integrated Resources Management (IRM) filing concerning our anticipated future generation and DSM resource needs over the next decade. In light of the lack of a near term need for power, we requested permission not to issue a request for proposals for additional generation resources. We are currently engaged in settlement discussions with other interested parties and it is unclear whether we will be ultimately required to acquire any new generation as a result of the multi-year IRM process.

Pilgrim Nuclear Power Station

Although nuclear power is a subject of public discussion, we continue to evaluate the continued operation of Pilgrim Sta-

tion from the standpoint of safety, reliability and economics and we continue to believe that such continued operation is in the best interests of our customers and our Company.

We presently dispose of low-level radioactive waste (LLW) generated at Pilgrim Station through arrangements with licensed disposal facilities located in Barnwell, South Carolina. As a result of developments which have occurred pursuant to the Low-Level Radioactive Waste Policy Amendments Act of 1985, our continued access to such disposal facilities has become severely limited and significantly increased in cost. We have made arrangements for access to the Barnwell site through July 1994. We do not presently believe, however, that disposal site access will be provided after that date. Although legislation has been enacted in Massachusetts establishing a regulatory method for managing the Commonwealth's LLW including the possible siting, licensing and construction of a LLW disposal facility within the Commonwealth, it appears unlikely that such a facility will be constructed in a timely manner. Pending the construction of a disposal facility within the Commonwealth or the adoption by the Commonwealth of some other LLW management method, we continue to monitor the situation and are investigating other options which are available to us, including the option of on-site storage.

New Accounting Pronouncements

We will implement Statement of Financial Accounting Standards (SFAS) No. 106 - "Accounting for Postretirement Benefits Other than Pensions" in the first quarter of 1993. We are currently studying our implementation options. Our total transition liability is estimated to be approximately \$200,000,000. Under the twenty-year amortization option, the expected additional annual cost would be \$20,000,000. In accordance with the 1992 Retail Settlement Agreement, we will phase in postretirement employee benefit costs up to the tax deductible funding amount over five years, resulting in expenses of \$3,000,000, \$6,000,000 and \$9,000,000 in the three settlement years. In early 1993 the Financial Accounting Standards Board's (FASB) Emerging Issues Task Force (EITF) issued accounting guidelines for postretirement benefit costs by regulated companies. These guidelines allow deferral of such additional costs only if regulators authorize specific deferral and recovery periods for postretirement benefit costs not currently received in rates. Our regulators have not had the opportunity to review these guidelines and we are unable to determine how they will respond to them. If current regulatory treatment is insufficient to meet the EITF requirements and we are unable to obtain sufficient modification, we might be required to expense a portion of the additional cost.

In February 1992 the FASB issued SFAS No. 109 - "Accounting for Income Taxes", which becomes effective in 1993. We anticipate that, due to the impact of regulation, the primary effect of this statement will be reflected in our consolidated balance sheet and will result in no significant impact on net income.

In November 1992 the FASB issued SFAS No. 112 - "Employers' Accounting for Postemployment Benefits" which becomes effective in 1994. SFAS No. 112 requires use of an actuarial basis for computing the liability for benefits (other than pensions and postemployment benefits) for former or inactive employees, their beneficiaries and covered dependents. We are currently recognizing these benefits primarily as claims are paid. We have not fully determined the means of collecting these expenses or of implementing this accounting pronouncement (preliminary estimates are in the process of being prepared by our actuaries). The adoption of this pronouncement is not expected to impact our cash flows in the near future.

Yankee Atomic Electric Company

On February 26, 1992, the Board of Directors of Yankee Atomic Electric Company (Yankee Atomic) decided to permanently discontinue power operation of the Yankee Atomic nuclear generating station and, in time, decommission that facility. We relied on Yankee Atomic for less than one percent of our system capacity. Our 9.5% stock investment in Yankee Atomic is valued at approximately \$2,000,000.

On June 1, 1992, Yankee Atomic filed a request with federal regulators for approval of an amendment to the power contracts with unit owners, which provides for continued collection of Yankee Atomic's investment and decommissioning costs through July 2000, the period of the plant's operating license, and to adjust contract rates based on Yankee Atomic's revised decommissioning and operating and maintenance costs estimates.

The estimate of our share of Yankee Atomic's cost of decommissioning the plant is approximately \$38,217,000 as of December 31, 1992. This estimate, which is subject to ongoing review and revision, is recorded on our consolidated balance sheet as a power contract liability and an offsetting power contract deferred debit. These costs related to Yankee Atomic will continue to be collected from our customers through revenues in accordance with the 1992 Retail Settlement Agreement.

New Boston Station

Our New Boston generation station has the ability to burn natural gas, oil or both. As part of an agreement with the Commonwealth of Massachusetts Department of Environmental Protection and other interested parties, we began operating that station in April 1992 utilizing natural gas as fuel for a minimum of nine months per year and, beginning in April 1995, we will operate the station fueled exclusively by natural gas, except in certain emergency circumstances. Arrangements have been made for a nine-month supply of

natural gas to the facility until April 1995 and we are in the process of negotiating with natural gas suppliers and transporters concerning the economics and availability of natural gas to New Boston Station on a year-round basis after April 1995. At the present time year-round natural gas supplies are not available to New Boston Station and, as a result, the outcome of our negotiations with natural gas suppliers and transporters and the impact on the operation of New Boston are uncertain.

Competition

Electric utilities face increasing competition with other energy suppliers to meet the energy needs of their customers. One such area of competition is in the area of generation and DSM. Federal law requires utilities to purchase power from qualifying non-utility generators at prices set by the state. In addition, state regulators have created an IRM process under which a utility must solicit competitive bids from all potential providers, utility and non-utility alike, for the provision of any new generation or DSM needed by the utility.

We also compete with other electric utilities and non-utility generators to sell electricity for resale. In 1992 approximately 13% of our total revenues came from sales to wholesale customers. Most of this power is sold under Pilgrim Station life-of-the-unit contracts, with the remainder sold to municipalities for resale to their residents. During 1992 we made bids to three of our municipal customers. Two of these municipal customers have now signed long-term contracts with us, and we are negotiating with the third. We have also made bids to provide power to other municipalities that are not now our customers.

Competition also exists for service to our end-use, retail customers. Natural gas suppliers can provide energy services to our customers for heating and cooling purposes, and our customers can obtain energy through self-generation or cogeneration, or in some cases through purchases from third party providers, including electric utilities. Although direct competition with other electric utilities for retail electricity consumption is subject to substantial limitation at present, these limitations may be reduced in the future.

Other Matters

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

The 1990 Clean Air Act Amendments will require a significant reduction in nationwide emissions of sulfur dioxide from fossil fuel-fired generation units. The reduction will be accomplished by restricting sulfur dioxide emissions through a market-based system of allowances. Based upon our analysis, we believe that we will have allowances issued to us under the 1990 Clean Air Act Amendments that are in excess of our needs and which may be marketable. Any gain from the sale of these may be subject to future regulatory treatment.

There are also a number of other provisions of the 1990 Clean Air Act Amendments that are of particular importance to electric utilities, including provisions which will result in stringent limitations on emissions of nitrogen oxides from existing generating units. Based on our current understanding of these requirements, modifications may be required prior to 1995 to certain of our fossil fuel-fired generating units. Depending upon the outcome of certain air quality modeling studies, additional emissions reductions may also be required prior to 1999. The extent of any additional reductions and the cost of any required modifications is uncertain at this time. We would seek regulatory approval to collect these costs from customers.

In recent years a number of published reports have discussed the possibility that adverse health effects may be caused by electromagnetic fields (EMF) associated with electric transmission and distribution facilities and appliances and wiring in buildings and homes. On the basis of scientific reviews conducted to date by several state and federal agencies, we do not believe that EMF has been proven to cause such health effects or that significant capital expenditures are appropriate in order to minimize unsubstantiated risks from EMF. We support further research into the subject and are participating in the funding of industry sponsored studies. We are aware that public concern regarding EMF in some cases has resulted in litigation, in opposition to existing or proposed facilities before regulatory bodies, or in requests for legislation or regulatory standards concerning EMF levels. We have not been materially affected to date by these developments, however, we continue to closely monitor all aspects of the EMF issue.

In accordance with the 1992 National Energy Policy Act, all nuclear plant owners are required to fund the cleanup of Department of Energy facilities used for the process of enriching nuclear fuel based upon their percentage of past usage of these facilities. Our share of this cost is approximately $16,650,000 (in 1992 dollars). These costs will be collected from our customers as they are paid over a fifteen-year period. This amount has been recorded in "Other deferred credits" and "Nuclear fuel-net" on the consolidated balance sheet at December 31, 1992. There is no earnings impact resulting from this transaction.

Consolidated Statements of Income

(in thousands, except earnings per share)	1992	years ended December 31, 1991	1990
Operating revenues	$1,411,753	$1,354,501	$1,314,440
Operating expenses:			
Fuel	195,873	200,912	276,333
Purchased power and demand side management	365,152	340,668	249,057
Other operations and maintenance	379,350	370,758	376,058
Depreciation and amortization	129,045	126,151	121,881
Amortization of deferred cost of cancelled nuclear unit	24,381	24,381	24,381
Amortization of deferred nuclear outage costs	4,901	2,443	1,500
Taxes - property and other	80,426	66,216	55,854
Provision for income taxes	11,725	17,111	29,638
Total operating expenses	1,190,853	1,148,640	1,134,702
Operating income	220,900	205,861	179,738
Other income (expense), net	(2,074)	5,684	6,294
Operating and other income	218,826	211,545	186,032
Interest charges:			
Long-term debt	106,850	108,912	93,706
Other	12,525	16,947	21,543
Allowance for borrowed funds used during construction - credit	(7,847)	(8,984)	(8,833)
Total interest charges	111,528	116,875	106,416
Income before cumulative effect of accounting change	107,298	94,670	79,616
Cumulative effect of accrual for unbilled revenues, net of taxes of $9,819	0	0	15,824
Net income	107,298	94,670	95,440
Preferred and preference dividends provided	16,550	17,611	17,652
Balance available for common stock	$ 90,748	$ 77,059	$ 77,788
Common shares outstanding (weighted average)	43,144	39,348	38,779
Earnings per share of common stock:			
Before cumulative effect of accounting change	$ 2.10	$ 1.96	$ 1.60
Cumulative effect of accrual of unbilled revenues	0	0	0.41
Total	$ 2.10	$ 1.96	$ 2.01
Dividends declared per common share	$ 1.655	$ 1.595	$ 1.535

Consolidated Statements of Retained Earnings

(in thousands)	1992	years ended December 31, 1991	1990
Balance at beginning of year	$ 174,477	$ 161,143	$ 142,952
Net income	107,298	94,670	95,440
Subtotal	281,775	255,813	238,392
Cash dividends declared:			
Preferred	14,923	9,476	9,147
Preference	1,953	8,135	8,505
Common	71,951	63,725	59,597
Subtotal	88,827	81,336	77,249
Balance at end of year	$ 192,948	$ 174,477	$ 161,143

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

Consolidated Statements of Cash Flows

(in thousands)	1992	years ended December 31, 1991	1990
Cash flows from operating activities:			
Net income	$ 107,298	$ 94,670	$ 95,440
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect (net) for years prior to 1990 of change for unbilled revenues	0	0	(15,824)
Rate and contract settlements, net	(31,363)	(44,546)	(68,070)
Depreciation	117,260	113,756	107,659
Amortization of nuclear fuel	25,473	19,869	25,913
Amortization of deferred cost of cancelled nuclear unit (net)	22,340	21,112	19,967
Other amortization	7,504	9,904	12,922
Allowance for funds used during construction	(7,847)	(8,984)	(8,833)
Increase in deferred income taxes	17,166	24,475	29,028
(Deferral) amortization of nuclear outage costs, net	4,901	(22,062)	1,500
Net changes in:			
Accounts receivable	(18,188)	(3,519)	21,173
Fuel, materials & supplies	(114)	12,716	(16,890)
Accounts payable	44,172	(19,857)	16,320
Other current assets and liabilities	(8,275)	1,626	(105)
Other, net	(30,853)	(27,469)	(23,832)
Net cash provided by operating activities	249,474	171,691	196,368
Cash flows provided (used) by investing activities:			
Plant and nuclear fuel (excluding AFUDC)	(230,802)	(214,213)	(255,784)
Decommissioning fund	(7,210)	(5,896)	(6,679)
Investments in electric companies	1,870	(1,515)	(3,367)
Net cash (used) by investing activities	(236,142)	(221,624)	(265,830)
Cash flows provided (used) by financing activities:			
Issuances:			
Common stock	68,345	68,800	8,623
Preferred stock	40,000	50,000	0
Long-term debt	62,908	146,120	200,000
Redemptions:			
Debt retirements	(123,600)	(118,600)	(23,689)
Preferred/preference stock	(40,333)	(50,000)	0
Net change in short term debt	65,200	35,770	(39,310)
Dividends paid	(86,184)	(79,545)	(76,484)
Net cash provided (used) by financing activities	(13,664)	52,545	69,140
Net increase (decrease) in cash and cash equivalents	(332)	2,612	(322)
Cash and cash equivalents at the beginning of the year	4,279	1,667	1,989
Cash and cash equivalents at the end of the year	$ 3,947	$ 4,279	$ 1,667
Cash paid during the year for:			
Interest, net of amounts capitalized	$ 113,076	$ 115,488	$ 105,642
Income taxes	$ 10,095	$ 18,979	$ 19,227

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

Consolidated Balance Sheets

(in thousands)		1992		years ended December 31, 1991
Assets				
Property, plant and equipment, at original cost:				
Utility plant in service	$ 3,629,727		$ 3,533,007	
Less: accumulated depreciation	1,177,294	$ 2,452,433	1,097,991	$ 2,435,016
Nuclear fuel	287,070		256,199	
Less: accumulated amortization	201,978	85,092	180,137	76,062
Construction work in progress		182,458		99,870
Total		2,719,983		2,610,948
Investments in electric companies, at equity		25,438		27,308
Nuclear decommissioning fund, at cost		50,871		43,661
Current assets:				
Cash and cash equivalents	3,947		4,279	
Accounts receivable	184,238		167,307	
Accrued unbilled revenues	29,889		28,632	
Fuel, materials & supplies, at average cost	93,931		93,817	
Prepaid expenses & other current assets	6,644	318,649	7,240	301,275
Deferred debits:				
Power contracts	43,717		0	
Deferred cost of cancelled nuclear unit	19,067		43,665	
Deferred nuclear outage costs	17,970		22,871	
Other	60,709		35,403	
Redemption premiums	40,506	181,969	35,418	137,357
Total assets		$ 3,296,910		$ 3,120,549

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

Consolidated Balance Sheets

(in thousands)		1992		years ended December 31, 1991
Capitalization and Liabilities				
Common stock equity		$ 840,312		$ 753,496
Cumulative preferred stock:				
Non-mandatory redeemable series		123,000		83,000
Mandatory redeemable series		98,000		100,000
Cumulative non-mandatory redeemable preference stock		0		38,333
First mortgage bonds		631,825		690,425
Sewage facility revenue bonds, net		24,248		21,340
Debentures		385,000		325,000
Unsecured medium-term notes		50,000		100,000
Current liabilities:				
Long-term debt due within one year	$ 6,800		$ 21,800	
Notes payable	275,500		210,300	
Accounts payable	156,526		112,354	
Interest accrued	21,497		23,045	
Dividends payable	22,192		20,193	
Other	9,032		14,687	
Rate and contract settlements	1,175	492,722	32,538	434,917
Deferred credits:				
Power contracts	43,717		0	
Accumulated deferred income taxes	448,720		434,810	
Accumulated deferred investment tax credits	75,213		79,510	
Nuclear decommissioning reserve	57,165		48,654	
Other	26,988	651,803	11,064	574,038
Commitments and contingencies				
Total capitalization and liabilities		$ 3,296,910		$ 3,120,549

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

Note A. Summary of Significant Accounting Policies

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

1. Basis of Consolidation

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

2. Depreciation, Amortization and Maintenance

Most of our physical property (excluding a factor for the cost of decommissioning Pilgrim Station) was depreciated on an annual straight-line basis in 1992, 1991 and 1990 at approximately 3.36%, 3.41% and 3.41% per year, respectively, using the average remaining life method of computing depreciation. When these property units are retired, the cost, net of salvage value, is charged to accumulated depreciation.

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

Maintenance expense is charged for the cost of current repairs and the replacement or addition of minor parts to our plants and properties.

3. Forecasted Fuel and Performance Rates

The rate charged to retail customers for fuel and purchased power allows for all fuel costs, the capacity portion of some purchased power costs and some transmission costs to be billed to customers monthly using a forecasted rate. The difference between actual and estimated costs is included in accounts receivable on our consolidated balance sheet until subsequent rates are adjusted. State regulators have the right to reduce our subsequent fuel rates if they find that we have been unreasonable or imprudent in the operation of our generating units or in purchasing fuel.

4. Revenue Recognition

Effective January 1, 1990, we record revenues for electricity used by our customers, but not yet billed, in order to more closely match our revenues with our expenses. The cumulative effect of this accounting change as of January 1, 1990, was to increase our 1990 earnings by $0.41 per common share ($15,824,000, net of taxes of $9,819,000). Before this, revenues were recorded when bills were sent to customers.

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

We expense discounts, premiums, redemption premiums and related expenses associated with issuances of securities or refinancing of existing securities in equal annual installments over the life of the replacement securities subject to regulatory approval.

6. Allowance for Funds Used During Construction (AFUDC)

Included in the cost of plant expenditures is AFUDC. AFUDC represents estimated financing costs associated with debt and the cost of equity which is used to finance plant expenditures. Payment is received for those costs from customers over the service life of the plant in the form of increased revenues collected as a result of higher depreciation expense. Our AFUDC rates for the years 1992, 1991 and 1990 were 4.48%, 6.85%, and 9.00%, respectively and represented all debt AFUDC.

7. Cash and Cash Equivalents

Cash and cash equivalents are generally comprised of highly liquid instruments with maturities of three months or less. As part of our cash management program, checks written, but not yet presented for payment at our banks, are included in current liabilities.

8. Deferred Debits

As of December 31, 1992, we have deferred approximately $92,000,000 of long-term purchased power contracts, nuclear outage-related, storm, pension and demand side management (DSM) conservation program costs, in accordance with generally accepted accounting principles applicable to utilities, and for which state regulators have permitted cost recovery and/or

deferral in accordance with the 1992 Retail Settlement Agreement. Substantially all of these costs are currently being charged to and collected from customers.

9. Reclassifications
Certain reclassifications have been made, not affecting income, to amounts reported in prior years to conform to the 1992 presentation. In accordance with new rules established by regulators, we have reclassified certain prior year revenues and purchased power expenses to conform with the 1992 presentation.

Note B. Settlement of Certain Proceedings

1989 Retail Settlement Agreement
On October 31, 1989, the Massachusetts Department of Public Utilities (state regulators) approved a settlement agreement effective November 1, 1989 (the 1989 Retail Settlement Agreement), relating to certain proceedings before them. As part of this agreement, we agreed to limit retail revenue increases prior to November 1, 1992, to approximately 2% per year, subject to adjustment based on the performance of Pilgrim Nuclear Power Station (Pilgrim Station). In addition, in 1992 the agreement allowed us to make accounting adjustments by taking into income $23,000,000 deferred income tax reserves and certain municipal property tax abatements. As part of this agreement we agreed to spend $75,000,000 in DSM programs during 1990-1992 which was expensed in total in 1989. In 1992 we spent approximately $51,000,000 on DSM programs of which approximately $25,000,000 were associated with this agreement.

As provided by the terms of the 1989 Retail Settlement Agreement, a new performance adjustment charge is in effect during the period November 1, 1992 through October 31, 2000. This charge is designed to collect from customers a portion of our investment in Pilgrim Station and related operating costs. Revenues under this charge will vary with the performance of Pilgrim Station, but will provide approximately $42,000,000 in revenues in the first performance year if the plant runs at a capacity factor in the target range of 60% to 68%. The minimum revenues we may earn from this charge in the first performance year are $25,000,000 and the maximum revenues we may earn are $61,000,000. These revenues are in addition to the revenues provided under the 1992 Retail Settlement Agreement discussed below.

1992 Retail Settlement Agreement
On October 30, 1992, state regulators approved a settlement agreement (the 1992 Retail Settlement Agreement) effective November 1, 1992, which we reached with the Massachusetts Attorney General and the Massachusetts Division of Energy Resources. This agreement settles our April 1992 request to increase retail revenues by $86,600,000. This agreement establishes a method of stabilizing costs to retail customers over the three-year period commencing November 1, 1992 and ending October 31, 1995. However, the agreement does not cover our contract or wholesale power rates charged to other utilities, which are regulated by the Federal Energy Regulatory Commission (federal regulators).

Main Provisions of the 1992 Retail Settlement Agreement
We withdrew our pending request for the retail rate increase and the parties will not seek any change in the non-fuel retail revenues (excluding DSM and performance revenues) before November 1, 1995, except in the event of certain specified material expense changes.

The agreement includes the commencement of the new Pilgrim Station performance charge agreed to in the 1989 Retail Settlement Agreement beginning November 1, 1992 at approximately $42,000,000 for the first year. Effective November 1, 1993, we will be allowed to increase annual retail revenues by $29,000,000. Effective November 1, 1994, we will be allowed a second, additional annual retail revenue increase of $29,000,000.

During the settlement period our revenues will not be reduced to reflect the October 31, 1993 termination of annual charges of approximately $60,000,000 we presently pay under the terms of a long-term purchased power contract. Charges associated with any new long-term purchased power contracts commencing after November 1, 1992, will not be recoverable through revenues from customers during the settlement period unless such new purchases were previously committed, are required by regulation, or are otherwise exempt from the settlement agreement restriction.

We are not allowed to earn an annual rate of return on common equity in excess of 11.75% during the calendar years 1993, 1994 and 1995, exclusive of certain performance penalties or rewards as discussed further hereunder. Any earnings determined to be in excess of the stipulated rate of retu n will be subsequently returned to customers.

Two fossil generation performance incentive charges based on "equivalent availability factor" and "heat rate" may increase or decrease revenues by up to $3,000,000 and $1,000,000, respectively, each year.

In 1993 and 1994 we may take into income up to a total of $30,000,000 of certain previously recorded deferred income tax reserves. No more than $10,000,000 of such reserves can be taken into income in 1994, and the reserves may be used only to the extent necessary to allow us to report an annual rate of return of up to 11.75% (exclusive of any performance penalties or rewards).

Depreciation expense has been adjusted to reflect the new depreciation rates agreed to in the settlement, which will result in a decrease in depreciation expense of approximately $11,000,000 on an annualized basis in 1993. We are funding the amount being invested for the ultimate decommissioning of Pilgrim Station at a $14,000,000 annual rate, which is based upon the latest estimate to decommission the plant of $328,000,000 (in 1991 dollars) beginning in the year 2012.

We will not expense any remaining costs associated with the cancelled Pilgrim 2 nuclear unit in 1993. The remaining balance of $19,067,000 at December 31, 1992, will instead be expensed in 1994 and/or 1995.

We will phase in postretirement employee benefit costs up to the tax deductible funding amount over five years, resulting in expenses of $3,000,000, $6,000,000 and $9,000,000 in the three settlement years, in addition to current annual net payments made for retiree benefits which were approximately $8,300,000 in 1992.

We will continue to record pension expense at the tax deductible funded level through 1995. The difference between this expense amount and the cost computed per SFAS No. 87 "Employers' Accounting for Pensions" is being deferred as we expect to collect these costs from customers over time based on state regulators' precedent.

We will expense over five years incremental nuclear refueling outage-related costs and approximately $3,600,000 of storm costs associated with a 1991 hurricane.

We will continue to collect through revenues the costs associated with a long-term purchased power contract with the Yankee Atomic nuclear generating unit. This unit was permanently shut down in February 1992. Any potential decreases in actual bills as compared with the amount of expenses currently included in the rates we charge our customers will be reflected by subsequent adjustments to fuel expense billings to customers. As of December 31, 1992, we expect to incur approximately $38,217,000 of costs through July 2000 with respect to this purchased power contract. Such costs include the expected cost of decommissioning the unit and are subject to review by federal regulators.

A portion of the revenues provided for in the agreement will be used to cover the annual costs of premiums incurred prior to October 31, 1992 paid to refinance securities. We intend to expense these costs of approximately $40,000,000 over the life of the replacement security issues, subject to federal regulators' approval.

Our investment in certain DSM conservation programs in 1992, 1993 and 1994 will be capitalized and expensed over a six-year period. In 1992 we capitalized approximately $12,000,000 of DSM costs, which are included in "Utility plant in service" on the consolidated balance sheet at December 31, 1992. Specific program expenditures which are not capitalized will be recovered and expensed primarily in the year incurred. We deferred approximately $14,000,000 of DSM costs in 1992 which will be expensed and collected from customers over twelve months beginning in February 1993. These costs are included in "Other deferred debits" on the consolidated balance sheet. DSM expenses, returns on remaining capitalized DSM amounts, lost revenues related to DSM programs and DSM incentives will continue to be collected through billings to retail customers.

The parties to the agreement may seek to increase or decrease our retail revenues prior to November 1, 1995, only if certain material expense changes occur. An expense will be deemed material if it exceeds $23,000,000 ($34,500,000 if the expense relates to Pilgrim Station) and the expense would increase or decrease our earned rate of return on common equity (after certain accounting adjustments) from our retail operations for that calendar year to over 15% or under 7%. The parties may also seek approval for a change in revenues to reflect tax increases or decreases of more than $1,000,000 per year resulting from any new taxes or from changes in federal or state income tax rates.

Note C. Income Taxes

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

(in thousands)	1992	1991	1990
Cancelled nuclear unit	$ (4,621)	$ (8,998)	$ (8,998)
Excess tax depreciation over book depreciation	9,765	10,802	11,165
Deferred fuel expense	2,587	56	(4,141)
Debt portion of allowance for funds used during construction	2,495	2,856	2,966
Massachusetts corporate franchise tax	6,134	7,140	5,964
Deferred nuclear outage-related expense	(1,558)	7,014	(477)
Cost of removal	6,904	4,277	3,063
Rate and contract settlements	10,013	10,196	20,389
Municipal property taxes	3,351	3,745	3,150
Conservation/load management programs	2,978	2,256	494
Reversal of deferred taxes - settlement agreement	(23,000)	(13,000)	(2,000)
Adjustment of prior year income tax accrual	4,134	2,563	2,676
Other	(2,799)	(5,683)	(6,919)
Subtotal deferred income taxes	16,383	23,224	27,332
Current income tax expense	(385)	(1,823)	7,046
Investment tax credits	(4,273)	(4,290)	(4,740)
Provision for income taxes	11,725	17,111	29,638
Taxes on other income:			
Current	(2,348)	405	518
Deferred	782	1,252	1,689
Subtotal	(1,566)	1,657	2,207
Change in accounting principle:			
Current	0	0	876
Deferred	0	0	8,943
Subtotal	0	0	9,819
Total	$ 10,159	$ 18,768	$ 41,664

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

	1992	1991	1990
Statutory tax rate	34.0%	34.0%	34.0%
Massachusetts corporate franchise tax	3.9	4.1	4.1
Investment tax credit	(3.6)	(3.8)	(3.4)
Municipal property tax adjustment	(1.6)	(1.6)	(1.3)
Adjustment of deferred taxes on cancelled nuclear unit	2.7	-	-
Reversal of deferred taxes - settlement agreement	(19.6)	(11.5)	(1.5)
Federal tax benefit of mandated payments from settlement agreements	(6.2)	(3.3)	-
Other	(0.9)	(1.4)	(1.5)
Total	8.7%	16.5%	30.4%

In February 1992 the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 109 - "Accounting for Income Taxes", which becomes effective in 1993. We anticipate that, due to the impact of regulation, the primary effect of this statement will be reflected in our consolidated balance sheet and will result in no significant impact on net income.

Note D. Capital Stock and Indebtedness

Capital Stock

(dollars in thousands, except per share amounts)	at December 31, 1992	1991
Common stock equity:		
Common stock, par value $1 per share, 100,000,000 shares authorized; 44,763,055 and 42,047,356 shares issued and outstanding	$ 44,763	$ 42,047
Premium on common stock	602,196	536,567
Retained earnings	192,948	174,477
Surplus invested in plant	405	405
Total	$ 840,312	$ 753,496

Cumulative preferred stock:

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

Non-mandatory redeemable series:

Series	Shares	Redemption Price/Share	1992	1991
4.25%	180,000	$ 103.625	$ 18,000	$ 18,000
4.78%	250,000	$ 102.80	25,000	25,000
8.88%	400,000	$ 102.00	40,000	40,000
8.25%	400,000	-	40,000	0
Total			$ 123,000	$ 83,000

Mandatory redeemable series:

Series	Shares	1992	1991
7.27%	480,000 and 500,000, respectively	$ 48,000	$ 50,000
8.00%	500,000	50,000	50,000
Total		$ 98,000	$ 100,000

Cumulative preference stock:

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

Non-mandatory redeemable series:

	1992	1991
$1.46 Series - 2,675,000 shares	$ 0	$ 2,675
Premium on $1.46 Series	0	35,658
Total	$ 0	$ 38,333

Indebtedness

Long-term debt:

Boston Edison Company:

First mortgage bonds:

Series	Interest Rate (%)	Maturity	1992	(in thousands) December 31, 1991
H	4 1/4	June 1, 1992	$ 0	$ 15,000
I	4 3/4	Nov. 1, 1995	25,000	25,000
J	6 1/8	June 1, 1997	40,000	40,000
K	6 7/8	Nov. 1, 1998	50,000	50,000
L	9	Dec. 1, 1999	50,000	50,000
M	9 3/8	July 1, 2000	60,000	60,000
N	8 1/8	May 15, 2001	75,000	75,000
S	Variable	Jan. 15, 2002	25,000	25,000
Q	9 3/4	Dec. 15, 2003	59,375	66,975
R	10.95	Oct. 31, 2004	44,250	50,250
P	9 1/4	Apr. 15, 2007	60,000	60,000
U	10 1/4	Apr. 1, 2014	15,000	15,000
W	9 1/2	July 15, 2016	135,000	135,000
X	11	Sept. 15, 2017	0	45,000
Total first mortgage bonds			638,625	712,225
Less: due within one year			6,800	21,800
Total first mortgage bonds - net			$ 631,825	$ 690,425

	1992	1991
Unsecured medium-term notes	$ 50,000	$ 100,000
Debentures:		
8 7/8%, due December 15, 1995	$ 100,000	$ 100,000
9 7/8%, due June 1, 2020	100,000	100,000
9 3/8%, due August 15, 2021	125,000	125,000
8 1/4%, due September 15, 2022	60,000	0
Total debentures	$ 385,000	$ 325,000
Harbor Electric Energy Company:		
Sewage facility revenue bonds	$ 36,300	$ 36,300
Less: funds held by trustee	12,052	14,960
Total sewage facility revenue bonds, net	$ 24,248	$ 21,340
Short-term debt:		
Boston Edison Company:		
Notes payable:		
Bank loans	$ 162,500	$ 89,000
Commercial paper	113,000	121,300
Total notes payable	$ 275,500	$ 210,300

1. Common Stock

Since December 31, 1989, we issued the following shares of common stock:

	Number of Shares	Total Par Value	Premium on Common Stock
Balance December 31, 1989	38,526,085	$192,630,425	$308,561,065
Dividend reinvestment plan	472,446	2,362,230	6,260,499
Balance December 31, 1990	38,998,531	194,992,655	314,821,564
Dividend reinvestment plan	448,825	2,181,357	6,844,492
Change in par value of common stock [(a)]	0	(157,726,656)	157,726,656
New issue [(b)]	2,600,000	2,600,000	57,174,000
Balance December 31, 1991	42,047,356	42,047,356	536,566,712
Dividend reinvestment plan [(c)]	415,699	415,699	9,659,345
New issue [(d)]	2,300,000	2,300,000	55,970,500
Balance December 31, 1992	44,763,055	$44,763,055	$602,196,557

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

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

(c) At December 31, 1992, the remaining authorized common shares reserved for future issuance under the Dividend Reinvestment and Common Stock Purchase Plan are 1,181,342 shares.

(d) We issued 2,300,000 shares of common stock in the summer of 1992. The net proceeds were used to reduce short-term debt.

2. Cumulative Non-Mandatory Redeemable Preferred and Preference Stock

Holders of our cumulative non-mandatory redeemable preferred stock are entitled to $100 per share upon any liquidation of the Company.

On June 11, 1992, we issued 400,000 shares of $100 par value 8.25% cumulative non-mandatory redeemable preferred stock at par. On or after June 1, 1997, this preferred stock is redeemable at a price of $100 per share plus accrued and unpaid dividends. These shares were evidenced by 1,600,000 depository receipts, each of which represent a one-fourth interest in a share of the preferred stock. The proceeds of this issue were used to retire all of the outstanding 2,675,000 shares of $1.46 series cumulative non-mandatory redeemable preference stock.

3. Cumulative Mandatory Redeemable Preferred and Preference Stock

The 480,000 shares of our 7.27% sinking fund series $100 par value, cumulative preferred stock are redeemable at our option at $104.85 prior to May 1, 1993. Commencing May 1, 1993, the redemption price declines to $104.36 per share and annually thereafter to par value on May 1, 2002. The 7.27% preferred stock will be entitled to a sinking fund to retire 20,000 shares at $100 per share, plus accrued dividends, on May 1 of each year, beginning in 1993. In 1992 we purchased at a discount on the open market 20,000 shares of this issue which satisfies the mandatory sinking fund requirement for May 1, 1993. On May 1 in any year, beginning in 1993, we have the non-cumulative option to redeem an additional number of shares, not to exceed 20,000 for the sinking fund at $100 per share, plus accrued dividends. Upon any liquidation of the Company, holders are entitled to $100 per share.

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

4. Long-Term Debt

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

The aggregate principal amounts of our first mortgage bonds, debentures, medium-term notes and sewage facility revenue bonds (including sinking fund requirements) due in the five years 1993 through 1997 are $6,800,000, $56,800,000, $132,400,000, $11,535,000, and $54,010,000, respectively.

Our first mortgage bonds, Series S, adjustable rate due 2002, bore interest at 9.50% per year for the period January 15, 1992 through January 14, 1993. The rate is adjusted annually and is based upon the ten year constant maturity Treasury Rate as published by the Federal Reserve Board. The interest rate for the period January 15, 1993 through January 14, 1994 is 9.20%.

On September 15, 1988, we issued $150,000,000 medium-term notes, Series A, in three equal increments of $50,000,000, bearing interest at 9.35%, 9.65% and 9.75% per annum and maturing on September 16, 1991, September 15, 1993, and September 15, 1994, respectively. The 9.35% medium-term notes were retired in full at their maturity in September 1991. We redeemed the 9.65% medium-term notes in September 1992. The notes are unsecured obligations of the Company.

On September 15, 1992, we issued $60,000,000 of 8 1/4% debentures which mature on September 15, 2022. The debentures are redeemable at prices declining from 103.78% of par on or after September 15, 2002, to 100% of par on or after September 15, 2012. The net proceeds from the sale were used to reduce short-term debt. In October 1992 the remaining balance of $45,000,000 Series X first mortgage bonds was redeemed.

5. Short-Term Debt

We have arrangements with certain banks to provide short-term credit on a committed as well as on an uncommitted and as available basis. We currently have authority to issue up to $350,000,000 of short-term debt. We have a $200,000,000 revolving credit agreement with a group of banks. This agreement is intended to provide a standby source of short-term borrowings. Under the terms of this agreement we are required to maintain a common equity ratio of not less than 30% at all times. Commitment fees must be paid on the unused portion of the total agreement amount. At December 31, 1992, we had $275,500,000 of short-term debt outstanding.

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

(thousands of dollars)	1992	1991	1990
Maximum short-term borrowings	$314,998	$324,400	$302,900
Weighted average amount outstanding	$233,286	$221,481	$221,525
Weighted average interest rates, excluding commitment fees, on balance during the year	4.1%	6.4%	8.5%

6. Sewage Facility Revenue Bonds

In December 1991, Harbor Electric Energy Company (HEEC), our wholly owned subsidiary, issued $36,300,000 of long-term sewage facility revenue bonds (the bonds). The bonds are tax-exempt and are subject to annual mandatory sinking fund redemption requirements and mature in the years 1995-2015. The bonds have a weighted average coupon rate of 7.3%. On December 10, 1991, a portion of the proceeds from the bonds was used to retire $21,000,000 of short-term sewage facility revenue bonds at maturity. The remainder of the proceeds, which is on deposit with the trustee, is to finance the construction of HEEC's permanent substation to be located on Deer Island (in Boston Harbor) and to fund an amount which must remain in reserve with the trustee. In certain circumstances, should HEEC have insufficient funds to pay certain costs on a timely basis or be unable to meet certain net worth requirements, we would be required to make additional capital contributions or loans to the subsidiary up to a maximum of $7,060,000.

Note E. Commitments and Contingencies

1. Capital Commitments

At December 31, 1992, we had estimated contractual obligations for plant and equipment of approximately $88,000,000.

2. Lease Commitments

We had leases covering certain facilities and equipment at December 31, 1992 and 1991. Our estimated minimum rental commitments under both noncancelable leases and transmission agreements for the years after 1992 are as follows:

(in thousands)	Total
1993	$ 32,409
1994	26,547
1995	20,048
1996	18,884
1997	16,987
Years thereafter	158,337
Total	$ 273,212

We will capitalize a portion of these lease rentals as part of plant expenditures in the future. Our total expense for both lease rentals and transmission agreements for the years ended December 31, 1992, 1991 and 1990 was $30,000,000, $33,500,000 and $32,000,000, respectively, net of capitalized expenses of $5,000,000, $4,800,000 and $3,000,000, respectively. Lease payments under certain transmission line agreements are expected to be offset by the savings from a related energy contract. Recovery of these lease payments (net of any savings) is collected through our retail fuel and purchased power rates.

3. Nuclear Insurance

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

We have purchased insurance from Nuclear Electric Insurance Limited (NEIL) to cover some of the costs to purchase replacement power during a prolonged accidental outage at Pilgrim Station and the cost of repair, replacement, decontamination or decommissioning of our utility property resulting from covered incidents at Pilgrim Station. Our maximum potential assessments for losses which occur during current policy years are approximately $10,000,000 under both the replacement power policy and excess property damage, decontamination and decommissioning policies. All companies insured with NEIL are subject to retroactive assessments if losses are in excess of the total funds available to NEIL. While assessments may also be made for losses in certain prior policy years, we are not aware of any losses in those years which we believe are likely to result in an assessment.

4. Hazardous Waste

We continue to face possible liability as a potentially responsible party with respect to the cleanup of certain hazardous waste sites. At the present time we are subject to claims with respect to approximately twelve of these sites in Massachusetts and in other states. In the majority of cases we are one of many parties and our alleged share of this responsibility is approximately 1% or less. During 1992 we expensed approximately $1,100,000 with respect to some of these sites. We believe that the likelihood we will incur any material liability with respect to the remainder of these claims is remote.

5. Hydro-Quebec

Along with other New England electric utilities, we have entered into an agreement to expand the existing 690 MW transmission line interconnection with the Hydro-Quebec system of Canada to 2,000 MW. These transmission facilities were transferred to the New England Power Exchange for commercial operations on November 1, 1990. We have approximately an

11% equity ownership interest in two companies who own these transmission facilities, which is included in our consolidated financial statements. All equity participants are required to guarantee, in addition to their own share, the total obligations of those participants who do not meet certain credit criteria and are compensated accordingly. At December 31, 1992, our portion of these guarantees was approximately $24,000,000.

6. Yankee Atomic Electric Company

On February 26, 1992, the Board of Directors of Yankee Atomic Electric Company (Yankee Atomic) decided to permanently discontinue power operation of the Yankee Atomic nuclear generating station and, in time, decommission that facility. We relied on Yankee Atomic for less than one percent of our system capacity. Our 9.5% stock investment in Yankee Atomic is valued at approximately $2,000,000.

On June 1, 1992, Yankee Atomic filed a request with federal regulators for approval of an amendment to the power contracts with unit owners, which provides for continued collection of Yankee Atomic's investment and decommissioning costs through July 2000, the period of the plant's operating license, and to adjust contract rates based on Yankee Atomic's revised decommissioning and operating and maintenance costs estimates.

The estimate of our share of Yankee Atomic's cost of decommissioning the plant, is approximately $38,217,000 as of December 31, 1992. This estimate, which is subject to ongoing review and revision, is recorded on our consolidated balance sheet as a power contract liability and an offsetting power contract deferred debit. These costs re ed to Yankee Atomic will continue to be collected from our customers through revenues in accordance with the 1992 Retail Settlement Agreement.

7. Litigation

On March 8, 1991, we were named in a lawsuit brought in the United States District Court for the District of Massachusetts alleging discriminatory employment practices under the Age Discrimination in Employment Act of 1967 concerning forty-six employees affected by our 1988 reduction in force. Legal counsel is currently analyzing the allegations made in these actions and intends to defend us vigorously. Based on the information presently available, we do not believe the lawsuit will have a material negative impact on our financial c tion.

Note F. Pensions, Other Postretirement and Postemployment Benefits

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

The components of our net pension cost for 1992, 1991 and 1990 were as follows:

(in thousands)	1992	1991	1990
Current service cost - benefits earned during the period	$10,683	$ 8,567	$ 6,686
Interest cost on projected benefit obligation	32,287	29,817	31,627
Actual return on plan assets	(23,281)	(60,873)	(9,464)
Net amortization and deferral	(13,549)	26,811	(26,269)
Net pension cost	$ 6,140 (a)	$ 4,322 (a)	$ 2,580

(a) In 1992 and 1991, in accordance with generally accepted accounting principles applicable to rate regulated companies in our state, we deferred our net pension costs. Consistent with the 1992 Retail Settlement Agreement we are allowed to continue deferring these costs and we are assured recovery from customers over time.

The following table sets forth the plan's funded status at December 31, 1992 and 1991:

(in thousands)	1992	1991
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of $322,836 and $314,666	$339,035	$331,997
Plan assets at fair value	$392,407	$402,977
Projected obligation for service rendered to date	(418,312)	(409,265)
Projected benefit obligation in excess of plan assets	(25,905)	(6,288)
Unrecognized prior service cost	8,817	9,495
Unrecognized net gain	(6,810)	(21,899)
Unrecognized net obligation	10,866	11,800
Accrued pension cost included in accounts payable at December 31	$(13,032)	$ (6,892)

The weighted average discount rates we used to measure our projected benefit obligation for 1992 and 1991 were 8.25%. Our expected weighted average long-term rates of return on plan assets for 1992 and 1991 was 10.0%. Our rate of compensation increase for 1992 and 1991 was 4.5%.

In addition to pension benefits, we also provide certain health care and life insurance benefits to our retired employees. The cost of providing those benefits net of employee contributions was approximately $8,300,000 in 1992, $7,700,000 in 1991 and $6,800,000 in 1990. We capitalized approximately 23% of these costs. We currently record health care benefits and death benefits as claims are paid.

We will implement SFAS No. 106 - "Accounting for Postretirement Benefits Other than Pensions" in the first quarter of 1993. We are currently studying our implementation options. Our total transition liability is estimated to be approximately $200,000,000. Under the twenty-year amortization option, the expected additional annual cost would be $20,000,000. In accordance with the 1992 Retail Settlement Agreement, we will phase in postretirement employee benefit costs up to the tax deductible funding amount over five years, resulting in expenses of $3,000,000, $6,000,000 and $9,000,000 in the three settlement years. In early 1993 the FASB's Emerging Issues Task Force (EITF) issued accounting guidelines for postretirement benefit costs by regulated companies. These guidelines allow deferral of such additional costs only if regulators authorize specific deferral and recovery periods for postretirement benefit costs not currently received in rates. Our regulators have not had the opportunity to review these guidelines and we are unable to determine how they will respond to them. If current regulatory treatment is insufficient to meet the EITF requirements and we are unable to obtain sufficient modification, we might be required to expense a portion of the additional cost.

In November 1992 the FASB issued SFAS No. 112 - "Employers' Accounting for Postemployment Benefits" which becomes effective in 1994. SFAS No. 112 requires use of an actuarial basis for computing the liability for benefits (other than pensions and postemployment benefits) for former or inactive employees, their beneficiaries and covered dependents. We are currently recognizing these benefits primarily as claims are paid. We have not fully determined the means of collecting these expenses or of implementing this accounting pronouncement (preliminary estimates are in the process of being prepared by our actuaries). The adoption of this pronouncement is not expected to impact our cash flows in the near future.

Note G. Long-Term Power Contracts

1. Long-Term Contracts for the Purchase of Electricity

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

				proportionate share (in thousands)		
Generating Unit	Contract Expiration Date	%	Units of Capacity Purchased[a] MW	1992 Minimum Debt Service	1992 Interest Portion of Minimum Debt Service	Debt Outstanding Through Cont. Exp. Date
Canal Unit #1	2001	25.0	142	$ 1,025	$ 354	$ 2,307
Connecticut Yankee Atomic	2007	9.5	56	2,769	1,898	17,500
Mass. Bay Transportation Authority Gas Turbine	2005	100.0	35	(b)	(b)	(b)
Ocean State Power - Unit #1	2010	23.5	65	5,593	4,231	24,243
Ocean State Power - Unit #2	2011	23.5	65	4,509	3,481	19,757
Northeast Energy Associates	(c)	(c)	219	(c)	(c)	(c)
Total				$13,896	$9,964	$63,807

(a) The Northeast Energy Associates contract represents 6.[illegible]% of our total system generation capability. The remaining units listed above aggregate 10.2%.

(b) We are required to pay the greater of $22.00 per kilowatt-year or 90% of the New England Power Pool (NEPOOL) capability responsibility adjustment charge up to $63.00 per kilowatt-year times the qualified capacity (currently rated at 33.6MW) plus incremental operating, maintenance and fuel costs. The total charges for this contract in 1992 were approximately $1,993,000.

(c) We purchase approximately 75.5% of the energy output of this unit under two contracts. One contract represents 135MW and expires in the year 2015. The other contract is for 84MW and expires in 2010. We pay for this energy based upon a price per kWh received. The total charges for these contracts in 1992 were $113,292,000.

Our total costs for these contracts in 1992, 1991 and 1990 were $217,178,000, $153,577,000 and $93,707,000, respectively.

The aggregate principal amounts of our future unconditional purchase obligations due in the period 1993 through 1997 and 1998 and thereafter are $79,087,000, $74,758,000, $80,425,000, $80,509,000, $73,525,000 and $800,303,000, respectively. The aggregate present value of these obligations is $599,512,000.

2. Long-Term Power Sales

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

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

(a) Subject to certain adjustments.

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

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

We have expanded our spent nuclear fuel storage facility at Pilgrim Station to include sufficient room for spent nuclear fuel through approximately the year 1995. However, under the Nuclear Waste Policy Act of 1982, the United States Department of Energy (DOE) is responsible for the ultimate disposal of spent nuclear fuel. We are unable to predict how and when the DOE will eventually construct a repository facility and what will be the effect upon us if DOE should fail to meet its responsibility in a timely fashion.

We presently dispose of low-level radioactive waste (LLW) generated at Pilgrim Station through arrangements with licensed disposal facilities located in Barnwell, South Carolina. As a result of developments which have occurred pursuant to the Low-Level Radioactive Waste Policy Amendments Act of 1985, our continued access to such disposal facilities has become severely limited and significantly increased in cost. We have made arrangements for access to the Barnwell site through July 1994. We do not presently believe, however, that disposal site access will be provided after that date. Although legislation has been enacted in Massachusetts establishing a regulatory method for managing the Commonwealth's LLW including the possible siting, licensing and construction of a LLW disposal facility within the Commonwealth, it appears unlikely that such a facility will be constructed in a timely manner. Pending the construction of a disposal facility within the Commonwealth or the adoption by the Commonwealth of some other LLW management method, we continue to monitor the situation and are investigating other options which are available to us, including the option of on-site storage.

We are receiving funds from customers each year to cover our cost of decommissioning (i.e., retiring) Pilgrim Station at the end of its useful life. The charges to our retail customers are based upon a 1991 estimate of $328,000,000 to decommission the plant as approved by state regulators as part of the 1992 Retail Settlement Agreement. We also collect a provision for the cost of decommissioning Pilgrim Station from other utility companies and municipalities who have contracts with us to purchase a portion of the electricity generated by the unit over its lifetime. The funds collected for decommissioning are restricted in their use.

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

Note I. Cancelled Nuclear Unit

In May 1982 we began to expense the cost of our cancelled Pilgrim 2 nuclear unit over approximately eleven and one-half years in accordance with an order received from state regulators. We will not expense any costs associated with the cancelled Pilgrim 2 nuclear unit in 1993. The remaining balance of $19,067,000 at December 31, 1992 will instead be expensed in 1994 and/or 1995 in accordance with the terms in the 1992 Retail Settlement Agreement.

Note J. Pilgrim Station Incentive Bonus and Deferral of Edgar Energy Park Project

In the fourth quarter of 1992 we recorded approximately $8,200,000 in incentive revenues based upon Pilgrim Station's performance and a one-time charge to expense of $8,000,000 representing the writedown of our investment in the Edgar Energy Park project. This project has been deferred indefinitely since additional generating capacity is not expected to be needed for several years.

Note K. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments (including liabilities) for which it is practicable to estimate the value:

Nuclear Decommissioning Fund

The fair value of securities held in this fund are approximately $53,729,000.

Cash and cash equivalents

The carrying amount of $3,947,000 approximates fair value.

Mandatory Redeemable Cumulative Preferred Stock, First Mortgage Bonds, Sewage Facility Revenue Bonds, Debentures and Unsecured Medium-Term Notes

The fair values of these securities at December 31, 1992 from investor's standpoint are based upon the quoted market prices of similar issues or on current rates offered to us for the same remaining maturities.

(in thousands)	Carrying Amount	Fair Value
Mandatory redeemable cumulative preferred stock	$ 98,000	$100,100
First mortgage bonds	638,625	662,803
Sewage facility revenue bonds	36,300	37,595
Debentures	385,000	416,594
Unsecured medium-term notes	50,000	53,550

Report of Independent Accountants

To the Stockholders and Directors of Boston Edison Company

We have audited the accompanying consolidated balance sheets of Boston Edison Company and subsidiary (the Company) as of December 31, 1992 and 1991 and the related consolidated statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 1992 and 1991, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

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

Coopers & Lybrand

Boston, Massachusetts
January 26, 1993

Selected Consolidated Financial Statistics (Unaudited)

Quarterly Financial Data

(in thousands, except earnings per common share)

	Operating Revenues	Operating Income	Net Income	Balance Available for Common Stock	Earnings Per Share of Common Stock (a)
1992					
First Quarter	$ 343,505	$ 41,930	$ 13,816	$ 9,553	$ 0.23
Second Quarter	300,566	32,629	4,953	852	0.02
Third Quarter	408,255	100,890	73,698	69,593	1.60
Fourth Quarter	359,427	45,451	14,831	10,750	0.24
1991					
First Quarter	$ 318,247	$ 35,214	$ 8,491	$ 4,078	$ 0.10
Second Quarter	293,947	32,213	4,618	205	0.01
Third Quarter	402,830	97,697	68,780	64,367	1.64
Fourth Quarter	339,477	40,737	12,781	8,409	0.21

(a) Based upon the weighted average number of common shares outstanding during the quarter.

Our electricity sales and revenues are seasonal in nature, with both being lower in the spring and fall seasons. In addition, under order of state regulators, the non-fuel related rates billed to retail customers, are, on average, forty percent higher in the billing months of July through October when demand is usually higher. Accordingly, a significant portion of annual earnings occurs in the third quarter. As part of the 1992 Retail Settlement Agreement certain billing changes have been made which may result in a slight increase in future second quarter net income with a corresponding decrease in future fourth quarter net income.

Quarterly Stock Data

Following are the reported high and low sales prices of our common stock on the New York Stock Exchange Consolidated Tape for each of the quarters of 1992 and 1991 and the dividends declared per share during each of those quarters:

			1992			1991
	High	Low	Dividends	High	Low	Dividends
First Quarter	$24 5/8	$22 1/8	$0.410	$20 1/2	$18 1/4	$0.395
Second Quarter	26	22 3/8	0.410	20 5/8	19 1/8	0.395
Third Quarter	26 7/8	24 7/8	0.410	21 3/4	18 1/2	0.395
Fourth Quarter	28 1/4	24 3/4	0.425	24 7/8	21 1/4	0.410

Certain reclassifications have been made to the data reported in prior years to conform to the method of presentation used in 1992.

Selected Consolidated Operating Statistics

	1992	1991	1990	1989	1988
Capacity - MW:					
New Boston Station	760	760	760	760	760
Pilgrim Station	670	670	670	670	670
Mystic Station	1,005	1,015	1,014	1,018	1,027
L Street Station	22	22	22	22	22
W.F. Wyman Unit 4	36	36	36	36	36
Jet turbines	259	259	259	251	249
Total	2,752	2,762	2,761	2,757	2,764
Contract purchases	1,157	1,293	924	1,102	1,301
Contract sales	(303)	(293)	(173)	(171)	(173)
Net capability at year-end	3,606	3,762	3,512	3,688	3,892
Net capability at peak-MW	3,587	3,695	3,505	3,483	3,200
Capability responsibility to NEPOOL at peak-MW	3,396	3,311	3,393	3,443	3,253
Edison territory:					
Hourly peak-MW	2,545	2,652	2,548	2,626	2,626
Load factor	62.0%	60.0%	62.2%	61.4%	60.5%
Generating station economy: (BTU/net kWh)	10,234	10,331	10,403	10,309	10,050
Average cost of fuel (Company)- ¢ per million BTU:					
Fossil	246.69	240.18	255.51	254.56	226.91
Nuclear	52.18	56.18	59.05	56.79	-
Composite	166.93	180.49	191.48	223.86	-
Capability (net kW):					
Fossil	81%	81%	81%	82%	83%
Nuclear	19%	19%	19%	18%	17%
Generation (system kWh excluding interchange):					
Fossil	69%	70%	72%	87%	90%
Nuclear	31%	30%	28%	13%	10%
Utility plant ($ in 000's):					
Expenditures	213,621	202,589	240,902	234,253	244,807
Retirements	34,036	30,333	27,180	14,042	12,017
Accumulated depreciation	1,177,294	1,097,991	1,015,371	950,298	862,297
Depreciable plant	3,544,040	3,488,269	3,277,616	3,130,031	2,910,390
Number of employees at year-end	4,540	4,637	4,738	4,686	4,559

Certain recalculations have been made to the data reported in prior years to conform to the method of presentation used in 1992.

Selected Consolidated Sales Statistics

	1992	1991	1990	1989	1988
Electric energy: (kWh in thousands)					
Sources (system output):					
Generated	11,679,824	10,602,110	12,744,238	11,679,060	8,653,274
Purchased	5,449,225	4,651,101	3,305,491	4,177,079	4,474,726
New England Power Pool	932,121	1,274,522	1,065,731	1,170,847	1,955,754
Total	18,061,170	16,527,733	17,115,460	17,026,986	15,083,754
Disposition:					
Retail sales:					
Commercial	7,202,580	7,132,179	7,183,347	7,095,297	7,004,452
Residential	3,424,275	3,382,306	3,430,720	3,413,801	3,430,611
Industrial	1,678,242	1,684,864	1,750,325	1,845,441	1,839,363
Streetlighting	133,052	130,823	132,016	132,791	131,549
Railroads	159,458	148,717	143,197	126,971	90,697
Total retail	12,597,607	12,478,889	12,639,605	12,614,301	12,496,672
Sales for resale - total requirements	330,713	333,025	336,343	332,800	331,918
Territory total	12,928,320	12,811,914	12,975,948	12,947,101	12,828,590
Sales for resale - partial requirements	4,084,593	2,579,854	3,222,936	2,896,120	1,122,289
Total - system	17,012,913	15,391,768	16,198,884	15,843,221	13,950,879
Miscellaneous usage	1,048,257	1,135,965	916,576	1,183,765	1,132,875
Total	18,061,170	16,527,733	17,115,460	17,026,986	15,083,754
Kilowatthours - annual growth percent:					
Retail sales:					
Commercial	1.5%	(0.7)%	1.2%	1.3%	3.8%
Residential	1.2	(1.4)	0.5	(0.5)	7.6
Industrial	(0.4)	(3.7)	(5.2)	0.3	(0.7)
Streetlighting	1.7	(0.9)	(0.6)	0.9	(0.8)
Railroads	7.2	3.9	12.8	40.0	-
Total retail	1.0	(1.3)	0.2	0.9	4.8
Sales for resale - total requirements	(0.7)	(1.0)	1.1	0.3	5.3
Territory total	0.9	(1.3)	0.2	0.9	4.8
Sales for resale - partial requirements	58.3	(20.0)	11.3	158.1	30.4
Total - system	9.3%	(5.0)%	2.2%	13.6%	6.5%
Total electric operating revenues by class:					
Commercial	47%	47%	46%	45%	47%
Residential	26%	26%	27%	26%	28%
Industrial	10%	10%	10%	10%	11%
Sales for resale	13%	12%	13%	15%	11%
Other	4%	5%	4%	4%	3%
Electric sales statistics:					
Residential averages:					
Annual kWh use	6,101	6,053	6,150	6,160	6,270
Revenue per kWh	10.90¢	10.60¢	10.09¢	10.15¢	9.91¢
Annual bill	$665.01	$641.62	$620.54	$625.24	$621.36
Average number of customers	646,215	642,967	642,041	637,871	629,659

Certain reclassifications and recalculations have been made to the data reported in prior years to conform to the method of presentation used in 1992.

Selected Consolidated Financial Statistics

	1992	1991	1990	1989	1988
Operating revenues (000)	$1,411,753	$1,354,501	$1,314,440	$1,339,956	$1,230,384
Balance for common (000)	$90,748	$77,059	$77,788	$(33,788)	$70,071
Per common share:					
Earnings (loss)	$2.10	$1.96	$2.01[(a)]	$(0.88)[(b)]	$1.86
Dividends declared	$1.655	$1.595	$1.535	$1.745	$1.82
Dividends paid	$1.64	$1.58	$1.52	$1.82	$1.82
Book value	$18.71	$17.90	$17.20	$16.71	$19.36
Cash flow [(c)]	$5.56	$5.64	$6.86	$5.10	$4.55
Payout ratio	78%	81%	76%	_[(d)]	98%
Return on average common equity	11.5%	11.3%	11.8%	(4.6)%	9.6%
Year-end dividend yield	6.2%	6.6%	7.9%	7.6%	11.0%
Fixed charge coverage (SEC)	1.93x	1.86x	2.13x	0.52x	2.08x
Capitalization:					
Long-term debt	51%	54%	55%	52%	50%
Preferred and preference equity	10%	10%	11%	12%	12%
Common equity	39%	36%	34%	36%	38%
Long-term debt (000)	$1,091,073	$1,136,765	$1,074,025	$948,839	$966,534
Mandatory redeemable preferred/ preference stocks (000)	$98,000	$100,000	$100,000	$100,000	$100,000
Total assets (000)	$3,269,910	$3,120,549	$3,014,169	$2,878,271	$2,817,050
Internal generation after dividends (000)[(c)]	$206,731	$191,016	$187,954	$147,449	$104,241
Plant and nuclear fuel expenditures (000)	$230,802	$214,213	$255,784	$235,946	$245,103
Internal generation [(c)]	90%	89%	73%	62%	43%
Common stockholders at year-end	44,063	44,687	45,826	49,149	49,976
Common shares outstanding:					
Weighted average	43,143,953	39,347,824	38,778,901	38,245,648	37,683,515
Year-end	44,763,055	42,047,356	38,998,531	38,526,085	37,893,791
Stock price - High	28 1/4	24 7/8	20 1/4	22 1/8	18 3/4
- Low	22 1/8	18 1/4	16 1/2	15 3/8	12 1/2
- Year-end	27 1/2	24 3/4	20	20	16 1/2
Year-end market value (000)	$1,230,984	$1,040,672	$779,971	$764,913	$625,248
Trading volume	26,460,900	17,464,300	19,652,300	29,938,900	46,517,500
Market/book (year-end)	1.47x	1.38x	1.16x	1.20x	.85x
Price/earnings ratio (year-end)	13.1	12.6	10.0	_[(d)]	8.8

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

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

(c) Excludes effect of rate and contract settlements.

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

Certain reclassifications have been made to the data reported in prior years to conform to the method of presentation used in 1992.

Officers

Bernard W. Reznicek, Chairman of the Board, President and Chief Executive Officer

Thomas J. May, Executive Vice President

George W. Davis, Executive Vice President

E. Thomas Boulette, Senior Vice President - Nuclear

Cameron H. Daley, Senior Vice President - Power Supply

John J. Desmond, III, Senior Vice President - Legal

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

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

Ronald A. Ledgett, Senior Vice President - Power Delivery

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

Marc S. Alpert, Vice President and Treasurer

C. Bruce Damrell, Vice President - Engineering Operations and Services

Richard S. Hahn, Vice President - Marketing

Douglas S. Horan, General Counsel

Joel Y. Kamya, Vice President - Production Operations

Martin S. Karl, Vice President - Corporate Planning

Edward S. Kraft, Vice President - Nuclear Operations and Station Director

Craig D. Peffer, Vice President - Customer Service

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

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

Theodora S. Convisser, Clerk of the Corporation

Donald Anastasia, Assistant Treasurer

James J. Judge, Assistant Treasurer

Wayne R. Frigard, Assistant Clerk of the Corporation

Directors

a,d	William F. Connell, Chairman and Chief Executive Officer, Connell Limited Partnership (metals recycling and processing and industrial production)
d,f	Gary L. Countryman, Chairman of the Board and Chief Executive Officer, Liberty Mutual Insurance Company
	George W. Davis, Executive Vice President, Boston Edison Company
a,e,f	Thomas G. Dignan, Jr., Partner, Ropes & Gray (law firm)
b,d	Charles K. Gifford, President, Bank of Boston Corporation (bank holding company) and The First National Bank of Boston
a,b,c	Nelson S. Gifford, Former Vice Chairman, Avery Dennison Corporation (pressure-sensitive adhesives and materials, office products, product indentification and control systems, and specialty chemicals)
a,c	Kenneth I. Guscott, General Partner, Long Bay Management Company (real estate development)
b,c,d	Matina S. Horner, Executive Vice President, Teachers Insurance and Annuity Association and College Retirement Equities Fund
e,f	William D. Manly, Former Executive Vice President, Cabot Corporation (energy and performance chemicals)
c	Thomas J. May, Executive Vice President, Boston Edison Company
b,c,d	Sherry H. Penney, Chancellor, University of Massachusetts at Boston
a,c	Bernard W. Reznicek, Chairman, President and Chief Executive Officer, Boston Edison Company
e,f	Herbert Roth, Jr., Former Chairman of the Board and Chief Executive Officer, LFE Corporation (traffic and industrial process control systems)
e,f	Stephen J. Sweeney, Former Chairman of the Board and Chief Executive Officer, Boston Edison Company
b,d	Paul E. Tsongas, Partner, Foley, Hoag and Eliot (law firm)
e,f	Charles A. Zraket, Trustee, The MITRE Corporation (not-for-profit system research and engineering firm)

a Member of Executive Committee
b Member of Audit, Finance and Risk Management Committee
c Member of Pricing Committee
d Member of Executive Personnel Committee
e Member of Nuclear Oversight Committee
f Member of Capital Investment Committee

Dividend Reinvestment Plan

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

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

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

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

Important Stockholder Information

Annual Meeting
Our Annual Meeting of Stockholders will be held on April 27, 1993, at 11:00 a.m. If you wish to receive a copy of Bernie Reznicek's remarks, please write to our Investor Relations Department.

Company Contact
Theodora Convisser, Clerk of the Corporation

Investor Relations Contact
Dan Desjardins
Director, Investor Relations

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

Stock Listings
New York and Boston stock exchanges

Stock Symbol
BSE

Dividend Payment Dates
Common and Preferred
1st of February, May, August, November

Tax Status of 1992 Dividends
Generally, unless you are subject to certain exemptions, all dividends on our common, preferred or preference stock are to be considered 100% taxable.

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

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

Quarterly Report to Shareholders
Beneficial owners of our stocks whose shares are registered in names other than their own (e.g., a broker or bank nominee) may obtain copies of our Quarterly Reports to Shareholders on an on-going basis by making a written request to be placed on our mailing list. Please send your request to our General Offices address to the attention of the Investor Relations Department. Note that the Annual Report will continue to be mailed to beneficial owners directly by their bank or broker.

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

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

If you are submitting documents requesting a transfer, address change or account consolidation, please use this same address with **Mail Stop: 45-01-05**. If you would like to contact the Bank by telephone and are a shareholder living outside of Massachusetts, call toll-free 1-800-442-2001. For shareholders in Massachusetts, please call 617-575-2900.

BOSTON EDISON

Investor Relations, P356
800 Boylston Street
Boston, Massachusetts 02199

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 [FEE REQUIRED].

For the fiscal year ended December 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from ___________ to ___________

Commission file number 1-2301

BOSTON EDISON COMPANY

(Exact name of registrant as specified in its charter)

Massachusetts	**04-1278810**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
800 Boylston Street, Boston, Massachusetts	**02199**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code **617-424-2000**

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

Title of each class	Name of each exchange on which registered
Common Stock (par value $1 per share)	Boston Stock Exchange New York Stock Exchange
Cumulative Preferred Stock: 8.88% Series (par value $100 per share)	New York Stock Exchange
8.25% Series (par value $100 per share) (represented by depositary shares - each represents one-fourth interest in par value)	

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation 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. ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES _X_ NO ____

The aggregate market value of the voting stock held by non-affiliates of the registrant as of February 28, 1993 computed by reference to the last reported sale price of the Common Stock, $1 par value, of the registrant of the New York Stock Exchange Consolidated Tape on that date: $1,311,626,862.

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

Class	Outstanding at February 28, 1993
Common Stock, $1 par value	**44,841,944 shares**

Documents Incorporated by Reference

Part	Document
I, II and III	Portions of Annual Report to Shareholders for Year Ended December 31, 1992
III	Portions of definitive Proxy Statement dated March 18, 1993 for Annual Meeting of Stockholders to be held April 27, 1993.

Exhibit List appears on page 34

BOSTON EDISON COMPANY

ANNUAL REPORT ON FORM 10-K

December 31, 1992

PART I

Item 1: BUSINESS

Item 1 (a): GENERAL DEVELOPMENT OF BUSINESS

Item 1 (a) (1): DESCRIPTION OF BUSINESS

Boston Edison Company ("the Company") is an investor-owned regulated public utility engaged in the energy and energy services business, which includes the generation, purchase, transmission, distribution and sale of electric energy and the development and implementation of demand side management ("DSM") programs. It was incorporated in 1886 under the laws of The Commonwealth of Massachusetts. Its principal executive offices are located at 800 Boylston Street, Boston, Massachusetts 02199, and its main telephone number is (617) 424-2000.

Item 1 (a) (2): DESCRIPTION OF BUSINESS DEVELOPMENTS

In February 1993 the Company filed a petition with the Massachusetts Department of Public Utilities (the "DPU") seeking approval of a proposed unregulated subsidiary which will invest up to $45,000,000 over the next several years in business opportunities related to the Company's core businesses.

Item 1 (b): FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

The Company operates solely in the electric utility business. On September 26, 1991, the DPU approved Harbor Electric Energy Company's ("HEEC") financing plan and certain agreements necessary for HEEC's ongoing operations. This subsidiary of the Company was established to provide distribution of electricity to the Massachusetts Water Resource Authority.

Item 1 (c): NARRATIVE DESCRIPTION OF BUSINESS

Item 1 (c) (1) (i): PRINCIPAL PRODUCTS AND SERVICES

The Company supplies electricity at retail to an area of approximately 590 square miles within 30 miles of Boston, Massachusetts, encompassing the City of Boston and 39 surrounding cities and towns. The population of the territory served with electricity at retail is approximately 1,500,000. At December 31, 1992, the Company served approximately 646,000 customers. The Company also supplies electricity at wholesale for resale to other utilities and municipal electric departments. For information relating to the principal classes of services from which the Company derives its electric revenues, see selected consolidated sales statistics contained on page 46 of the Annual Report to Shareholders for the year ended December 31, 1992, incorporated herein by reference.

Item 1 (c) (1) (ii): EXPECTED PLANT EXPENDITURES AND RELATED FINANCING

For certain information concerning the Company's expected plant

expenditures and related financing, see Management's Discussion and Analysis contained on Pages 20 through 25 of the Annual Report to Shareholders for the year ended December 31, 1992, incorporated herein by reference.

Plant Expenditures. The Company's most recent estimated plant expenditures, which are subject to continuing review and adjustment, sinking fund requirements and long-term debt maturities (as adjusted for all new financings in early 1993) for the periods 1993 through 1997 are shown in the following table.

($ in 000's in table and notes to table)

	1993	1994	1995	1996	1997
Plant Expenditures(1)	$250,000	$195,000	$200,000	$205,000	$210,000
(AFUDC) (2)	9,000	9,000	7,000	6,000	7,000
Debenture maturity	-	-	100,000	100,000	100,000
Medium-Term Note Maturity	-	50,000	-	-	-
Sewage Facility Revenue Bonds (3)	-	-	600	1,600	1,600
Mandatory Sinking - Fund - 7.27% Preferred Stock		2,000	2,000	2,000	2,000

(1) Excludes estimated nuclear fuel for the period 1993 through 1997 of $4,000, $23,000, $13,000, $24,000 and $12,000, respectively and capitalized demand side management ("DSM") programs.

(2) Excludes estimated Allowance for Funds used During Construction ("AFUDC") on nuclear fuel of $1,000 per year for the period 1993 through 1997. The assumed AFUDC accrual rate varies from 5.0% to 7.5%

(3) See also Note D(6) of "Notes to Consolidated Financial Statements" contained on page 37 of the Annual Report to Shareholders for the year ended December 31, 1992, incorporated herein by reference.

Funds generated internally represented approximately 90%, 89% and 73% of plant expenditures in 1992, 1991 and 1990, respectively. Plant expenditures associated with work at Pilgrim Nuclear Power Station ("Pilgrim Station") approximated $34,000,000 in 1992, $45,000,000 in 1991 and $32,000,000 in 1990. The remaining plant expenditures of approximately $197,000,000 in 1992 were primarily related to improvements in the Company's transmission and distribution systems and fossil units. It is expected that a portion of future plant expenditures will be funded internally.

Demand Side Management Program Expenditures. The Company plans to spend significant amounts as part of its energy conservation plan in its retail service area. In 1992, the Company spent about $51,000,000 in DSM programs (of which approximately $25,000,000 was related to the 1989 Retail Settlement Agreement). In December 1992 the DPU approved a DSM settlement agreement. This agreement establishes annual DSM spending levels of approximately $50,000,000 through 1994 with approximately 70% of these costs collected from

customers over a six-year period and the remainder collected primarily in the year spent. The Company will also collect a return on the deferred costs, as well as incentives and recovery of certain lost revenues based on the actual electricity saved by ratepayers from these DSM programs. See also "Rate Proceedings, Pilgrim Nuclear Power Station, and Outlook for Future" hereunder.

Liquidity and Working Capital Requirements, Financing. The Company's estimate of working capital needs for calendar years 1993 and 1994 is expected to be consistent with historical levels, excluding the effect of cash outlays associated with the 1989 Retail and Wholesale Settlement Agreements.

The Company meets working capital requirements, as well as the interim financing needs to cover its current program of plant expenditures, primarily with internally generated funds, supplemented by the issuance of short-term commercial paper and bank borrowings. The Company currently has short-term borrowing authority from the Federal Energy Regulatory Commission (the "FERC") of $350,000,000 which the Company believes is adequate to cover its working capital and other liquidity requirements. The Company has available a $200,000,000 revolving credit facility. As of March 1, 1993, the Company had not incurred any short-term debt under this agreement. The Company also has arrangements with certain banks to provide additional short-term credit on an uncommitted and as available basis. As of December 31, 1992, the Company had $275,500,000 of short-term debt outstanding (which excludes $6,800,000 of long-term debt due within one year).

In June 1992 the Company retired $15,000,000 of 4.25% Series H first mortgage bonds which matured and also issued $40,000,000 of 8.25% cumulative non-mandatory redeemable preferred stock. The proceeds from this preferred stock issuance were used to retire all of the Company's outstanding 2,675,000 shares of $1.46 series preference stock. In the third quarter of 1992 the Company issued 2,300,000 shares of $1.00 per share par value common stock at $26 1/8 per common share and $60,000,000 of 8 1/4% debentures due September 15, 2022. The proceeds from these two issuances were used to reduce short-term debt. In September 1992 the Company retired $50,000,000 of 9.65% medium-term notes at par with accrued interest. The Company purchased at a discount on the open market 20,000 shares of its cumulative preferred stock, 7.27% Series, in the third quarter of 1992. This purchase satisfies the mandatory sinking fund requirement for May 1993. In October 1992 the Company redeemed the remaining $45,000,000 of outstanding 11% first mortgage bonds, Series X, due September 15, 2017, at a redemption price of 107.59% with accrued interest to the redemption date.

In early 1993 the DPU approved a financing plan which will allow the Company to issue up to $1,100,000,000 in securities over the next two years and to use the proceeds of these issuances mostly to refinance outstanding long-term securities and for the payment of capital expenditures made for extensions, additions and improvements to the Company's plant investment or for the refinancing of short-term debt. In February 1993 the Company sold $65,000,000 of 6.80% debentures due in the year 2000. The Company used the proceeds to retire short-term debt. In March 1993, the Company issued $650,000,000 comprised of the following debentures: $100,000,000 5 1/8%, due 1996, $100,000,000 5.70%, due 1997, $100,000,000 5.95%, due 1998, $150,000,000 6.80%, due 2003, and $200,000,000 7.80%, due 2023. The net proceeds from this

issuance were used to pay the redemption price plus accrued interest of the following series of the Company's first mortgage bonds: $40,000,000 series J, 6 1/8% due 1997; $50,000,000 series K, 6 7/8% due 1998; $50,000,000 series L, 9% due 1999; $60,000,000 series M, 9 3/8% due 2000; $75,000,000 series N, 8 1/8% due 2001; $60,000,000 series P, 9 1/4% due 2007; $59,375,000 series Q 9 3/4% due 2003; $44,250,000 series R, 10.95% due 2004; and $135,000,000 series W 9 1/2% due 2016; and short-term debt. The $25,000,000 series I, 4 3/4% due 1995 were called for redemption in February 1993 and will be retired on March 29, 1993. Substantially all of the Company's property, plant, and equipment and materials are subject to lien under the terms of the Company's Indenture of Trust and First Mortgage dated December 1, 1940, and its supplements. However, under the terms of this indenture currently, only the outstanding series S and series U First Mortgage Bonds totalling $40,000,000 are subject to the terms of this indenture.

On March 25, 1993, the Company gave notice of a call for redemption on May 1, 1993 of all of its outstanding 400,000 shares 8.88% cumulative preferred stock, totalling $40,000,000, at a redemption price of $102 per share.

The Company's 1992 year-end capitalization ratios were 51% long-term debt, 10% preferred stock and 39% common equity as compared to 1991 year-end capitalization ratios of 54% long-term debt, 10% preferred/preference stock and 36% common equity as compared to 1990 year-end levels of 55% long-term debt, 11% preferred/preference stock and 34% common equity.

Rate Proceedings, Pilgrim Nuclear Power Station and Outlook for Future

On October 30, 1992, the DPU approved a settlement agreement ("the 1992 Retail Settlement Agreement") relating to the request the Company filed on April 15, 1992 to increase its rates charged to retail customers. The agreement covers the three years from November 1, 1992 through October 31, 1995. During the first year it provides the Company with additional revenues from billings under the new performance adjustment rate established by the 1989 Retail Settlement Agreement. The Company will charge customers an additional $42,000,000 in revenues for the first performance year subject to adjustment based upon the performance of Pilgrim Station. This performance adjustment was established in the 1989 Retail Settlement Agreement (discussed below) and took effect November 1, 1992. The agreement also provides the Company with a revenue increase of $29,000,000 in the second year, and an additional $29,000,000 increase in the third year. The Company is also limited to a rate of return on common equity of 11.75% in the calendar years 1993, 1994 and 1995, exclusive of any penalties or rewards resulting from any performance incentive mechanisms.

The 1992 Retail Settlement Agreement allows the Company to add back into income in 1993 and 1994 up to a total of $30,000,000 of certain previously recorded deferred income tax reserves if it would not otherwise achieve an 11.75% rate of return on common equity in those years (exclusive of any penalties or rewards from incentives). The agreement also provides for the recovery of certain regulatory assets such as deferred nuclear outage-related and other deferred costs and increases in nuclear decommissioning. Also, the Company will not expense any remaining costs associated with the cancelled Pilgrim 2 nuclear unit in 1993, but will instead expense them in 1994 and/or

1995. Additionally, the agreement stipulates that no change will be made to the retail rates during the settlement period due to the termination on October 31, 1993 of a long-term purchased power contract (with annual charges of approximately $60,000,000) or any potential replacement of that contract with a new long-term purchased power contract. The Company also agreed to continue its investment in DSM programs through 1994 and established a procedure to collect the costs of these programs from customers.

On October 31, 1989, the DPU approved a settlement agreement effective November 1, 1989 ("the 1989 Retail Settlement Agreement"), relating to certain proceedings in which it was involved. Under that agreement, the Company agreed to limit retail revenue increases prior to November 1, 1992 to approximately 2% per year, subject to adjustment based on the performance of Pilgrim Station. In accordance with this settlement agreement, annual retail revenues increased approximately $20,000,000, $22,500,000 and $25,000,000 on November 1, 1989, 1990 and 1991, respectively, adjusted for the performance of Pilgrim Station. In addition, the agreement allowed the Company to make accounting adjustments by adding back into income certain deferred income tax reserves up to $38,000,000 over the three years and certain municipal property tax abatements. For further discussion of regulatory and other matters concerning Pilgrim Station, please refer to Item 1(e) "Additional Information", subheading "Nuclear" hereunder.

A large portion of the Company's kWh sales are in the commercial sector as compared to the industrial sector. The New England area is currently experiencing a sluggish economy. While the Company does not anticipate growth in retail kWh sales, the Company experienced a 1.0% increase in retail kWh sales over the same period in 1992.

On October 26, 1992, the Company entered into a long-term power supply agreement with a wholesale customer, the Town of Wellesley, Massachusetts. This agreement, which was approved in early 1993 by the FERC, settles all outstanding cases with Wellesley, including the wholesale rate increase. Pursuant to this agreement, the Company will make refunds to Wellesley, which are fully provided for in the consolidated financial statements at December 31, 1992. The Company is continuing settlement discussions with another wholesale customer. The Company may also experience reduced future growth in base revenues as a result of implementation of DSM programs; see "Demand Side Management Program Expenditures" preceding.

The Company will implement Statement of Financial Accounting Standards ("SFAS") No. 106 - "Accounting for Postretirement Benefits Other than Pensions" in the first quarter of 1993. This statement requires employers such as the Company to establish a liability during the working years of employees for the expected costs of providing postretirement benefits other than pensions (PBOBSs) to these employees. The Company's 1993 costs for PBOBs under SFAS No. 106 are estimated to increase approximately $20,000,000 due to the amortization over 20 years of approximately $200,000,000 for the cumulative accrued cost from employee service prior to 1993. The 1992 Retail Settlement Agreement provides for a phase in of the increased costs associated with SFAS No. 106 over a five year period up to the tax deductible funding amount, resulting in expenses of $3,000,000, $6,000,000 and $9,000,000 in the three settlement years plus the amount of current retiree benefit payments. The Company currently intends to deposit funds into external trusts on a tax

deductible basis in 1993. These deposits and current retiree benefit payments are expected to approximate the cost calculated in accordance with SFAS No. 106. The Retail Settlement Agreement provides for deferral of the funding amounts that exceed the phased-in expense. The DPU has not specified a recovery period for these deferred amounts as is required by criteria set by the Financial Accounting Standards Board Emerging Issues Task Force in January 1993 in order to record a regulatory asset. The Company expects that the recovery period ultimately allowed by the DPU will satisfy these criteria.

See also Item 2: "Property and Power Supply" subheading "Planned Facilities" following, regarding Edgar Energy Park. See also Item 1(c)1(iii) "Sources and Availability of Fuel Supply", Item 1(c)1(xii) "Environmental Matters" following, regarding an agreement entered into by the Company with the Department of Environmental Protection ("DEP") and the South Boston, MA community to burn natural gas at certain of the Company's generating stations and Item 1(a)2: "Description of Business Developments" for the Company's subsidiary filing with the DPU.

Item 1 (c) (1) (iii): SOURCES AND AVAILABILITY OF FUEL SUPPLY

The Company's generation units, other than Pilgrim Station, are fueled by oil and natural gas or both. Fossil fuel related expenses (excluding purchased power) accounted for approximately 14%, 16% and 22%, respectively, of the Company's total electric operating expenses in each of the years ended December 31, 1992, 1991, and 1990, respectively. The Company's generation (excluding purchased power) by type of fuel since 1988 and the cost of fuels during that period are set forth below:

	Percentage of Company Generation by Source (%)					Average Cost in Cents per Million BTU's on a Burned Basis (¢)				
	1992	1991	1990	1989	1988	1992	1991	1990	1989	1988
Oil	33.7	42.8	33.6	53.7	89.8	240.46	260.01	275.72	267.08	228.53
Nuclear..	40.6	32.3	33.1	14.6	--	52.18	56.18	59.05	56.79	--
Nat. Gas.	25.7	24.9	33.3	31.7	10.2	254.98	207.82	235.15	234.26	212.83

For information relating to alternative energy sources and the long-range availability to the Company of purchased power alternatives from Canadian energy resources and/or independent power producers, see Item 2 "Property and Power Supply".

Oil. The majority of the Company's residual oil purchases consist of imported oil acquired primarily from international suppliers. The Company has contracts with major oil companies which can supply most of its estimated requirements, assuming no major disruptions in the oil producing regions of the world. Within contract provisions, the Company retains the ability to purchase significant amounts of oil or natural gas in the spot market when it is economical to do so.

Natural Gas. The Company has the ability to burn natural gas, oil, or both simultaneously (depending upon the amount of natural gas available and the difference in price between natural gas and residual oil) at the New Boston generation units and the Mystic Unit #7 generation unit. Most of the

natural gas is supplied to the units on an "interruptible" basis; such a contract permits interruptions in deliveries by the supplier when natural gas pipeline capacity is needed to refill storage facilities or serve other year-round customers. Deliveries of natural gas to the Company's generating units from suppliers may also be dependent on the availability of pipeline capacity to the New England region and/or on competitive forces prevailing in the pipeline industry. The Company has committed to burn natural gas at its New Boston generating station on a firm, year-round basis beginning in April 1995, and is currently investigating natural gas availability and transportation arrangements in order to meet this commitment. See also Item 1 (c) (1) (xii): "Environmental Matters" following.

<u>Purchased Power</u>. See Item 2 "Property and Power Supply" for information relative to the availability to the Company of purchased energy from other utilities and/or the New England Power Pool ("NEPOOL"). Such sources supplied 27.7%, 30.6% and 16.3% of the Company's total system kWh output in each of the years ended December 31, 1992, 1991 and 1990, respectively. Unit output in the region may be affected by the dispatching of participating units of the regional power pool. See also Item 2 "Property and Power Supply" hereunder for further information on potential transmission line access issues facing the New England region in the near future, Company planned future purchases of power from cogenerators and/or independent power producers and the operation on the regional power pool.

<u>Nuclear</u>. The cycle of production and utilization of nuclear fuel consists of (1) the mining and milling of uranium ore; (2) the conversion of uranium concentrate to uranium hexafluoride; (3) the enrichment of the uranium hexafluoride; (4) the fabrication of nuclear fuel assemblies; (5) the utilization of the nuclear fuel in the generation station reactor; and (6) the storage and reprocessing or disposal of spent nuclear fuel assemblies.

The Company's contractual entitlements for supplies of uranium concentrates are at the present time sufficient to permit operation of Pilgrim Station through 1998. The Company has also entered into contracts for other segments of the nuclear fuel supply cycle which will satisfy the requirements of Pilgrim Station with respect to such segments through the approximate dates as follows: conversion - 2000; enrichment - 2001; fabrication - 2012.

In accordance with the 1992 National Energy Policy Act all nuclear plant owners are required to fund the cleanup of Department of Energy facilities used for the process of enriching nuclear fuel based upon their percentage of past usage of these facilities. The Company's share of this cost is approximately $22,223,000 (net present value). These costs will be collected from ratepayers as they are paid over a fifteen-year period. There is no earnings impact resulting from this transaction.

For information relating to the Company's spent nuclear fuel storage facilities and disposal of spent nuclear fuel and the impact on the Company of the Nuclear Waste Policy Act of 1982, see Item 1 (c) (1) (xii) "Environmental Matters" hereunder.

Item 1 (c) (1) (iv): FRANCHISES

The Company by virtue of its charter, which is unlimited in time, has the right to engage in the business of producing and selling electricity, steam and other forms of energy, has powers incidental thereto and is entitled to all the rights and privileges of and subject to the duties imposed upon electric companies under the General Laws of Massachusetts. The locations in public ways for the Company's electric transmission and distribution lines are obtained from municipal and other Commonwealth authorities which in granting such locations act as agents of the Commonwealth. The action of such authorities is in some cases subject to appeal to the DPU. These locations are unlimited in time, but the rights obtained therefor are not vested and are subject to the action of such authorities and the legislature. See also Item 1(c)(1)(x) "Competitive Conditions" hereunder.

Item 1 (c) (1) (v): SEASONAL NATURE OF BUSINESS

The number of kilowatthours of electricity sold by the Company in its territory has historically been less in the spring and fall than during winter and summer as sales vary somewhat with weather conditions. The Company's electric revenues and operating income are also dependent on a variety of other factors, which are not necessarily seasonal, including contract sales of system and unit power to other electric companies, changes in the Company's rates and charges, the extent and nature of transactions involving NEPOOL, and general economic conditions. The Company has been directed by the DPU to bill a "summer surcharge" rate to retail residential customers with total electric water and space heating requirements and all commercial and industrial customers during the billing months of June through September, which is usually when the Company has experienced its annual peak load. Accordingly, a significant portion of annual earnings occurs in the Company's third quarter. As part of the 1992 Retail Settlement Agreement certain billing changes have been made which may result in a slight increase in future second quarter net income with a corresponding decrease in future fourth quarter net income. See also Item 1(c)i(ii): "Expected Plant Expenditures and Related Financings" subheading "Rate Proceedings, Pilgrim Nuclear Power Station, and Outlook for Future". In addition, the DPU has directed that large commercial and industrial customers be billed throughout the year pursuant to mandatory time-of-use rates. All commercial and industrial customers with demands in excess of 200 kW are transferred to time-of-use rates each year (an estimated 2,100 customers are on time-of-use rates as of the end of 1992). See Item 2 "Property and Power Supply" for information relative to the Company's 1992-1993 winter and 1992 summer peak loads. For further information on quarterly results, see Selected Consolidated Financial Statistics - Supplementary Financial Information, (Unaudited), 1992 and 1991, Quarterly Consolidated Financial Data contained on page 44 of the Annual Report to Shareholders for the year ended December 31, 1992, incorporated herein by reference.

Item 1 (c) (1) (vi): WORKING CAPITAL PRACTICES

The Company has no special practices with respect to working capital that would be considered unusual for the electric utility industry. For information relating to the operation of the Company's retail fuel and purchased power adjustment clause, see Note A.3 of Notes to Consolidated

Financial Statements contained on page 30 of the Annual Report to Shareholders for the year ended December 31, 1992, incorporated herein by reference.

Item 1 (c) (1) (vii): CUSTOMERS

No material part of the business of the Company is dependent upon a single customer.

Item 1 (c) (1) (viii): BACKLOG - Not Applicable

Item 1 (c) (1) (ix): GOVERNMENT CONTRACTS

No material portion of the Company's business is subject to renegotiation or termination of contracts at the election of the U.S. Government.

Item 1 (c) (1) (x): COMPETITIVE CONDITIONS

Electric utilities face increasing competition with other energy suppliers to meet the energy needs of their customers. One such area of competition is in the area of generation and DSM. Federal law requires utilities to purchase power from qualifying non-utility generators at prices set through a bidding process supervised by the DPU. In addition, the DPU has created an Integrated Resource Management ("IRM") process under which a utility must solicit competitive bids from all potential providers, utility and non-utility alike, for the provision of any new generation or DSM needed by the utility.

The Company also competes with other electric utilities and non-utility generators to sell electricity for resale. In 1992 approximately 13% of the Company's total revenues came from sales to wholesale customers. Most of this power is sold under Pilgrim Station life-of-the-unit contracts, with the remainder sold to municipalities for resale to their residents. During 1992 the Company made bids to three of its municipal customers. Two of these municipal customers have now signed long term contracts with the Company, and it is negotiating with the third. See Item 1(c)(1)(ii): "Expected Plant Expenditures and Related Financings" - subheading "Rate Proceedings, Pilgrim Nuclear Power Station and Outlook for the Future". The Company has also made bids to provide power to other municipalities that are not currently customers of the Company.

Competition also exists for service to retail customers. Natural gas suppliers can provide energy services to their customers for heating and cooling purposes, and their customers can obtain energy through self-generation or cogeneration, or in some cases through purchases from third party providers, including electric utilities. One of the Company's largest retail customers, the Massachusetts Bay Transportation Authority ("MBTA"), is a public transit system that operates in the service territories of several Massachusetts utilities and has in the past purchased power at retail from such utilities. Pursuant to recent legislation which grants the MBTA the authority to purchase power as if it were a utility, the MBTA recently solicited bids from utilities throughout New England to serve all of its power needs on a consolidated basis. Based on that solicitation, the MBTA has executed a long-term agreement with the Company to supply the retail loads now served by the Company as well as such loads which have been served up to now by other Massachusetts utilities.

However, the Company, like other Massachusetts electric companies, currently is protected to the following extent against other utilities offering service to retail customers in any of the municipalities comprising the Company's service area: first, another electric utility may not extend its service area to include municipalities other than those named in its agreement of association or charter without the authorization of the DPU granted after notice and public hearing; second, another company may not obtain an initial location for its lines in a municipality served by the Company without the approval of the municipal authorities, subject to the right of appeal to the DPU; and third, a municipality may not engage in the electric utility business without complying with statutes which require (a) in the case of a city, a two-thirds vote of its city council (or a vote of a majority of the commissioners if the city government consists of a commission) passed in each of two consecutive municipal years and thereafter ratified by a majority of the voters at an annual or specific city election and (b) in the case of a town, a two-thirds vote at each of two town meetings held at intervals of not less than two nor more than thirteen months. Such statutes also require the municipality, if the Company elects to sell, to purchase so much of the Company's property within the limits of such municipality as the parties determine by agreement or, if the parties fail to agree, so much of such property as the DPU determines and at prices fixed by the DPU. See also Item 2(a) "Property and Power Supply" (c) "Non-Utility Generators" and (3) "NEPEX" hereunder.

Item 1 (c) (1) (xi): RESEARCH ACTIVITIES

The Company actively participates in several industry-sponsored research activities; however, such amounts incurred for research and development activities were not material to the financial statements which are part of the Annual Report to Shareholders for the year ended December 31, 1992, and are incorporated herein by reference.

Item 1 (c) (1) (xii): ENVIRONMENTAL MATTERS

The Company, like other electric utilities, is subject to local zoning and similar controls and to developing standards administered by federal, state and local authorities with respect to siting of facilities and air quality, water quality, waste disposal and other environmental considerations. Such standards and controls may require modification of existing facilities or curtailment or cessation of operations at such facilities, may delay construction of new facilities and increase capital and operating costs by substantial amounts, and may in some cases, result in the administrative imposition of monetary civil penalties. The Company believes that its operating facilities are in substantial compliance with presently applicable statutory and regulatory requirements relating to such matters.

The Company estimates that its capital expenditures for environmental purposes during the five years 1988 through 1992 totaled approximately $118,000,000, and such capital expenditures for the period 1993 through 1997 are presently expected to be approximately $88,000,000, including approximately $33,000,000 for the year 1993 and $17,000,000 for 1994. Substantial additional expenditures may be required as a result of changes in environmental requirements, or any decision to construct new facilities. See also discussion of the Clean Air Act discussed further hereunder.

The Company is subject to regulation by the Massachusetts Energy Facilities Siting Board ("the EFSB"), which must approve plans by the Company for the construction of certain new generation or transmission facilities based upon findings that such facilities are consistent with Massachusetts policies regarding public health, environmental protection, and resource use and development. The EFSB is a successor agency to the Energy Facilities Siting Council ("the EFSC") pursuant to reorganization legislation which became effective in September 1992. Under that legislation facility approval functions were transferred to the EFSB, while certain resource planning functions formerly exercised by the EFSC were transferred to the DPU, where they are now performed as a part of the IRM process which is described more fully in Items 1(c)(1)(x): "Competitive Conditions" and 1(e): "Additional Information", subheading "Rates, Accounting and Securities". The Company's only proceedings to date before the EFSB have concerned the Edgar Energy Park Project, which is reported more fully in Item 2: "Property and Power Supply", subheading "Planned Facilities and Future Generation".

The Company is subject to regulation by the United States Environmental Protection Agency ("EPA") and the DEP with respect to discharges of effluent from the Company's power plants into receiving waters. The Federal Clean Water Act and the Massachusetts Clean Waters Act require dischargers to receive permits, which are subject to renewal every five years, limiting discharges in accordance with applicable effluent discharge limitations and water quality standards. The Company has received discharge permits as required by the EPA and the DEP for each of its electric generation plants.

Pursuant to Massachusetts and Federal clean air laws, the Company is subject to regulation by the DEP and EPA relative to emissions from the Company's fossil-fired plants. Such regulations require the installation of various emissions controls and, in certain cases, the utilization of low sulfur content fuels.

The 1990 Clean Air Act Amendments will require a significant reduction in nationwide emissions of sulfur dioxide from fossil fuel-fired generating units. The reduction will be accomplished by issuing allowances to emit sulfur dioxide, measured in tons per year, to each owner of a unit. The law requires each unit owner to hold sufficient allowances each year to cover the emissions of sulfur dioxide from the unit during that year. These allowances may be bought and sold. Based upon the Company's analysis of these provisions, the Company believes that it has been issued emission allowances that are in excess of its needs and which may be marketable. Any gain from the sale of these may be subject to regulatory treatment.

There are also a number of other provisions of the 1990 Clean Air Act Amendments that are of particular importance to electric utilities, including provisions which will result in stringent limitations on emissions of nitrogen oxides from existing generating units. Based on the Company's current understanding of these requirements, modifications are required prior to 1995 to certain of its fossil fuel-fired generating units. Depending upon the outcome of certain air quality modeling studies, additional emission reductions may also be required prior to 1999. The extent of any additional reductions and the cost of any further modifications is uncertain at this time. The Company would seek regulatory approval to collect these costs from ratepayers.

During 1991 the Company entered into a consent order with the DEP and other interested parties to undertake certain improvements in the emission control systems at the Company's New Boston Station in South Boston, MA. The anticipated cost of these capital improvements is included in estimated capital expenditures for environmental purposes discussed previously. As part of that consent order, the Company agreed to begin operating that station in April 1992 utilizing natural gas as fuel for a minimum of nine months per year, and beginning in April 1995, to operate the station fueled exclusively by natural gas, except in certain emergency circumstances. Arrangements have been made for a nine-month supply of natural gas to the facility until April 1995 and the Company is in the process of negotiating with natural gas suppliers and transporters concerning the economics and availability of natural gas to New Boston Station on a year-round basis after April 1995. At the present time year-round natural gas supplies are not available to New Boston Station and, as a result, the outcome of the Company's negotiations with natural gas suppliers and transporters and the impact on the operation of New Boston are uncertain. See also Item 1(c) (1) (ii): "Sources and Availability of Fuel Supply" subheading "Natural Gas", preceding.

In recent years a number of published reports have discussed the possibility that adverse health effects may be caused by electromagnetic fields ("EMF") associated with electric transmission and distribution facilities and appliances and wiring in buildings and homes. On the basis of scientific reviews conducted to date by several state and federal agencies, the Company does not believe that EMF has been proven to cause such health effects or that significant capital expenditures are appropriate in order to minimize unsubstantiated risks from EMF. The Company supports further research into the subject and is participating in the funding of industry sponsored studies. The Company is aware that public concern regarding EMF in some cases has resulted in litigation, in opposition to existing or proposed facilities before regulatory bodies, or in requests for legislation or regulatory standards concerning EMF levels. The Company has not been materially affected to date by these developments, however, it continues to closely monitor all aspects of the EMF issue.

The Company is subject to various federal, state and local laws and regulations pertaining to the handling and disposal of asbestos-containing materials. At present, a program is being undertaken to systematically remove all asbestos from the Company's generating stations and underground transmission and distribution system. The removal of this material will be performed over an unspecified period and is subject to annual review and authorization.

The Company is subject to various federal, state and local laws and regulations pertaining to the generation, treatment, transport, storage and disposal of certain hazardous substances and to the cleanup of locations where such substances have either been spilled or disposed of. Under the requirements of these laws and regulations, certain facilities which treat, store or dispose of hazardous wastes must be licensed and the Company is required to meet other applicable requirements regarding the generation and handling of hazardous wastes at all of the Company's facilities. Pursuant to

such requirements, wastewater treatment ponds at the Company's Mystic and New Boston Stations have been closed and have been replaced by enclosed tanks facilities that do not require licensing under those laws. In addition, the Company has applied for licenses under those laws for the treatment and storage of mixed wastes at Pilgrim Station. Such treatment and storage has received interim status approval under those laws and regulations.

Under the requirements of federal and state "superfund laws" and applicable regulations adopted thereunder, the Company and others are exposed to potential joint and several liability with respect to the cleanup of sites where hazardous wastes may have been spilled or disposed of in the past. The Company has had claims asserted against it related to cleanup costs at approximately a dozen such sites in Massachusetts and other states. Such sites include Company-owned facilities which have been the location of spills or leakage and which the Company is in the process of cleaning up in the ordinary course of business. Other such sites include disposal sites utilized by numerous parties and involve complex litigation or negotiations among the parties and with regulatory authorities concerning the scope and cost of cleanup and the sharing of costs among the potentially responsible parties. At several of the larger of such sites the estimated total cleanup costs for the site is in the range of $50 to $100 million depending upon the cleanup procedure ultimately selected. However, in each such case the Company is but one of many parties. The Company's alleged percentage share of waste contributed to the site is in the range of 1% or less and the Company is an active participant with other parties in negotiations with regulatory authorities. While the Company is unable at this time to predict the ultimate total cleanup costs for all of such sites or what its share of costs will be for each such site, on the basis of the information presently available regarding each site, the Company believes it is remote that it would incur any material liability in connection with such sites.

The Company presently disposes of low-level radioactive waste (LLW) generated at Pilgrim Station through arrangements with licensed disposal facilities located in Barnwell, South Carolina. As a result of the developments which have occurred pursuant to the Low-Level Radioactive Waste Policy Amendments of 1985, the Company's continued access to such disposal facilities has become severely limited and significantly increased in cost. The Company has made arrangements for access to the Barnwell site through July 1994. The Company does not presently believe, however, that disposal site access will be provided after that date. Although legislation has been enacted in Massachusetts establishing a regulatory method for managing the Commonwealth's LLW including the possible siting, licensing and construction of a LLW disposal facility within the Commonwealth, it appears unlikely that such a facility will be constructed in a timely manner. Pending the construction of a disposal facility within the Commonwealth or the adoption by the Commonwealth of some other LLW management method, the Company continues to monitor the situation and is investigating other options which are available to it, including the option of on-site storage.

The Company presently has spent nuclear fuel storage capacity at Pilgrim Station sufficient to store spent nuclear fuel generated through the year 1995. Pursuant to the Federal Nuclear Waste Policy Act of 1982 ("NWPA"), and through a contract entered into with the United States Department of Energy

("DOE") in accordance with that Act, DOE will be responsible for the ultimate disposal of spent nuclear fuel generated at Pilgrim Station. In accordance with this contract, the Company pays the DOE on a quarterly basis for the cost of nuclear fuel depleted. The Company is recovering these costs through its fuel and purchased power adjustment clauses. Under the contract, DOE is to take delivery of spent nuclear fuel beginning in 1998. In order to fulfill its obligations, DOE is presently engaged in scientific studies evaluating a potential spent nuclear fuel repository site at Yucca Mountain, Nevada; however, such effort has encountered substantial public and political opposition and litigation and DOE has publicly stated that it may be unable to construct such a repository by 1998. In addition, DOE has been authorized to construct, following licensing by the NRC, a monitored retrievable storage facility which would provide storage and packaging of spent nuclear fuel and high level radioactive waste prior to shipment to a permanent repository; however, no site has been identified for such a facility. The Company is unable to predict whether and on what schedule DOE will eventually construct such a repository or monitored retrievable storage facility and what will be the effect upon the Company if a delay should occur. The Company is investigating all options which may be available to it, including the expansion of existing spent nuclear fuel storage capacity at Pilgrim Station.

Item 1 (c) (1) (xiii): NUMBER OF PERSONS EMPLOYED

The Company had 4,540 full-time employees as of the end of 1992, 2,906 of the employees are represented by two locals of the Utility Workers Union of America, AFL-CIO. The current four year labor contract in effect with the locals is scheduled to expire in May 1994.

Item 1 (d): FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC OPERATIONS AND EXPORT SALES

See Item 1 (c) (1) (i) "Principal Products and Services" for information relative to the geographical area served by the Company.

Item 1 (e): ADDITIONAL INFORMATION

REGULATION

Rates, Accounting and Securities

The Company and its wholly owned subsidiary operate primarily under the jurisdiction of the DPU, which jurisdiction includes supervision over retail rates for electricity, accounting, the issuance of bonds, capital stock and certain other securities, and the investment by the Company in other entities. The FERC has jurisdiction over various phases of the business of the Company including, among other things, regulation of the system of accounts, certain issuances of short-term debt, rates for power sold at wholesale for resale, and facilities used for the transmission or sale of such power.

In 1989, the DPU implemented regulations which require electric utilities subject to its jurisdiction to obtain pre-approval for both investments in new generation capacity and for major incremental investments in existing generation capacity. Under these regulations, prior to making such

generation investments the Company must file with the DPU an agreement which defines the revenue amounts associated with the investments which the Company will be allowed to recover through rates. The regulations require the Company to bear the risk of changes in the majority of project costs. Customers bear the risk of unanticipated demand reductions and fuel price changes.

In 1990, the DPU adopted rules concerning the acquisition of future supply and demand resources by Massachusetts electric companies. The DPU regulations require electric companies to use an all-resource solicitation process to establish a mix of resources to guarantee least-cost, reliable service. These regulations also specify the rules by which electric utilities would receive cost-recovery for the resources acquired under the all resource solicitation process.

The Company is recovering through depreciation an annual provision for the cost of decommissioning Pilgrim Station at the end of its useful life. The charges collected in rates are based upon a 1991 estimate of $328,000,000 to decommission the plant (immediate dismantlement method), approved by the DPU as part of the 1992 Retail Settlement Agreement. The Company also collected a provision for the cost of decommissioning Pilgrim Station from other utility companies and municipalities who have contracts with it to purchase a portion of the electricity generated by the unit over its lifetime. The funds collected for decommissioning are restricted in their use.

The Company is required each year to submit to the DPU performance standards applicable to its generating units and to other units from which the Company purchases power pursuant to long-term contracts. The Company also provides quarterly progress reports to the DPU with respect to generation unit performance. The DPU is empowered to conduct a review of such performance and has the right to reduce subsequent fuel clause billings if it finds that the Company has been unreasonable or imprudent in the operation of its generating units or in the procurement of fuel.

The Company's most recent generation unit performance program covered the period November 1, 1991 to October 31, 1992. As in prior years, the Company did not meet all the DPU performance goals. On January 28, 1993, the DPU initiated a ninety-day investigation of the performance of the Company's units and other units from which the Company purchased power under long term contracts during that period. While the Company believes it was prudent in the operation of its generation units, the ultimate resolution of certain replacement power costs already billed to customers cannot be determined by the Company. No provision has been made in 1992 for any amounts that may be refundable as a result of the foregoing. However, in the opinion of management, such amounts are not expected to be material. The hearings are scheduled to begin in late March 1993, with an order expected later in the year. The DPU has not yet issued an order for the Company's generating unit performance for the period November 1, 1990 through October 31, 1991.

Nuclear

The Federal Nuclear Regulatory Commission ("NRC") has broad and continuing regulatory jurisdiction over the siting, construction and operation of nuclear reactors with respect to public health and safety, environmental

matters and antitrust considerations. A permit or license granted by the NRC may be revoked, suspended or modified by the NRC because of conditions revealed by the application therefor or any report or inspection which would warrant the NRC to refuse to grant a license on an original application or for failure to construct or operate a facility in accordance with the terms of a construction permit or license. The Company currently holds an operating license for Pilgrim Station which was issued in 1972 and expires in 2012.

Evolving NRC regulatory requirements, resulting in part from continuing NRC review of existing regulations and certain operating occurrences at other nuclear plants throughout the country and the world, have periodically resulted in the imposition of additional requirements for all domestic nuclear plants, including Pilgrim Station. NRC inspections and investigations may on occasion result in the issuance of notices of violation of NRC regulatory requirements. Such notices of violation may, in accordance with the NRC's Enforcement Policy, be accompanied by orders directing that certain actions be taken or by the imposition of monetary civil penalties. In addition, the Company might undertake certain actions in regard to Pilgrim Station at the request or suggestion of its insurers or of the Institute of Nuclear Power Operations ("INPO"), a voluntary association of nuclear utilities dedicated to the promotion of safety and reliability in the operation of nuclear power plants.

The Company has previously reported a 1990 Massachusetts Department of Public Health ("MDPH") study which purported to show a correlation between increased adult leukemia and living near Pilgrim Station. The Company strongly disputed the MDPH study findings because of the inconsistencies of those findings with other scientific information concerning the health effects of ionizing radiation and with the results of other studies. The Company had further requested the MDPH to undertake a joint review with the Company to resolve questions concerning the validity of the study. In 1992 the results of the joint review process were issued. Based upon that review of the study it was determined that there were a number of concerns with the methodology of the study and there did not appear to be any increased incidence of leukemia in the Pilgrim Station area.

Although nuclear power is a subject of public discussion, the Company continues to evaluate the continued operation of Pilgrim Station from the standpoint of safety, reliability and economics and it continues to believe that such continued operation is in the best interests of the Company and its customers.

Item 2: PROPERTY AND POWER SUPPLY

a. Company-owned facilities

Existing Facilities. The Company's total installed electric generation capability as of January 1, 1993 is as follows:

Unit	Location	Installed Capacity (KW)	Type	Year Installed
Pilgrim Nuclear Power Station	Plymouth, MA	678,000	Nuclear	1972
New Boston Station Units 1 and 2	South Boston, MA	717,740	Fossil	1965-1967
Mystic Station	Everett, MA			
Units 4-5-6		468,750	Fossil	1957-1961
Unit 7		617,040	Fossil	1975
Combustion Turbine Generators (ten)	Various	238,944	Fossil	1966-1971

The Company participates as a 5.888% joint owner (36,462 kW) in W. F. Wyman Unit #4, a 619,250 kW (NEPOOL year-end maximum capacity) oil-fired unit which commenced operations in 1978 and is operated by Central Maine Power Company, located in Yarmouth, Maine.

All of the Company's fossil-fired electric generation units are located at tide water and have access to fuel oil storage (and/or natural gas or oil pipelines from nearby suppliers) and condensing water. Additional electric generation capacity is available to the Company as a result of its contractual arrangements with other utilities, which it negotiates on a year-round basis, and its participation in NEPOOL, which are described below. For additional information regarding long-term power contracts, see Note G of Notes to Consolidated Financial Statements contained on page 41 of the Annual Report to Shareholders for the year ended December 31, 1992, incorporated herein by reference.

As of December 31, 1992 the Company's transmission system comprised approximately 362 miles of overhead circuits operating at 115,000, 230,000 and 345,000 volts and approximately 154 miles of underground circuits operating at 115,000 and 345,000 volts. The substations fed by these lines consisted of 41 transmission or combined transmission and distribution substations with a transformer capacity of 10,025 megavolt amperes ("MVA"), 71 distribution substations with a transformer capacity of 1,216 MVA and 18 primary network units with 88 MVA capacity. In addition, high tension service was delivered to 231 customers' substations. The overhead distribution system covered approximately 4,647 miles of streets and the underground distribution system extended through approximately 885 miles of streets. HEEC's distribution system consists principally of a 4.09 mile 115Kv submarine distribution line, and a temporary substation which is located on Deer Island in Boston, Massachusetts.

The important items of property comprising the Company's electric generation stations, substations, and certain service centers are generally located on land owned by the Company, with certain exceptions as set forth in the Company's First Mortgage Bond Indenture or Supplements thereto. The Company's high-tension transmission lines are generally located on land either owned by the Company or subject to an easement in its favor, with crossings of public ways, tide waters and water courses, railroads and public domain when encountered. The Company's low-tension distribution lines and fossil fuel pipelines are located principally in public streets and ways under permission granted by municipal or Commonwealth authorities. They are, however, also located to some extent in private ways and on private property pursuant to easements, leases, licenses or permits. See also Item 1(c)(1)(iv) "Franchises".

Planned Facilities and Future Generation

On April 10, 1992, the Energy Facilities Siting Council ("EFSC") issued its Phase I final decision involving the Company's 1990 demand forecast and the Edgar Energy Park project proposal ("the project"). In its decision, the EFSC stated that the Company would be in an excess capacity position in 1996 and 1997 by 149 and 120 megawatts ("MW"), respectively. In light of the EFSC's decision and the Company's assessment of the need for power, the Company decided to indefinitely defer this project. Based on this determination $8,000,000 of before-tax costs associated with this project were charged to expense during the fourth quarter of 1992.

Notwithstanding the deferral of the Edgar project, the Company has continued to seek environmental permits for this project so as to allow prompt action in the future when there is a need for additional capacity. The Energy Facilities Siting Board ("EFSB"), the successor agency to the EFSC, conducted further hearings to review siting and environmental issues associated with the project. In March 1993, the EFSB issued a tentative decision providing conditional approval for the siting of the project. Such conditional approval will require a further application for final approval at a future date when a need for the project is determined.

In early 1992 the DPU required the Company to issue a request for proposals ("RFP 3") for the purchase of 132 MW of power to be in service by 1997. The Company has requested that RFP 3 be cancelled in light of the determination of the EFSC that the Company does not have a near term need for generating capacity. The DPU has not yet ruled on its request.

Pursuant to DPU regulations establishing the procurement of supply and demand-side resources through an Integrated Resource Management("IRM") process, in December 1992, the Company filed with the DPU a draft IRM filing concerning the Company's anticipated future generation and DSM resource needs over the next decade. On March 10, 1993, the Company and substantially all of the intervenors in the proceeding filed for approval by the DPU, an offer of settlement which defers the IRM process for approximately 15 months. Under the terms of the settlement the Company would make a new IRM filing on March 15, 1994, which would then be subject to review by the DPU.

See also Item 1 (e) "Additional Information", subheading "Regulation" preceding with respect to promulgated DPU regulations requiring pre-approval of new investments in generation capacity.

b. Utility Purchased power/contract sales agreements

The Company owns 9.5% of the common stock of the Connecticut Yankee Atomic Power Company, which operates a nuclear generation unit located in Haddam, Connecticut with net capability of 591,000 kW (NEPOOL year-end maximum capability). Until the expiration of the power contracts relating to this unit (June 2007), the Company is entitled to receive 9.5% of the output of the unit and is obligated to pay to Connecticut Yankee 9.5% of such amount as will provide Connecticut Yankee with operating revenues and other income from all sources (including power revenues) equal to its total operating expenses plus an annual return on investment. The contract billing rate includes a provision for the ultimate decommissioning of the unit and spent nuclear fuel disposal costs. Other New England electric utility companies with varying percentages of participation have made similar arrangements.

The Company has a contract with a subsidiary of Commonwealth Energy System and two other utilities in which the participants are sharing in four equal parts the output of a 572,000 kW (NEPOOL year-end maximum capability), oil-fired electric generation plant located at the Cape Cod Canal in Sandwich, Massachusetts. The unit is owned by a wholly-owned subsidiary of Commonwealth Energy System and went into commercial operation in July 1968, at which time the Company became obligated to pay 25% of the unit's fixed and operating costs over a period of thirty-three and one-third years.

On June 1, 1986, an agreement between the Company and the MBTA was implemented whereby the MBTA's 35.5 MW jet turbine at O Street, South Boston, MA was made available for Company dispatch through the year 2005. On March 17, 1993 the Company signed a contract with the MBTA for output from their second jet beginning in 1994. The MBTA retains the right to start up the jet for its own emergency use and for testing purposes, but the Company retains NEPOOL credit for its capacity and output.

The Company has several agreements with Northeast Utilities in which provide for the purchase of a mix of NU unit entitlements known as a "base/pumped storage slice of system". The current agreement for 300 MW began November 1, 1991 and expires October 31, 1993.

The Company has agreements with Montaup Electric Company, a subsidiary of Eastern Utilities Associates, and with Commonwealth Electric Company, a subsidiary of Commonwealth Energy System, under which Montaup and Commonwealth each purchase 11% of the capacity and corresponding energy of Pilgrim Station, and pay 11% of the Unit's fixed and operating costs. Montaup and Commonwealth have also agreed to indemnify the Company to the extent of 11% each of all loss, liability or damage (not covered by insurance) arising out of the operation, condemnation, shutdown or retirement of the unit. The Company has similar agreements with certain municipal electric companies for a total of 3.7% of the capacity and corresponding energy of the Pilgrim Station. The term of the original agreements with Montaup, Commonwealth and the municipal

electric companies extended until the year 2000. The Company signed an amendment to the original agreement with Montaup on January 1, 1985 which extends the term of the Pilgrim Unit Contract from twenty-eight years to a period equal to the full operational life of the Pilgrim Unit and makes certain other revisions. The agreement has been accepted by the FERC. In November 1990, the FERC approved, as part of a settlement agreement, extending the term of the agreement with Commonwealth to the life of Pilgrim Station. For information with respect to settlement of litigation concerning these agreements, see "Rate Proceedings and Pilgrim Nuclear Power Station" preceding. See also Note G.2 of "Notes to Consolidated Financial Statements" contained on page 41 of the Annual Report to Shareholders for the year ended December 31, 1992, incorporated herein by reference.

The Company has other agreements with several other utilities for varying periods for purchases of system and unit power, for sales of Company system and unit power, and for transmission services. The Company's rates and charges under certain of these contracts are the subject of proceedings before the FERC. See also Note G of Notes to Consolidated Financial Statements contained on page 41 of the Annual Report to Shareholders for the year ended December 31, 1992, incorporated herein by reference. The Company has several purchased power agreements with non-utility generators as described further hereunder in Item 2(c) "Non-Utility Generation".

c. Non-Utility Generation

Currently, the Company purchases approximately 475 MW of capacity and associated energy from non-utility generators pursuant to the following eight long-term power contracts. On December 31, 1990, the Company began purchasing approximately 120 MW of power from the Ocean State Power project located in Burrillville, Rhode Island pursuant to a twenty-year agreement. The Company's entitlement represents 23.5% of each of the two Ocean State Power units. On September 15, 1991, the Company began purchasing approximately 219 MW of power (73% of the total output) from the Northeast Energy Associated project located in Bellingham, Massachusetts pursuant to an agreement for 135 MW which expires in 2016 and an agreement for 84 MW which expires in 2011. On March 12, 1993, the L'Energia facility located in Lowell, Massachusetts was declared commercial and the Company began purchasing 59.1 MW of power (73% of the total output) from this unit pursuant to a twenty-year agreement. In addition, the Company is purchasing 1.85 MW of power from two small hydro facilities, and expects to begin purchasing 100 MW of capacity and energy from the MASSPOWER facility located in Springfield, Massachusetts in January 1994.

In August of 1991 the DPU issued "Rules Governing the Procedure by which Additional Resources are Planned, Solicited, and Procured by Investor-Owned Electric Companies." These regulations changed the procurement requirements for future generating resources, including non-utility generators. One of the major changes besides requiring all source solicitations (host utility, other utilities, independent power producers, and DSM programs) and to procure reliable power options at market-based pricing, was to remove the previous regulatory requirement that utilities solicit new capacity resources and execute long-term power purchase contracts for at least 5% of the Company's peak load regardless of its actual capacity need situation. Under the new regulations the Company must formally assess capacity needs by comparing long-term load projections and reserve requirements against its inventory of

existing supply and demand side resources. Should this evaluation identify a need for capacity within a ten year planning horizon, the Company is required to issue a RFP to fill that need. See Item 2: "Property and Power Supply" subheading "Planned Facilities and Future Generation" preceding for additional information on RFP process.

The Company has also been reviewing existing contracts with non-utility generators to identify ways to restructure or buy-out of commitments in order to improve efficiency or reduce customer cost. The Company terminated a contract during 1992 for 22.5 MW of power from Peat Products of America. The Company has submitted a notice of termination in connection with a purchase of on 180 MW of power from Applied Energy Services. The Company expects to recover any termination fees from ratepayers. See also Item 2: "Property and Power Supply", subheading "Planned Facilities and Future Generation" preceding.

d. Demand Side Management Programs

The Company continues to pursue the installation of DSM programs during 1993. While it is difficult to estimate the precise effects the DSM programs will have, savings from the installation of measures during 1993 are expected to reduce the summer peak demand by an additional 24 MW and will save an additional 71,296 mWh annually above existing DSM levels. The implementation of DSM programs has the potential of reducing the summer peak by 196 MW and provide savings of 910,471 mWh by the year 2000. Savings from measures installed during 1992 are expected to result in 78,663 mWh annually and reduce the summer peak by 41 MW. See also Item 1(c)(1)(ii) "Expected Plant Expenditures and Related Financing" subparagraph "Demand Side Management Program Expenditures" preceding.

e. NEPEX

In June 1970, the Company and other utilities activated a computer controlled dispatch center for New England (New England Power Exchange - "NEPEX"). Also, the major utilities in New England, including the Company, and certain municipal and cooperative utilities executed a New England Power Pool ("NEPOOL") Agreement (dated September 1971) which provides for the joint planning and operation of generation and transmission facilities and also incorporates generation capacity obligations and provisions regarding the use of major transmission lines and payment for such use.

As a result of its participation in NEPOOL, the Company's operating revenues and costs are affected to some extent by the operations of other participants in those arrangements. The table below sets forth certain information as of the date of the Company's 1992 summer and 1992-1993 winter peak loads:

	February 1, 1993 (Winter 1992-93)	August 26, 1992 (1992 Summer)
NEPEX utilities installed capacity		
(Seasonal Max. rating):	25,276 MW	24,334 MW
(Seasonal Normal rating):. . . .	24,979 MW	24,113 MW
NEPEX peak load (estimate)	18,854 MW	18,707 MW
Company territory peak load	2,355 MW	2,545 MW

The Company's net capability at its summer peak was 3,587 MW, and its net capability at its winter peak was 3,590 MW. Its corresponding NEPOOL capacity obligations were estimated to be 3,428 MW and 3,263 MW, respectively.

The New England region's once tight energy supply situation continued to moderate during 1992 due to flat to negative load growth. The regional supply situation is expected to remain good through 1993 into 1994.

As a result of the 1990 and 1991 additions to New England generating capacity, and declining energy requirements, the dispatching of Company-owned generating facilities by NEPEX may be affected.

In March 1983, NEPOOL participants signed an agreement with Hydro-Quebec of Canada. The arrangement, which is designated Phase I, is designed to provide up to three billion kWh of electricity (hydro-electric) annually to NEPOOL from Hydro-Quebec (a 690 MW interconnection), and includes an eleven year (1986-1997) energy purchase arrangement and energy banking agreement. Construction of transmission and conversion facilities required to transmit the power under the terms of this agreement were completed in 1986, and power deliveries to NEPOOL under Phase I commenced in October 1986. Due to low water levels in certain Canadian provinces, Hydro-Quebec had not been able to deliver to NEPOOL previously projected levels of electricity since 1988. Increased precipitation in the Quebec region during 1992 has allowed for the resumption of expected energy deliveries.

In October 1985, an agreement was finalized between NEPOOL and Hydro-Quebec to provide an additional seven billion kWh of hydro-electric power annually for ten years. This agreement, designated Phase II, required expansion of existing 690 MW Phase I interconnection. The Company, along with other New England electric utilities, entered into an agreement to expand the 690 MW Interconnection with the Hydro-Quebec system of Canada to 2000 MW.

The Phase II agreement provided for power deliveries to commence upon commercial operation of the facilities. The price of this energy is set based on the average New England cost of fossil fuel for the previous year. The first five years the contract will be 80 percent of that average, the second five years the price will be 95 percent of that average. The Phase II facilities began full commercial operation, up to the 2000 MW level, in July 1991. The Company receives capacity credit through NEPOOL for approximately eleven percent of the generation equivalent of the total Hydro-Quebec Interconnection.

The Company has approximately 11% of an equity ownership interest in the two companies which constructed the Phase II facilities. This is included in the accompanying financial statements. All equity participants are required to guarantee, in addition to their own share, the total obligations of those participants not meeting certain credit criteria. The equity participants are compensated accordingly. Amounts so guaranteed by the Company are approximately $24,000,000 at December 31, 1992.

f. Transmission Line Access to the New England Region

In 1989, Northeast Utilities became the apparent successful bidder for

the ownership of Public Service of New Hampshire, an electric utility serving a large portion of the State of New Hampshire. Completion of the transaction is subject to various regulatory approvals. The FERC approved this merger in January 1992. At the request of the Company and other utilities, the FERC imposed conditions on this takeover on the basis that the new combined entity would control most of the excess generating capacity in New England and most of the available electric transmission facilities entering the Southeastern New England region. FERC's order has been appealed to the Federal Court of Appeals by numerous parties. The merger was consummated when Northeast Utilities filed its compliance tariff filing with the FERC in April 1992. For the past two years all of the parties to the Northeast Utilities/Public Service of New Hampshire merger litigation, including the Company, have been negotiating a long-term regional transmission arrangement ("RTA") for all of New England. The parties have reached a tentative agreement on the RTA. A final RTA will have to be approved by 85% of the NEPOOL members and by the FERC. Final approval of an RTA is not expected for several months.

g. Insurance

The federal Price-Anderson Act, as amended by the Price-Anderson Amendment Act of 1988, provides that liability from a single nuclear related accident at a U.S. nuclear power plant shall not exceed approximately $7,873,000,000. The first $200,000,000 of nuclear liability will be covered by commercial insurance. Additional nuclear liability insurance up to $7,308,000,000 is provided by a retrospective assessment of up to $63,000,000 per incident which can be levied on each of the 116 units licensed to operate in the United States, subject to a maximum assessment of $10,000,000 per reactor per accident in any year. This additional nuclear liability insurance amount of approximately $7,308,000,000 is subject to change as new commercial nuclear units are licensed and existing units give up their licenses. In addition to the nuclear liability retrospective assessments discussed above, if the sum of all public liability claims and legal costs arising from any nuclear accident exceeds the maximum amount of available financial protection, each licensee can be assessed an additional 5% of the maximum retrospective assessment ($3,150,000).

Insurance has been purchased from Nuclear Electric Insurance Limited (NEIL) to cover certain costs incurred in obtaining replacement power during a prolonged accidental outage at Pilgrim Station and the cost of repair, replacement, decontamination or decommissioning of utility property resulting from insured occurrences at Pilgrim Station. The maximum potential assessments against the Company with respect to losses arising during current policy years are approximately $3,823,000 under the replacement power policy and $6,545,000 under the excess property damage, decontamination and decommissioning policy. All companies insured with NEIL are subject to retroactive assessments if losses exceed the accumulated funds available to NEIL. While assessments may also be made for losses in certain prior policy years, the Company is not aware of any losses in such years which it believes are likely to result in an assessment.

Item 3: LEGAL PROCEEDINGS

For further information concerning other Company legal and rate proceedings, see also Item 1 (c) (1) (xii) "Environmental Matters" in this

Form 10-K and Notes A.3. and E of Notes to Consolidated Financial Statements contained on page 30 and pages 38 through 39, respectively of the Annual Report to Shareholders for the year ended December 31, 1992 incorporated herein by reference, and Item I (c) (1) (ii): "Expected Plant Expenditures and Related Financing" subheading "Rate Proceedings, Pilgrim Nuclear Power Station and Outlook for Future", preceding.

On March 8, 1991, the Company was named in a lawsuit brought in the United States District Court for the District of Massachusetts alleging discriminatory employment practices under the Age Discrimination in Employment Act of 1967 concerning forty-six employees affected by the Company's 1988 reduction in force. Legal counsel is currently analyzing the allegations made in these actions and intends to defend the Company vigorously. Based on the information presently available, the Company does not believe the lawsuit will have a material negative impact on the Company's financial condition.

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

There were no matters submitted to a vote of security holders during the fourth quarter of 1992.

EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages, positions and business experience during the last five years of all the executive officers of Boston Edison Company and Harbor Electric Energy Company (the Company's wholly owned subsidiary) as of March 1, 1993 are listed below. There are no family relationships between any of the officers of the Company, nor any arrangement or understanding between any Company officer and another person pursuant to which he/she was elected as an officer. The expiration of each term of office is the next annual meeting and when successors are duly elected and qualified.

Name, Age and Position	Business Experience During Past Five Years
Bernard W. Reznicek, 56 Chairman, President and Chief Executive Officer	Chairman, President and Chief Executive Officer (since 1992), formerly President and Chief Executive Officer (1990-1992) and President and Chief Operating Officer (1987-1990). Director (since 1987) Chairman of the Board of Harbor Electric Energy Company (since 1991). President and Director of Harbor Electric Energy Company (since 1989).
Thomas J. May, 45 Executive Vice President	Executive Vice President (since 1990), formerly Senior Vice President (1987-1990). Director since 1991. Has responsibility for financial, accounting, customer services and information services. Assumed added responsibilities for energy planning and business planning (in 1989) and resource and corporate planning, marketing and human resources (in 1990). Vice President, Treasurer and Director of Harbor Electric Energy Company (since 1989). Vice President, Treasurer and Director of Harbor Electric Energy Company.

Name, Age and Position	Business Experience During Past Five Years
George W. Davis, 59 Executive Vice President	Executive Vice President (since 1992), with responsibility for all power supply and deliver operations. Director (since 1991). Elected Senior Vice President - Nuclear (1990-1992) with responsibility for all nuclear activities. Vice President - Nuclear Administration (1989-1990). Prior to election was Commander Naval Surface Force, Pacific (1985-1988).
E. Thomas Boulette, 50 Senior Vice President - Nuclear	Senior Vice President - Nuclear (since 1993). Vice President - Nuclear Operations and Station Director (1992-1993). Vice President - Operations (1989-1992) and Plant Manager (1988-1989) of Maine Yankee Atomic Power Company.
L. Carlisle Gustin, 49 Senior Vice President - Marketing	Senior Vice President (since 1989), with responsibility for marketing, customer services and corporate relations. Vice President - Corporate Relations (1986-1989).
Cameron H. Daley, 47 Senior Vice President - Power Supply	Senior Vice President (since 1989), with responsibility for power supply. Vice President - Power Production (1982-1989).
John J. Desmond, III, 59 Senior Vice President-Legal	Senior Vice President - Legal (since 1992). Vice President and General Counsel (1985-1992). General Counsel of Harbor Electric Energy Company (since 1990).
Charles E. Peters, Jr., 41 Senior Vice President-Finance	Senior Vice President (since 1991), with responsibility for Financial, Accounting, Information Services and Investor Relations. Chief Financial Officer and Senior Vice President of Genrad, Inc. (1985-1991). Vice President and Director of Harbor Electric Energy Company (since 1991).

Name, Age and Position	Business Experience During Past Five Years
John J. Higgins, 60 Senior Vice President - Human Resources	Senior Vice President (since 1990), with responsibility for Human Resources. Vice President - Human Resources (1988-1990). Director of Construction for the Massachusetts Water Resources Authority in 1988.
Ronald A. Ledgett, 54 Senior Vice President - Power Delivery, Stores and Service	Senior Vice President (since 1991), with responsibility for Power Delivery and Stores and Service. Was Director, Special Projects for Nuclear Business and Strategic Planning, Self-assessment and Organizational Refinement, and for Nuclear Business Regulatory Affairs (1990-1991). Special Projects Engineer (1988-1990).
Marc S. Alpert, 48 Vice President and Treasurer	Vice President and Treasurer (since 1988). Assistant Treasurer of Harbor Electric Energy Company (since 1991).
Robert J. Weafer, Jr., 46 Vice President, Controller and Chief Accounting Officer	Vice President, Controller and Chief Accounting Officer (since 1991). Controller and Chief Accounting Officer (1988-1991).
Theodora S. Convisser, 45 Clerk of the Corporation	Clerk of the Corporation (since 1986). Clerk of Harbor Electric Energy Company (since 1990).

PART II

Item 5 - MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

a. MARKET INFORMATION.

The Company's common stock is listed on the New York Stock Exchange and the Boston Stock Exchange.

See Consolidated Financial Statistics (Unaudited) - Quarterly Stock Data contained on Page 44 of the Annual Report to Shareholders for the year ended December 31, 1992, incorporated herein by reference.

b. HOLDERS.

As of December 31, 1992, the Company had 44,063 holders of record of its Common Stock (actual count of record holders).

c. DIVIDENDS.

For information as to the frequency and amount of cash dividends declared per common share during the past two fiscal years, see Consolidated Financial Statistics (Unaudited) - Quarterly Stock Data, contained on Page 44 of the Annual Report to Shareholders for the year ended December 31, 1992, incorporated herein by reference.

Item 6 - SELECTED FINANCIAL DATA

The following table summarizes five years of selected consolidated financial data of the Company.

($ in 000's, except for per share data)

	1992	1991	1990	1989	1988
Operating Revenues	$1,411,753	$1,354,501	$1,[illegible]14,440	$1,339,956	$1,230,384
Net Income/ (Loss)	$107,298	$94,670	$95,440	$(16,135)(b)	$84,212
Earnings/(Loss) Per Common Share	$2.10	$1.96	$2.01(a)	$(0.88)(b)	$1.86
Total Assets	$3,296,910	$3,120,549	$3,014,169	$2,878,271	$2,817,050
Long-Term Debt	$1,091,073	$1,136,165	$1,074,025	$948,839	$966,534
Redeemable Preferred/ Preference Stock	$98,000	$100,000	$100,000	$100,000	$100,000
Cash Dividends Declared Per Common Share	$1.655	$1.595	$1.535	$1.745	$1.82

a) Includes $0.41 per common share for an accounting change; See Note A of Notes to Consolidated Financial Statements included in the Annual Report to Shareholders for the Year Ended December 31, 1992, incorporated herein by reference.

b) See Item 1(c)(1)(ii): "Expected Plant Expenditures and Related Financing" subheading "Rate Proceedings, Pilgrim Nuclear Power Station and Outlook for Future" preceding.

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

See Management's Discussion and Analysis contained on pages 20 through 25 of the Annual Report to Shareholders for the year ended December 31, 1992, incorporated nerein by reference. See also Item 1 (c) 1 (ii): "Expected Plant Expenditures and Related Financing" subheading "Rate Proceedings, Pilgrim Nuclear Power Station, and Outlook for Future", preceding.

Item 8 - CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See list of Consolidated Financial Statements contained in Part IV, Item 14 incorporated herein by reference.

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

None.

PART III

Item 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

(a) IDENTIFICATION OF DIRECTORS.

See "Election of Directors - Information about Nominees and Incumbent Directors" - contained on pages 2 through 5 of the definitive Proxy Statement dated March 18, 1993 incorporated herein by reference.

(b) IDENTIFICATION OF EXECUTIVE OFFICERS

The information required by this item is set forth at the end of Part I of this Form 10-K under the caption "Executive Officers of the Registrant", pursuant to instruction 3 of paragraph (b) of Item 401 of Regulation S-K.

(c) IDENTIFICATION OF CERTAIN SIGNIFICANT EMPLOYEES - NOT APPLICABLE.

(d) FAMILY RELATIONSHIPS - NOT APPLICABLE.

(e) BUSINESS EXPERIENCE

For information relating to the business experience during the past five years and other directorships (of companies subject to certain SEC requirements) held by each person nominated to be a director, see "Election of Directors - Information about Nominees and Incumbent Directors" contained on pages 2 through 5 of the definitive Proxy Statement dated March 18, 1993, incorporated herein by reference.

For information relating to the business experience during the past five years of each person who is an executive officer, see Part I "Executive Officers of the Registrant".

(f) INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS - NOT APPLICABLE.

(g) PROMOTERS AND CONTROL PERSONS - NOT APPLICABLE.

Item 11 - EXECUTIVE COMPENSATION

See paragraphs entitled "Director and Executive Compensation" contained on pages 6 and 9 through 11 of the definitive Proxy Statement dated March 18, 1993, incorporated herein by reference.

Item 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS.

To the knowledge of management, no person owns beneficially more than 5 percent of the outstanding voting securities of the Company.

(b) SECURITY OWNERSHIP OF MANAGEMENT.

See "Stock Ownership by Directors and Executive Officers" contained on pages 5 through 6 of the definitive Proxy Statement dated March 18, 1993, incorporated herein by reference.

(c) CHANGES IN CONTROL - NOT APPLICABLE

Item 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

PART IV

Item 14: EXHIBITS, CONSOLIDATED FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

All other schedules are omitted since they are not required, not applicable, or contain only information which is otherwise provided in the financial statements or notes thereto listed above.

		Exhibit	SEC Docket
Exhibit 3	Articles of Incorporation and By-Laws		
Incorporated herein by reference:			
3.1	Restated Articles of Organization	2(a)4	2-58587
3.1.1	Amendment to Restated Articles of Organization dated May 5, 1977	2.4	2-64975
3.1.2	Amendment to Restated Articles of Organization filed May 26, 1978	3.1.2	1-2301 Form 10-K for the Year Ended December 31, 1991
3.1.3	Amendment to Restated Articles of Organization filed May 6, 1980	3.1.3	1-2301 Form 10-K for the Year Ended December 31, 1991
3.1.4	Amendment to Restated Articles of Organization filed May 4, 1983	3.1	1-2301 Form 10-Q for the Quarter Ended March 31, 1983
3.1.5	Amendment to Resiated Articles of Organization filed April 28, 1986	3.1	1-2301 Form 10-Q for the Quarter Ended March 31, 1986
3.1.6	Amendment to Restated Articles of Organization filed August 27, 1986	3.5	1-2301 Form 10-K for the Year Ended December 31, 1986

		Exhibit	SEC Docket
3.1.7	Amendment to Restated Articles of Organization filed February 19, 1987	3.1	1-2301 Form 10-Q for the Quarter Ended March 31, 1987
3.1.8	Amendment to Restated Articles of Organization filed May 5, 1987	3.1.8	1-2301 Form 10-K for the Year Ended December 31, 1987
3.1.9	Amendment to Restated Articles of Organization as filed May 27, 1988	4.1	33-24271 Registration Statement dated September 22, 1988
3.1.10	Certificate of Vote of Directors Establishing a Series of a Class of Stock, filed March 9, 1987	4.2	1-2301 Form 10-Q for the Quarter Ended September 30, 1988
3.1.11	Certificate of Vote of Directors Establishing a Series of a Class of Stock, filed October 4, 1988	4.3	1-2301 Form 10-Q for the Quarter Ended September 30, 1988
3.1.12	Amendment to Restated Articles of Organization as filed November 7, 1991	3.1.12	1-2301 Form 10-K for the Year Ended December 31, 1991
3.1.13	Certificate of Vote of Directors establishing a class of stock, filed November 26, 1991	3.1.13	1-2301 Form 10-K for the Year Ended December 31, 1991
3.1.14	Certificate of Vote of Directors Establishing a Series of a Class of Stock filed June 8, 1992	4.1	1-2301 For the Quarter Ended June 30, 1992

		Exhibit	SEC Docket
3.2	Boston Edison Company Bylaws April 19, 1977, as amended January 22, 1987, January 28, 1988 and May 24, 1988	3.2	1-2301 Form 10-K for the Year Ended December 31, 1988.
3.3	Boston Edison Company Bylaws April 19, 1977, as amended January 22, 1987, January 28, 1988, May 24, 1988 and November 22, 1989	3.1	1-2301 Form 10-Q for the Quarter Ended June 30, 1990
3.4	By-Laws of Harbor Electric Energy Company	3.4	1-2301 Form 10-K for the Year Ended December 31, 1989
3.5	Articles of Organization of Harbor Electric Energy Company dated December 22, 1989	3.3	1-2301 Form 10-K for the Year Ended December 31, 1989
3.6	Amendment to Articles of Organization of Harbor Electric Energy Company, filed December 14, 1990	3.6	1-2301 Form 10-K for the Year Ended December 31, 1990
3.7	Amendment to Articles of Organization of Harbor Electric Energy Company, filed November 4, 1991	3.7	1-2301 Form 10-K for the Year Ended December 31, 1991

		Exhibit	SEC Docket
Exhibit 4	Instruments Defining the Rights of Security Holders, Including Indentures		

Incorporated herein by reference:

4.1	Indenture of Trust and First Mortgage dated December 1, 1940 with State Street Trust Company	B-2	2-4564
4.1.1	Tenth supplemental indenture dated April 1, 1950	7.5	2-8349
4.1.2	Twelfth supplemental indenture dated November 15, 1951	4.2	2-80748
4.1.3	Twenty-fourth supplemental indenture dated June 1, 1962	4.1.3	1-2301 Form 10-K for the Year Ended December 31, 1990
4.1.4	Twenty-seventh supplemental indenture dated November 1, 1965	4.1.4	1-2301 Form 10-K for the Year Ended December 31, 1990
4.1.5	Twenty-ninth supplemental indenture dated June 1, 1967	4.1.5	1-2301 Form 10-K for the Year Ended December 31, 1990
4.1.6	Thirtieth supplemental indenture dated November 1, 1968	4.1.6	1-2301 Form 10-K for the Year Ended December 31, 1990
4.1.7	Thirty-first supplemental indenture dated December 1, 1969	4.1.7	1-2301 Form 10-K for the Year Ended December 31, 1990

		Exhibit	SEC Docket
4.1.8	Thirty-second supplemental indenture dated July 1, 1970	4.1.8	1-2301 Form 10-K for the Year Ended December 31, 1990
4.1.9	Thirty-third supplemental indenture dated May 15, 1971	4.1.9	1-2301 Form 10-K for the Year Ended December 31, 1990
4.1.10	Thirty-fifth supplemental indenture dated April 15, 1977	4.1.10	1-2301 Form 10-K for the Year Ended December 31, 1989.
4.1.11	Thirty-sixth supplemental indenture dated December 15, 1978	4.1.11	1-2301 Form 10-K for the Year Ended December 31, 1989.
4.1.12	Thirty-seventh supplemental indenture dated October 31, 1979	4.1.12	1-2301 Form 10-K for the Year Ended December 31, 1989
4.1.13	Thirty-eight supplemental indenture dated January 1, 1982	4.1.13	1-2301 Form 10-K for the Year Ended December 31, 1991

		Exhibit	SEC Docket
4.1.14	Thirty-ninth supplemental indenture dated April 15, 1983	4.1	1-2301 Form 10-Q for the Quarter Ended March 31, 1983
4.1.15	Fortieth supplemental indenture dated April 1, 1984	4.1	1-2301 Form 10-Q for the Quarter Ended March 31, 1984
4.1.16	Forty-first supplemental indenture dated April 1, 1985	4.1	1-2301 Form 10-Q for the Quarter Ended March 31, 1985
4.1.17	Forty-second supplemental indenture dated July 15, 1986	4.1	1-2301 Form 10-Q for the Quarter Ended June 30, 1986
4.1.18	Forty-third supplemental indenture dated September 15, 1987	4.1	1-2301 Form 10-Q for the Quarter Ended September 30, 1987

		Exhibit	SEC Docket
4.1.19	Medium Term Notes Series A - Indenture dated as of September 1, 1988, between Boston Edison Company and Bank of Montreal Trust Company	4.1	1-2301 Form 10-Q for the Quarter Ended September 30, 1988
4.1.20	First Supplemental Indenture dated as of June 1, 1990 to Indenture dated as of September 1, 1988 with Bank of Montreal Trust Company - 9 7/8% Debentures Due June 1, 2020.	4.1	1-2301 Form 8-K dated June 28, 1990
4.1.21	Votes of the Pricing Committee of the Board of Directors of Boston Edison Company taken on December 11, 1990 re: 8 7/8% debentures due December 15, 1995	4.1	1-2301 Form 10-Q for the Quarter Ended March 31, 1991
4.1.22	Indenture of Trust and Agreement among the City of Boston, Massachusetts (acting by and through its Industrial Development Financing Authority) and Harbor Electric Energy Company and Shawmut Bank, N.A., as Trustee, dated November 1, 1991.	4.1.26	1-2301 Form 10-K for the Year Ended December 31, 1991
4.1.23	Votes of the Pricing Committee of the Board of Directors of Boston Edison Company taken August 5, 1991 re: 9 3/8% debentures due August 15, 2021	4.1.27	1-2301 Form 10-K For the Year Ended December 31, 1991

		Exhibit	SEC Docket
Filed Herewith:			
4.1.24	Revolving Credit Agreement dated as of February 12, 1993	-	-
4.1.25	Votes of the Pricing Committee of the Board of Directors of Boston Edison Company taken September 10, 1992 re: 8 1/4% debentures due September 15, 2022.	-	-
4.1.26	Votes of the Pricing Committee of the Board of Directors of Boston Edison Company taken January 27, 1993 re: 6.8% debentures due February 1, 2000.		-
4.1.27	Votes of the Pricing Committee of the Board of Directors of Boston Edison Company taken March 5,1993 re: 5 1/8% debentures due March 15, 1996, the 5.70% debentures due March 15, 1997, 5.95% debentures due March 15, 1998, the 6.80% debentures due March 15, 2003 and 7.80% debentures due March 15, 2023.	-	-

NOTE: (Other Supplemental Indentures are not filed herewith since they constitute only conveyances of additional property to the Trustee under the Indenture and do not amend the Indenture or relate to outstanding series of First Mortgage Bonds.)

NOTE: (The registrant agrees to furnish to the Securities and Exchange Commission, upon request, a copy of any other instrument with respect to long-term debt of the registrant. Such other debt instruments are not filed herewith since they do not relate to authorized debt in an amount greater than 10% of registrant's total assets.)

Exhibit 10 Material Contracts

Executive Compensation:

Incorporated herein by reference:

		Exhibit	SEC Docket
10.1.1	Form of Deferred Compensation Agreement, as Amended November 27, 1986	10.1.3	1-2301 Form 10-K for the Year Ended December 31, 1989.

		Exhibit	SEC Docket
10.2	Key Executive Benefit Plan Standard Form of Agreement, May 1986, with modifications, applicable to Bernard W. Reznicek, George W. Davis and Thomas J. May	10.3.1	1-2301 Form 10-K for the Year Ended December 31, 1991
10.2.1	Amendment to Key Executive Benefit Plan dated February 1, 1986	10.4.1	1-2301 Form 10-K for the Year Ended December 31, 1985
10.2.2	Amendments to Key Executive Benefit plan dated May 9, 1986	10.1	1-2301 for the Quarter Ended June 30, 1986
10.3	Description of Supplemental Fee Arrangement for Certain Directors	10.5	1-2301 Form 10-K for the Year Ended December 31, 1983
10.4	Executive Annual Incentive Compensation Plan	10.5	1-2301 Form 10-K for the Year Ended December 31, 1988
10.5.1	Executive Long-Term Incentive Compensation Plan	10.5.1	1-2301 Form 10-K for the Year Ended December 31, 1988

		Exhibit	SEC Docket
10.6	Deferred Compensation Plan	10.8	1-2301 Form 10-K for the Year Ended December 31, 1989
10.7	1991 Director Stock Plan	10.1	1-2301 Form 10-Q for the Quarter Ended March 31, 1991
10.8	Performance Share Plan	10.1	1-2301 Form 10-Q for the Quarter Ended September 30, 1991
10.9	Agreement with Stephen J. Sweeney dated September 27, 1990	10.10	1-2301 Form 10-K for the Year Ended December 31, 1991.

Filed herewith:

10.10	Deferred Compensation Trust between Boston Edison Company and State Street Bank and Trust Company dated February 2, 1993.	-	-
10.11	Boston Edison Company Deferred Fee Plan dated January 1, 1990	-	-
10.12	Boston Edison Company Deferred Compensation Plan dated January 1, 1990	-	-
*10.13	Key Executive Benefit Plan	-	-

* Refiled pursuant to SEC record retention rules.

		Exhibit	SEC Docket
Exhibit 13	Annual Report to Shareholders		
Filed herewith:			
13.1	Boston Edison Company Annual Report to Shareholders for the Year Ended December 31, 1992, which, except for those portions thereof which are expressly incorporated by reference herein, is furnished for the information of the Securities and Exchange Commission and is not deemed to be "filed" as part of this report.		
Exhibit 18	Letter re: Change in Accounting Principle		
Incorporated herein by reference:			
18.1	Letter of Independent Certified Public Accountants	18.1	1-2301 Form 10-Q for the Quarter Ended March 31, 1990
Exhibit 22	Subsidiaries of the Registrant		
22.1	Harbor Electric Energy Company (incorporated in Massachusetts) is a wholly-owned subsidiary of Boston Edison Company.		
Exhibit 24	Consent of Independent Accountants.		
Filed herewith:			
24.1	Consent of Independent Accountants to incorporate, by reference, their opinion included with this Form 10-K, in the Form S-3 Registration Statements filed by the Company on September 14, 1990 (File No. 33-36824), February 3, 1993 (File No. 33-57840) and in the Form S-8 Registration Statements filed by the Company on October 10, 1985 (File No. 33-00810) July 28, 1986 (File No. 33-7558), December 31, 1990 (File No. 33-38434), June 5, 1992 (33-48424 and 33-48425) and March 17, 1993 (33-59662 and 33-59682).		

		Exhibit	SEC Docket
Exhibit 28	Other Exhibits		
Incorporated herein by reference:			
28.1	DPU Settlement Agreement with Boston Edison Company dated October 3, 1989	28.1	1-2301 Form 8-K dated October 3, 1989
28.2	Settlement Agreement between Boston Edison Company and Commonwealth Electric Company, Montaup Electric Company and the Municipal Light Department of the Town of Reading, Massachusetts, dated January 5, 1990.	28.1	1-2301 Form 8-K dated December 21, 1989
28.3	Pilgrim Outage Case Settlement between Boston Edison Company and Reading Municipal Light Department regarding Contract Demand Rate, dated December 21, 1989.	28.2	1-2301 Form 8-K dated December 21, 1989
28.4	Settlement Agreement Between Boston Edison Company and City of Holyoke Gas and Electric Department et. al., dated April 26, 1990.	28.2	1-2301 Form 10-Q for the Quarter Ended March 31, 1990
28.5	Information required by SEC Form 11-K for certain Company employee benefit plans for the years ended December 31, 1991 and 1990. Pursuant to the current rules and regulations of the Securities and Exchange Commission this information may be filed as an exhibit to SEC Form 10-K, via a Form 8 amendment, subsequent to the Company's filing of SEC Form 10-K.	-	1-2301 Form 8 Amendment to SEC Form 10-K for the years ended December 31, 1991 and 1990, dated June 26, 1992 and June 28, 1991, respectively.
28.6	DPU Settlement Agreement with Boston Edison Company, dated October 23, 1992	28.2	1-2301 Form 10-Q for the Quarter Ended September 30, 1992.

Item 14(b): REPORTS ON FORM 8-K

There were no Form 8-K's filed by the Company in the fourth quarter of 1992.

A Form 8-K dated January 28, 1993, was filed with the Securities and Exchange Commission by the Company. This report contained a press release announcing the Company's earnings for the year ended December 31, 1992, as well as disclosures regarding the Company's planned adoption of Statement of Financial Accounting Standards No. 106 - "Accounting for Postretirement Benefits Other than Pensions".

A Form 8-K dated February 11, 1993 was filed with the Securities and Exchange Commission by the Company which contained its 1992 Annual Report to Shareholders.

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.

BOSTON EDISON COMPANY

By /s/ Charles E. Peters, Jr.
Charles E. Peters, Jr.
Senior Vice President - Finance
(Principal Financial Officer)

Date: March 25, 1993

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 indicated on the 25th day of March 1993.

/s/ Bernard W. Reznicek Bernard W. Reznicek	Chairman, President and Chief Executive Officer
/s/ Thomas J. May Thomas J. May	Executive Vice President and Director
/s/ George W. Davis George W. Davis	Executive Vice President and Director
/s/ Robert J. Weafer, Jr. Robert J. Weafer, Jr.	Vice President, Controller and Chief Accounting Officer
/s/ William F. Connell William F. Connell	Director
/s/ Gary L. Countryman Gary L. Countryman	Director
/s/ Thomas G. Dignan, Jr. Thomas G. Dignan, Jr.	Director

/s/ Charles K. Gifford Charles K. Gifford	Director
/s/ Nelson S. Gifford Nelson S. Gifford	Director
/s/ Kenneth I. Guscott Kenneth I. Guscott	Director
______________________ Matina S. Horner	Director
/s/ William D. Manly William D. Manly	Director
/s/ Sherry H. Penney Sherry H. Penney	Director
/s/ Herbert Roth, Jr. Herbert Roth, Jr.	Director
/s/ Stephen J. Sweeney Stephen J. Sweeney	Director
/s/ Paul E. Tsongas Paul E. Tsongas	Director
/s/ Charles A. Zraket Charles A. Zraket	Director

Coopers
&Lybrand

certified public accountants

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Directors of
Boston Edison Company

We have audited the consolidated financial statements of Boston Edison Company and subsidiary (the "Company") as of December 31, 1992 and 1991 and for each of the three years in the period ended December 31, 1992, which financial statements are included on pages 26 through 42 of the 1992 Annual Report to Shareholders of the Company and incorporated by reference herein. We have also audited the financial statement schedules listed in Item 14(a) of this Form 10-K. These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 1992 and 1991, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles. In addition, in our opinion, the consolidated financial statement schedules referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

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

Coopers & Lybrand

Boston, Massachusetts
January 26, 1993

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