10CFR50.71(b)
10CFR140.15(b)

BOSTON EDISON

Pilgrim Nuclear Power Station
Rocky Hill Road
Plymouth, Massachusetts 02360

Ralph G. Bird
Senior Vice President — Nuclear

November 26 1990

BECo 90-145

U.S. Nuclear Regulatory Commission
Document Control Desk
Washington, DC 20555

License DPR-35
Docket 50-293

ANNUAL FINANCIAL STATEMENT

In accordance with 10CFR50.71(b) and 10CFR140.15(b)(1), Boston Edison is submitting the 1989 Annual Report and the Securities and Exchange Commission (SEC) Form 10-K which corresponds to the 1989 Annual Report.

We are also including copies of SEC Form 10-Q which provides "similar financial statements" in accordance with 10CFR110.15(b)(2). The SEC Form 10-Q reports are for the quarters ending March 31, 1990, June 30, 1990 and September 30, 1990.

If you have any questions regarding this submittal, please contact our Licensing Division at (617) 849-894 .

for R. G. Bird

MTL/njm/5010
Attachments

cc: Mr. R. Eaton, Project Manager
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U. S. Nuclear Regulatory Commission
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Senior NRC Resident Inspector
Pilgrim Nuclear Power Station

M004
1/1

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT of 1934

For the Quarter Ended September 30, 1990 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

NONE
Former name, former address and former fiscal year, if changed since last report.

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

Yes X No ____

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

Class	Outstanding at September 30, 1990
Common Stock, $5 par value	38,885,359 shares

Exhibit list appears on pages 19-20.

BOSTON EDISON COMPANY

QUARTERLY REPORT ON FORM 10-Q

SEPTEMBER 30, 1990

BOSTON EDISON COMPANY

PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements.

BALANCE SHEETS

	September 30, 1990 (Unaudited)	December 31, 1989
	($ in thousands)	
ASSETS		
Property, plant and equipment, at original cost:		
Utility plant in service	$3,280,480	$3,172,132
Less: accumulated depreciation	1,002,060	950,298
Net Property, Plant and Equipment	2,278,420	2,221,834
Nuclear fuel - net	81,301	93,839
Construction work in progress	95,935	83,827
Net utility plant	2,455,656	2,399,500
Investments in affiliated companies	24,763	22,427
Nuclear decommissioning fund	35,835	31,085
Current assets:		
Cash	3,135	1,989
Accounts receivable	189,546	187,950
Accrued Utility Revenues (Note 8)	33,014	-0-
Materials, supplies & fuel oil (avg. cost)	96,700	89,643
Prepaid and other current assets	4,773	7,260
Total Current Assets	327,168	286,842
Deferred debits:		
Deferred cost of canceled nuclear unit (Note 5)	69,873	84,744
Deferred nuclear outage costs	1,184	2,309
Other	52,662	51,364
Total Assets	$2,967,141	$2,878,271
CAPITALIZATION AND LIABILITIES		
Common stock equity:		
Par value $5 per share (Note 2)	$ 194,427	$ 192,630
Premium on common stock	313,277	308,561
Retained earnings	171,465	143,357
Total Common Stock Equity	679,169	644,548
Cumulative preferred stock:		
Non-mandatory redeemable series	83,000	83,000
Mandatory redeemable series	50,000	50,000
Cumulative preference stock:		
Non-mandatory redeemable series	38,287	38,287
Mandatory redeemable series	50,000	50,000
First mortgage bonds	780,825	798,839
Debentures (Note 9)	100,000	-0-
Unsecured Medium-Term Notes	100,000	150,000
Current liabilities:		
Long-term debt due within one year	57,550	5,675
Bank loans	30,500	39,000
Commercial paper	150,000	174,840
Accounts payable	82,982	115,891
Property, Income and other taxes accrued	16,345	8,669
Interest accrued	24,957	21,104
Dividends payable	17,066	17,308
Other	11,398	7,008
Rate and Contract Settlements (Note 3)	85,091	89,541
Total Current Liabilities	475,889	479,036
Commitments and Contingencies (Notes 3 & 5)		
Deferred credits:		
Accumulated deferred income taxes	421,398	377,227
Accumulated deferred investment tax credits	90,319	94,835
Nuclear decommissioning reserve	40,019	35,409
Other	13,235	27,090
Rate Settlement (Note 3)	45,000	50,000
Total Capitalization and Liabilities	$2,967,141	$2,878,271

See accompanying Notes to Unaudited Financial Statements.

BOSTON EDISON COMPANY
STATEMENTS OF INCOME
(Unaudited)
(in thousands, except per share amounts)

	Quarter Ended		Nine Months Ended	
	9/30/90	9/30/89	9/30/90	9/30/89
Operating revenues (Note 3):	$353,863	$383,895	$933,179	$962,877
Operating expenses:				
Fuel	43,161	87,274	198,162	201,496
Net purchased power	55,160	48,092	133,088	168,163
Other operations and maintenance (Note 3)	98,041	98,535	276,966	267,778
Depreciation and amortization	30,935	30,542	92,660	91,538
Amortization of deferred cost of cancelled nuclear unit (Note 7)	6,095	6,095	18,286	18,286
Amortization of deferred nuclear outage costs (Note 3)	375	5,344	1,125	16,032
Taxes - property and other	13,333	13,626	41,951	44,541
Provision for income taxes	25,280	16,253	27,342	19,018
Total operating expenses	272,380	305,761	789,580	826,852
Operating income	81,483	78,134	143,599	136,025
Other income:				
Allowance for other funds used during construction	-0-	996	-0-	3,585
Other - net (Notes 6 & 7)	2,374	6,616	5,370	10,029
Operating and other income	83,857	85,746	148,969	149,639
Interest charges:				
Long-term debt	24,313	22,905	69,148	68,689
Other	4,689	5,147	16,135	13,560
Allowance for borrowed funds used during construction - credit	(2,059)	(1,267)	(5,950)	(4,505)
Total interest charges	26,943	26,785	79,333	77,744
Net income before cumulative effect of accounting change	56,914	58,961	69,636	71,895
Cumulative effect of accrual for unbilled revenues, net of taxes of $9,819 (Note 8)	-0-	-0-	15,824	-0-
Net Income	56,914	58,961	85,460	71,895
Preferred and preference dividends provided	4,412	4,412	13,239	13,239
Balance available for common stock (Notes 3 & 4)	$ 52,502	$ 54,549	$ 72,221	$ 58,656
Common shares outstanding (weighted average)	38,837	38,328	38,719	38,169
Earnings per share of common stock:				
Before cumulative effect of accounting change	$ 1.35	$ 1.42	$ 1.46	$ 1.54
Cumulative effect of accrual of unbilled revenues (Note 8)	-0-	-0-	0.41	-0-
Total	$ 1.35	$ 1.42	$ 1.87	$ 1.54
Dividends declared per common share	$ 0.38	$ 0.455	$ 1.14	$ 1.365

See accompanying Notes to Unaudited Financial Statements.

BOSTON EDISON COMPANY
STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended Sept. 30, 1990	Nine Months Ended Sept. 30, 1989
	($ in thousands)	
Cash Flows from Operating Activities:		
Net Income excluding proceeds from eminent domain taking	$ 85,460	$ 66,396
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 (Note 8)	(15,824)	-0-
Depreciation	82,090	80,503
Amortization of Nuclear Fuel	17,094	5,561
Amortization of deferred cost of cancelled nuclear unit (net) (Note 7)	14,871	14,076
Other Amortization (Note 3)	9,529	11,250
Amortization of Deferred Nuclear Outage Costs	1,125	16,032
Net Changes in:		
Accounts Receivable	(79)	(44,834)
Accrued utility revenues (Note 8)	(3,371)	-0-
Materials & Supplies	(7,057)	(8,187)
Accounts Payable	(32,909)	(34,400)
Other Current Assets and Liabilities	18,408	29,082
Allowance for Funds Used During Construction	(5,950)	(8,091)
(Increase)/Decrease in Deferred Fuel	(5,517)	4,977
Increase in Deferred Income Taxes	36,041	15,229
(Decrease) in Investment Tax Credit, net	(3,442)	(3,810)
Net Change in Other Deferred Debits and Credits	(17,758)	8,298
Cash Outlays:		
Rate and Contract Settlement (Note 3)	(9,450)	-0-
Net Cash Provided by Operating Activities	163,261	152,082
Cash Flows (Used)/Provided by Investing Activities:		
Plant Expenditures (excluding AFUDC)	(154,484)	(145,791)
Decommissioning Fund	(4,750)	(5,237)
Investments in Affiliated Companies	(2,336)	(9,659)
Proceeds from eminent domain (Note 6)	-0-	9,145
Net Cash Flows (Used) by Investing Activities	(161,570)	(151,542)
Cash Flows (Used)/Provided by Financing Activities:		
Issuances of Common Stock	6,529	8,239
Issuance of Debentures (Note 9)	100,000	-0-
Debt Retirements	(16,139)	-0-
Increase/(Decrease) in Notes Payable	(33,340)	65,420
Dividends Paid	(57,595)	(65,195)
Net Cash Flows (Used)/Provided by Financing Activities	(545)	8,464
Increase in Cash/Special Deposits	1,146	9,004
Cash/Special Deposits at the Beginning of the Year	1,989	3,235
Cash/Special Deposits at the End of the Period	$ 3,135	$ 12,239
Cash paid during the period for:		
Interest	$ 81,431	$ 80,530
Less: Amounts Capitalized	(5,950)	(4,505)
Total	$ 75,481	$ 76,025
Income Taxes	$ 6,950	$ 9,918

See accompanying Notes to Unaudited Financial Statements.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

1) Basis of Presentation

Certain information and footnote disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles, have been condensed or omitted in this Form 10-Q pursuant to the Rules and Regulations of the Securities and Exchange Commission. However, in the opinion of Boston Edison Company (the Company), the disclosures contained in this Form 10-Q are adequate to make the information presented not misleading. These statements should be read in conjunction with the financial statements and the notes thereto and all other information included in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1989, the Company's Quarterly Report to the Securities and Exchange Commission on Form 10-Q for each of the quarters ended March 31, 1990 and June 30, 1990.

In the opinion of the Company, the accompanying unaudited financial statements reflect all adjustments, including normal recurring accruals, necessary to present fairly the financial position as of September 30, 1990 and the results of operations for the quarter and the nine months ended September 30, 1990 and 1989, and Statements of Cash Flows for the nine months ended September 30, 1990 and 1989. Certain prior year balances have been reclassified to reflect current classifications.

The results of operations for the quarter and nine months ended September 30, 1990 are not indicative of the results which may be expected for the full year. In prior years, the Company experienced major fluctuations in quarterly net income. The Company's kWh sales and base revenues are seasonal in nature, with both being lower in the spring and fall seasons. In addition, pursuant to retail rate orders of the Commonwealth of Massachusetts Department of Public Utilities (DPU), base retail rates billed to customers are, on average, forty percent higher in the billing months of July through October. Accordingly, a significant portion of annual earnings occurs in the Company's third quarter. See "Management's Discussion and Analysis of Results of Operations and Financial Condition" included in Part I of this Form 10-Q and Item 1(c)(1)(v) "Seasonal Nature of Business" in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1989. See also "Settlement of Certain Proceedings" included in Note 3 of Notes to Unaudited Financial Statements hereunder.

In the first quarter of 1990 the Company began accruing the base portion of revenues for services rendered but not billed in order to match revenues with expenses more closely. Prior to this adoption, the Company recognized revenues when services were billed. See also Note 8 of Notes to Unaudited Financial Statements.

2) Securities Issued

The Company issued 120,989 shares of its common stock in accordance with the Company's Dividend Reinvestment and Common Stock Purchase Plan

during the quarter ended September 30, 1990. At September 30, 1990, the Company had 50,000,000 shares of common stock authorized, of which 38,885,359 shares were issued and outstanding. See Note 1 of Notes to Schedules of Capital Stock and Indebtedness included in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1989.

3) Settlement of Certain Proceedings

On October 31, 1989, the Commonwealth of Massachusetts Department of Public Utilities (the "DPU") approved a settlement agreement effective November 1, 1989, (the "DPU Settlement Agreement"), relating to certain DPU proceedings involving the Company. On November 5, 1990, the Federal Energy Regulatory Commission (the "FERC") approved the previous purchased power contract settlement agreements (the "Wholesale Settlement Agreements") relating to claims filed by certain wholesale customers of the Company in conjunction with the 1986-1988 outage at Pilgrim Nuclear Power Station ("Pilgrim Station"). As a result of the DPU Settlement Agreement and the Wholesale Settlement Agreements, the Company recorded in the fourth quarter of 1989 a before-tax charge of $178,650,000 (including a reserve for the remaining regulatory proceedings and related litigation in connection with the wholesale customer dispute described above), with an after-tax effect of approximately $106,280,000 or $2.78 per share of common stock. This charge was included in the 1989 year-end Statement of Income as a component of "Other Income (Loss)" consistent with accounting practice and presentation applicable to the electric utility industry. The components associated with this 1989 non-recurring charge to earnings are not recoverable through rates from either the Company's retail or wholesale customers.

The non-recurring charge to earnings associated with all of the Settlement Agreements includes approximately $80,000,000 for demand-side management programs, $31,000,000 for certain replacement power costs, the write off of the remaining $31,000,000 of previously deferred incremental nuclear outage costs, and $36,000,000 of litigation, regulatory commission and other costs.

This charge includes approximately $31,000,000 of incremental operation and maintenance charges incurred prior to 1989. Prior to the October 1989 Settlement Agreements, previously deferred incremental nuclear outage costs were being amortized to expense (as part of normal operating expenses) over a five year period consistent with previous retail rate orders from the DPU and wholesale contract provisions.

The Company made cash outlays relating to all Settlement Agreements of approximately $8,000,000 in 1989 and approximately $9,450,000 in the nine months ended September 30, 1990. As of September 30, 1990, the Company anticipates making future cash outlays of approximately $130,000,000 as part of these approved settlement agreements (of which approximately $85,000,000 are classified as a current liability on the Company's balance sheet), a portion of which will be paid in the fourth quarter of 1990. See also Item 1(c)(1)(ii): "REGULATION" of the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1989 and Item 2, Management's Discussion and Analysis, hereunder, for additional details on the Settlement Agreements.

In connection with the DPU Settlement Agreement, the Company has agreed to limit its retail revenue increases prior to November 1, 1992 to approximately 2% per year, subject to adjustment based on Pilgrim Station's performance. The Company experienced no significant adjustments to the first performance year. The Company's ability to maintain or increase earnings through October 31, 1992 will depend primarily on its ability to control costs and increase kilowatthour sales, as well as the efficient operation of Pilgrim Station. During the period November 1, 1992 through October 31, 2000, the Company has agreed to institute a new cost recovery mechanism, which is also tied to Pilgrim Station's performance, for a portion of the Company's investment and costs related to Pilgrim Station.

4) Antitrust Litigation

On July 24, 1987, the Towns of Concord and Wellesley, Massachusetts (the Towns), filed a complaint against the Company in the United States District Court for the District of Massachusetts alleging violations of the federal antitrust laws. The Company supplies substantially all of the electric power requirements of the Towns. The Towns' complaints included allegations of price discrimination, anticompetitive restrictions and price squeeze. In May 1989, a jury determined that the Company had violated the antitrust laws and awarded damages of $13,100,000, which resulted in a total judgment of $39,300,000 when trebled under antitrust law plus interest. On September 21, 1990 the United States Court of Appeals for the First Circuit reversed the $39,300,000 judgment against the Company. The 1989 judgment has not been reflected in the Company's financial statements, and, accordingly, the Appeals Court decision had no effect on the Company's reported earnings.

5) Commitments and Contingencies - Hazardous Waste

Under the requirements of the applicable state and federal "Superfund" laws and regulations adopted thereunder, the Company and others are exposed to potential joint and several liability with respect to the clean-up 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 clean-up costs at a number of such sites in Massachusetts and other states. While the Company is unable at this time to predict the ultimate total clean-up costs for such sites or what its share of costs will be for each such site, on the basis of information presently available, the Company believes the likelihood that it would incur any material liability in connection with such sites is remote.

6) Eminent Domain

On May 4, 1989 the Commonwealth of Massachusetts Metropolitan District Commission (the MDC) filed an order of land taking with respect to certain Company-owned property located in Quincy, MA. The MDC tendered their offered amount of $9,145,000 to the Company on August 24, 1989, and the Company recorded a gain of $0.14 per common share, which is reflected in the accompanying financial statements for 1989. The Company continues to evaluate the adequacy of the offered amount and the options available to it.

7) Cancelled Nuclear Unit

The Company commenced amortizing the cost of the cancelled Pilgrim 2 nuclear unit in May 1982 over approximately eleven and one-half years pursuant to retail rate orders of the DPU. Such costs include certain financial carrying costs that will be reviewed and may be increased or decreased from time to time by the DPU. The application of Statement of Financial Accounting Standards ("SFAS") No. 90 had the effect of increasing net income for the quarter and nine months ended September 30, 1990 by $660,000 ($0.02 per share) and $2,108,000 ($0.05 per share) net of taxes of $410,000 and $1,307,000, respectively, and the quarter and nine months ended September 30, 1989 by $826,000 (0.02 per share) and $2,597,000 ($0.07 per share) net of taxes of $513,000 and $1,612,000, respectively, due to the inclusion in net income of the imputed interest income related to the cancelled Pilgrim 2 nuclear unit costs being recovered through revenues from customers. The unamortized discount at September 30, 1990 was approximately $7,034,000 with related deferred taxes of approximately $2,695,000.

8) Change in Accounting Principle - Unbilled Revenues

Effective January 1, 1990, the Company began accruing the base portion of revenues for services rendered but not billed, in order to more closely match revenues with expenses. The effect of the change in accounting principle in the quarter ended September 30, 1990 was an increase of $0.11 per common share ($4,259,000 net of taxes of $2,643,000), and for the nine months ended September 30, 1990 was an increase of $0.46 per common share ($17,904,000 net of taxes of $11,110,000) consisting of $0.41 per common share ($15,824,000 net of taxes of $9,819,000) for the cumulative effect of the change at January 1, 1990, and $0.05 per common share ($2,080,000 net of taxes of $1,291,000) for the nine months ended September 30, 1990. Had the Company been accruing unbilled revenues in 1989, the pro forma effect of this change on the quarter and nine months ended September 30, 1989 results would have been as follows (in thousands, except earnings per share):

	Quarter Ended September 30, 1989		Nine Months Ended September 30, 1989	
	As Reported	Pro Forma	As Reported	Pro Forma
Net Income	$58,961	$62,503	$71,895	$74,702
Balance Available for Common Stock	54,549	58,091	58,656	61,463
Earnings Per Common Share	1.42	1.51	1.54	1.61

9) Debentures

On June 11, 1990 the Company issued $100,000,000 of debentures. The debentures bear an interest rate of 9.875% per annum and matures on June 1, 2020. On or after June 1, 2000, the debentures are redeemable at prices declining from 104.483% of par beginning on June 1, 2000 to 100% of par after June 1, 2010. The debentures are unsecured obligations of the Company. The net proceeds from the sale of the securities were used to reduce certain outstanding short-term indebtedness incurred for capital expenditures for extensions, additions and improvements to the Company's plant and properties.

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition for the Quarter and Nine Months Ended September 30, 1990 Versus the Comparable 1989 Periods

Regulatory Proceedings

On October 31, 1989, the Commonwealth of Massachusetts Department of Public Utilities ("DPU") approved a settlement agreement (the "DPU Settlement Agreement") effective November 1, 1989 relating to certain DPU proceedings involving the Company. On November 5, 1990 the Federal Energy Regulatory Commission (the "FERC") approved the Wholesale Settlement Agreements relating to claims filed by certain wholesale customers of the Company in conjunction with the 1986-1988 outage at Pilgrim Station. The Company anticipates making cash payments to the wholesale settling parties in the fourth quarter of 1990 as discussed further hereunder. As a result of the DPU Settlement Agreement and the Wholesale Settlement Agreements, the Company recorded in the fourth quarter of 1989 a before-tax charge of $178,650,000, with an after-tax effect of $106,280,000 or $2.78 per share of common stock.

This charge was included in the 1989 year-end Statement of Income as a component of "Other Income (Loss)" consistent with accounting practice and presentation applicable to the electric utility industry. The components associated with this 1989 non-recurring charge to earnings are not recoverable through rates from either the Company's retail or wholesale customers. The charge to earnings for all of the Settlement Agreements includes approximately $80,000,000 of certain demand-side management expenses and $31,000,000 of previously deferred incremental nuclear outage expenses. Demand-side management expenditures (not directly associated with the Settlement Agreements) are normally recoverable through rates pursuant to regulatory guidelines. Deferred incremental nuclear outage costs (not directly associated with the Settlement Agreements) are normally included as part of operating expenses ("Amortization of Deferred Nuclear Outage Costs") in the Statement of Income. The Company expects to seek recovery of similar costs incurred in the future in accordance with past regulatory decisions of the DPU.

Although the DPU Settlement Agreement and the Wholesale Settlement Agreements have removed major uncertainties facing the Company, other uncertainties remain and are discussed further under the section entitled "Outlook for the Remainder of 1990 and Beyond" hereunder.

Results of Operations - Quarter Ended September 30, 1990 versus Quarter Ended September 30, 1989

Earnings per share amounted to $1.35 for the three months ended September 30, 1990 as compared to $1.42 for the same period last year ($1.51 per common share on a proforma basis; see Note 8 of Notes to Unaudited Financial Statements for additional information involving the Company's adoption of a change in accounting principle effective January 1, 1990). The results of operations for the three months ended September 30, 1989 include a $0.14 per common share gain relating to an eminent domain of Company property as discussed further in Note 6 of Notes to Unaudited Financial Statements preceding. See also Note 1 of Notes to Unaudited Financial Statements preceding for further information relative to the seasonality of the Company's earnings.

Results of Operations - Quarter Ended September 30, 1990 versus Quarter Ended September 30, 1989 (Continued)

Total operating revenues amounted to $353,863,000, a 7.8% decrease from last year. The Company experienced a 0.1% decrease in retail kWh sales over the comparable period last year. An analysis of the decrease is as follows:

0.1% decrease in retail kWh sales billed	$ (679,000)
Increase in performance clause revenues (a)	5,396,000
Decrease in fuel and purchased power adjustment clause revenues	(38,365,000)
Sales for resale	(2,239,000)
Accrual of unbilled revenues and other changes (b)	5,859,000
Decrease in total revenues	$(30,028,000)

(a) As part of the DPU Settlement Agreement effective November 1, 1989, the Company is permitted to increase retail rates by approximately $20,000,000 over the period November 1, 1989 to October 31, 1990 (subject to adjustment based upon the operation of Pilgrim Station). The Company experienced no significant adjustments to the first performance year.

(b) See Note B of Notes to Unaudited Financial Statements preceding regarding the Company's 1990 adoption of a change in accounting principle.

Retail kWh sales for the quarter ended September 30, 1990 remained relatively unchanged in comparison to the same period last year. The large decreases in fuel and purchased power revenues and fuel and net purchased power expenses of $38,365,000 and $37,045,000 are due primarily to a temporary overcollection of fuel costs in 1989 as opposed to a temporary undercollection of fuel costs in 1990. Any differences between actual costs incurred versus billed costs are adjusted in the subsequent quarterly retail fuel clause filing. The major portion of fuel and purchased power expenses are recovered through fuel and purchased power clauses with the balance being recovered through the base rates.

Other operating and maintenance expenses decreased slightly, by $494,000; increases in labor, certain employee benefits expense and uncollectibles were more than offset by decreases in pension, regulatory commission, and research and development expenses. Amortization of deferred nuclear outage costs decreased $4,969,000 due to the writeoff of substantially all deferred nuclear outage costs in the fourth quarter of 1989 as part of the $178,650,000 charge as discussed previously.

Property and other tax expense decreased $293,000 due to lower property taxes as a result of the settlement of a tax dispute with the City of Boston, MA. The Company's most recent effective income tax rate for 1990 is 31.1% versus 25.5% in 1989. The lower figure in 1989 related to reversal of certain prior years' deferred income taxes, the calculation of which was based upon a FERC rulemaking regarding AFUDC; these were restored to income as such methodology has not been adopted by the DPU. In accordance with the terms of the DPU Settlement Agreement, the Company is restoring to income certain municipal property tax abatements ($3,261,000) and deferred income taxes ($1,228,000) for the quarter ended September 30, 1990; see also Note B of Notes to

Financial Statements included in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1989. Other income in 1989 includes a $0.14 per share gain relating to an eminent domain as discussed previously.

AFUDC totaled $2,059,000, a decrease of 9% from 1989, due to decreases in the AFUDC construction work in progress base and the AFUDC rate. Total interest expense increased $950,000, primarily related to an increase in the average short-term loan balance outstanding, which is necessary to support the Company's ongoing program of plant expenditures, and the issuance of $100,000,000 of 9 7/8% Debentures in June of 1990.

Results of Operations - Nine Months Ended September 30, 1990 versus Nine Months Ended September 30, 1989

Earnings per common share for the nine months ended September 30, 1990 amounted to $1.87 and $1.54 for the same period in 1989. The result of operations for the nine months ended September 30, 1990 include $0.41 per common share due to the cumulative effect of a change in accounting principle effective January 1, 1990 (accrual of unbilled revenues), as discussed further in Note 8 of Notes to Unaudited Financial Statements preceding. Excluding the cumulative effect of the change in accounting principle previously provided, earnings amounted to $1.46 per common share for the nine months ended September 30, 1990 as compared to $1.54 per common share ($1.61 per common share on a pro forma basis) for the same period last year. The 1989 results include a $0.14 per common share gain relating to an eminent domain of Company property as discussed further in Note 6 of Notes to Unaudited Financial Statements preceding. Net income for both periods includes several non-cash items including equity income from investments in affiliated companies, amortization of prior year municipal property tax abatements, the reversal to income of certain deferred taxes, AFUDC, and the imputed interest effect of the Company's retroactive adoption of SFAS No. 90 (as discussed further in Note 7 of Notes to Unaudited Financial Statements preceding). These non-cash items (which excludes the effect of the Company's adoption of a change in accounting principle effective January 1, 1990 as discussed further in Note 8 of Notes to Unaudited Financial Statements) amounted to $0.39 per common share in the nine months ended September 30, 1990 and $0.35 per common share for the same period last year.

Total operating revenues amounted to $933,179,000, a decrease of 3.1%, as follows:

0.3% increase in retail kWh sales billed	$ 2,077,000
Increase in performance clause revenues (a)	15,336,000
Decrease in fuel and purchased power adjustment clause revenues	(46,795,000)
Sales for resale	(2,765,000)
Accrual of unbilled revenues and other changes (b)	2,449,000
Decrease in total revenues	$(29,698,000)

(a) As part of the DPU Settlement Agreement, effective November 1, 1989, the Company is permitted to increase retail rates by approximately $20,000,000 over the period November 1, 1989 to October 31, 1990 (subject to adjustment based upon the operation of Pilgrim Station). The Company experienced no significant adjustments to the first performance year.

(b) See Note 8 of Notes to Unaudited Financial Statements preceding regarding the Company's 1990 adoption of a change in accounting principle.

Retail kWh sales billed for the nine months ended September 30, 1990 increased 0.3% in comparison to the same period last year. The large decrease in fuel and purchased power revenues and fuel and purchased power expenses of $46,795,000 and $38,409,000, respectively are due to lower fuel costs associated with an increase in Company generation in 1990, which replaced higher cost kWh purchases from other utilities, as compared to the same period last year, and a temporary overcollection of fuel costs in 1989 as opposed to a temporary undercollection of fuel costs in 1990. Any differences between actual costs incurred versus billed costs are adjusted in the subsequent quarterly retail fuel clause filing. Generation from Company owned facilities was up 20% for the nine months of 1990 as compared to the same period last year coupled with a large decline in kWh purchased from other utilities. The major portion of fuel and purchased power expenses are recovered through fuel and purchased power clauses with the balance being recovered through the base rates.

Other operation and maintenance expenses increased $9,188,000, primarily as a result of increases in labor, employee benefits expense and uncollectibles, partially offset by decreases in regulatory commission and research and development expenses. Amortization of deferred nuclear outage costs decreased $14,907,000 due to the writeoff of substantially all deferred nuclear outage costs in the fourth quarter of 1989 as part of the $178,650,000 charge as discussed previously.

Property and other tax expense decreased $2,590,000 due to lower property taxes as a result of the settlement of a tax dispute with the City of Boston, MA. The Company's effective income tax rates for the nine months ended September 30, 1990 and 1989 were 31.1% (including the cumulative effect of a change in accounting principle) and 25.5%, respectively. The lower figure in 1989 is related to the reversal of certain prior years' deferred income taxes, the calculation of which was based upon a FERC rulemaking regarding AFUDC; these were being restored to income as such methodology has not been adopted by the DPU. In accordance with the terms of the DPU Settlement Agreement, the Company is restoring to income certain municipal tax abatements ($9,783,000), and deferred income taxes ($1,847,000) for the nine months ended September 30, 1990. See also Note B of Notes to Financial Statements in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1989. Other income in 1989 includes a $0.14 per share gain on an eminent domain as discussed previously.

AFUDC totaled $5,950,000, a decrease of 26% from 1989, due to decreases in both the average construction work in progress base and the AFUDC rate. Total interest expense increased 3,034,000, primarily related to an increase in average short-term loan balance outstanding, which is necessary to support the Company's ongoing program of plant expenditures, and the June 1990 issuance of $100,000,000 of 9 7/8% Debentures.

Financial Condition, Liquidity and Outlook for Future

See Part II, Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1989 and Part I, Item 2 - "Management's Discussion and Analysis of Results of Operations and Financial Condition" in the Company's Quarterly Report to the Securities and Exchange Commission on Form 10-Q for each of the quarters ended March 31, 1990 and June 30, 1990. See also "Regulatory Proceedings" preceding.

The Company's scheduled debt principal repayments are $23,000,000 in 1990 (which includes approximately $17,000,000 of early retirements in April, 1990) and will be approximately $57,000,000 in 1991. Interest on anticipated long-term debt outstanding, estimated to be $90,000,000 in 1990 and $106,000,000 in 1991, is expected to be funded via normal cash flow from electric operations. Funds generated internally represented approximately 59%, 43% and 48% of plant expenditures in the years 1989, 1988, and 1987, respectively, and represented approximately 97% of the $154,484,000 of plant expenditures incurred through the nine months ended September 30, 1990.

The Company's estimate of working capital needs for calendar years 1990 and 1991 is expected to be consistent with historical levels, except for the abnormal impact of the $130,000,000 of expected future cash outlays in 1990-1992 as part of the settlement agreements (of which approximately $85,000,000 are classified as a current liability on the Company's balance sheet). Approximately $50,000,000 of these payments may be made to the wholesale settling parties in the fourth quarter of 1990. The Company meets working capital requirements, as well as the interim financing necessary for its current program of plant expenditures, primarily by 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 FERC of $350,000,000, which the Company deems adequate to cover working capital and other liquidity requirements (which includes the $130,000,000 of future cash outlays as discussed above). As of September 30, 1990, the Company had $180,500,000 of short-term debt outstanding. The Company has available a three year $330,000,000 revolving credit facility. As of September 30, 1990, the Company had not applied to the DPU for regulatory approval to incur long-term debt under this agreement, nor had the Company incurred any short-term debt thereunder. The Company also has arrangements with certain banks to provide additional short-term credit on an uncommitted and as available basis. The Company's level of aggregate short-term borrowings is expected to decline in the remainder of 1990 assuming the issuance of additional long-term securities late in 1990 as discussed further hereunder.

On June 11, 1990 the Company issued $100,000,000 of 9 7/8% Debentures due 2020, the proceeds of which were used to reduce short-term borrowings which were incurred for capital expenditures for extensions, additions and improvements to the Company's plant and properties. As a result of the issuance of these securities, the Company's capitalization ratios are 52% long-term debt, 12% preferred/preference stock, and 36% common equity, which are the same as the 1989 year-end levels. On July 2, 1990 the Company filed a registration statement with the Securities and Exchange Commission ("SEC")

seeking approval to issue an additional $100,000,000 in debt securities. The proceeds will be used for capital expenditures for extensions, additions and improvements to the Company's plant and properties or for the payment of obligations incurred for such expenditures. This registration statement was declareo effective in October, 1990, however, the Company has not issued any securities hereunder. The Company's current intention is to issue additional securities pursuant to this registration statement prior to December 31, 1990.

In September, 1990, the Company filed for an additional 2,000,000 shares of common stock with the SEC to be issued in accordance with the Company's Dividend Reinvestment and Common Stock Purchase Plan.

The Company generated sufficient cash flow in the twelve months ended September 30, 1990 to meet all debt service requirements, however, as a result of recording the charges associated with both the DPU Settlement Agreement and the Wholesale Settlement Agreements in the fourth quarter of 1989, the Company's ratio of earnings to fixed charges was 0.76X for the twelve months ended September 30, 1990. The Company would have needed to generate additional taxable income of approximately $28,245,000 to cover its fixed charges of approximately $119,530,000 incurred in the twelve months ended September 30, 1990.

Outlook for the Remainder of 1990 and Beyond

In connection with the DPU Settlement Agreement, the Company has agreed to limit its retail revenue increases prior to November 1, 1992 to approximately 2% per year, subject to adjustment based on Pilgrim Station's performance. Accordingly, the Company's ability to maintain or increase earnings through October 31, 1992, will depend primarily on its ability to control costs and increase kilowatthour sales, as well as the efficient operation of Pilgrim Station. During the performance period November 1, 1989 through October 31, 1990 the Company has received approximately $20,200,000 in accordance with the retail revenue increases and Pilgrim Station performance. During the period from November 1, 1989 through October 31, 1990 Pilgrim Station has operated at a capacity factor of approximately 68%. The Company experienced no significant adjustments to the first performance year ended October 31, 1990. Effective November 1, 1990 annual retail revenues will increase an additional $22,500,000, subject to adjustment based upon Pilgrim Station's performance. During the period November 1, 1992 through October 31, 2000, the Company has agreed to institute a new cost recovery mechanism, which is also tied to Pilgrim Station's performance, for a portion of the Company's investment and costs related to Pilgrim Station.

The Company does not currently anticipate significant growth in retail kWh sales. Retail kWh sales billed for the nine months ended September 30, 1990 were 0.3% greater than the same period last year. The Company's future growth of base revenues may be impacted by the implementation of demand-side management ("DSM") programs. (Some of the major programs include; 1) rebates to customers for reduced energy consumption, 2) offering commercial and industrial customers no-cost programs to revamp facilities, 3) offering largest commercial and industrial customers the opportunity to redesign energy systems, 4) cash incentives to customers for the use of their own on-site generation, 5) offering commercial and industrial customers rebates for replacing lighting systems with more energy efficient systems, and 6) offering

energy saving measures to residential customers who use electric hot water heating systems.) The Company has expended approximately $9,500,000 through September 30, 1990 for DSM expenditures of which approximately $8,000,000 is associated with the previously discussed DPU Settlement Agreement and is not subject to rate recovery. Additional information relating to the seasonality of the Company's kWh sales, base revenues, and quarterly earnings can be found in Note 1 of Notes to Unaudited Financial Statements.

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 Company and other utilities are requesting FERC to impose conditions on this takeover on the basis that the new combined entity would control virtually all excess generating capacity in New England and most of the available major electric transmission facilities entering the New England region.

The Company is currently recovering increased power generation costs associated with recent fossil fuel price increases via the normal operation of fuel adjustment clauses.

On September 21, 1990 a jury verdict for $39,300,000 was reversed with respect to a May 1989 antitrust suit decision (see also Note 4 of Notes to Unaudited Financial Statements).

The Company has been named as a potentially responsible party by certain environmental authorities with respect to the clean up of certain hazardous waste sites; the Company believes that the likelihood it will incur any material liability with respect to such claims is remote.

Edgar Energy Park

On May 1, 1990, the Company filed its Long-Range Forecast of Electric Power Needs and Requirements for the years 1990-2014 with the Commonwealth of Massachusetts Energy Facilities Siting Council (the "EFSC"). Included with this filing was a request for approval of the Edgar Energy Park project, which is a proposed 300 MW combined cycle generating station which the Company plans to construct on the Company-owned site of the retired Edgar Generating Station located in Weymouth, Massachusetts. Also on May 1, 1990 the Company filed with the DPU a request for a zoning exemption for the Edgar Energy Park Project. On August 1, 1990, the Company filed additional requests at the DPU seeking 1) approval to form a wholly-owned subsidiary to construct and operate the 300 MW generating unit at the Edgar Energy Park; 2) approval to make an equity investment up to $90 million in the subsidiary; and 3) approval of a contract between the Company and the subsidiary under which the Company would purchase the energy and capacity of the generating unit for 20 years. DPU hearings on approval to form the subsidiary and to make an initial investment in the subsidiary are scheduled for November, 1990. The Company intends to file before year end for Federal Energy Regulatory Commission ("FERC") approval of the power purchase contract between the Company and its subsidiary.

In addition to proceedings before the DPU, EFSC and FERC, the Company has also commenced applications for other required permits and approvals, including in particular many environmental permits, before a number of other federal, state and local agencies. Receipt of all the various permits and regulatory approvals is not expected prior to the first half of 1991. Assuming the successful completion of permitting activities and receipt of regulatory approvals, it is anticipated that construction of this facility by the subsidiary could start in the second half of 1991, with completion in 1994.

Other Uncertainties

Emergency Preparedness Plan for Pilgrim Station

On August 4, 1987, the Federal Emergency Management Agency ("FEMA") released the results of a review of the adequacy of the offsite emergency preparedness plan for Pilgrim Station. FEMA identified certain deficiencies in the then existing offsite emergency response plan and withdrew its previous interim finding of adequacy. The Company continues to work with the Commonwealth of Massachusetts (the "Commonwealth") and local officials to improve offsite emergency preparedness plans, which are the responsibility of the Commonwealth. FEMA has performed an informal technical review of the draft emergency plans submitted by the Commonwealth and local officials. On October 12 and 13, 1989, the Company, along with the Commonwealth and local officials, participated in a full scale emergency preparedness exercise for Pilgrim Station. The exercise was monitored by the NRC and FEMA. On February 1, 1990, FEMA issued a report to the Commonwealth identifying two deficiencies in the Commonwealth's performance during the October drill and directed the state to schedule and successfully complete a remedial drill addressing these deficiencies. The remedial drill was conducted on May 25, 1990. On August 31, 1990, FEMA issued its final report on the emergency preparedness exercise conducted on October 12 and 13, 1989. The report indicated that there were no deficiencies following the remedial drill conducted on May 25, 1990. The report identified forty three areas requiring corrective action (which the Commonwealth and local communities must resolve in future exercises) as well as nine planning issues.

In July 1990, the Inspector General of the NRC issued a report which was critical of the NRC's review of the adequacy of the offsite emergency preparedness program during the fall of 1989. As a result of the Inspector General's Report, a congressional hearing was held in Plymouth on October 30, 1990 and a task force was created by the NRC for the purpose of conducting an in-depth review of the adequacy of the offsite emergency preparedness program. The task force, which is comprised of officials from the NRC and FEMA, is meeting with local and state officials to determine whether the NRC should reconsider its current finding that there is reasonable assurance that the offsite program is adequate. It is not anticipated that the task force will complete these deliberations before the end of January 1991.

While progress has been made in emergency preparedness in recent years, formal approval of the offsite emergency plans for Pilgrim Station has not been obtained from any of the necessary parties. As previously stated, the NRC will continue to monitor emergency preparedness issues on an ongoing basis. The Commonwealth has previously stated that it has not determined whether adequate planning is possible for the area around Pilgrim Station. Without continued Commonwealth and local participation it would be extremely difficult to formulate emergency response plans satisfactory to the NRC. Various individuals, groups and public officials continue to monitor and oppose operations at Pilgrim Station.

Cancer Studies Completed

In September, 1990, the National Institutes of Health/National Cancer Institute released the results of a two-year study regarding the incidence of cancer in the areas surrounding nuclear power plants. The study, which included the area surrounding Pilgrim Station, showed no increased cancer risk to residents of counties where there are nuclear power plants.

In October, 1990, the Commonwealth of Massachusetts Department of Public Health released the results of a three-year case control study conducted for the purpose of investigating adult leukemia incidence rates for certain communities surrounding Pilgrim Station. The report stated that there was an increased risk of adult leukemia for persons living near Pilgrim Station prior to 1984 and recommended increased monitoring of radiation releases from the plant, stricter air quality requirements in the Commonwealth and a study of child leukemia incidences.

The Company strongly disputes the findings of the Commonwealth's study. The results are contrary to a large body of scientific information collected over the past 40 years on the health effects of radiation and also to data on workers from Pilgrim Station which indicate normal cancer incidence rates.

BOSTON EDISON COMPANY
PART II - OTHER INFORMATION

Item 1. Legal Proceedings

See Items (1)(c)(1)(ii), subcaption "Regulation", 1(c)(1)(xii): "Environmental Matters", and 3: "Legal Proceedings" in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1989, and Item 1 - "Legal Proceedings" included in Part II - Other Information in the Company's Quarterly Report to the Securities and Exchange Commission on Form 10-Q for each of the quarter ended March 31, 1990 and June 30, 1990; see also Notes 3 and 4 of Notes to Unaudited Financial Statements and "Management's Discussion and Analysis" included in Part I of this Form 10-Q. See also Item 1(c)(1)(ii) "Expected Plant Expenditures and Related Financing" (subheading - "Regulation") in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1989 and "Management's Discussion and Analysis" included in Part 1 of the Company's Quarterly Report to Securities and Exchange Commission on Form 10-Q for the quarters ended March 31, 1990 and June 30, 1990.

Item 2. Changes in Securities

See Notes 2 and 9 of Notes to Unaudited Financial Statements included Part I of this Form 10-Q.

Item 3. Defaults Upon Senior Securities - None

Item 4. Submission of Matters to a Vote of Security Holders - Not Applicable

Item 5. Other Information

Effective December 1, 1990 Stephen J. Sweeney will be retiring as Chief Executive Officer. Bernard W. Reznicek was elected by the Company's Board of Directors to replace him. Also effective December 1, 1990 Thomas J. May and Ralph G. Bird were elected Executive Vice Presidents. Effective December 1, 1990 George Davis was elected Senior Vice President, Nuclear and John J. Higgins was elected Senior Vice President - Human Resources. Effective October 1, 1990 Roy Anderson was elected, Vice President - Nuclear Administration. Kenneth Highfill, Vice President, Nuclear Operations is leaving the Company to resume a career in consulting.

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits Filed Herewith:

Exhibit 12 - Computation of Ratio of Earnings to Fixed Charges

12.1 - Computation of Ratio of Earnings to Fixed Charges

Exhibit 15 - Letter re: unaudited financial information

15.1 - Report of Independent Certified Public Accountants

Exhibit 28 - Other Exhibits

28.1 - Letter of Independent Certified Public Accountants

Re: Form S-3 Registration Statements filed by the Company on November 18, 1985 (File No. 33-01614), July 15, 1986 (File No. 33-07103), July 2, 1990 (File No. 33-35588), September 14, 1990 (File No. 33-36824) and Form S-8 Registration Statements filed by the Company on October 10, 1985 (File No. 33-00810) and July 28, 1986 (File No. 33-7558).

b) A Form 8-K was filed by the Company on September 21, 1990 with the Securities and Exchange Commission. The report contained information under Item 5 - Other Events, which included information regarding the United States Court of Appeals reversal of a $39,300,000 judgment against the Company related to a 1989 antitrust verdict.

SIGNATURE

Pursuant to the requirements 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
(Registrant)

Date: November 13, 1990

/s/ Robert J. Weafer, Jr.
Robert J. Weafer, Jr.
Controller and Chief
Accounting Officer

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT of 1934

For Quarter Ended June 30, 1990 | 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

NONE
Former name, former address and former fiscal year, if changed since last report.

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

Yes X No ____

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

Class	Outstanding at June 30, 1990
Common Stock, $5 par value	38,764,370 shares

Exhibit list appears on page 18.

BOSTON EDISON COMPANY

QUARTERLY REPORT ON FORM 10-Q

JUNE 30, 1990

PART I - FINANCIAL INFORMATION Page

PART II - OTHER INFORMATION

BOSTON EDISON COMPANY

PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements.

BALANCE SHEETS

	June 30, 1990 (Unaudited)	December 31, 1989
	($ in thousands)	
ASSETS		
Property, plant and equipment, at original cost:		
Utility plant in service	$3,270,679	$3,172,132
Less: accumulated depreciation	988,876	950,298
Net Property, Plant and Equipment	2,281,803	2,221,834
Nuclear fuel - net	85,109	93,839
Construction work in progress	70,407	83,827
Net utility plant	2,437,319	2,399,500
Investments in affiliated companies	23,161	22,427
Nuclear decommissioning fund	34,324	31,085
Current assets:		
Cash	3,030	1,989
Accounts receivable	156,246	187,950
Accrued Utility Revenues (Note 6)	26,112	-0-
Materials, supplies & fuel oil (avg. cost)	96,402	89,643
Prepaid and other current assets	4,730	7,260
Total Current Assets	286,520	286,842
Deferred debits:		
Deferred cost of cancelled nuclear unit (Note 5)	74,899	84,744
Deferred nuclear outage costs	1,559	2,309
Other	53,935	51,364
Total Assets	$2,911,717	$2,878,271
CAPITALIZATION AND LIABILITIES		
Common stock equity:		
Par value $5 per share (Note 2)	$ 193,822	$ 192,630
Premium on common stock	311,683	308,561
Retained earnings	133,744	143,357
Total Common Stock Equity	$ 639,249	644,548
Cumulative preferred stock:		
Non-mandatory redeemable series	83,000	83,000
Mandatory redeemable Series	50,000	50,000
Cumulative preference stock:		
Non-mandatory redeemable series	38,287	38,287
Mandatory redeemable series	50,000	50,000
First mortgage bonds	782,700	798,839
Unsecured Medium-Term Notes	150,000	150,000
Debentures (Note 7)	100,000	-0-
Current liabilities:		
Long-term debt due within one year	5,675	5,675
Bank loans	56,500	39,000
Commercial paper	151,000	174,840
Accounts payable	80,105	115,891
Income and other taxes accrued	7,946	8,669
Interest accrued	21,364	21,104
Dividends payable	17,016	17,308
Other	1,085	7,008
Rate and Contract Settlements (Note 3)	91,944	89,541
Total Current Liabilities	432,635	479,036
Commitments and Contingencies (Notes 3 & 4)		
Deferred credits:		
Accumulated deferred income taxes	393,990	377,227
Accumulated deferred investment tax credits	91,466	94,835
Nuclear decommissioning reserve	38,499	35,409
Other	16,891	27,090
Rate Settlement (Note 3)	45,000	50,000
Total Capitalization and Liabilities	$2,911,717	$2,878,271

See accompanying Notes to Unaudited Financial Statements.

BOSTON EDISON COMPANY
STATEMENTS OF INCOME
(Unaudited)
($ in thousands, except per share amounts)

	Quarter Ended		Six Months Ended	
	6/30/90	6/30/89	6/30/90	6/30/89
Operating revenues (Note 3):	$269,652	$282,729	$579,316	$578,982
Operating expenses:				
Fuel	66,902	46,252	155,001	114,222
Net purchased power/other	37,035	71,125	77,928	120,071
Other operations and maintenance (Note 3)	92,526	85,214	178,925	169,243
Depreciation and amortization	30,830	30,525	61,725	60,996
Amortization of deferred cost of canceled nuclear unit	6,095	6,095	12,190	12,190
Amortization of deferred nuclear outage costs (Note 3)	375	5,344	750	10,688
Taxes - property and other	14,322	15,381	28,617	30,916
Provision for income taxes	(1,338)	(1,534)	2,062	2,765
Total operating expenses	246,747	258,402	517,198	521,091
Operating income	22,905	24,327	62,118	57,891
Other income:				
Allowance for other funds used during construction	-0-	1,275	-0-	2,589
Other - net (Note 5)	1,713	1,401	2,996	3,413
Operating and other income	24,618	27,003	65,114	63,893
Interest charges:				
Long-term debt	22,484	22,893	44,835	45,784
Other	5,874	4,555	11,446	8,413
Allowance for borrowed funds used during construction - credit	(1,692)	(1,565)	(3,890)	(3,238)
Total interest charges	26,666	25,883	52,391	50,959
Net income (loss) before cumulative effect of accounting change	(2,048)	1,120	12,723	12,934
Cumulative effect of accrual for unbilled revenues, net of taxes of $9,819 (Note 6)	-0-	-0-	15,824	-0-
Net Income (Loss)	(2,048)	1,120	28,547	12,934
Preferred and preference dividends provided	4,414	4,414	8,827	8,827
Balance available for common stock (Notes 3 & 4)	$ (6,462)	$ (3,294)	$ 19,720	$ 4,107
Common shares outstanding (weighted average)	38,720	38,172	38,660	38,088
Earnings (loss) per share of common stock:				
Before cumulative effect of accounting change	$(0.17)	$(0.09)	$0.10	$0.11
Cumulative effect of accrual of unbilled revenues (Note 6)	-0-	-0-	$0.41	-0-
Total	$(0.17)	$(0.09)	$0.51	$0.11
Dividends declared per common share	$ 0.38	$0.455	$0.76	$0.91

See accompanying Notes to Unaudited Financial Statements.

BOSTON EDISON COMPANY
STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30, 1990	Six Months Ended June 30, 1989
	($ in thousands)	
Cash Flows from Operating Activities:		
Net Income	$ 28,547	$ 12,934
Adjustments to reconcile net income to net cash provided by operating activities:		
Cumulative effect (net) for years prior to 1990 of accounting change for unbilled revenues (Note 6)	(15,824)	-0-
Depreciation	54,892	53,671
Amortization of Nuclear Fuel	11,822	1,514
Amortization of deferred cost of cancelled nuclear unit (net) (Note 5)	9,845	9,320
Other Amortization	6,194	8,093
Net Changes in:		
Accounts receivable	20,267	(3,367)
Accrued utility revenues (Note 6)	3,531	-0-
Materials & Supplies	(6,759)	(1,438)
Accounts Payable	(35,786)	(22,886)
Other current assets and liabilities	(3,856)	1,409
Allowance for Funds Used During Construction	(3,890)	(5,827)
(Increase) Decrease in Deferred Fuel	7,436	(13,779)
Increase in Deferred Income Taxes	8,633	2,408
(Decrease) in Investment Tax Credit, net	(2,295)	(2,541)
Amortization of Deferred Nuclear Outage Costs	750	10,688
Net Change in Other Deferred Debits and Credits	(15,389)	8,012
Cash Outlays:		
Rate and Contract Settlement (Note 3)	(2,597)	-0-
Net Cash Provided by Operating Activities	65,521	58,211
Cash Flows Used by Investing Activities:		
Plant Expenditures (excluding AFUDC)	103,889	99,089
Decommissioning Fund	3,239	2,797
Investments in Affiliated Companies	734	8,965
Net Cash Flows Used by Investing Activities	107,862	110,851
Cash Flows Provided (Used) by Financing Activities:		
Issuances of Common Stock	4,314	5,480
Increase/(decrease) in Notes Payable	(6,340)	90,510
Issuance of Debentures (Note 7)	100,000	-0-
Debt Retirements	(16,139)	-0-
Dividends Paid	(38,453)	(43,694)
Net Cash Provided by Financing Activities	43,382	52,296
Increase/(Decrease) in Cash	1,041	(344)
Cash at the Beginning of the Year	1,989	3,235
Cash at the End of the Period	$ 3,030	$ 2,891
Cash paid during the period for:		
Interest	$ 56,021	$ 53,597
Less: Amounts Capitalized	(3,890)	(3,238)
Total	$ 52,131	$ 50,359
Income Taxes	$ 2,225	$ 9,917

See accompanying Notes to Unaudited Financial Statements.

BOSTON EDISON COMPANY

NOTES TO UNAUDITED FINANCIAL STATEMENTS

1) Basis of Presentation

Certain information and footnote disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles, have been condensed or omitted in this Form 10-Q pursuant to the Rules and Regulations of the Securities and Exchange Commission. However, in the opinion of Boston Edison Company (the Company), the disclosures contained in this Form 10-Q are adequate to make the information presented not misleading. These statements should be read in conjunction with the financial statements and the notes thereto and all other information included in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1989 and the Company's Quarterly Report to the Securities and Exchange Commission on Form 10-Q for the quarter ended March 31, 1990.

In the opinion of the Company, the accompanying unaudited financial statements reflect all adjustments, including normal recurring accruals, necessary to present fairly the financial position as of June 30, 1990 and the results of operations for the three and six months ended June 30, 1990 and 1989, and cash flows for the six months ended June 30, 1990 and 1989. Certain prior year balances have been reclassified to reflect current classifications.

The results of operations for the quarter and six months ended June 30, 1990 are not indicative of the results which may be expected for the full year. During 1989 and 1988, the Company experienced major fluctuations in quarterly net income. The Company's kWh sales and base revenues are seasonal in nature, with both being lower in the spring and fall seasons. In addition, pursuant to retail rate orders of the Commonwealth of Massachusetts Department of Public Utilities ("DPU"), base retail rates billed to customers are, on average, forty percent higher in the billing months of July through October. Accordingly, a significant portion of annual earnings occurs in the Company's third quarter. See "Management's Discussion and Analysis of Results of Operations and Financial Condition" included in Part I of this Form 10-Q and Item 1(c)(1)(v) "Seasonal Nature of Business" in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1989.

In the first quarter of 1990 the Company began accruing the base portion of revenues for services rendered but not billed in order to match revenues with expenses more closely. Prior to this adoption, the Company recognized revenues when services were billed. See also Note 6 of Notes to Unaudited Financial Statements.

2) Securities Issued

The Company issued 118,738 shares of its common stock in accordance with the Dividend Reinvestment and Common Stock Purchase Plan during the quarter ended June 30, 1990.

At June 30, 1990, the Company had 50,000,000 shares of common stock authorized, of which 38,764,370 shares were issued and outstanding. See

Note 1 of Notes to Schedules of Capital Stock and Indebtedness included in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1989, and Note 2 of Notes to Unaudited Financial Statements included in the Company's Quarterly Report to the Securities and Exchange Commission on Form 10-Q for the Quarter ended March 31, 1990. See also Note 7 hereunder.

3) Settlement of Certain Proceedings

On October 31, 1989, the DPU approved a settlement agreement effective November 1, 1989 (the "DPU Settlement Agreement"), relating to certain DPU proceedings involving the Company. On August 3, 1990, agreements between the Company and the Towns of Concord and Wellesley, MA which are wholesale customers of the Company, were filed with the Federal Energy Regulatory Commission ("FERC") settling certain claims related to the 1986-1988 outage at Pilgrim Station. Previously, in January 1990 and in April 1990, the Company had entered into related settlement agreements with certain wholesale customers having long-term purchased power contracts for a portion of the output of the Pilgrim Station. With the execution of the August 3, 1990 agreements and the previous purchased power contract agreements ("Wholesale Settlement Agreements"), all wholesale rate proceedings related to the Pilgrim Outage have been settled. The Wholesale Settlement Agreements are subject to the approval of FERC. As a result of the DPU Settlement Agreement and the Wholesale Settlement Agreements, the Company recorded in the fourth quarter of 1989 a before-tax charge of $178,650,000 (including a reserve for remaining regulatory proceedings and related litigation in connection with the FERC proceedings described above), with an after-tax effect of approximately $106,280,000 or $2.78 per share of Common Stock. This charge includes approximately $8,000,000 of cash outlays in 1989 and approximately $31,000,000 of previously deferred nuclear outage costs. As of June 30, 1990, the Company anticipates making future cash outlays of approximately $139,000,000 as part of these settlement agreements, (of which approximately $92,000,000 are classified as a current liability on the accompanying balance sheet as of June 30, 1990. However, the timing for a portion of these payments is subject to receipt of the necessary regulatory approvals).

See also Item 1(c)(1)(ii) "Expected Plant Expenditures and Related Financing" (subheading - "Regulation") included in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1989 and Item 2, "Management's Discussion and Analysis" hereunder.

4) Commitments and Contingencies (See also Note 3)

a) Wholesale and Contract Customers

On July 24, 1987, the Towns of Concord, MA and Wellesley, MA (the "Towns") filed a complaint against the Company in the United States District Court for the District of Massachusetts alleging violation of the federal antitrust laws. The Company supplies substantially all of the electric power requirements of the Towns. The Towns' complaint included allegations of price discrimination, anticompetitive restriction and price squeeze. In May 1989, a jury determined that the Company had violated federal antitrust laws and awarded damages of $13,100,000, which results in a total judgment of $39,300,000, plus interest, when trebled under antitrust law. If upheld, the judgment

a) Wholesale and Contract Customers (Continued)

(which is not reflected in the accompanying financial statements) would represent a charge to earnings of approximately $0.64 per share of common stock. The Company has appealed the judgment to the United States Court of Appeals for the First Circuit, which heard oral arguments in the case on April 5, 1990. Based upon the advice of legal counsel, management believes that the decision is contrary to the facts and applicable law and that it is unlikely that this judgment will be upheld on appeal.

b) Hazardous Waste

Under the requirements of the applicable state and federal "Superfund" laws and regulations adopted thereunder, the Company and others are exposed to potential joint and several liability with respect to the clean-up 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 clean-up costs at a number of such sites in Massachusetts and other states. While the Company is unable at this time to predict the ultimate total clean-up costs for such sites or what its share of costs will be for each such site, on the basis of information presently available, the Company believes the likelihood that it would incur any material liability in connection with such sites to be remote.

5) Cancelled Nuclear Unit

The Company commenced amortizing the cost of the cancelled Pilgrim 2 nuclear unit in May 1982 over approximately eleven and one-half years pursuant to retail rate orders of the DPU. Such costs include certain financial carrying costs that will be reviewed and may be increased or decreased from time to time by the DPU. The application of Statement of Financial Accounting Standards ("SFAS") No. 90 had the effect of increasing net income for the quarter and six months ended June 30, 1990 by $703,000 ($0.02 per share) and $1,448,000 ($0.04 per share) net of taxes of $436,000 and $898,000, respectively, and the quarter and six months ended June 30, 1989 by $865,000 ($0.02 per share) and $1,771,000 ($0.05 per share) net of taxes of $537,000 and $1,099,000, due to the inclusion in net income of the imputed interest income related to the cancelled Pilgrim 2 nuclear unit costs being recovered through revenues from customers. The unamortized discount at June 30, 1990 was approximately $8,100,000 with related deferred taxes of $3,100,000.

6) Change in Accounting Principle - Unbilled Revenues

Effective January 1, 1990, the Company began accruing the base portion of revenues for services rendered but not billed, in order to more closely match revenues with expenses. The effect of the change in accounting principle in the quarter ended June 30, 1990 was an increase of $0.01 per common share ($284,000 net of taxes of $177,000), and for the six months ended June 30, 1990 was an increase of $0.35 per common share ($13,645,000 net of taxes of $8,467,000) consisting of a $0.41 per common share ($15,824,000 net of taxes of $9,819,000) for the cumulative effect of the change at January 1, 1990, reduced by a $0.06 per common share ($2,179,000 net of taxes of $1,352,000) for the six months ended June 30, 1990.

6) Change in Accounting Principle - Unbilled Revenues (Continued)

Had the Company been accruing unbilled revenues in 1989, the pro forma effect of this change on the quarter and six months ended June 30, 1989 results would have been as follows (in thousands, except earnings per share):

	Quarter Ended June 30, 1989		Six Months Ended June 30, 1989	
	As Reported	Pro Forma	As Reported	Pro Forma
Net Income	$1,120	$2,460	$12,934	$12,198
Balance Available for Common Stock	(3,294)	(1,954)	4,107	3,371
Earnings (Loss) Per Common Share	(0.09)	(0.05)	0.11	0.09

7) Debentures

On June 11, 1990 the Company issued $100,000,000 of debentures. The debt instrument bears an interest rate of 9.875% per annum and matures on June 1, 2020. The debentures are redeemable at prices declining from 104.483% of par beginning on June 1, 2000 to 100% of par after June 1, 2010. However, the debentures may not be redeemed prior to June 1, 2000. Interest is payable on June 1 and December 1 in each year commencing on December 1, 1990. The debentures are unsecured obligations of the Company. The net proceeds from the sale of the securities were used to reduce certain outstanding short-term indebtedness and/or for capital expenditures for extensions, additions and improvements to the Company's plant and properties.

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition for the Quarter and Six Months Ended June 30, 1990 Versus the Comparable 1989 Periods

Regulatory Proceedings

On October 31, 1989, the Commonwealth of Massachusetts Department of Public Utilities ("DPU") approved a settlement agreement (the "DPU Settlement Agreement") effective November 1, 1989 relating to certain DPU proceedings involving the Company. In addition, in January, April and August 1990, the Company entered into settlement agreements with certain wholesale customers (the "Wholesale Settlement Agreements") to resolve certain pending regulatory and legal proceedings concerning the 1986-1988 outage at Pilgrim Station. The Wholesale Settlement Agreements are subject to the approval of FERC. As a result of the DPU Settlement Agreement and the Wholesale Settlement Agreements, the Company recorded in the fourth quarter of 1989 a before-tax charge of $178,650,000, with an after-tax effect of $106,280,000 or $2.78 per share of common stock.

Although the DPU Settlement Agreement and the Wholesale Settlement Agreements have removed major uncertainties facing the Company, other uncertainties remain and are discussed further under the section entitled "Outlook for the Remainder of 1990 and Beyond" hereunder.

Results of Operations - Quarter Ended June 30, 1990 versus Quarter Ended June 30, 1989

The Company incurred a loss per common share of ($0.17) for the three months ended June 30, 1990 as compared to a loss of ($0.09) per common share ($0.05 loss per common share on a pro forma basis; see Note 6 of Notes to Unaudited Financial Statements preceding for additional information involving the Company's adoption of a change in accounting principle effective January 1, 1990) for the same period last year. A large portion of the decrease in net income (loss) is attributable to a decrease in Allowances for Funds Used During Construction ("AFUDC") and higher net financing costs as discussed further hereunder. The Company continues to experience positive cash flow from operations. See also Note 1 of Notes to Unaudited Financial Statements preceding for information relating to the seasonality of the Company's earnings.

Total operating revenues amounted to $269,652,000, a decrease of 4.6% as follows:

0.6% increase in retail kWh sales billed	$ 150,000
Increase in performance clause revenues (a)	4,753,000
Decrease in fuel and purchased power adjustment clause revenues	(16,838,000)
Other decreases	(1,142,000)
Decrease in total revenues	$(13,077,000)

(a) As part of the DPU Settlement Agreement effective November 1, 1989, the Company is permitted to increase retail rates by approximately $20,000,000 over the period November 1, 1989 to October 31, 1990 (subject to adjustment based upon the operation of Pilgrim Station).

Results of Operations - Quarter Ended June 30, 1990 versus Quarter Ended June 30, 1989 (Continued)

The large decreases in fuel and purchased power revenues and fuel and net purchased power expenses of $16,838,000 and $13,440,000, respectively, are due to a large decrease in purchased power expense, partially offset by a temporary overcollection of fuel costs in 1990 as opposed to an undercollection in the same period last year. Generation from Company owned facilities was up 57% in the second quarter of 1990, coupled with a large decline in kWh purchases from other utilities. The major portion of fuel and purchased power expenses are recovered through fuel and purchased power clauses with the balance being recovered through the base rates.

Other operating and maintenance expenses increased by $7,312,000, primarily as a result of increases in scheduled maintenance expense, nuclear-related operations expense, and bad debt expense. Amortization of deferred nuclear outage costs decreased $4,969,000 due to the write off of substantially all deferred nuclear outage costs in the fourth quarter of 1989 as part of a before tax charge of $178,650,000, as discussed previously in Note 3 of Notes to Unaudited Financial Statements.

Property and other taxes decreased $1,059,000, mostly due to lower property taxes as a result of the settlement of a tax dispute with the City of Boston, MA. The Company's most recent annualized effective income tax rate for 1990 is 31.0% (including the cumulative effect of a change in accounting principle) versus 24.6% in 1989. The decline in 1989 is related to the reversal of certain prior years' deferred income taxes, the calculation of which was based upon a FERC rulemaking regarding AFUDC; these were restored to income as such methodology has not been adopted by the DPU. In accordance with the terms of the DPU Settlement Agreement, the Company is restoring to income certain municipal tax abatements and deferred taxes in 1990; see Note B of Notes to Financial Statements included in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1989.

AFUDC totaled $1,692,000, a decrease of 40% from the comparable period last year, due to decreases in both the average construction work in progress base and the AFUDC rate. Total interest expense increased $910,000, primarily related to an increase in the average short-term loan balance outstanding, which is necessary to support the Company's ongoing program of plant expenditures.

Results of Operations - Six Months Ended June 30, 1990 versus Six Months Ended June 30, 1989

Earnings per common share for the six months ended June 30, 1990 amounted to $0.51 and $0.11 for the same period in 1989. The results of operations for the six months ended June 30, 1990 include $0.41 per common share due to the cumulative effect of a change in accounting principle effective January 1, 1990 (accrual of unbilled revenues), as discussed further in Note 6 of Notes to Unaudited Financial Statements included in Part I of this Form 10-Q. Excluding the cumulative effect of the change in accounting principle, earnings amounted to $0.10 per common share for the six months ended June 30, 1990, as compared to $0.11 per common share ($0.09 per common share on a pro forma basis) for the same period last year.

Results of Operations - Six Months Ended June 30, 1990 versus Six Months Ended June 30, 1989 (Continued)

Total operating revenues, which remained relatively unchanged on a comparative basis, amounted to $579,316,000; the change between periods is detailed as follows:

0.5% increase in retail kWh sales billed	$ 2,756,000
Increase in performance clause revenues (a)	9,940,000
Decrease in fuel and purchased power adjustment clause revenues	(8,430,000)
Other decreases	(3,932,000)
Increase in total revenues	$ 334,000

(a) As part of the DPU Settlement Agreement, effective November 1, 1989, the Company is permitted to increase retail rates by approximately $20,000,000 over the period November 1, 1989 to October 31, 1990 (subject to adjustment based upon the operation of Pilgrim Station).

The decreases in fuel and purchased power revenues and fuel and purchased power expenses of $8,430,000 and $1,364,000, respectively, are due primarily to a large decrease in purchased power expenses, partially offset by a temporary overcollection of fuel costs in 1990 as opposed to an undercollection in the same period last year. Generation from Company owned facilities was up 37% for the first half of 1990 as compared to the same period last year coupled with a large decline in kWh purchased from other utilities. The major portion of fuel and purchased power expenses are recovered through fuel and purchased power clauses with the balance being recovered through the base rates.

Other operation and maintenance expenses increased $9,682,000 primarily as a result of increases in employee benefits expense, nuclear operations expense, and bad debt expense. Amortization of deferred nuclear outage costs decreased $9,938,000 due to the write off of substantially all deferred nuclear outage costs in the fourth quarter of 1989 as part of a before tax charge of $178,650,000, as previously discussed in Note 3 of Notes to Unaudited Financial Statements.

Property and other tax expense decreased $2,299,000 due to lower property taxes as a result of the settlement of a tax dispute with the City of Boston and lower pre-tax income. The Company's effective income tax rates for the six months ended June 30, 1990 and 1989 were 31.0% (including the cumulative effect of a change in accounting principle) and 24.6%. The decline in 1989 is related to the reversal of certain prior years' deferred income taxes, the calculation of which was based upon a FERC rulemaking regarding AFUDC; these were being restored to income as such methodology has not been adopted by the DPU. In accordance with the terms of the DPU Settlement Agreement, the Company is restoring to income certain municipal tax abatements and deferred taxes in 1990; see Note B of Notes to Financial Statements in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1989.

Other income decreased 12%; 1989 activity included approximately $900,000 of interest income relating to financial advances to certain transmission companies in which the Company has invested interests.

Results of Operations - Six Months Ended June 30, 1990 versus Six Months Ended June 30, 1989 (Continued)

AFUDC totaled $3,890,000, a decrease of 33% from 1989, due to decreases in both the average construction work in progress base and the AFUDC rate. Total interest expense increased $2,084,000, primarily related to an increase in average short-term loan balance outstanding, which is necessary to support the Company's ongoing program of plant expenditures.

Financial Condition and Liquidity

See Part II, Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1989 and the Company's Quarterly Report to the Securities and Exchange Commission on Form 10-Q for the Quarter ended March 31, 1990. See also Notes 2, 3, 4 and 7 of Notes to Unaudited Financial Statements.

The Company's debt principal repayments are $23,000,000 in 1990 (which includes approximately $17,000,000 of early retirements in April, 1990) and will be $56,800,000 in 1991. Interest on anticipated long-term debt outstanding, estimated to be $90,000,000 in 1990 and $106,000,000 in 1991, is expected to be funded via normal cash flow from electric operations. Funds generated internally represented approximately 59%, 43% and 48% of plant expenditures in the years 1989, 1988, and 1987, respectively, and represented approximately 59% of the $104,000,000 of plant expenditures incurred during the first six months of 1990.

The Company's estimate of working capital needs for calendar years 1990 and 1991 is expected to be consistent with historical levels, except for the abnormal impact of approximately $139,000,000 of future cash outlays in 1990-1992 as discussed further in Note 3 of Notes to Unaudited Financial Statements. The Company meets working capital requirements, as well as the interim financing necessary for its current program of plant expenditures, primarily by 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 FERC of $350,000,000, which the Company deems adequate to cover working capital and other liquidity requirements (which includes the $139,000,000 of future cash outlays as discussed above). As of June 30, 1990, the Company had $207,500,000 of short-term debt outstanding. The Company has available a three year $330,000,000 revolving credit facility. As of June 30, 1990, the Company had not applied to the DPU for regulatory approval to incur long-term debt under this agreement, nor had the Company incurred any short-term debt thereunder. The Company also has arrangements with certain banks to provide additional short-term credit on an uncommitted and as available basis. The Company's level of aggregate short-term borrowings is expected to decline in 1990 assuming the issuance of additional long-term securities later in 1990 as discussed further hereunder.

Financial Condition and Liquidity (Continued)

On June 11, 1990 the Company issued $100,000,000 of 9 7/8% debentures due 2020, the proceeds of which were used to reduce short-term borrowings which were incurred for capital expenditures for extensions, additions and improvements to the Company's plant and properties. As a result of the issuance of these securities, the Company's capitalization ratios are 54% long-term debt, 12% preferred/preference stock, and 34% common equity, as compared to the 1989 year-end levels of 52%, 12% and 36%, respectively. On July 2, 1990 the Company filed a registration statement with the Securities and Exchange Commission ("SEC") seeking approval to issue an additional $100,000,000 in debt securities. The proceeds will be used for capital expenditures for extensions, additions and improvements to the Company's plant and properties or for the payment of obligations incurred for such expenditures. As of this filing, this registration statement has not become effective, nor has the Company issued any securities hereunder. The Company's current intention is to issue additional securities pursuant to this registration statement prior to December 31, 1990.

In April 1990 the Company redeemed the remaining $16,139,000 of outstanding Series T (12 1/4%) and Series V (12 5/8%) First Mortgage Bonds, at a redemption price approximating 110% of par value plus accrued interest.

The Company generated sufficient cash flow in the twelve months ended June 30, 1990 to meet all debt service requirements, however, as a result of recording the charges associated with both the DPU Settlement Agreement and the Wholesale Settlement Agreements in the fourth quarter of 1989, the Company's ratio of earnings to fixed charges was 0.73X for the twelve months ended June 30, 1990. The Company would have needed to generate additional taxable income of approximately $31,460,000 to cover its fixed charges of approximately $118,317,000 incurred in the twelve months ended June 30, 1990.

Outlook for the Remainder of 1990 and Beyond

In connection with the DPU Settlement Agreement, the Company has agreed to limit its retail revenue increases prior to November 1, 1992 to approximately 2% per year, subject to adjustment based on Pilgrim Station's performance. Accordingly, the Company's ability to maintain or increase earnings through such period will depend primarily on its ability to control costs and increase kilowatthour sales, as well as the efficient operation of Pilgrim Station. During the period November 1, 1992 through October 31, 2000, the Company has agreed to institute a new cost recovery mechanism, which is also tied to Pilgrim Station's performance, for a portion of the Company's investment and costs related to Pilgrim Station. As a result, the Company's potential earnings after 1992 will continue to depend, in part, upon the efficient operation of Pilgrim Station. In connection with the DPU Settlement Agreement the Company also agreed to expend over the next three years, and not seek recovery for, $75,000,000 on certain demand-side management programs. See also Item 1(c)(i)(ii) "Expected Plant Expenditures and Related Financing" (subheading - "Regulation") included in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1989.

On February 12, 1990, the NRC formally accepted the completion of the power ascension and test program at Pilgrim Station which began in December 1988. During the period from November 1, 1989 through July 31, 1990 Pilgrim Station operated at a capacity factor of 67%. For the performance year ending October 31, 1990, the Company believes the Pilgrim capacity factor will be in the neutral zone of 60% to 76% and that all other Pilgrim related performance factors will not be below the neutral zone.

The Company does not anticipate significant growth in retail kWh sales. Retail kWh sales billed for the six months ended June 30, 1990 were 0.5% greater than the same period last year. The Company's growth in base revenues is being impacted by the implementation of demand-side management ("DSM") programs. Some of the major programs include; 1) rebates to customers for reduced energy consumption, 2) offering commercial and industrial customers no-cost programs to revamp facilities, 3) offering largest commercial and industrial customers the opportunity to redesign energy systems, 4) cash incentives to customers for the use of their own on-site generations, 5) offering commercial and industrial customers rebates for replacing lighting systems with more energy efficient systems, and 6) offering residential customers energy saving measures who use electric hot water heating systems. However, the Company plans to seek future recovery of lost base revenues associated with the implementation of DSM programs from the DPU, consistent with a recent DPU decision on a similar issue involving another Massachusetts electric utility. The Company has expended approximately $6,000,000 in the first six months of 1990 for DSM expenditures. Additional information relating to the seasonality of the Company's kWh sales, base revenues, and quarterly earnings can be found in Note 1 of Notes to Unaudited Financial Statements.

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 Company and other utilities are requesting FERC to impose conditions on this takeover on the basis that the new combined entity would control virtually all excess generating capacity in New England and most of the available major electric transmission facilities entering the New England region.

The Company may have additional financial exposure with respect to a jury verdict of $39,300,000, plus interest, in an antitrust suit which the Company is currently appealing (as discussed further in Note 4(a) of Notes to Unaudited Financial Statements), based upon the advice of legal counsel, management believes that the decision is contrary to the facts and applicable law and that it is unlikely that the judgment will be upheld on appeal. The Company has been named as a potentially responsible party by certain environmental authorities with respect to the clean up of certain hazardous waste sites; the Company believes that the likelihood it will incur any significant liability with respect to such claims to be remote (see also Note 4(b) of Notes to Unaudited Financial Statements).

On May 15, 1990 the Company signed four year contracts with its labor unions.

Edgar Energy Park

On May 1, 1990, the Company filed its Long-Range Forecast of Electric Power Needs and Requirements for the years 1990-2014 with the Commonwealth of Massachusetts Energy Facilities Siting Council (the "EFSC"). Included with this filing was a request for approval of the Edgar Energy Park project, which is a proposed 300 MW combined cycle generating station which the Company plans to construct on the Company-owned site of the retired Edgar Generating Station located in Weymouth, Massachusetts. Also on May 1, 1990 the Company filed with the DPU a request for a zoning exemption for the Edgar Energy Park Project. On August 1, 1990, the Company filed additional requests at the DPU

Edgar Energy Park (Continued)

seeking 1) approval to form a wholly-owned subsidiary to construct and operate the 300 MW generating unit at the Edgar Energy Park; 2) approval to make an equity investment up to $90 million in the subsidiary; and 3) approval of a contract between the Company and the subsidiary under which the Company would purchase the energy and capacity of the generating unit.

In addition to proceedings before the DPU and EFSC, the Company has also commenced applications for other required permits and approvals, including in particular many environmental permits, before a number of other federal, state and local agencies. Receipt of all the various permits and regulatory approvals is not expected prior to the first half of 1991. Assuming the successful completion of permitting activities and receipt of regulatory approvals, it is anticipated that construction of this facility by the subsidiary could start in the second half of 1991, with completion in 1994.

Other Matters

The Company intends to file with the DPU in the fall of 1990 for recovery of planned 1991 DSM expenditures in excess of the amounts required as part of the DPU Settlement Agreement. Recovery of amounts in excess of those expenditures associated with the DPU Settlement Agreement will be sought in accordance with DPU guidelines and regulations.

Contract purchasers of a portion of the output of Pilgrim Station (i.e., other utilities, municipal light companies and the Towns of Concord and Wellesley, MA) have filed complaints at FERC and in court seeking reimbursement for replacement power incurred as the result of alleged mismanagment of Pilgrim Station as well as additional relief. The Company has entered into Wholesale Settlement Agreements with all of these contract purchasers which are subject to approval by FERC. The courts have stayed further proceedings pending the outcome of the proceedings at FERC. As a result of the Wholesale Settlement Agreements, the Company anticipates making cash payments to the settling parties of approximately $50,000,000, the timing of which will be dependent upon the receipt of the necessary regulatory approvals.

Other Uncertainties

Emergency Preparedness Plan for Pilgrim Station

On August 4, 1987, the Federal Emergency Management Agency ("FEMA") released the results of a review of the adequacy of the offsite emergency preparedness plan for Pilgrim Station. FEMA identified certain deficiencies in the then existing offsite emergency response plan and withdrew its previous interim finding of adequacy. The Company continues to work with The Commonwealth of Massachusetts (the "Commonwealth") and local officials to improve offsite emergency preparedness plans, which are the responsibility of the Commonwealth. FEMA has performed an informal technical review of the draft emergency plans submitted by the Commonwealth and local officials. On October 12 and 13, 1989, the Company, along with the Commonwealth and local officials, participated in a full scale emergency preparedness exercise for Pilgrim Station. The program was monitored by the NRC and FEMA. On February 1, 1990, FEMA issued a report to the Commonwealth identifying two deficiencies in the Commonwealth's performance during the October drill and directed the state to schedule and successfully complete a remedial drill addressing these deficiencies. The remedial drill was conducted on May 25, 1990 and the report of FEMA's evaluation has not been issued.

Emergency Preparedness Plan for Pilgrim Station (Continued)

While progress has been made in emergency preparedness, formal approval of the emergency plans has not been obtained from any of the necessary parties. The NRC has indicated that it will continue to monitor emergency preparedness issues on an ongoing basis. The Commonwealth has previously stated that it has not determined whether adequate planning is possible for the area around Pilgrim Station. Without continued Commonwealth and local participation it would be extremely difficult to formulate emergency response plans satisfactory to the NRC. Various individuals, groups and public officials continue to monitor and oppose operations at Pilgrim Station.

Health Studies

Certain governmental agencies are currently conducting studies to determine whether there is a link between Pilgrim Station and purported elevated levels of radiation-sensitive cancer in certain communities near Pilgrim Station. The Commonwealth of Massachusetts Department of Public Health plans to release the results of its studies later in 1990. The Company continues to monitor the situation closely and disputes any contention linking Pilgrim Station to any elevation in cancer levels.

BOSTON EDISON COMPANY
PART II - OTHER INFORMATION

Item 1. Legal Proceedings

See Items (1)(c)(1)(ii), subcaption "Regulation", 1(c)(1)(xii): "Environmental Matters", and 3: "Legal Proceedings" in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1989, and Item 1 - "Legal Proceedings" included in Part II - Other Information in the Company's Quarterly Report to the Securities and Exchange Commission on Form 10-Q for the quarter ended March 31, 1990. See also Notes 3 of Notes to Unaudited Financial Statements and "Management's Discussion and Analysis" included in Part I of this Form 10-Q. See also Item 1(c)(1)(ii) "Expected Plant Expenditures and Related Financing" (subheading - "Regulation") in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1989 and "Management's Discussion and Analysis" included in Part 1 of the Company's Quarterly Report to Securities and Exchange Commission on Form 10-Q for the quarter ended March 31, 1990.

On February 10, 1982 the Boston Housing Authority ("BHA") filed an action against the Company in the Massachusetts Superior Court seeking approximately $10,000,000 in damages for alleged overcharges for electricity and steam furnished over a six-year period, together with a claim for treble damages pursuant to M.G.L. c. 93A. On December 15, 1983 the Massachusetts Supreme Judicial Court affirmed an order of the Massachusetts Superior Court dismissing the BHA's claim of unconstitutional and unfair electric rate discrimination and remanded the claim for steam overcharges (approximately $4,000,000) to the Superior Court for completion of the pleadings and trial.

Item 2. Changes in Securities

See Notes 2 and 7 of Notes to Unaudited Financial Statements included Part I of this Form 10-Q.

Item 3. Defaults Upon Senior Securities - None

Item 4. Submission of Matters to a Vote of Security Holders - Not Applicable

Item 5. Other Information - None

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits Filed Herewith:

Exhibit 3 - Articles of Incorporation and Bylaws

3.1 - Boston Edison Company Bylaws April 19, 1977 as amended January 22, 1987, January 28, 1988, May 24, 1988 and November 22, 1989.

Exhibit 12 - Computation of Ratio of Earnings to Fixed Charges

12.1 - Computation of Ratio of Earnings to Fixed Charges

Item 6. Exhibits and Reports on Form 8-K (Continued)

Exhibit 15 - Letter re: unaudited financial information

15.1 - Report of Independent Certified Public Accountants

Exhibit 28 - Other Exhibits

28.1 - Letter of Independent Certified Public Accountants

Re: Form S-3 Registration Statements filed by the Company on November 18, 1985 (File No. 33-01614), July 15, 1986 (File No. 33-07103), and July 2, 1990 (File No. 33-35588), and Form S-3 Registration Statements filed by the Company on October 10, 1985 (File No. 33-00810) and July 28, 1986 (File No. 33-7558).

28.2 Settlement Agreement between Boston Edison Company and the Towns of Concord and Wellesley, Massachusetts, filed August 3, 1990 at FERC.

b) A Form 8-K was filed by the Company on June 28, 1990 with the Securities and Exchange Commission. The report contained information under Item 7, Financial Statements and Exhibits, which included the filing of the First Supplemental Indenture dated June 1, 1990.

SIGNATURE

Pursuant to the requirements 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
(Registrant)

Date: August 13, 1990

/s/ Robert J. Weafer, Jr.
Robert J. Weafer, Jr.
Controller and Chief
Accounting Officer

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT of 1934

For Quarter Ended March 31, 1990 — 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

NONE
Former name, former address and former fiscal year, if changed since last report.

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

Yes X No ____

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

Class	Outstanding at March 31, 1990
Common Stock, $5 par value	38,645,632 shares

Exhibit list appears on page 16.

BOSTON EDISON COMPANY

QUARTERLY REPORT ON FORM 10-Q

MARCH 31, 1990

BOSTON EDISON COMPANY

PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements.

BALANCE SHEETS

	March 31, 1990 (Unaudited)	December 31, 1989
	($ in thousands)	
ASSETS		
Property, plant and equipment, at original cost:		
Utility plant in service	$3,223,087	$3,172,132
Less: accumulated depreciation	971,182	950,298
	2,251,905	2,221,834
Nuclear fuel - net	89,165	93,839
Construction work in progress	73,768	83,827
Net utility plant	2,414,838	2,399,500
Investments in affiliated companies	22,675	22,427
Nuclear decommissioning fund	33,007	31,085
Current assets:		
Cash/Special Deposits	1,915	1,989
Accounts receivable	157,778	187,950
Accrued Utility Revenues (Note 6)	25,651	-0-
Materials and supplies, at average cost	90,199	89,643
Prepaid and other current assets	6,120	7,260
	281,663	286,842
Deferred debits:		
Deferred cost of cancelled nuclear unit (Note 5)	79,855	84,744
Deferred nuclear outage costs	1,934	2,309
Other	52,689	51,364
	$2,886,661	$2,878,271
CAPITALIZATION AND LIABILITIES		
Common stock equity:		
Par value $5 per share (Note 2)	$ 193,228	$ 192,630
Premium on common stock	310,137	308,561
Retained earnings	154,933	143,357
	658,298	644,548
Cumulative preferred stock:		
Non-mandatory redeemable series	83,000	83,000
Mandatory redeemable Series	50,000	50,000
Cumulative preference stock:		
Non-mandatory redeemable series	38,287	38,287
Mandatory redeemable series	50,000	50,000
First mortgage bonds	798,839	798,839
Unsecured Medium-Term Notes	150,000	150,000
Current liabilities:		
Long-term debt due within one year	5,675	5,675
Bank loans	35,000	39,000
Commercial paper	185,000	174,840
Accounts payable	83,099	115,891
Property and other taxes accrued	20,833	8,669
Interest accrued	22,073	21,104
Dividends payable	16,973	17,308
Other	5,177	7,008
Rate and Contract Settlements (Note 3)	88,457	89,541
	462,287	479,036
Commitments and Contingencies (Notes 3 & 4)		
Deferred credits:		
Accumulated deferred income taxes	392,376	377,227
Accumulated deferred investment tax credits	93,688	94,835
Nuclear decommissioning reserve	37,125	35,409
Other	22,761	27,090
Rate Settlement (Note 3)	50,000	50,000
	$2,886,661	$2,878,271

See accompanying Notes to Unaudited Financial Statements.

BOSTON EDISON COMPANY
STATEMENTS OF INCOME
(Unaudited)
($ in thousands, except per share amounts)

	Three Months Ended	
	3/31/90	3/31/89
Operating revenues (Note 3):	$309,664	$296,253
Operating expenses:		
Fuel	88,099	67,969
Net purchased power/other	40,893	48,947
Other operations and maintenance (Note 3)	86,399	84,029
Depreciation and amortization	30,895	30,471
Amortization of deferred cost of canceled nuclear unit	6,095	6,095
Amortization of deferred nuclear outage costs (Note 3)	375	5,344
Taxes - property and other	14,295	15,535
Provision for income taxes	3,400	4,299
Total operating expenses	270,451	262,689
Operating income	39,213	33,564
Other income:		
Allowance for other funds used during construction	-0-	1,314
Other - net (Note 5)	1,283	2,012
Operating and other income	40,496	36,890
Interest charges:		
Long-term debt	22,351	22,891
Other	5,572	3,858
Allowance for borrowed funds used during construction - credit	(2,198)	(1,672)
Total interest charges	25,725	25,077
Net income before cumulative effect of accounting change	14,771	11,813
Cumulative effect of accrual for unbilled revenues, net of taxes of $9,819 (Note 6)	15,824	-0-
Net Income	30,595	11,813
Preferred and preference dividends provided	4,413	4,413
Balance available for common stock (Notes 3 & 4)	$ 26,182	$ 7,400
Common shares outstanding (weighted average)	38,599	38,002
Earnings per share of common stock:		
Before cumulative effect of accounting change	$0.27	$0.19
Cumulative effect of accrual of unbilled revenues (Note 6)	0.41	-0-
Total	$0.68	$0.19
Dividend declared per common share	$0.38	$0.455

See accompanying Notes to Unaudited Financial Statements.

BOSTON EDISON COMPANY
STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended	
	March 31, 1990	March 31, 1989
	($ in thousands)	
Cash Flows from Operating Activities:		
Net Income	$30,595	$11,813
Adjustments to reconcile net income to net cash provided by operating activities:		
Cumulative effect (net) for years prior to 1990 of accounting change for unbilled revenues (Note 6)	(15,824)	-0-
Depreciation	27,475	26,856
Amortization of Nuclear Fuel	6,323	417
Amortization of deferred cost of cancelled nuclear unit (net) (Note 5)	4,889	4,628
Other Amortization	3,054	4,750
Net Changes in:		
Accounts receivable	18,433	(11,177)
Accrued utility revenues (Note 6)	3,992	-0-
Materials & Supplies	(555)	(3,766)
Accounts Payable	(32,792)	(15,207)
Other current assets and liabilities	12,441	21,132
Allowance for Funds Used During Construction	(2,198)	(2,986)
(Increase) Decrease in Deferred Fuel	7,739	(3,392)
Increase (Decrease) in Deferred Income Taxes	6,206	(327)
(Decrease) in Investment Tax Credit, net	(1,147)	(1,270)
Amortization of Deferred Nuclear Outage Costs	375	5,344
Net Change in Other Deferred Debits and Credits	(6,281)	16,180
Cash Outlays:		
Rate and Contract Settlements	(1,084)	-0-
Net Cash Provided by Operating Activities	61,641	52,995
Cash Flows (Used) by Investing Activities:		
Plant Expenditures (excluding AFUDC)	(48,524)	(43,893)
Decommissioning Fund	(1,922)	(1,326)
Investments in Affiliated Companies	(248)	(8,025)
Net Cash Flows (Used) by Investing Activities	(50,694)	(53,244)
Cash Flows Provided (Used) by Financing Activities:		
Issuances of Common Stock	2,173	2,897
Increase in Notes Payable	6,160	18,620
Dividends Paid	(19,354)	(21,356)
Net Cash Provided (Used) by Financing Activities	(11,021)	161
(Decrease) in Cash	(74)	(88)
Cash at the Beginning of the Year	1,989	3,235
Cash at the End of the Period	$ 1,915	$ 3,147
Cash paid during the period for:		
Interest	$26,954	$25,608
Less: Amounts Capitalized	(2,198)	(1,672)
Total	$24,756	$23,936
Income Taxes	$ 2,225	$ 9,917

See accompanying Notes to Unaudited Financial Statements.

BOSTON EDISON COMPANY

NOTES TO UNAUDITED FINANCIAL STATEMENTS

1) Basis of Presentation

Certain information and footnote disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles, have been condensed or omitted in this Form 10-Q pursuant to the Rules and Regulations of the Securities and Exchange Commission. However, in the opinion of Boston Edison Company (the Company), the disclosures contained in this Form 10-Q are adequate to make the information presented not misleading. These statements should be read in conjunction with the financial statements and the notes thereto and all other information included in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1989.

In the opinion of the Company, the accompanying unaudited financial statements reflect all adjustments, including normal recurring accruals, necessary to present fairly the financial position as of March 31, 1990 and the results of operations and cash flows for the three months ended March 31, 1990 and 1989. Certain prior year balances have been reclassified to reflect current classifications.

The results of operations for the three months ended March 31, 1990 are not indicative of the results which may be expected for the full year. During 1989 and 1988, the Company experienced major fluctuations in quarterly net income. The Company's kWh sales and base revenues are seasonal in nature, with both being lower in the spring and fall seasons. In addition, pursuant to retail rate orders of the Commonwealth of Massachusetts Department of Public Utilities ("DPU"), base retail rates billed to customers are, on average, forty percent higher in the billing months of July through October. Accordingly, a significant portion of annual earnings occurs in the Company's third quarter. See "Management's Discussion and Analysis of Results of Operations and Financial Condition" included in Part I of this Form 10-Q and Item 1(c)(1)(v) "Seasonal Nature of Business" in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1989.

In the first quarter of 1990 the Company began accruing the non-fuel portion of base revenues for services rendered but not billed to more closely match revenues and expenses. Prior to this adoption, the Company recognized revenues when services were billed. See also Note 6 of Notes to Unaudited Financial Statements.

2) Securities Issued

The Company issued 119,547 shares of its common stock in accordance with the Dividend Reinvestment and Common Stock Purchase Plan during the quarter ended March 31, 1990.

At March 31, 1990, the Company had 50,000,000 shares of common stock authorized, of which 38,645,632 shares were issued and outstanding. See Note 1 of Notes to Schedules of Capital Stock and Indebtedness included in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1989.

3) Settlement of Certain Proceedings

On October 31, 1989, the DPU approved a settlement agreement effective November 1. 1989 (the "DPU Settlement Agreement"), relating to certain DPU proceedings involving the Company. In addition, in January 1990 and in April 1990, the Company entered into settlement agreements with certain wholesale customers (the "Wholesale Settlement Agreements"), to resolve a portion of certain pending regulatory and legal proceedings concerning long-term purchased power contracts with such customers for a portion of the output of the Pilgrim Nuclear Power Station ("Pilgrim Station"). The Wholesale Settlement Agreements are subject to the approval of the Federal Energy Regulatory Commission ("FERC"). As a result of the DPU Settlement Agreement and the Wholesale Settlement Agreements, the Company recorded in the fourth quarter of 1989 a before-tax charge of $178,650,000 (including a reserve for remaining regulatory proceedings and related litigation in connection with the FERC proceedings described above), with an after-tax effect of approximately $106,280,000 or $2.78 per share of Common Stock.

The Towns of Concord and Wellesley, MA, (the Towns) which receive approximately 2% of the output of Pilgrim Station through the Company's all-requirements service to the Towns, and intervened in the FERC proceedings described above, are not parties to the Wholesale Settlement Agreements. The FERC procedural schedule as to the Towns has been suspended until May 21, 1990. The Towns and the Company are attempting to reach a negotiated settlement. Any settlement agreement which is reached between the Towns and the Company will be subject to approval by the FERC. The Company believes that reserves previously established in the fourth quarter of 1989 are adequate to cover the settlement with the Towns. See also Item 1(c)(1)(ii) "Expected Plant Expenditures and Related Financing" (subheading - "Regulation") included in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1989 and Item 2, "Management's Discussion and Analysis" hereunder.

4) Commitments and Contingencies (See also Note 3)

a) Wholesale and Contract Customers

On July 24, 1987, the Towns of Concord, MA and Wellesley, MA (the Towns) filed a complaint against the Company in the United States District Court for the District of Massachusetts alleging violation of the federal antitrust laws. The Company supplies substantially all of the electric power requirements of the Towns. The Towns' complaint included allegations of price discrimination, anticompetitive restriction and price squeeze. In May 1989, a jury determined that the Company had violated federal antitrust laws and awarded damages of $13,100,000, which results in a total judgment of $39,300,000 when trebled under antitrust law. If upheld, the judgment (which is not reflected in the accompanying financial statements) would represent a charge to earnings of approximately $0.64 per share of common stock. The Company has appealed the judgment to the United States Court of Appeals for the First Circuit, which heard oral arguments in the case on April 5, 1990. Management believes that the decision is contrary to the facts and applicable law and that it is unlikely that this judgment will be upheld on appeal.

b) Hazardous Waste

Under the requirements of the applicable state and federal "Superfund" laws and regulations adopted thereunder, the Company and others are exposed to potential joint and several liability with respect to the clean-up 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 clean-up costs at a number of such sites in Massachusetts and other states. While the Company is unable at this time to predict the ultimate total clean-up costs for such sites or what its share of costs will be for each such site, on the basis of information presently available, the Company believes the likelihood that it would incur any material liability in connection with such sites to be remote.

c) Generating Unit Performance Program

In compliance with a 1981 amendment to the Massachusetts statute under which the Company recovers its fuel and purchased power costs, 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 generating 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 generating unit performance program covered the period November 1, 1988 to October 31, 1989. On May 2, 1990, the DPU issued an order in which it made a finding of no imprudent or unreasonable actions by the Company in the operation of its generating units during this period. Consequently, the DPU did not require any refunds of money previously recovered through the fuel charge to be made to the Company's customers.

5) Cancelled Nuclear Unit

The Company commenced amortizing the cost of the cancelled Pilgrim 2 nuclear unit in May 1982 over approximately eleven and one-half years pursuant to retail rate orders of the DPU. Such costs include certain financial carrying costs that will be reviewed and may be increased or decreased from time to time by the DPU.

The adoption of SFAS No. 90 had the effect of increasing net income for the three months ended March 31, 1990 and March 31, 1989 by $745,000 ($0.02 per share) and $905,000 ($0.02 per share), net of taxes of $462,000 and $562,000, respectively, due to the inclusion in net income of the imputed interest income related to the cancelled Pilgrim 2 nuclear unit costs being recovered through revenues from customers. The unamortized discount at March 31, 1990 was approximately $9,243,000, with related deferred taxes of $3,539,000.

6) Change in Accounting Principle - Unbilled Revenues

Effective January 1, 1990, the Company began accruing the base portion of revenues for services rendered but not billed, in order to more closely match revenues with expenses. The cumulative effect of this accounting change as of January 1, 1990 was to increase earnings by $0.41 per common share ($15,824,000, net of taxes of $9,819,000). In addition, the effect of this change on the quarter ended March 31, 1990 operating results was to reduce earnings by $0.06 per common share ($2,463,000, net of taxes of $1,529,000).

Had the Company been accruing unbilled revenues in 1989, the pro forma effect of this change on the quarter ended March 31, 1989 results would have been as follows (in thousands, except earnings per share):

	As Reported	Pro forma
Net Income	$11,813	$9,737
Balance available for Common Stock	7,400	5,324
Earnings Per Common Share	$0.19	$0.14

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition for the Three Months Ended March 31, 1990 Versus the Comparable 1989 Period

Regulatory Proceedings

On October 31, 1989, the Commonwealth of Massachusetts Department of Public Utilities approved a settlement agreement effective November 1, 1989, relating to certain DPU proceedings involving the Company. In addition, in January and April 1990, the Company entered into settlement agreements with certain wholesale customers (the "Wholesale Settlement Agreements") to resolve most of certain pending regulatory and legal proceedings concerning long-term purchased power contracts with such customers for a portion of the output of Pilgrim Nuclear Power Station ("Pilgrim Station"). The Wholesale Settlement Agreements are subject to the approval of the Federal Energy Regulatory Commission ("FERC"). As a result of the DPU Settlement Agreement and the Wholesale Settlement Agreements, the Company recorded in the fourth quarter of 1989 a before-tax charge of $178,650,000 (including a reserve for remaining regulatory proceedings and related litigation in connection with the FERC proceedings described above), with an after-tax effect of $106,280,000 or $2.78 per share of common stock.

Although the DPU Settlement Agreement and the Wholesale Settlement Agreements have removed major uncertainties facing the Company, other uncertainties remain and are discussed further under the section entitled "Outlook for 1990 and Beyond".

Results of Operations - Three Months Ended March 31, 1990 Versus Three Months Ended March 31, 1989

Earnings per common share amounted to $0.68 for the three months ended March 31, 1990 as compared to $0.19 per common share for the same period last year. The results of operations for the three months ended March 31, 1990 include $0.41 per common share due to the cumulative effect of a change in accounting principle effective January 1, 1990 (accrual of unbilled revenues), as discussed further in Note 6 of Notes to Unaudited Financial Statements included in Part I of this Form 10-Q. Excluding the cumulative effect of the change in accounting principle, earnings amounted to $0.27 per common share for the three months ended March 31, 1990 as compared to $0.19 per common share ($0.14 per common share on a pro forma basis) for the same period last year.

Total operating revenues amounted to $309,664,000, an increase of 4.5%, as follows:

	(000's)
0.4% increase in retail kWh sales	$2,606
Performance clause revenues (a)	5,187
Increase in fuel and purchased power adjustment clause revenues	8,408
Other, net	(2,790)
Increase in total revenues	$13,411

(a) As part of the DPU Settlement Agreement, effective November 1, 1989, the Company is permitted to increase retail rates by approximately $20,000,000 over the period from November 1, 1989 to October 31, 1990 (subject to adjustment based upon the operation of Pilgrim Station).

Results of Operations - Three Months Ended March 31, 1990 Versus Three Months Ended March 31, 1989 (Continued)

The large increases in fuel and purchased power revenues and fuel and purchased power expenses of $8,408,000 and $12,076,000, respectively, are due primarily to a temporary undercollection of fuel costs in 1989 as opposed to an overcollection in the same period this year. Generation from Company owned facilities was up 22% in the first quarter of 1990, with a corresponding 43% decline in kWh purchases from other utilities. The major portion of fuel and purchased power expenses are recovered through fuel and purchased power clauses with the balance being recovered through the base rates. Other operation and maintenance expenses increased $2,370,000, primarily as a result of increases in scheduled maintenance expense, and employee benefits expense; 1989 activity included a $1,500,000 provision for a potential writeoff of certain Pilgrim Station capital investments. Amortization of deferred nuclear outage costs decreased $4,969,000; the remaining balance of such costs was charged to income in the fourth quarter of 1989 as part of a before tax charge of $178,650,000 as discussed previously.

Property and other tax expense decreased $1,240,000 due to lower property taxes as a result of the settlement of a tax dispute with the City of Boston, MA. The Company's effective income tax rates for the first quarters of 1990 and 1989 were 30.9%, and 30.6%, respectively. In accordance with the terms of the DPU Settlement Agreement, the Company is restoring to income certain municipal tax abatements and deferred income taxes in 1990.

Other income decreased $729,000; 1989 activity included approximately $900,000 of interest income relating to financial advances to certain transmission companies in which the Company has invested interests.

AFUDC totaled $2,198,000, a decrease of 26% from 1989, due to a large decrease in the construction work in progress base. Total interest expense increased $1,174,000, primarily related to an increase in the average short-term loan balance outstanding, which is necessary to support the Company's ongoing program of plant expenditures.

Financial Condition and Liquidity

See Part II, Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1989. See Notes 2, 3 and 4 of Notes to Unaudited Financial Statements included in Part I of this Form 10-Q.

The Company currently has short-term borrowing authority from the FERC of $350,000,000, which the Company deems adequate to cover working capital and other liquidity requirements. The Company meets working capital requirements, as well as the interim financing necessary for its current program of plant expenditures, primarily by internally generated funds, supplemented by the issuance of short-term commercial paper and bank borrowings. As of March 31, 1990, the Company had $220,000,000 of short-term debt outstanding. The Company also arranged for a three year, $350,000,000 revolving credit facility in May 1988. Effective March 10, 1990, the Company amended this revolving credit agreement. The amendment reduces the credit line to $330,000,000 and

extends the agreement until February 28, 1993. As of March 31, 1990, the Company had not applied to the DPU for regulatory approval to incur long-term debt under this agreement, nor had the Company incurred any short-term debt thereunder. The Company also has arrangements with certain banks to provide additional short-term credit on an uncommitted and as available basis.

During 1989 the Company filed a registration statement with the Securities and Exchange Commission seeking approval to issue $100,000,000 of debt securities (together with $65,000,000 of previously registered First Mortgage Bonds). This registration statement became effective on January 29, 1990. The Company's current intention is to issue securities pursuant to this registration statement during 1990 for capital expenditures for extensions, additions and improvements to the Company's plant and properties or for the payment of obligations incurred for such expenditures. As of the date of this filing, no securities have been issued in relation to these filings.

In April 1990 the Company redeemed the remaining $16,139,000 of outstanding Series T (12 1/4%) and Series V (12 5/8%) First Mortgage Bonds, at a redemption price approximating 110% of par value plus accrued interest.

The Company generated sufficient cash flow in the twelve months ended March 31, 1990 to meet all debt service requirements, however, as a result of recording the charges associated with both the DPU Settlement Agreement and the Wholesale Settlement Agreements in the fourth quarter of 1989, the Company's ratio of earnings to fixed charges was 0.76X for the twelve months ended March 31, 1990. The Company would have needed to generate additional taxable income of approximately $28,458,000 to cover its fixed charges of approximately $117,590,000 incurred in the twelve months ended March 31, 1990.

Outlook for 1990 and Beyond

In connection with the DPU Settlement Agreement, the Company has agreed to limit its retail revenue increases prior to November 1, 1992 to approximately 2% per year, subject to adjustment based on Pilgrim Station's performance. Accordingly, the Company's ability to maintain or increase earnings through such period will depend primarily on its ability to control costs and increase kilowatthour sales, as well as the efficient operation of Pilgrim Station. During the period November 1, 1992 through October 31, 2000, the Company has agreed to institute a new cost recovery mechanism, which is also tied to Pilgrim Station's performance, for a portion of the Company's investment and costs related to Pilgrim Station. As a result, the Company's potential earnings after 1992 will continue to depend, in part, upon the efficient operation of Pilgrim Station. In connection with the DPU Settlement Agreement the Company also agreed to expend over the next three years, and not seek recovery for, $75,000,000 on certain demand-side management programs. See also Item 1(c)(i)(ii) "Expected Plant Expenditures and Related Financing" (subheading - "Regulation") included in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1989.

On February 12, 1990, the NRC formally accepted the completion of the power ascension and test program at Pilgrim Station which began in December 1988. During the period from November 1, 1989 through April 30, 1990 Pilgrim Station operated at a capacity factor of approximately 62%, which was within the neutral zone of 60% to 76%. Pilgrim Station underwent a planned surveillance outage from March 11, 1990 to April 28, 1990.

A large portion of the Company's kWh sales are in the commercial sector as compared to the industrial sector. While the Company does not anticipate any significant effects from a continuation of the current slowdown in the regional economy, the Company does not anticipate significant growth in retail kWh sales. Retail kWh sales for the three months ended March 31, 1990 were 0.4% greater than the same period last year. The Company's growth in base revenues may also be reduced by the implementation of demand-side management programs. Additional information relating to the seasonality of the Company's kWh sales, base revenues, and quarterly earnings can be found in Note 1 of Notes to Unaudited Financial Statements included in Part I of this Form 10-Q.

The Company may have additional financial exposure with respect to a jury verdict of $39,300,000 against the Company in an antitrust suit which the Company is currently appealing (as discussed further in Note 4(a) of Notes to Unaudited Financial Statements included in Part I of this Form 10-Q); management believes that the decision is contrary to the facts and applicable law and that it is unlikely that the judgment will be upheld on appeal. The Company has been named as a potentially responsible party by certain environmental authorities with respect to the clean up of certain hazardous waste sites; the Company believes that it is remote that it will incur any significant liability with respect to such claims (see Note 4(b) of Unaudited Notes to Unaudited Financial Statements).

The Company began negotiations involving its labor contracts on January 22, 1990 which are continuing through the contract expiration date of May 15, 1990.

On May 1, 1990 the Company filed its Long-Range Forecast of Electric Power Needs and Requirements for the years 1990-2014 with the Massachusetts Energy Facilities Siting Council for approval relating to the electric service needs and requirements of the Company's service area. Included with this filing was also a request for approval of the Edgar Energy Park project which is a 306 MW combined cycle generating station which the Company proposes to construct on the former site of the Company's now retired Edgar Generating Station in Weymouth, Massachusetts. Also on May 1, 1990 the Company filed with the DPU a request for a zoning exemption for the Edgar Energy Park Project. Assuming the successful completion of permitting activities and receipt of regulatory approvals, it is anticipated that construction of this facility could start in the first half of 1991 should the Company so elect.

In March 1990 the Company announced plans to spend up to $213,000,000 (in 1990 dollars) over the next five years as part of its energy conservation plan in its retail service area. Included in these expenditures is $75,000,000 resulting from the DPU Settlement Agreement, for which the Company will not seek recovery (as discussed previously in Note 3 of Notes to Unaudited

Financial Statements included in Part I of this Form 10-Q). Recovery of expenditures of amounts in excess of $75,000,000 will be sought according to DPU guidelines and regulations.

Approximately 26% of the output from Pilgrim Station is sold to other utilities pursuant to long-term purchased power contracts which require such purchasers to pay a proportionate share of the costs of the plant. In December 1987, complaints were filed at the FERC against the Company by two utilities that receive approximately twelve percent of the total output from Pilgrim Station pursuant to such long-term purchased power contracts. The complaints alleged that the Company mismanaged the operation of the unit and sought, among other relief, termination of the Pilgrim contract and reimbursement for damages incurred. Billings pursuant to such contracts (excluding fuel) from April 12, 1986 through March 31, 1990 were approximately $310,000,000. The Company filed responses denying the utilities' allegations. All Pilgrim contract customers, with the exception of one municipal light department, intervened in the proceedings before FERC. One utility and thirteen municipal light departments filed complaints in court seeking additional relief. In addition, the Towns of Concord, MA and Wellesley, MA, wholesale customers of the Company which receive about 2% of Pilgrim's output through the Company's all-requirements service to them, intervened in these proceedings seeking reimbursement for replacement power costs incurred during the outage. The Company answered these complaints, and the courts stayed any further proceedings pending the outcome of the proceedings at FERC. In January 1990 and in April 1990, the Company entered into the Wholesale Settlement Agreements with the contract purchasers of 26% of the output of Pilgrim Station described above. The Wholesale Settlement Agreements are subject to approval by FERC. Pursuant to the Wholesale Settlement Agreements, the Company has agreed: (i) to compensate the settling parties for a portion of replacement power costs incurred during the Pilgrim Station outage and for certain demand side management programs in certain of such customers' service territories and (ii) to reimburse the parties for certain litigation costs. In addition, the Company has agreed not to bill such customers for a portion of the deferred incremental operations and maintenance costs incurred during the Pilgrim Station outage. As a result of the Wholesale Settlement Agreements, the Company anticipates making cash payments to the settling parties of approximately $50,000,000, the timing of which will be dependent upon the receipt of the necessary regulatory approvals. The Towns of Concord and Wellesley have not entered into Settlement Agreements with the Company, although negotiations are continuing with the Towns.

Other Uncertainties

Emergency Preparedness Plan for Pilgrim Station

On August 4, 1987, the Federal Emergency Management Agency ("FEMA") released the results of a review of the adequacy of the offsite emergency preparedness plan for Pilgrim Station. FEMA identified certain deficiencies in the then existing offsite emergency response plan and withdrew its previous interim finding of adequacy. The Company continues to work with The Commonwealth of Massachusetts (the "Commonwealth") and local officials to improve offsite emergency preparedness plans, which are the responsibility of the Commonwealth. The Commonwealth has submitted its draft emergency plan to FEMA for informal technical review. On October 12 and 13, 1989, the Company,

Emergency Preparedness Plan for Pilgrim Station

along with the Commonwealth and local officials, participated in a full scale emergency preparedness exercise for the Pilgrim Station. The program was monitored by the NRC and FEMA. On February 1, 1990, FEMA issued a report to the Commonwealth identifying two deficiencies in the Commonwealth's performance during the October drill and directed the state to schedule and successfully complete a remedial drill addressing these deficiencies. The Commonwealth in a letter to FEMA dated March 7, 1990 committed to conduct this remedial drill. The drill is scheduled for May 25, 1990. The Company cannot predict what action, if any, the NRC or FEMA might take if the Commonwealth's remedial drill is not deemed sufficient.

While progress has been made in emergency preparedness, formal approval of the emergency plans has not been obtained from any of the necessary parties. The NRC has indicated that it will continue to monitor emergency preparedness issues on an ongoing basis. The Commonwealth maintains that it has not determined whether adequate planning is possible for the area around Pilgrim Station. Without continued Commonwealth and local participation it would be extremely difficult to formulate emergency response plans satisfactory to the NRC. Various individuals, groups and public officials continue to monitor and oppose operations at Pilgrim Station.

Health Studies

Certain governmental agencies are currently conducting studies to determine whether there is a link between Pilgrim Station and purported elevated levels of radiation-sensitive cancer in certain communities near Pilgrim Station. According to media reports, the Commonwealth of Massachusetts Department of Public Health currently plans to release the results of its studies in the spring of 1990. The Company continues to monitor the situation closely and disputes any contention linking Pilgrim Station to any elevation in cancer levels.

BOSTON EDISON COMPANY

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

See Items (1)(c)(1)(ii), subcaption "Regulation", 1(c)(i)(xii): "Environmental Matters", and 3: "Legal Proceedings" in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1989. See also Notes 3 and 4 of Notes to Unaudited Financial Statements included in Part I of this Form 10-Q. See also Item 1(c)(1)(ii) "Expected Plant Expenditures and Related Financing" (subheading - "Regulation") in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1989 and Item 2 - "Management's Discussion and Analysis" included in Part I of this Form 10-Q.

On February 10, 1982 the Boston Housing Authority ("BHA") filed an action against the Company in the Massachusetts Superior Court seeking approximately $10,000,000 in damages for alleged overcharges for electricity and steam furnished over a six-year period, together with a claim for treble damages pursuant to M.G.L. c. 93A. On December 15, 1983 the Massachusetts Supreme Judicial Court affirmed an order of the Massachusetts Superior Court dismissing the BHA's claim of unconstitutional and unfair electric rate discrimination and remanded the claim for steam overcharges (approximately $4,000,000) to the Superior Court for completion of the pleadings and trial.

Item 2. Changes in Securities

See Note 2 of Notes to Unaudited Financial Statements included Part I of this Form 10-Q.

Item 3. Defaults Upon Senior Securities - None

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

a) The Company's Annual Meeting of Stockholders was held on Monday, May 7, 1990 in Boston, MA. Proxies for the meeting were solicited pursuant to Regulation 14A.

b) There was no solicitation in opposition to the Board of Directors' nominees, as listed in the proxy statement, for directors to be elected at the meeting and all such nominees were elected. See also Item 5 hereunder.

c) No other business was transacted other than the election of directors.

d) Not applicable.

Item 5. Other Information

Thomas J. Galligan, Jr. and Richard D. Hill, members of the Board of Directors, retired effective May 7, 1990. Charles K. Gifford, President of Bank of Boston, and Sherry H. Penney, Chancellor of the University of Massachusetts - Boston, were elected to the Board of Directors at the May 7, 1990 Annual Meeting of Stockholders.

BOSTON EDISON COMPANY
PART II - OTHER INFORMATION (Continued)

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits Filed Herewith:

Exhibit 1 - Underwriting Agreements

1.1 - Series B Medium-Term Notes Distribution Agreement

Exhibit 12 - Computation of Ratio of Earnings to Fixed Charges

12.1 - Computation of Ratio of Earnings to Fixed Charges

Exhibit 15 - Letter re: unaudited financial information

15.1 - Report of Independent Certified Public Accountants

Exhibit 18 - Letter re: Change in accounting principle

18.1 - Letter of Independent Certified Public Accountants

Exhibit 28 - Other Exhibits

28.1 - Letter of Independent Certified Public Accountants

Re: Form S-3 Registration Statements filed by the Company on November 18, 1985 (File No. 33-01614) and July 15, 1986 (File No. 33-07103), and June 30, 1989 (File No. 33-29628) and Form S-8 Registration Statements, filed by the Company on October 10, 1985 (File No. 33-00810) and July 28, 1986 (File No. 33-7558).

28.2 - Settlement Agreement Between Boston Edison Company and City of Holyoke Gas and Electric Department et.al., dated April 26, 1990. Master appendix is included. All appendices were identical.

b) Forms 8-K were filed by the Company on January 10, 1990, January 25, 1990 and February 14, 1990 with the Securities and Exchange Commission. The reports contained information under Item 5, Other Events, which included the Wholesale Settlement Agreements involving FERC proceedings, release of 1989 earnings, and the 1989 audited financial statements, respectively.

S I G N A T U R E

Pursuant to the requirements 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
(Registrant)

Date: May 14, 1990

/s/ Robert J. Weafer, Jr.
Robert J. Weafer, Jr.
Controller and Chief
Accounting Officer

SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 1989 — 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 $5 per share)	Boston Stock Exchange New York Stock Exchange
Preference Stock: $1.46 Series (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
First Mortgage Bonds: Series P, 9-1/4% Due 2007	New York Stock Exchange

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

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

YES X NO ____

State the aggregate market value of the voting stock held by non-affiliates of the registrant as of March 1, 1990 computed by reference to the last reported sale price of the Common Stock, $5 par value, of the registrant of the New York Stock Exchange Consolidated Tape on that date: $734,267,008.

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 March 1, 1990
Common Stock, $5 par value	**38,645,632 shares**

Documents Incorporated by Reference

Part	Document
I, II and III	Portions of Annual Report to Shareholders for Year Ended December 31, 1989
III	Portions of definitive Proxy Statement dated March 22, 1990 for Annual Meeting of Stockholders to be held May 7, 1990.

Exhibit List appears on page 34.

BOSTON EDISON COMPANY

ANNUAL REPORT ON FORM 10-K

December 31, 1989

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 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 (b): FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

The Company operates solely in the electric utility business. For information concerning the sale of the Company's steam heating business in 1987, see Note C of Notes to Financial Statements contained on Page 29 of the Annual Report to Shareholders for the year ended December 31, 1989 incorporated herein by reference.

In 1989 the Commonwealth of Massachusetts Department of Public Utilities (the "DPU") granted interim approval for the formation of Harbor Electric Energy Company, a wholly owned regulated subsidiary of the Company. The subsidiary will supply transmission service 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, 1989, the Company served approximately 640,000 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 sales statistics contained on page 38 of the Annual Report to Shareholders for the year ended December 31, 1989, 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 15 through 19 of the Annual Report to Shareholders for the year ended December 31, 1989, 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 for the periods 1990 through 1994 are shown in the following table.

($ in 000's in table and notes to table)	1990	1991	1992	1993	1994
Plant Expenditures (1)	$255,000	$260,000	$220,000	$200,000	$180,000
AFUDC (2)	12,000	16,000	11,000	13,000	11,000
First Mortgage Bond Maturities and Sinking Fund Requirements	5,675	6,800	21,800	6,800	6,800
Medium-Term Note Maturities	-	50,000	-	50,000	50,000
Mandatory Sinking Fund - 7.27% Preferred Stock	-	-	-	2,000	2,000
Stated Rate Auction Preference Stock (3)	-	-	-	-	-

(1) Included in the table are $51,000 of estimated contractual obligations at December 31, 1989 for plant and equipment (including nuclear fuel).

(2) Based upon assumed allowance for funds used during construction ("AFUDC") accrual rates of 8.0% - 9.0%.

(3) See Note 5 of Notes to Schedules of Capital Stock and Indebtedness contained on Pages 25 and 26 of the Annual Report to Shareholders for the year ended December 31, 1989, incorporated herein by reference, for information on potential mandatory redemption requirements on the Company's outstanding Stated Rate Auction Preference Stock commencing November, 1991.

As part of various settlement agreements between the Company, the DPU and certain wholesale customers, the Company expects to incur cash outlays of approximately $139,000,000, the timing of which is subject to receipt of the necessary regulatory approvals. See "Rate Proceedings and Pilgrim Nuclear Power Station" hereunder for additional information.

Funds generated internally represented approximately 59%, 43% and 48% of plant expenditures in 1989, 1988 and 1987, respectively. Plant expenditures associated with work at Pilgrim Station approximated $30,000,000 in 1989, $45,000,000 in 1988 and $158,000,000 in 1987. The remaining plant expenditures of $214,000,000 in 1989 were primarily related to improvements in the Company's transmission and distribution systems. It is expected that a portion of future plant expenditures will be funded internally.

During 1989 the Company filed a registration statement with the Securities and Exchange Commission seeking approval to issue $100,000,000 of debt securities (together with $65,000,000 of previously registered First Mortgage Bonds). This registration statement became effective on January 29, 1990. The Company's current intention is to issue securities pursuant to this registration statement in the first half of 1990 for such purposes as the refinancing of certain outstanding long-term indebtedness and for capital expenditures for extensions, additions and improvements to the Company's plant and properties or for the payment of obligations incurred for such expenditures. As of March 22, 1990 no securities have been issued in relation to this filing.

The Company's 1989 year-end capitalization ratios were 52% long-term debt, 12% preferred/preference stock and 36% common equity as compared to 1988 year-end levels of 50%, 12% and 38% and the 1987 year-end levels of 48%, 10% and 42%, respectively. The decline in 1989 in common equity was primarily

related to charges associated with various Settlement Agreements which were recorded in the fourth quarter of 1989 as discussed further hereunder. The Company does not expect to be able to satisfy net earning requirements necessary to issue additional shares of cumulative preferred stock before 1991. In addition, without approval of the holders of the Company's common stock, the aggregate liquidation value of all outstanding shares of preference stock cannot exceed $100,000,000; following the issuance of 500,000 shares of Stated Rate Auction Preference Stock in 1988, the Company may not issue additional shares of preference stock having a liquidation value in excess of approximately $10,000,000 without obtaining such approval.

The Company's securities ratings were not changed during 1989 by the three major rating agencies that rate utilities securities. Moody's Investors Services ratings are Baa1 for first mortgage bonds, preferred stock at baa2, preference stock at baa3 and commercial paper at Prime 2. Standard and Poor's ratings are BBB+ for first mortgage bonds, BBB for preferred stock, BBB- for preference stock, and A2 for commercial paper. The ratings from Duff & Phelps are BBB+ for first mortgage bonds, BBB- for preferred and preference stock and Duff 2 for commercial paper. The Company's Series A Unsecured Medium-Term Notes have been rated Baa2, BBB, and BBB by each of the aforementioned agencies, respectively. These ratings are subject to continuing review by the rating agencies. All three rating agencies have recently affirmed current security ratings.

The Company generated sufficient cash flow in 1989 to meet all debt service requirements. However, as a result of recording the charges associated with various Settlement Agreements (as discussed further hereunder), the Company's ratio of earnings to fixed charges declined to 0.52X in 1989. The Company would have needed to generate additional taxable income of approximately $55,708,000 to cover its fixed charges of approximately $116,445,000 in 1989. Excluding the effect of recording of these Settlement Agreements, the Company's ratio of earnings to fixed charges for 1989 would have been 2.06X.

Demand-Side Management Program Expenditures. In March 1990, the Company announced plans to spend up to $213,000,000 over the next five years as part of its energy conservation plan in its retail service area. Included in these expenditures is $75,000,000 resulting from the DPU Settlement Agreement, for which the Company will not seek recovery as discussed further in "Rate Proceedings and Pilgrim Nuclear Power Station" hereunder. Recovery of expenditures of amounts in excess of $75,000,000 will be sought according to DPU guidelines and regulations.

Liquidity and Working Capital Requirements. The Company currently has short-term borrowing authority of $350,000,000, which the Company deems adequate to cover working capital and other liquidity requirements. The Company meets working capital requirements, as well as the interim financing necessary for its current program of plant expenditures, primarily by internally generated funds supplemented by the issuance of short-term commercial paper and bank borrowings. The Company arranged for a three year $350,000,000 revolving credit facility in May of 1988. Effective March 10, 1990, the Company amended this revolving credit agreement. The amendment reduces the credit line to $330,000,000 and extends the agreement until February 28, 1993. As of December 31, 1989, the Company had not applied to the DPU for regulatory approval to incur long-term debt under this agreement, nor had the Company incurred any short-term debt thereunder. The Company also has arrangements with certain banks to provide additional short-term credit on an uncommitted and as available basis.

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 Federal Energy Regulatory Commission ("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 1988, the DPU implemented regulations which would 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. Ratepayers bear the risk of unanticipated demand reductions and fuel price changes.

The Company is actively participating in the DPU's rulemaking process governing Massachusetts electric companies concerning the acquisition of future supply and demand resources. Proposed DPU regulations set forth a procedure which would require electric companies to use an all-resource solicitation process to establish a mix of resources to guarantee least-cost, reliable service. These rules are anticipated to be in place by the end of 1990. These regulations also specify the rules by which electric utilities would receive cost-recovery for the construction of new utility plants, as well as demand-side management programs.

The Company is recovering through depreciation an annual provision for the cost of decommissioning Pilgrim Station at the end of its useful life. Funds collected for decommissioning are restricted in their use; such funds collected in rates are based upon the latest cost estimate to decommission the plant (immediate dismantlement method) as approved by the DPU (1985 estimate of $122,000,000). Securities held in the nuclear decommissioning fund are stated at cost, which approximates market. The Company will request approval of its updated estimate of decommissioning (currently $218,000,000) in its next retail rate case expected in 1992. The Company also collects a provision for the cost of decommissioning Pilgrim Station from contract customers.

In compliance with a 1981 amendment to the Massachusetts statute under which the Company recovers its fuel and purchased power costs, 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. On December 20, 1989, the DPU issued its decision in its annual review of the Company's generation unit performance for the period

November 1, 1987 through October 31, 1988. The DPU order disallowed certain replacement power costs totaling approximately $130,000. This amount was refunded to the Company's retail customers during the period May through October 1989.

The Company's most recent generation unit performance program covered the period November 1, 1988 to October 31, 1989. As in prior years, the Company did not meet all the DPU performance goals. On January 29, 1990, the DPU initiated a ninety day investigation of the performance of the Company's units (excluding Pilgrim Station) and the 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 for any amounts that may be refundable as a result of the foregoing has been made in 1989 however, in the opinion of management such amounts would not be material. Hearings began on March 13, 1990, with an order expected in the spring of 1990.

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.

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.

Nuclear power continues to be a subject of political controversy and public debate which is manifested from time to time in the form of requests for various kinds of federal, state and local legislative or regulatory action, through direct voter initiatives or referenda, or through the institution of litigation. The Company cannot predict the extent, cost or timing of any modifications to Pilgrim Station which might be required in the future as a result of additional regulatory or other requirements nor can it determine the effect of such future requirements on the continued operation of Pilgrim Station.

Rate Proceedings and Pilgrim Nuclear Power Station

On October 31, 1989, the DPU approved a settlement agreement effective November 1, 1989 (the "DPU Settlement Agreement") relating to certain DPU

proceedings involving the Company. In addition, in January 1990, the Company entered into settlement agreements with certain wholesale customers (the "Wholesale Settlement Agreements") to resolve a portion of certain pending regulatory and legal proceedings concerning long-term purchased power contracts with such customers for a portion of the output of Pilgrim Nuclear Power Station ("Pilgrim Station"). The Wholesale Settlement Agreements are subject to the approval of the Federal Energy Regulatory Commission("FERC"), as well as, in part, approval by the DPU of a related agreement. As a result of the DPU Settlement Agreement and the Wholesale Settlement Agreements, the Company recorded in the fourth quarter of 1989 a before-tax charge of $178,650,000 (including a reserve for remaining regulatory proceedings and related litigation in connection with the long-term purchased power dispute described above), with an after-tax effect of approximately $106,280,000 or $2.78 per share of Common Stock.

Although the DPU Settlement Agreement and the Wholesale Settlement Agreements have removed certain major uncertainties facing the Company, other uncertainties remain. (See "Management's Discussion and Analysis" and Note G of "Notes to Financial Statements" contained on pages 15 through 19 and 30 through 31, respectively, of the Annual Report to Shareholders for the year ended December 31, 1989, incorporated herein by reference.)

Settlement of Certain DPU Proceedings

On October 31, 1989, the DPU approved the DPU Settlement Agreement resolving certain DPU proceedings involving the Company. These proceedings involved: (i) consideration of the recovery of approximately $300,000,000 of replacement fuel and purchased power costs associated with the 1986-1989 Pilgrim Station outage and power ascension program; (ii) a petition by certain customers of the Company requesting that the DPU remove from the Company's retail rate base all investments in Pilgrim Station; and (iii) the Company's request for a retail rate increase of $85,800,000. The Settlement Agreement was proposed by the Company, the Attorney General of the Commonwealth of Massachusetts and other interested parties to the proceedings.

Pursuant to the DPU Settlement Agreement, the Company has agreed: (i) to limit its retail revenue increases prior to November 1, 1992 to approximately 2% per year (except in the case of certain changes in tax law, or a significant increase or decrease in expenses due to a change in law or a catastrophic event), subject to adjustment based on Pilgrim Station's performance; (ii) to expend and not seek recovery of $75,000,000 which will be spent over the next three years on certain demand-side management programs and overseen by a special board consisting of representatives from the Company and various public agencies and groups; (iii) to implement during the period November 1, 1992 through October 31, 2000 a new cost recovery mechanism for the recovery of a portion of the Company's investment in and operations and maintenance costs related to Pilgrim Station; and (iv) not to seek recovery of the retail portion of approximately $101,000,000 of incremental operations and maintenance costs incurred during the Pilgrim Station outage (of which approximately $70,000,000 had been amortized through December 31, 1989, with the balance included as part of the fourth quarter charge described above).

Under the DPU Settlement Agreement, the Company is allowed consecutive annual retail revenue increases of $20,000,000 effective November 1, 1989, $22,500,000 effective November 1, 1990, and $25,000,000 effective November 1, 1991, subject to adjustment in accordance with Pilgrim Station's performance measured by its capacity factor and by NRC and certain other industry

standards. For the period November 1, 1989 through October 31, 1992, no adjustment will be made if Pilgrim Station's capacity factor is between 60% and 76%. For each 1% below 60%, revenues will be reduced $1,000,000 with a maximum additional decrease of $30,000,000, and for each 1% in excess of 76%, revenues will be increased by $1,000,000 with a maximum additional increase of $15,000,000. In addition, revenues will be adjusted based on the Company's average Systematic Assessment of Licensee Performance ("SALP") ratings issued by the NRC (resulting in a maximum additional decrease in revenues of $6,000,000 and a maximum additional increase of $3,000,000, with no adjustment for an average SALP rating between 1.6 and 1.8). Adjustments due to Pilgrim Station's performance in relation to other industry standards could result in an annual maximum additional decrease in revenues of $3,000,000 and a maximum additional increase of $1,500,000.

Between November 1, 1992 and October 31, 2000, recovery of the undepreciated portion of approximately $50,000,000 of capital additions made to Pilgrim Station during the outage, one-fourth of the Company's undepreciated post-1988 capital additions and one-fourth of the annual operations and maintenance expenses at Pilgrim Station will be recovered through a per-kilowatthour charge, subject to adjustment based upon the same NRC and industry standards applied during the period November 1, 1989 through October 31, 1992. In addition, in the event that Pilgrim Station operates below a 35% capacity factor in a year between November 1, 1992 and October 31, 2000, the DPU Settlement Agreement incorporates a revenue floor which entitles the Company to bill retail customers the per kilowatthour charge as if the plant operated at a capacity factor of 35% on the first such occurrence. Each time the Company elects to utilize the revenue floor, it is reduced for subsequent years. Other Pilgrim Station costs will continue to be recovered in retail base rates.

Under the DPU Settlement Agreement, the Company will not be required to make any refund to retail customers of Pilgrim Station replacement fuel and purchased power costs incurred through October 3, 1989 (the date the DPU Settlement Agreement was filed with the DPU). Also, the parties to the DPU Settlement Agreement have agreed not to challenge the prudency of any capital costs incurred at Pilgrim Station prior to December 31, 1988 (the approximate date of the commencement of Pilgrim Station's power ascension program). Finally, if the Company would not otherwise achieve retail rates of return of 11.0% in 1990, 11.5% in 1991, and 12.0% in 1992, the Company may make certain accounting adjustments (but only to the extent that such adjustments do not result in the Company's exceeding such retail rates of return): (i) by reducing deferred income tax expense by $2,000,000 in 1990, $13,000,000 in 1991, and $23,000,000 in 1992 and (ii) by accelerating the amortization period for certain municipal property tax abatements, totaling approximately $37,000,000, from six years to three years.

On February 12, 1990, the NRC formally accepted the completion of the power ascension and test program at Pilgrim Station which began in December 1988. During the period from November 1, 1989 through February 28, 1990 Pilgrim Station operated at a capacity factor of 84.8%, which was above the neutral zone of 60% to 76%. Pilgrim Station began a planned surveillance outage on March 11, 1990 which is expected to last about six weeks.

Proceedings Regarding Long-Term Purchased Power Contracts

Approximately 26% of the output from Pilgrim Station is sold to other utilities pursuant to long-term purchased power contracts which require such purchasers to pay a proportionate share of the costs of the plant. In December 1987, complaints were filed at the FERC against the Company by two utilities that receive approximately twelve percent of the total output from Pilgrim Station pursuant to such long-term purchased power contracts. The complaints alleged that the Company mismanaged the operation of the unit and sought, among other relief, termination of the Pilgrim contract and reimbursement for damages incurred. Billings pursuant to such contracts (excluding fuel) from April 12, 1986 through December 31, 1989 were approximately $288,000,000. The Company filed responses denying the utilities' allegations. All Pilgrim contract customers, with the exception of one municipal light department, intervened in the proceedings before FERC. One utility and thirteen municipal light departments filed complaints in court seeking additional relief. In addition, the Towns of Concord, MA and Wellesley, MA, wholesale customers of the Company, intervened in these proceedings seeking reimbursement for replacement power costs incurred during the outage. The Company answered these complaints, and the courts stayed any further proceedings pending the outcome of the proceedings at FERC. In January 1990, the Company entered into the Wholesale Settlement Agreements with certain of the parties to the proceedings described above. The Wholesale Settlement Agreements are subject to approval by FERC, as well as, in part, approval by the DPU of a related agreement. Parties to the Wholesale Settlement Agreements have contracts to purchase approximately 23% of the output of Pilgrim Station. Pursuant to the Wholesale Settlement Agreements, the Company has agreed: (i) to compensate the settling parties for a portion of replacement power costs incurred during the Pilgrim Station outage and for certain demand side management programs in certain of such customers' service territories and (ii) to reimburse the parties for certain litigation costs. In addition, the Company has agreed not to bill such customers for a portion of the deferred incremental operations and maintenance costs incurred during the Pilgrim Station outage. As a result of the Wholesale Settlement Agreements, the Company anticipates making cash payments to the settling parties of approximately $45,000,000, the timing of which will be dependent upon the receipt of the necessary regulatory approvals.

Thirteen municipal light departments, having contracts for less than 3% of the output of Pilgrim Station (for which billings pursuant to such contracts, excluding fuel, from April 12, 1986 through December 31, 1989 were approximately $33,000,000), as well as the Towns of Concord and Wellesley, MA, are not parties to the Wholesale Settlement Agreements. On February 22, 1990, the procedural schedule was suspended for four weeks on the grounds that the thirteen municipal light departments and the Company believe that they had arrived at a basis for settling the disputes between them. Any settlement agreements which are reached between the Municipal light departments and the Company will be subject to approval by the FERC. Negotiations are continuing with the Towns of Concord and Wellesley. The Company believes that reserves previously established in the fourth quarter of 1989 are adequate to cover these tentative settlements.

Emergency Preparedness Plan for Pilgrim Station

On August 4, 1987, the Federal Emergency Management Agency ("FEMA") released the results of a review of the adequacy of the offsite emergency preparedness plan for Pilgrim Station. FEMA identified certain deficiencies in the then existing offsite emergency response plan and withdrew its previous interim finding of adequacy. The Company continues to work with The

Commonwealth of Massachusetts (the "Commonwealth") and local officials to improve offsite emergency preparedness plans, which are the responsibility of the Commonwealth. The Commonwealth has submitted its draft emergency plan to FEMA for informal technical review. On October 12 and 13, 1989, the Company, along with the Commonwealth and local officials, participated in a full scale emergency preparedness exercise for the Pilgrim Station. The program was monitored by the NRC and FEMA. On February 1, 1990, FEMA issued a report to the Commonwealth identifying two deficiencies in the Commonwealth's performance during the October drill and directed the state to schedule and successfully complete a remedial drill demonstrating rectification of these deficiencies. The Commonwealth in a letter to FEMA dated March 7, 1990 committed to conduct this remedial drill. It is anticipated that the drill will be conducted sometime during the spring of 1990. The Company cannot predict what action, if any, the NRC Staff might take if such a demonstration is not made.

While progress has been made in emergency preparedness, formal approval of the emergency plans has not been obtained from any of the necessary parties. The NRC has indicated that it will continue to monitor emergency preparedness issues on an ongoing basis. The Commonwealth maintains that it has not determined whether adequate planning is possible for the area around Pilgrim Station. Without continued Commonwealth and local participation it would be extremely difficult to formulate emergency response plans satisfactory to the NRC. Various individuals, groups and public officials continue to monitor and oppose operations at Pilgrim Station.

Health Studies

Certain governmental agencies are currently conducting studies to determine whether there is a link between Pilgrim Station and purported elevated levels of radiation-sensitive cancer in certain communities near Pilgrim Station. According to published reports, the Commonwealth of Massachusetts Department of Public Health currently plans to release the results of its studies in the spring of 1990. The Company continues to monitor the situation closely and disputes any contention linking Pilgrim Station to any elevation in cancer levels.

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

The Company's generation units, other than Pilgrim Station, are oil or oil and natural gas-fired. Fossil fuel related expenses (excluding net purchased power) accounted for approximately 24%, 19% and 23% of the Company's total electric operating expenses in each of the years ended December 31, 1989, 1988, and 1987, respectively. The Company's generation (excluding net purchased power) by type of fuel since 1985 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 (¢)				
	1989	1988	1987	1986	1985	1989	1988	1987	1986	1985
Oil	53.7	89.8	76.3	81.9	33.5	267.08	228.53	278.8	239.4	420.7
Nuclear..	14.6	--	--	10.4	40.1	56.79	--	--	102.5	63.7
Nat. Gas.	31.6	10.2	23.7	7.7	26.4	234.26	212.83	231.1	227.7	336.4

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

Oil. The majority of the Company's residual oil purchases involve imported oil acquired primarily from international suppliers. The Company has contracts with major oil companies which can supply most of the Company's estimated requirements, assuming no major disruptions in the oil producing regions of the world that cut off important sources of oil. 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. 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 generation 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.

Purchased Power. 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 21.8%, 39.3% and 34.1% of the Company's total system kWh output in each of the years ended December 31, 1989, 1988 and 1987, respectively. These purchased energy percentages are higher than normal due to the extended outage of the Pilgrim Station. 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, and Company planned future purchases of power from cogenerators and/or independent power producers.

Nuclear. 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 1993. 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 - 1991; enrichment - 2001; fabrication - 2004.

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 customers during the billing months of July through October, which is usually when the Company has experienced its annual peak load. The Company's retail rate order established in June of 1986 directed that a further portion of the Company's annual revenues be collected in the billing months of July through October rather than in the other months. Accordingly, a significant portion of annual earnings occurs in the Company's third quarter. In addition, the order directed that large commercial and industrial customers be billed throughout the year pursuant to mandatory time-of-use rates. Approximately 150 commercial and industrial customers are transferred to time-of-use rates each year. See Item 2 "Property and Power Supply" for information relative to the Company's 1989-1990 winter and 1989 summer peak loads. For further information on quarterly results, see Selected Financial Statistics - Supplementary Financial Information, (Unaudited), 1989 and 1988, Quarterly Financial Data contained on page 36 of the Annual Report to Shareholders for the year ended December 31, 1989, 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.2. of Notes to Financial Statements contained on page 27 of the Annual Report to Shareholders for the year ended December 31, 1989, 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

The Company, like other Massachusetts electric companies, 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.

In 1987, the Town of Bellingham, MA petitioned the DPU to permit the transfer of electric service currently provided by the Company to another electric utility. Revenues from Bellingham in 1989 represented less than 1% of annual total Company revenues. The Bellingham service situation is unusual in that two utilities currently serve different segments of the town. A public hearing was held by the DPU in August 1987. Except for certain correspondence in 1988 between local and Commonwealth officials and the DPU, the Company is not aware of any further action by the DPU to date.

In connection with the generation of electricity and the sale of electricity for resale, the Company competes with other electric utilities, non-utility power plant developers, and Qualifying Cogeneration and Small Power Production Facilities ("QF's") as defined in the Public Utility Regulatory Policies Act of 1978 ("PURPA"), as amended . PURPA requires the Company to purchase electric energy offered for sale by QF's at a price equal to the Company's avoided cost. Amounts of electric energy currently purchased by the Company from QF's and the amount of kWh sales permanently lost to former customers, including certain hospitals, now utilizing their own generation facilities are not material to the financial statements which are part of the Annual Report to Shareholders for the year ended December 31, 1989, incorporated herein by reference. See also Item 2 (a) "Property and Power Supply" and (c) "Independent Power Producers/Cogenerators" hereunder.

The Company also competes with natural gas and other energy service companies for market share of new construction in the Company's service territory as it relates to the providing of energy primarily for heating and cooling purposes.

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, 1989, 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 1985 through 1989 totaled approximately $55,699,000, and such capital expenditures for the period 1990 through 1994 are presently expected to be approximately $161,270,000, including approximately $32,331,000 for the year 1990 and $39,608,000 for 1991. Substantial additional expenditures may be required as a result of changes in environmental requirements, or any decision to construct new facilities.

The Company is subject to regulation by the Massachusetts Energy Facilities Siting Council ("the Council"), which must approve the Company's long-range forecasts with respect to the electric power needs and requirements of the Company's service area. Such forecasts are required to be filed with the Council every five years with supplements required in intervening years. To approve a long-range forecast or supplement, the Council must find, among other things, that plans for certain new generation or transmission facilities are consistent with Massachusetts policies regarding health, environmental protection, and resource use and development. Construction of certain generation and transmission facilities is prohibited unless such facilities are approved by the Council as consistent with the most recently approved long-range forecast or supplement. In the most recent decision concerning the Company's long-range forecast on February 16, 1989, the Council approved the Company's long-range forecast covering the years 1988-2011. The Company's next long-range forecast is to be filed with the Council in April 1990. In a separate proceeding before the Council, the Company received approval on September 27, 1989 for a 115kV transmission line from South Boston, MA to Deer Island in the City of Boston to serve wastewater treatment facilities to be constructed by the Massachusetts Water Resources Authority on Deer Island. The transmission line is now being constructed by Harbor Electric Energy Company, the Company's wholly-owned subsidiary.

The Company is subject to regulation by the United States Environmental Protection Agency ("EPA") and the Massachusetts Department of Environmental Protection ("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 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. One of those discharge permits had an expiration date during 1988. Action has not been taken by the EPA and DEP to renew such permit. However, the Company has made timely application for renewal of such permit in accordance with applicable regulations and, pending final action on such renewal application, such permit remains in full force and effect.

The Company is subject to regulation by the DEP and the EPA relative to emissions into the air from the Company's fossil-fired power plants. Pursuant to applicable Massachusetts law and regulations pertaining to the control of acid rain, the total of sulfur dioxide emissions from all sources in the Commonwealth has been capped and the average emission rate of certain large fossil fuel burning facilities, none of which are Company owned, has been restricted. The Company is also aware of legislative proposals before the U. S. Congress which might add still further restrictions regarding the sulfur content of fuel used in the generation of electricity. To the extent that regulations limiting the sulfur content of oil burned in generation plants require the use of more expensive fuel, the Company believes that fuel adjustment clauses in its retail and wholesale rate schedules presently provide for recovery of the resulting increased costs. Similarly, any fuel savings which may result from use of higher sulfur content fuel will be passed on to the Company's customers under the fuel and purchased power adjustment clauses.

The Company is subject to regulation by the EPA pursuant to the provisions of the Federal Toxic Substances Control Act concerning the use, storage and disposal of polychlorinated biphenyls ("PCBs"). Through December 31, 1989 the Company had substantially completed the removal of all PCBs from certain Company facilities in accordance with these regulations.

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 remove systematically all asbestos from the Company's generation 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 clean-up of locations where such substances have either been spilled or disposed of. Among such laws of principal importance to the Company's operations are the Federal Resource Conservation and Recovery Act ("RCRA"), the Federal Comprehensive Environmental Response Conservation and Liability Act ("CERCLA"), the Federal Superfund Amendments and Reauthorization Act ("SARA"), the Massachusetts Hazardous Waste Management Act ("MHWMA"), and the Massachusetts Oil and Hazardous Material Release, Prevention and Response Act ("MOHMRPRA"). Under the requirements of RCRA and MHWMA and applicable regulations adopted thereunder, 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 systems at the Company's Mystic and New Boston Stations which were

formerly operated pursuant to interim status regulations under RCRA and MHWMA are now being closed in accordance with those laws and have been replaced by facilities that do not require licensing under such laws. In addition, the Company has applied for licenses under RCRA and MHWMA for the treatment and storage of mixed wastes at Pilgrim Station. Such treatment and storage has currently received interim status approval under those laws and regulations.

Under the requirements of CERCLA, SARA and MOHMRPRA and applicable regulations adopted thereunder, the Company and others are exposed to potential joint and several liability with respect to the clean-up 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 clean-up 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 with numerous parties and involving complex litigation or negotiations among the parties and with regulatory authorities concerning the scope and cost of clean-up and the sharing of costs among the potentially responsible parties. At several of the larger of such sites the estimated total clean-up costs for the site is in the range of $50 to $100 million depending upon the remedy 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 clean-up 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 for decontamination and disposal with licensed brokers and for disposal with licensed disposal facilities located in Barnwell, South Carolina and Richland, Washington. Pursuant to the Federal Low-Level Radioactive Waste Policy Act of 1980, as amended by the Low-Level Radioactive Waste Policy Amendments Act of 1985, the Company's continued access to such disposal facilities may not be available after December 31, 1992. In the interim, such access is restricted to annual volume below that of previous shipments to such facilities and is conditioned upon the payment of surcharges as well as upon the meeting by the Commonwealth of certain milestones involving the establishment of alternative disposal facilities accessible to Massachusetts waste generators. Legislation has been enacted in Massachusetts establishing a regulatory scheme for managing the Commonwealth's LLW including the possible siting, licensing and construction of such a facility within the Commonwealth. Pending the construction of such a facility or the adoption by the Commonwealth of some other LLW management scheme pursuant to such legislation, the Company continues to monitor the situation and is investigating options which are available to it.

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 paid approximately $40,583,000 in June 1985 to

DOE for disposal of nuclear fuel depleted through April 7, 1983 and is paying DOE on a quarterly basis for the cost of nuclear fuel depleted since that date. 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 an effort to construct a reposi..ry for such spent nuclear fuel and other high level radioactive waste 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 4,686 persons employed as of the end of 1989, 4,664 of whom are full-time employees; 2,991 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 on May 15, 1990. The Company began collective bargaining negotiations with both locals in mid January 1990. The Company anticipates resolution of these negotiations by May 15, 1990.

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 - NONE

Item 2: PROPERTY AND POWER SUPPLY

a. Company-owned facilities

Existing Facilities. The Company's total installed electric generation capability as of January 1, 1990 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 1979 and is operated by Central Maine Power Company, located in Yarmouth, Maine, as discussed further in Note K of Notes to Financial Statements contained on page 34 of the Annual Report to Shareholders for the Year Ended December 31, 1989 incorporated herein by reference.

All of the Company's fossil-fired electric generation units are located at tide water and have access to ample 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 and its participation in NEPOOL, which are described below. For additional information regarding jointly-owned electric plant and long-term purchased power contracts, see Note K of Notes to Financial Statements contained on page 34 of the Annual Report to Shareholders for the year ended December 31, 1989, incorporated herein by reference.

As of December 31, 1989 the Company's transmission system comprised approximately 361 miles of overhead circuits operating at 115,000, 230,000 and 345,000 volts and approximately 150 miles of underground circuits operating at 115,000 and 345,000 volts. The substations fed by these lines consisted of 20 transmission or combined transmission and distribution substations with a transformer capacity of 9,099,299 kVA, 91 distribution substations with a transformer capacity of 4,901,240 kVA and 20 primary network units with 85,080 kVA capacity. In addition, high tension service was delivered to 233 customers' substations. The overhead distribution system covered approximately 4,611 miles of streets and the underground distribution system extended through approximately 870 miles of streets.

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. During 1989 the Company cancelled plans for installation of an 85 MW combustion turbine contingency unit in Walpole, MA, and began pursuing the necessary licensing required to begin installation of an 85 MW combustion turbine contingency unit in Medway, MA, on Company-owned property. The Company anticipates obtaining the necessary licensing over the next two year period.

In 1989, the Company continued evaluation of architect/engineer bids for the potential future installation of new generation capacity at the Company's former Edgar Station site (the Edgar Energy Park) located in Weymouth, MA. The Company has submitted applications for a number of environmental permits for the project as well as a Draft Environmental Impact Report (DEIR). Assuming the successful completion of permitting activities, it is anticipated that construction of this facility could start in the first half of 1991

should the Company so elect. See also Item 1 (c) (1) (ii) "Regulation" preceding with respect to newly promulgated DPU regulations requiring pre-approval of new investments in generation capacity.

b. Purchased power/contract sales agreements

The Company owns 9.5% of the common stock of both Yankee Atomic Electric Company and Connecticut Yankee Atomic Power Company, which operate nuclear generation units located in Rowe, MA and Haddam, CT, respectively, with net capabilities of 173,490 kW and 591,000 kW (NEPOOL year-end maximum capability), respectively. Until the expiration of the power contracts relating to these units (July 1991 and June 2007, respectively), the Company is entitled to receive 9.5% of the output of each unit and is obligated to pay to each company 9.5% of such amount as will provide such company with operating revenues and other income from all sources (including power revenues) equal to its total operating expenses plus an annual return on investment. These contract billing rates include a provision for the ultimate decommissioning of the units and spent nuclear fuel disposal costs. In each case, other New England electric utility companies with varying percentages of participation have made similar arrangements.

The Company has entered into a contract pursuant to which the Company, a subsidiary of Commonwealth Energy System and two other utilities 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 over a period of thirty-three and one-third years 25% of the unit's fixed and operating costs.

The Company has entered into 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 Nuclear Power 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 Nuclear Power 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. For information with respect to settlement of litigation concerning these agreements, see "Rate Proceedings and Pilgrim Nuclear Power Station" preceding.

The Company has entered into an agreement to purchase 100 MW of capacity and energy from the New Brunswick Electric Power Commission's 640 MW Point Lepreau Nuclear Power Station. The Company's entitlement commenced on February 1, 1983. The contract (as amended) will expire on October 31, 1990 but may be extended by the Company for one additional twelve-month period. The Company has also entered into an agreement to purchase 100 MW of capacity from the 586 MW (NEPOOL year-end maximum capability) Bear Swamp pumped hydro project of New England Electric System. This purchase will expire on October 31, 1990.

On June 1, 1986 an agreement between the Company and the Massachusetts Bay Transportation Authority ("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. 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.

Effective November 1, 1986, and terminating October 31, 1991, the Company has agreed to purchase on a unit contract basis 25.4065% (currently 125 MW) of the combined capacities of Northeast Utilities' (NU) Montville Units 5 and 6, and 16.4474% (currently 125 MW) of the combined capacities of their Middletown Units 2, 3, and 4. Montville 5 is capable of burning both gas and oil, and the other four units burn oil exclusively. Middletown 3 is a base-load unit, and the other four units are intermediate duty generation units. The Company had previously reported a three-year purchase of 150 MW of NU's gas turbine capacity that was to expire on October 31, 1990. Under notice duly given under the contract's terms, NU has reduced the contract to 16.7 MW effective May 1, 1989 through October 31, 1990.

The Company has entered a series of agreements with NU which provide for the purchase of a mix of NU unit entitlements known as a "base/pumped storage slice of system", and transmission access to NU's New York tie lines as follows:

Contract Term	Base/Pumped Storage Slice of System Purchase	Transmission
11/1/89 - 10/31/90	100 MW	100 MW
11/1/90 - 10/31/91	200 MW	-
11/1/91 - 10/31/93	300 MW	-

The Company has entered into other agreements with several New England and Mid-Atlantic 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.

c. Independent Power Producers/Cogenerators

The Company continues to pursue purchases of electricity from Qualifying Cogeneration and Small Power Producers ("QF's"). In April 1989, the Company issued its Second Request for Proposals ("RFP") for an additional 200 MW and is in the process of evaluating and finalizing contract negotiations. There are three QFs operational at this time representing 25 MW of capacity and the Company has signed ten long-term purchased power agreements to purchase a total of 687 MW from QFs which are not yet operational. These current purchases are not material to the financial statements which are part of the Annual Report to Shareholders for the year ended December 31, 1989. The Company's present contracts with QF's call for increased purchases of electric energy in the future. Current DPU Regulations require QF contracts to be approved by the DPU and permit the recovery by the utility of all costs incurred under such approved QF contracts.

In addition to the planned purchases mentioned above, the Company has signed a long-term purchased power contract for output from a 250 MW independent power production facility currently under construction in Rhode Island. The DPU has approved this contract. Commencement of operations is scheduled for late 1990, at which time the Company would receive approximately 47% of the output of the unit and would be obligated to pay its proportionate share of the operating costs.

d. Demand-Side Management Programs

The Company is pursuing the installation of demand-side management programs ("DSM") which have an estimated impact of reducing demand by 471 megawatts and saving 904,561 megawatthours by the year 2000. During 1989, 73,860 kilowatthours were saved and the summer peak was reduced by 80.7 megawatts, due to the implementation of DSM programs since 1986. If the summer peak had occurred during August, the demand reduction would have been 90 megawatts. See also Item 1(c)(1)(ii) "Expected Plant Expenditures and Related Financing" subparagraph "Demand-Side Management Program Expenditures" preceding. The Company's growth in base revenues may also be reduced by the implementation of demand-side management programs.

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 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. Pilgrim Station lost its capacity rating as of May 1988 due to its extended outage which ended on December 30, 1988. As a result, the Company purchased replacement capacity as needed to meet its capacity obligations to NEPOOL during the outage and Power Ascension and Test Program. During the Power Ascension and Test Program Pilgrim Station received seasonal ratings ranging from 123.3 MW to its full capacity rating of 669.2 MW on February 1, 1990.

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 1989 summer and 1989-1990 winter peak loads:

	December 21, 1989 (Winter 1989-90)	July 27, 1989 (1989 Summer)
NEPEX utilities installed capacity		
(Winter Max. rating):	23,824 MW	22,450 MW
(seasonal normal rating): . .	23,342 MW	22,045 MW
NEPEX peak load	19,585 MW	19,641 MW
Company system peak load. . . .	2,793 MW	2,747 MW

The Company's winter and summer system peak loads noted above were all-time seasonal peaks. The Company's net capability at its summer peak was 3,483 MW, and its net capability at its winter peak was 3,682 MW. Its corresponding NEPOOL capacity obligations were estimated to be 3,443 MW and 3,648 MW, respectively. Neither NEPOOL peak load passed its all-time peak of 19,722 set January 4, 1989, but the summer peak of 19,641 was a new all-time summer peak.

The New England region continued to face a moderately tight energy supply situation in 1989 due to a variety of factors which included maintenance of certain generation units and the unavailability of purchased power and/or adequate transmission line capability from outside the region, coupled with near record peak loads. While unit availability was especially high over the seasonal peaks, both summer and winter peak periods required NEPOOL's use of such measures as voltage reductions and Company use of interruptible load

curtailments and customer generation assistance to avoid load shedding. The regional supply situation is expected to improve slightly in 1990 due to the return to service of Pilgrim Station in 1989 and the potential start up in 1990 of the Seabrook Nuclear Power Station, located in Seabrook, New Hampshire.

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 kilowatthours 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 has not been able to deliver to NEPOOL previously projected levels of electricity since 1988.

In October 1985, an agreement was finalized between NEPOOL and Hydro-Quebec to provide an additional seven billion kilowatthours of hydro-electric power annually for ten years. The Company will receive capacity credit through NEPOOL for approximately eleven percent of the generation equivalent of the total Hydro-Quebec Interconnection. In the first five years, the price of energy will be set based upon 80 percent of the average New England cost of fossil fuel in the previous year. In the second five years, the price will be set based upon 95 percent of the average New England fossil fuel cost in the previous year. This agreement, designated Phase II, will begin upon completion of the necessary transmission facilities, tentatively scheduled for the fall of 1990 or spring of 1991. This will result in a total interconnection with Hydro-Quebec of 2000 MW.

The Company, along with other New England electric utilities, has entered into an agreement to expand the existing 690 MW transmission line interconnection with the Hydro-Quebec system of Canada to 2,000 MW. The Company has approximately an 11% equity ownership interest in two companies who are constructing these transmission facilities, which is included in the accompanying financial statements. The Company's share of the amounts committed as of December 31, 1989 is approximately $45,000,000. 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 $20,000,000 at December 31, 1989.

f. <u>Transmission Line Access to the New England Region</u>

In 1989, another New England electric utility 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 Company, along with other New England utilities, may oppose this takeover on the basis that the new entity would substantially control all major electric transmission lines entering the New England region.

g. <u>Insurance</u>

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 $7.8 billion. The first $200 million of nuclear liability will be covered by the maximum provided by commercial insurance. Additional nuclear liability insurance up to $7.2 billion is provided by a retrospective assessment of up to $63 million per incident which can be levied on each of the 115 units licensed to operate in the United States, subject to a maximum assessment of $10 million per reactor per accident in any year. This additional nuclear liability insurance amount of approximately $7.2 billion is subject to 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 available financial protection, each licensee can be assessed an additional 5% of the maximum retrospective assessment ($3.15 million).

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 or decontamination 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 $3,558,000 under the replacement power policies and $6,947,000 under the property damage and decontamination policies. 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

Although the DPU Settlement and Wholesale Settlement have removed certain major uncertainties facing the Company, however other uncertainties remain as discussed in Item 1(c)(1)(ii) "Regulation" preceding (see "Management's Discussion and Analysis" and Notes G of "Notes to Financial Statements" contained on pages 15 through 19 and pages 30 through 31, respectively of the Annual Report to Shareholders for the year ended December 31, 1989 incorporated by reference).

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.2. and G of Notes to Financial Statements contained on page 27 and pages 30 through 31, respectively of the Annual Report to Shareholders for the year ended December 31, 1989 incorporated herein by reference.

On February 10, 1982 the Boston Housing Authority ("BHA") filed an action against the Company in the Massachusetts Superior Court seeking approximately $10,000,000 in damages for alleged overcharges for electricity and steam furnished over a six-year period, together with a claim for treble damages pursuant to M.G.L. c. 93A. On December 15, 1983 the Massachusetts Supreme Judicial Court affirmed an order of the Massachusetts Superior Court dismissing the BHA's claim of unconstitutional and unfair electric rate discrimination and remanded the claim for steam overcharges (approximately $4,000,000) to the Superior Court for completion of the pleadings and trial.

On July 24, 1987, the Towns of Concord, MA and Wellesley, MA (The Towns) filed a complaint against the Company in the United States District Court for the District of Massachusetts alleging violation of the federal antitrust laws. The Company supplies substantially all of the electric power

requirements of the Towns. The Towns' complaint included allegations of price discrimination, anticompetitive restriction and price squeeze. In May 1989, a jury determined that the Company had violated federal antitrust laws and awarded damages of $13,100,000, which results in a total judgment of $39,300,000 when trebled under antitrust law. If upheld, the judgment (which is not reflected in the accompanying financial statements) would have represented a charge to earnings in 1989 of approximately $0.64 per share of common stock. The Company has appealed the judgment to the United States Court of Appeals for the First Circuit. Management believes that the decision is contrary to the facts and applicable law and that it is unlikely that this judgment will be upheld on appeal. Hearings are scheduled to begin in April of 1990.

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 1989.

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, 1990 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
Stephen J. Sweeney, 61 Chairman of the Board and Chief Executive Officer	Elected Chairman of the Board effective December 1986. Elected Chief Executive Officer effective May 1984. President from September 1983 through September 1987. Director since 1983. Responsibility covers all Company functions. Director of Harbor Electric Energy Company since 1989.
Bernard W. Reznicek, 53 President and Chief Operating Officer	Elected President and Chief Operating Officer effective October 1987. Director since 1987. Was President and Chief Executive Officer of the Omaha Public Power District from 1981-1987. President and Director of Harbor Electric Energy Company since 1989.
William D. Harrington, 59 Senior Vice President	Elected Senior Vice President in 1982. Has responsibility for Power Delivery, effective July 1986, and Stores and Service since March, 1988. Had responsibility for Power Production (fossil) from July 1986 to February 1989. Had responsibility for all Nuclear activities from 1982 to June 1986.

Ralph G. Bird, 56
Senior Vice President - Nuclear

Elected Senior Vice President-Nuclear effective January 1987. Since February 1987, has responsibility for all nuclear activities. In 1985-1986 served as consultant to Westinghouse Electric Corporation and Advanced Science & Technology Associates, Inc. In 1984-1985 was employed by Westinghouse Idaho Nuclear Company. In 1984 served as a principal management consultant to Advanced Science & Technology Associates, Inc.. Retired from United States Navy in 1984 as Rear Admiral - last duty was Deputy Chief of Naval Material for Logistics and Fleet Operations.

Thomas J. May, 42
Senior Vice President

Elected Senior Vice President effective June 1987. Has responsibility for financial, accounting, information services, and Clerk's office. Assumed added responsibilities for energy planning and business planning effective February 1989. Had responsibility for customer service from June 1987 to February 1989. Was Vice President (from 1983-1987) and Treasurer (from 1983 to February 1988). Treasurer and Director of Harbor Electric Energy Company since 1989

Cameron H. Daley, 44
Senior Vice President

Elected Senior Vice President effective February 1989. Has responsibility for power supply. Prior to February 1989, was Vice President - Power Production. Elected Vice President in 1982.

L. Carlisle Gustin, 46 Senior Vice President	Elected Senior Vice President effective February 1989. Has responsibility for marketing, customer services and corporate relations. Prior to election was Vice President - Corporate Relations since September 1986. On special assignment - Member, Executive Review Group on Nuclear in 1986. Prior to 1986, was Manager of the Public Information Department.
C. Bruce Damrell, 57 Vice President - Power Delivery System	Elected Vice President in 1979.
Craig D. Peffer, 55 Vice President - Customer Service	Elected Vice President in 1979. Assumed responsibility for customer service effective February 1989; prior to that had responsibility for commercial organization.
Marc S. Alpert, 45 Vice President and Treasurer	Elected Treasurer of the Company effective March 1988, in addition to his previous position as Vice President. Head of the Treasury Organization effective March 1, 1988. Was Vice President - Rates from 1983 to 1988.
John J. Desmond, III, 56 Vice President and General Counsel	Elected Vice President and General Counsel in April 1985. Prior to election was Associate General Counsel.
Richard S. Hahn, 38 Vice President - Energy Planning	Elected Vice President in June 1987. Prior to election was Manager - Supply and Demand Planning Department from 1984 to 1987.

Arthur P. Phillips, Jr., 52 Vice President - Corporate Information Services	Elected Vice President effective June 1988. Responsible for corporate information services. From June 1988 to January 1989 was Vice President for Customer and Corporate Information Services. Director of Customer and Corporate Information Services from 1987 to 1988; prior to that was Manager of Information Systems.
John J. Higgins, 57 Vice President - Human Resources	Elected Vice President effective July 1988. Prior to election was Director of Construction for the Massachusetts Water Resource Authority in 1988. Prior to that was Senior Vice President - Personnel and Industrial Relations, for the Eastern Associated Coal Corporation.
Joel Y. Kamya, 46 Vice President - Production Operations	Elected Vice President effective February 1989. Prior to election was Manager, Mystic Station, from 1986 to January 1989. Was Manager of Operations Support, Steam Operations Department, from 1985 - 1986. Was Project Engineer, Coal Conversion, 1982 - 1985.
Kenneth L. Highfill, 55 Vice President - Nuclear Operations and Station Director	Elected Vice President effective September 1989. Joined Boston Edison Company in 1987. Prior to election held senior management positions in the nuclear power industry with San Diego Gas and Electric Company, Gas - Cooled Reactor Associates and Advanced Science, and Technology Associates.
Edwin J. Wagner, 57 Vice President - Nuclear Engineering	Elected Vice President effective September 1989. Prior to election was Director of Nuclear Engineering. Prior to that was staff assistant to Senior Vice President, Nuclear. Prior to joining the Company, held executive positions with Cincinnati Gas & Electric and Carolina Power & Light.
George W. Davis, 56 Vice President - Nuclear Administration	Elected Vice President effective September 1989. Prior to election was retired Vice Admiral from the U. S. Navy.

Theodora S. Convisser, 42 Clerk of the Corporation	Elected Clerk of the Corporation effective September 1986. Assistant General Counsel since 1985. Prior to 1985 was Senior Counsel. Clerk of Harbor Electric Energy Company since 1990.
Robert J. Weafer, Jr., 43 Controller and Chief Accounting Officer	Designated Chief Accounting Officer in April 1988 while holding the position of Controller. Assumed responsibility for Purchasing Department in April 1988. Controller and Department Head, Accounting, Budgeting and Control Department since 1985. Controller and Department Head, Accounting Department from 1983 - 1985. Elected an Officer of the Company in 1984.
Jean C. Quinn, 58 Assistant Clerk of the Corporation	Elected Assistant Clerk of the Corporation effective September 1986. Prior to election was Secretary to the Chairman of the Board from 1984 - 1986.
Donald Anastasia, 41 Assistant Treasurer	Elected Assistant Treasurer effective February 1989, and is Head of the Asset Management Department. Was Manager of Benefits and Investments in the Financial Management Department from 1985. Prior to that was Manager of Benefits.
James J. Judge, 34 Assistant Treasurer	Elected Assistant Treasurer in 1989, (effective January 1990), and is Head of the Financial Management Department. Since 1988 was Manager of Financial Planning in the Financial Management Department. Prior to 1988 was a Principal Financial Research Analyst.

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 Supplementary Financial Information (Unaudited) - Quarterly Stock Data contained on Page 36 of the Annual Report to Shareholders for the year ended December 31, 1989, incorporated herein by reference.

b. HOLDERS.

As of December 31, 1989, the Company had 49,149 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 Supplementary Financial Information (Unaudited) - Quarterly Stock Data, contained on Page 36 of the Annual Report to Shareholders for the year ended December 31, 1989, incorporated herein by reference.

Item 6 - SELECTED FINANCIAL DATA

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

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

	1989	1988	1987	1986	1985
Operating Revenues	$1,269,345	$1,202,655	$1,181,097	$1,105,367	$1,161,574
Income/(Loss) from Continuing Electric Operations	$(16,135)	$84,212	$86,721	$110,015	$98,046
Earnings/(Loss) Per Common Share from Continuing Electric Operations	$(0.88)	$1.86	$1.97	$2.68	$2.64
Total Assets	$2,878,271	$2,817,050	$2,702,960	$2,361,998	$2,264,988
Long-Term Debt	$948,839	$966,534	$822,659	$728,909	$744,875
Redeemable Preferred/ Preference Stock	$100,000	$100,000	$50,000	$35,188	$35,188
Cash Dividends Declared Per Common Share	$1.745	$1.82	$1.80	$1.75	$1.67

See Item 1(c)(1)(ii): "Expected Plant Expenditures and Related Financing" subheading "Rate Proceedings and Pilgrim Nuclear Power Station" contained on pages 6 through 8 preceding.

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

See Management's Discussion and Analysis contained on pages 15 through 19 of the Annual Report to Shareholders for the year ended December 31, 1989, incorporated herein by reference.

Item 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See list of 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 22, 1990 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 22, 1990, 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 Compensation", "Executive Compensation", "Pension Plans", "Key Executive Benefit Plan", "Recognition and Retention Program", "Incentive Compensation Plans", and "Deferred Compensation Agreements", contained on pages 5 through 8 of the definitive Proxy Statement dated March 22, 1990, incorporated herein by reference.

Item 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS.

See page 2 of the definitive Proxy Statement dated March 22, 1990, incorporated herein by reference.

(b) SECURITY OWNERSHIP OF MANAGEMENT.

See "Election of Directors - Information about Nominees and Incumbent Directors" contained on pages 2 through 5 of the definitive Proxy Statement dated March 22, 1990, incorporated herein by reference.

(c) CHANGES IN CONTROL - NOT APPLICABLE

Item 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

PART IV

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

Item 14(a): Exhibits and Financial Statement Schedules:

	Pages: Annual Shareholders Report	Pages: Form 10-K
Statements of Income for each of the Three Years in the Period Ended December 31, 1989	20	
Statements of Cash Flows for each of the Three Years in the Period Ended December 31, 1989	21	
Balance Sheets as of December 31, 1989 and 1988	22	
Statements of Retained Earnings for each of the Three Years in the Period Ended December 31, 1989	23	
Schedules of Capital Stock, as of December 31, 1989 and 1988	23	
Schedules of Indebtedness, as of December 31, 1989 and 1988	24	
Notes to Schedules of Capital Stock and Indebtedness	25-26	
Notes to Financial Statements	28-34	
Report of Independent Certified Public Accountants		47
Selected Quarterly Financial Data (Unaudited)	36	
Selected Statistics (Unaudited)	37-39	
Schedules for Years Ended December 31, 1989, 1988 and 1987		
V - Property, Plant and Equipment		S-1 to S-3
VI - Reserves for Depreciation and Amortization of Property, Plant and Equipment		S-4 to S-6
VII - Guarantees of Securities of Other Issuers		S-7
IX - Short-Term Borrowings		S-8
X - Supplementary Income Statement Information		S-9

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 3 Articles of Incorporation and By-Laws

Incorporated herein by reference:

		Exhibit	SEC Docket
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	3.31	1-2301 Form 10-K for the Year Ended December 31, 1981
3.1.3	Amendment to Restated Articles of Organization filed May 6, 1980	3.32	1-2301 Form 10-K for the Year Ended December 31, 1981
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 Restated 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	-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
3.2	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.

Filed Herewith:

3.3	Articles of Organization of Harbor Electric Energy Company	-	-
3.4	By-Laws of Harbor Electric Energy Company	-	-

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

Incorporated herein by reference:

		Exhibit	SEC Docket
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	4.1.6	1-2301 Form 10-K for the Year Ended December 31, 1980
4.1.4	Twenty-seventh supplemental indenture dated November 1, 1965	4.1.7	1-2301 Form 10-K for the Year Ended December 31, 1980
4.1.5	Twenty-ninth supplemental indenture dated June 1, 1967	4.1.8	1-2301 Form 10-K for the Year Ended December 31, 1980
4.1.6	Thirtieth supplemental indenture dated November 1, 1968	4.1.9	1-2301 Form 10-K for the Year Ended December 31, 1980
4.1.7	Thirty-first supplemental indenture dated December 1, 1969	4.1.10	1-2301 Form 10-Q for the Quarter Ended June 30, 1980

		Exhibit	SEC Docket
4.1.8	Thirty-second supplemental indenture dated July 1, 1970	4.1.11	1-2301 Form 10-Q for the Quarter Ended June 30, 1980
4.1.9	Thirty-third supplemental indenture dated May 15, 1971	4.1.12	1-2301 Form 10-Q for the Quarter Ended June 30, 1980
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.

Filed Herewith:

* 4.1.12	Thirty-seventh supplemental indenture dated October 31, 1979	-	

Incorporated Herein By Reference:

4.1.13	Thirty-eight supplemental indenture dated January 1, 1982	4.1.16	1-2301 Form 10-K for the Year Ended December 31, 1981

* Refiled pursuant to SEC record retention rules.

		Exhibit	SE\ 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
4.1.19	Revolving Credit Agreement dated as of May 25, 1988	4.1	1-2301 Form 10-Q for the Quarter Ended June 30, 1988

Filed Herewith:

4.1.20	Amendment to Revolving Credit Agreement, effective March 10, 1990	-	-

		Exhibit	SEC Docket
Incorporated herein by reference:			
4.1.21	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

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	SEC Docket
Exhibit 10	Material Contracts		
Incorporated herein by reference:			
10.1	Form of Deferred Compensation Agreement	10.2	1-2301 Form 10-K for the Year Ended December 31, 1980
10.1.1	Form of Deferred Compensation Agreement, as Amended April 26, 1984	10.1.1	1-2301 Form 10-K for the Year Ended December 31, 1984

		Exhibit	SEC Docket
10.1.2	Form of Deferred Compensation Agreement, as Amended November 27, 1985	10.1.2	1-2301 Form 10-K for the Year Ended December 31, 1985
10.1.3	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.
10.2	Form of Deferred Fee Agreement	10.3	1-2301 Form 10-K for the Year Ended December 31, 1980
10.2.1	Form of Deferred Fee Agreement, as Amended April 26, 1984	10.2.1	1-2301 Form 10-K for the Year Ended December 31, 1984
10.2.2	Form of Deferred Fee Agreement as Amended November 27, 1985	10.2.2	1-2301 Form 10-K for the Year Ended December 31, 1985
10.2.3	Form of Deferred Fee Agreement, as Amended November 27, 1986	10.2.3	1-2301 Form 10-K for the Year Ended December 31, 1989.

		Exhibit	SEC Docket
10.3	Key Executive Benefit Plan	10.4	1-2301 Form 10-K for the Year Ended December 31, 1981
10.3.1	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
10.3.2	Amendments to Key Executive Benefit plan dated May 9, 1986	10.1	1-2301 for the Quarter Ended June 30, 1986
10.3.3	Key Executive Benefit Plan Agreement dated as of January 1, 1987 for Ralph G. Bird	10.4.3	1-2301 Form 10-K for the Year Ended December 31, 1987
10.3.4	Amendment to Key Executive Benefit Plan dated July 13, 1987 and Manager Transition Benefits Agreements for James M. Lydon	10.4.4	1-2301 Form 10-K for the Year Ended December 31, 1987
10.3.5	Amendment to Key Executive Benefit Plan dated August 20, 1987 and Manager Transition Benefits Agreement for Joseph P. Tyrrell	10.4.5	1-2301 Form 10-K for the Year Ended December 31, 1987
10.3.6	Key Executive Benefit Plan Agreement dated as of October 1, 1987 for Bernard W. Reznicek	10.4.6	1-2301 Form 10-K for the Year Ended December 31, 1987

		Exhibit	SEC Docket
10.4	Description of Supplemental Fee Arrangement for Certain Directors	10.5	1-2301 Form 10-K for the Year Ended December 31, 1983
10.5	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.
10.6	Description of Nuclear Restart and Management Continuity Plan, effective January 26, 1989 - Ralph G. Bird	10.6	1-2301 Form 10-K for the Year Ended December 31, 1988.

Filed Herewith:

10.7	Recognition and Retention Program	-	-

Exhibit 12 Computation of Ratio of Earnings to Fixed Charges

Filed herewith:

12.1	Computation of Ratio of Earnings to Fixed Charges	-	-

Exhibit 13 Annual Report to Shareholders

Filed herewith:

13.1 Boston Edison Company Annual Report to Shareholders for the Year Ended December 31, 1989, 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 24 Consent of Independent Certified Public Accountants.

Filed herewith:

24.1 Consent of Independent Certified Public 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 November 18, 1985 (File No. 33-01614), July 15, 1986 (File No. 33-07103), and June 30, 1989 (File No. 33-29628), and in the Form S-8 Registration Statements filed by the Company on October 10, 1985 (File No. 33-00810) and July 28, 1986 (File No. 33-7558).

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

A Form 8-K was filed by the Company on October 3, 1989, January 10, 1990, January 25, 1990 and February 14, 1990 with the Securities and Exchange Commission. The reports contained information under Item 5 - Other Events which included the DPU Settlement Agreement, Wholesale Settlement Agreements involving FERC proceedings, release of 1989 earnings, and the 1989 audited financial statements, respectively.

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/ Thomas J. May
Thomas J. May
Senior Vice President

Date: March 22, 1990

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 22nd day of March, 1990.

/s/ Stephen J. Sweeney Stephen J. Sweeney	Chairman of the Board, Chief Executive Officer and Director
/s/ Bernard W. Reznicek Bernard W. Reznicek	President, Chief Operating Officer and Director
/s/ Thomas J. May Thomas J. May	Senior Vice President (Principal Financial Officer)
/s/ Robert J. Weafer, Jr. Robert J. Weafer, Jr.	Controller and Chief Accounting Officer
/s/ Helene R. Cahners-Kaplan Helene R. Cahners-Kaplan	Director
/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/ Thomas J. Galligan, Jr.
Thomas J. Galligan, Jr. — Director

/s/ Nelson S. Gifford
Nelson S. Gifford — Director

/s/ Kenneth I. Guscott
Kenneth I. Guscott — Director

/s/ Richard D. Hill
Richard D. Hill — Director

/s/ Matina S. Horner
Matina S. Horner — Director

/s/ William D. Manly
William D. Manly — Director

/s/ Herbert Roth, Jr.
Herbert Roth, Jr. — Director

/s/ Paul E. Tsongas
Paul E. Tsongas — Director

____
Charles A. Zraket — Director

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Stockholders and Directors of
Boston Edison Company:

We have audited the financial statements of Boston Edison Company as of December 31, 1989 and 1988 and for each of the three years in the period ended December 31, 1989, which financial statements are included on pages 20 through 34 of the 1989 Annual Report to Shareholders of Boston Edison 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Boston Edison Company as of December 31, 1989 and 1988, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1989, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

Coopers & Lybrand

COOPERS & LYBRAND

Boston, Massachusetts
January 23, 1990

BOSTON EDISON COMPANY SCHEDULE V

PROPERTY, PLANT AND EQUIPMENT

DECEMBER 31, 1989

(IN THOUSANDS)

Column A	Column F Balance at Close of period
Electric Plant:	
Land and Rights of Way	$37,656
Generating Station and Substation Buildings and Misc. Structures	350,447
Electric Generating Equipment	1,343,837
Transmission, Distribution, Street Lighting and Other Utilization Equipment	1,439,236
Total Electric Plant	3,171,176
Nuclear Fuel	235,862
Non Utility property	956
Construction Work in Progress	83,827
Total	$3,491,821

Notes (000's)

(1) The information called for by columns B, C, D and E for 1989 is omitted as neither the total additions nor the total retirements during the year exceed 10% of the balance at the end of 1989. Total additions and retirements, at cost*, were $234,128 and $14,043, respectively.

(2) Physical property (electric) was depreciated on a straight-line basis at various rates ranging from 2.84% to 4.59% in 1989. For further information relating to the Company's policies regarding depreciation and amortization, reference Note A, "Summary of Significant Accounting Policies" of Notes to Financial Statements, incorporated herein by reference (Annual Report to Shareholders for the year ended December 31, 1989, page 27).

(3) Approximately $176,000 of additions, at cost, in 1989 related to various modifications made to the Company's transmission and distribution system during the year.

(4) Included in construction work in progress is $9,490 relating to Harbor Electric Energy Company, a wholly owned regulated subsidiary of the Company.

(5) See Note B, "Rate Proceedings and Pilgrim Nuclear Power Station" of Notes to Financial Statements, incorporated herein by reference (Annual Report to Shareholders for the year ended December 31, 1989, pages 27 through 29).

* Reference is made to Note F, "Allowance for Funds Used During Construction" of "Notes to Financial Statements", on page 30 of the 1989 Annual Report to Shareholders, incorporated herein by reference.

BOSTON EDISON COMPANY
PROPERTY, PLANT AND EQUIPMENT
SCHEDULE V

DECEMBER 31, 1988

(IN THOUSANDS)

Column A	Column F Balance at Close of period
Electric Plant:	
Land and Rights of Way	$37,120
Generating Station and Substation Buildings and Misc. Structures	331,134
Electric Generating Equipment	1,299,883
Transmission, Distribution, Street Lighting and Other Utilization Equipment	1,270,373
Total Electric Plant	2,938,510
Nuclear Fuel	233,508
Non Utility property	1,064
Construction Work in Progress	98,655
Total	$3,271,737

Notes (000's)

(1) The information called for by columns B, C, D and E for 1988 is omitted as neither the total additions nor the total retirements during the year exceed 10% of the balance at the end of 1988. Total additions and retirements, at cost*, were $266,165 and $12,134 respectively.

(2) Physical property (electric) was depreciated on a straight-line basis at various rates ranging from 2.84% to 4.59% in 1988. For further information relating to the Company's policies regarding depreciation and amortization, reference Note A, "Summary of Significant Accounting Policies" of Notes to Financial Statements, incorporated herein by reference (Annual Report to Shareholders for the year ended December 31, 1989, page 27).

(3) Approximately $247,000 of additions, at cost, in 1988 related to various modifications made at Pilgrim Nuclear Power Station during the year.

* Reference is made to Note F, "Allowance for Funds Used During Construction" of "Notes to Financial Statements", on page 30 of the 1989 Annual Report to Shareholders, incorporated herein by reference.

Boston Edison Company
Property, Plant and Equipment

Schedule V

December 31,1987

(in thousands)

Column A	Column B	Column C	Column D	Column E	Column F
	Balance at Beginning of Period	Additions at Cost	Retirements at Cost	Other Charges Debit/Credit	Balance at Close of Period
Electric Plant:					
Land and Rights of Way	$32,681	$241	$0	$0	$32,922
Generating Station and Substation Buildings and Miscellaneous Structures	286,363	14,240	112	0	300,491
Electric Generating Equipment	1,039,689	43,674	9,166	0	1,074,197
Transmission, Distribution, Street Lighting and Other Utilization Equipment	1,036,971	94,602	13,791	77	1,117,859
Total Electric Plant	2,395,704	152,757	23,069	77	2,525,469
Steam Heating Plant:					
Land	391	0	391	0	0
Generating Plant Buildings and Equipment	18,728	0	18,728	0	0
Steam Distribution	20,612	0	20,612	0	0
Total Steam Heating Service Plant**	39,731	0	39,731	0	0
Total Operating Property and Equipment	2,435,435	152,757	62,800	77	2,525,469
Nuclear Fuel	227,327	4,092	0	0	231,419
Non-Utility Property	1,033	0	0	(77)	956
Construction Work in Progress	94,559	165,301	0	0	259,860
Total	$2,758,354	$322,150	$62,800	$0	$3,017,704

Notes (000's)

(1) Approximately $160,000 of additions, at cost*, in 1987 related to various modifications made at Pilgrim Nuclear Power Station during the year.

(2) Physical property (electric) was depreciated on a straight-line basis at various rates ranging from 2.84% to 4.59% in 1987. For further information regarding depreciation and amortization, reference Note A "Summary of Significant Accounting Policies" of Notes to Financial Statements, on page 27 of the 1989 Annual Report to Shareholders, incorporated herein by reference.

* Reference is made to Note F, "Allowance for Funds Used During Construction" of Notes to Financial Statements on page 30 of the 1989 Annual Report to Shareholders, incorporated herein by reference.

** Steam Heating Plant was sold on February 6, 1987.

Boston Edison Company
Accumulated Depreciation, Depletion and
Amortization of Property, Plant and Equipment

1989

(in thousands)

Column A	Column B	Column C			Column D		Column E	Column F	Column G
		Additions							
			Charged to Other Accounts						
Description	Balance Beginning of Period	Charge to Profit and Loss	Adjustments	Invty-Salv Value of Prop Retired	Retirement Renewals and Replacements	Cost of Removal	Balance at Close of Period	Charlestown Aquisition Adjustment	Balance at Close Of Period
Depreciation Reserve:									
Electric Plant:									
Production -Fossil	$228,742	$22,845	$0	$3	$3,340	$3,998	$244,252	$0	$244,252
- Nuclear	207,675	40,998 (A)	0	2	478	134	248,063	0	248,063
-Other	14,108	1,673	0	0	109	0	15,672	0	15,672
Total Production	450,525	65,516	0	5	3,927	4,132	507,987	0	507,987
Transmission	92,379	8,740	0	14	122	103	100,908	0	100,908
Distribution	290,678	29,230	0	1,502	8,348	7,909	305,153	405	305,558
General	28,715	9,032 (B)	0	30	1,519	8	36,250	0	36,250
Total Electric	862,297	112,518 (C)	0	1,551	13,916	12,152	950,298	405	950,703
Accumulated Amortization of Nuclear Fuel (D)	133,118	10,613	(1,708)(E)	0	0	0	142,023	0	142,023
Total	$995,415	$123,131	($1,708)	$1,551	$13,916	$12,152	$1,092,321	$405	$1,092,726

Notes (000's)

(A) Excludes $5,354 of nuclear decommissioning costs.
(B) Includes $5,791 for amortization of leasehold improvements, computer software and load management program costs.
(C) This amount differs from "Depreciation" and "Other amortization" in the Statement of Cash Flows by $6,368 which represents amortization of previously incurred costs that do not affect the reserve.
(D) For information relating to the amortization policy for nuclear fuel, reference Notes A and J of the Notes to Financial Statements on pages 27 and 33, respectively, of the 1989 Annual Report to Shareholders, incorporated herein by reference.
(E) Payments to the Department of Energy for post April 1983 nuclear fuel disposal.
(F) See Note B, "Rate Proceedings and Pilgrim Nuclear Power Station" of Notes to Financial Statements, incorporated herein by reference (Annual Report to Shareholders for the year ended December 31, 1989, pages 21 through 29).

Boston Edison Company
Accumulated Depreciation, Depletion and
Amortization of Property, Plant and Equipment

Schedule VI

1988

(in thousands)

Column A	Column B	Column C		Column D			Column E	Column F	Column G
		Additions							
			Charged to Other Accounts						
Description	Balance Beginning of Period	Charge to Profit and Loss	Adjustments	Invty-Salv Value of Prop Retired	Retirement Renewals and Replacements	Cost of Removal	Balance at Close of Period	Charlestown Aquisition Adjustment	Balance at Close Of Period
Depreciation Reserve:									
Electric Plant:									
Production -Fossil	$208,969	$21,839	$0	($110)	$731	$1,225	$228,742	$0	$228,742
- Nuclear	173,390	32,095	0	2,261	60	11	$207,675	0	207,675
-Other	12,652	1,598	0	0	141	1	$14,108	0	14,108
Total Production	395,011	55,532	0	2,151	932	1,237	$450,525	0	450,525
Transmission	86,142	6,664	0	(1)	391	35	$92,379	0	92,379
Distribution	275,300	27,289	0	2,322	9,189	5,044	$290,673	405	291,083
General	22,793	7,416 (B)	0	0	1,494	0	$28,715	0	28,715
Total Electric	779,246	96,901 (C)	0	4,472	12,006	6,316	862,297	405	862,702
Accumulated Amortization of Nuclear Fuel (D)	130,429	2,689	0	0	0	0	133,118	0	133,118
Total	$909,675	$99,590	$0	$4,472	$12,006	$6,316	$995,415	$405	$995,820

Notes (000's)

(A) Excludes $5,354 of nuclear decommissioning costs.
(B) Includes $4,585 for amortization of leasehold improvements, computer software and load management program costs.
(C) This amount differs from "Depreciation" and "Other amortization" in the Statement of Cash Flows by $6,779, which represents amortization of previously incurred costs that do not affect the reserve.
(D) For information relating to the amortization policy for nuclear fu[illegible]e Notes A and J of the Notes to Financial Statements on pages 27 and 33, respectively, of the 198[illegible]port to Shareholders, incorporated herein by reference.

Boston Edison Company
Accumulated Depreciation, Depletion and
Amortization of Property, Plant and Equipment

1987

(in thousands)

Schedule VI

Column A	Column B	Column C			Column D		Column E	Column F	Column G
		Additions							
			Charged to Other Accounts						
Description	Balance Beginning of Period	Charge to Profit and Loss	Adjustments	Invty-Salv Value of Prop Retired	Retirements Renewals and Replacements	Cost of Removal	Balance at Close of Period	Charlestown Acquisition Adjustment	Balance at Close of Period
Depreciation Reserve:									
Electric Plant:									
Production - Fossil	$192,636	$20,638	$0	($31)	$2,882	$1,392	$208,969	$0	$208,969
- Nuclear	152,595	29,164 (A)	0	570	6,284	2,655	173,390	0	173,390
- Other	11,436	1,352	0	0	105	31	12,652	0	12,652
Total Production	356,667	51,154	0	539	9,271	4,078	395,011	0	395,011
Transmission	82,422	6,006	0	17	2,071	232	86,142	0	86,142
Distribution	262,845	25,289	0	2,418	11,644	3,608	275,300	405	275,705
General	16,694	6,171 (B)	0	7	83	(4)	22,793	0	22,793
Total Electric	718,628	88,620	0	2,981	23,069	7,914	779,246	405	779,651
Steam Heating Service (C)	25,280	380	13,653	0	39,340	(27)	0	0	0
Non-Utility	0	0	0	0	0	0	0	0	0
Total	743,908	89,000 (D)	13,653	2,981	62,409	7,887	779,246	405	779,651
Accumulated Amortization of Nuclear Fuel (E)	125,053	5,376	0	0	0	0	130,429	0	130,429
Total	$868,961	$94,376	$13,653	$2,981	$62,409	$7,887	$909,675	$405	$910,080

Notes (000's)

(A) Excludes $5,326 of nuclear decommissioning costs.
(B) Includes $3,547 for amortization of leasehold improvements, intangible plant and load management program costs.
(C) Steam heat business was sold on February 6, 1987; see Note C of "Notes to Financial Statements" on page 29 of the 1989 Annual Report to Shareholders incorporated herein by reference.
(D) This amount differs from "Depreciation" and "Other amortization" in the Statement of Cash Flows by $6778, which represents amortization of previously incurred costs that do not affect the reserve.
(E) For information relating to the amortization policy for nuclear fuel, reference Notes A and J of the Notes to Financial Statements on pages 27 and 33, respectively, of the 1989 Annual Report to Shareholders, incorporated herein by reference.

Boston Edison Company
December 31, 1989
Guarantees of Securities of Other Issuers
(in thousands)

Schedule VII

Column A	Column B	Column C	Column D	Column E	Column F	Column G
Name of issuer of securities	Title of issue	Total amount guaranteed and outstanding	Amounts owned by Company (b)	Amount in treasury of issuer of securities guaranteed (b)	Nature of guarantee	Nature of default by issuer guaranteed (b)
Connecticut Yankee Atomic Power Company	Series A Note-due 1996	$2,190			principal and interest	
Yankee Atomic Electric Company:	Bank Note-due 1991	1,700			principal and interest	
	$25 Million Revolving Credit Facility-expires 1990	700			principal and interest	
New England Hydro-Transmission Corp.(a)	$300 Million Revolving Credit Facility-expires 1998	8,640			principal and interest	
New England Hydro-Transmission Electric Co. Inc.(a)	$300 Million Revolving Credit Facility-expires 1998	11,500			principal and interest	
	Total	$24,730				

Notes: (a) As part of Hydro-Quebec Phase II, the Company and other New England electric utilities became equity owners in these companies and have agreed to guarantee severally, their proportionate share of the borrowings outstanding of both New England Hydro-Transmission Corporation and New England Hydro-Transmission Electric Company, Inc., pursuant to a shared $300,000,000 revolving credit facility. Also, included in the amounts guaranteed, the Company and other equity participants guarantee their proportionate share of the total obligation of the participants not meeting certain credit criteria.

(b) None of the securities were owned by Boston Edison Company; none were held in the treasury of the issuer; and none were in default.

Boston Edison Company
Short-Term Borrowings

Schedule IX

Year ended December 31,

(in thousands)

	Column A	Column B	Column C	Column D	Column E	Column F
	Category of Aggregate Short-Term Borrowings	Balance at Close of Period	December 31 Weighted Average Interest Rate	Maximum Amount Outstanding During the Period	Average Amount Outstanding During the Period (2)	Weighted Average Interest Rate During the Period (2)
1989	(1)	$213,840	8.91%	$233,275	$169,377	9.40%
1988	(1)	$114,580	9.44%	$340,705	$212,344	7.63%
1987	(1)	$185,663	8.06%	$226,312	$118,428	7.02%

1) Borrowings under:

	Year Ended December 31, 1989	1988	1987
Lines of Credit	$39,000	$0	$42,500
Commercial Paper	174,840	114,580	143,163
Total	$213,840	$114,580	$185,663

2) See Note 7 of Notes to Schedules of Capital Stock and Indebtedness on page 26 of the 1989 Annual Report to Shareholders, incorporated herein by reference.

Boston Edison Company — Schedule X

Supplementary Income Statement Information

Year ended December 31,

(in thousands)

Column A	Column B		
Item	Charged to Costs and Expenses		
	1989	1988	1987
1. Maintenance and repairs	$91,383	$107,325	$113,047
3. Taxes other than payroll and income taxes:			
Municipal property	$45,017	$49,851	$48,168

The above amounts are net of capitalized expenses.

For information relating to Item 2 "Amortization of Deferred Cost of Cancelled Nuclear Unit" and "Amortization of Deferred Nuclear Outage Costs", see "Statements of Income" for the years ended December 31, 1989, 1988 and 1987 on page 20 of the 1989 Annual Report to Shareholders, incorporated herein by reference.

BOSTON EDISON COMPANY

1989 Annual Report

BOSTON EDISON COMPANY

1989 Annual Report

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

Boston Edison also supplies electricity to other utilities and municipal electric departments at wholesale for resale. About 89 percent of the Company's revenues are derived from retail electric sales, 10 percent from wholesale electric sales and 2 percent from other sources.

On the Cover: Boston's first skyscraper - the historic Custom House Tower - looms over the city's skyline. Three years ago, Boston Edison restored the tower's giant clock and installed a special energy efficient exterior lighting system that highlights the 30-story landmark's unique architectural features. The crown jewel of Boston's picturesque skyline, the tower is now surrounded by highrises that depict New England's economic growth over the past decade.

FINANCIAL HIGHLIGHTS

	years ended December 31		
	1989*	1988	% Change
Electric operating revenues (000)	$1,269,345	$1,202,655	+ 5.5%
Income available for common stock (000)	($33,788)	$70,071	- 148.2%
Common shares outstanding - weighted average (000)	38,246	37,684	+ 1.5%
Common stock data:			
Earnings (loss) per share	($0.88)	$1.86	- 147.3%
Dividends declared per share	$1.745	$1.82	- 4.1%
Payout ratio	—	98%	—
Book value per share	$16.71	$19.36	- 13.7%
Return on average common equity	(4.6%)	9.6%	- 147.9%
Fixed charge coverage (SEC)	0.52x	2.08x	- 75.0%

* Includes an after-tax charge of $106 million or $2.78 per common share related to rate and contract settlements.

DEAR SHAREHOLDER:

Transition, change, uncertainty – these words have been repeated in my recent letters to you, reflecting three difficult years during which your company has been dealing with problems on several fronts. I am pleased to report that 1989 has seen the successful resolution of major uncertainties, positioning Boston Edison for a period of strong growth and earnings recovery.

In October, Pilgrim Station, under firm, responsible, and responsive leadership, returned to full power generation and a full-scale emergency preparedness exercise was run in cooperation with state and local officials.

The return of Pilgrim to regular operation allowed us to file for much needed rate relief, the first in more than five years. In addition, hearings continued with the Massachusetts Department of Public Utilities (DPU) to determine how much of the replacement power costs incurred during the lengthy Pilgrim outage would be retained by the Company.

On another front, litigation initiated by Pilgrim contract purchasers seeking recovery of replacement power costs was underway at the Federal Energy Regulatory Commission (FERC) in Washington. Uncertainty was compounded by the fact that, while the rate relief case and the hearings on cost recovery before the DPU would be decided in 1989, the FERC litigation could extend into 1990 or 1991. We felt this to be an untenable position and determined to do everything in our power to resolve these problems before the end of 1989.

With the approval of the Board of Directors, we began intensive negotiations with all the parties involved with both the DPU in Boston and FERC in Washington. That we succeeded in settling the major cases before the end of the year is not only due to the efforts of your management team, but equally to the responsible and professional conduct of the other parties. They responded to our commitment of time, energy, and the involvement of Boston Edison management at the highest level. Thus, we were able to end the year in full possession of the financial facts regarding all of these cases. Uncertainty was stripped away and we were able to begin planning for the very interesting years ahead.

As anticipated, the loss provisions for the settlements severely impacted year-end earnings. That impact, coupled with a weakening of the Massachusetts economy, made it necessary to reduce the dividend. The resolution of the regulatory issues, however, combined with the dividend action, will strengthen the Company's financial position and enhance future growth and value by allowing us to reinstate dividend growth at least in line with the industry average.

The stock market initially reacted favorably to the settlement, recognizing the financial importance of the resolution of our long-standing uncertainties. Because of the revenue stream provisions agreed upon over the next three years, we will not seek rate changes during this period. We have retained the replacement power recovery costs collected during Pilgrim's outage, as well as the capital costs expended for modifications and needed repairs to Pilgrim. We have agreed to a standard of operating performance for Pilgrim on which incentives, or penalties, will be assessed. We are confident of meeting these standards, which are well within the parameters of the Station's five-year operating plan.

In addition to settling these cases, our 1989 operating plan objectives were met. Our innovative new demand-side management programs are proceeding successfully in collaboration with various interested parties, government officials and major customers. Our energy resource plans are in place to meet future needs. Our relationships with the regulatory bodies are good and continue to get better. And our customer relations and public relations have entered a new and very favorable phase.

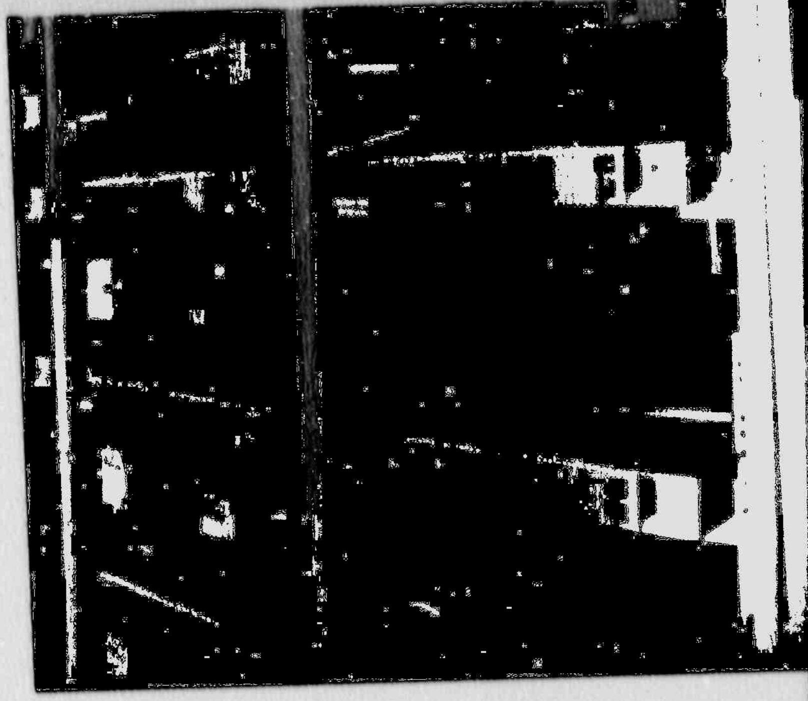
If, as it has been said, the past is prologue, these three years of uncertainty have been the necessary preface to a new era for your company. By giving not only the highest priority, but also unstinting time and attention, to the solution of these problems, we are now able to take advantage of an unencumbered and highly promising future. That the passage from uncertainty to opportunity has occurred at the close of one decade and the beginning of the next is symbolic of the exciting period of progress and growth we are entering.

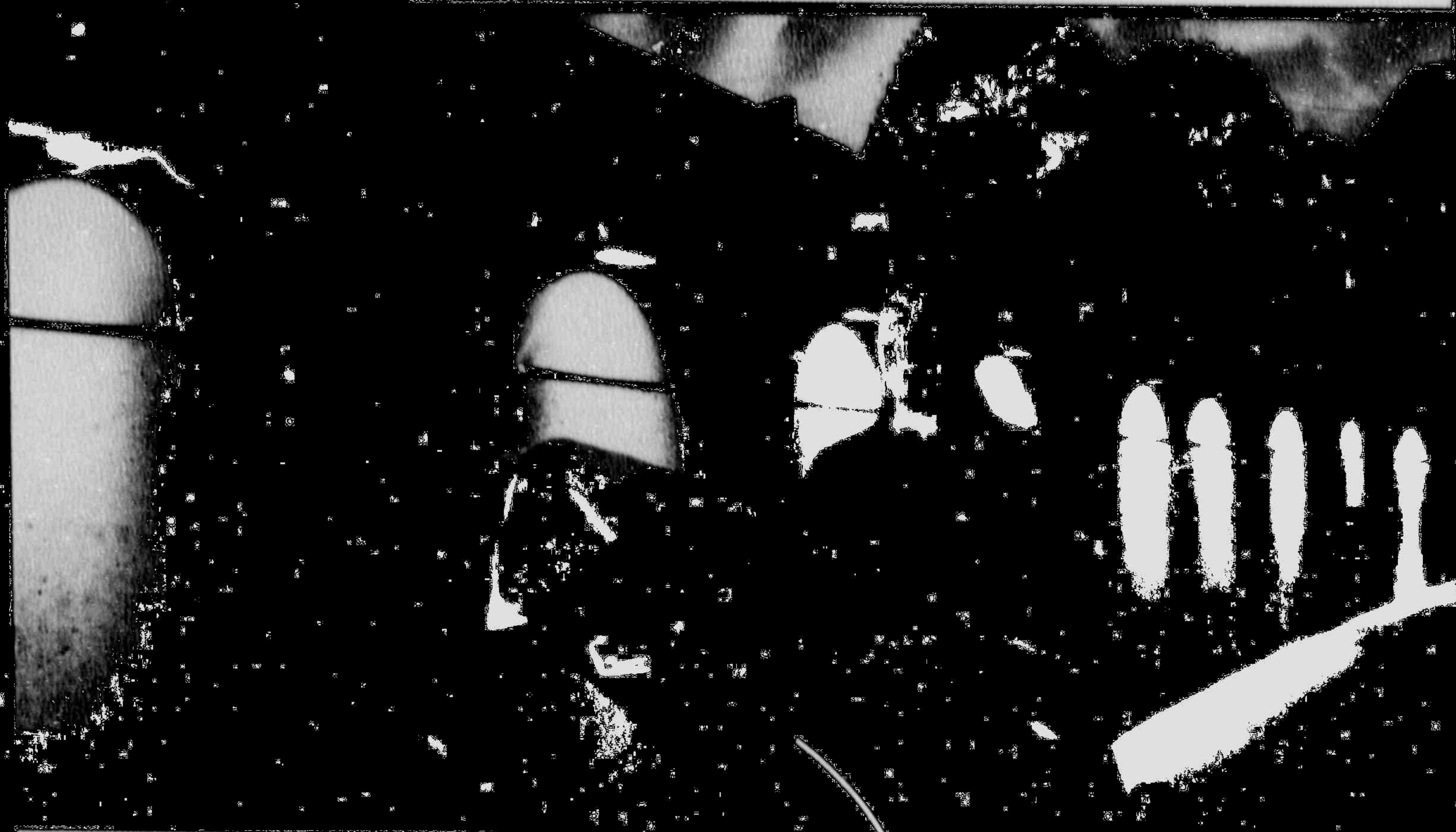
Stephen J. Sweeney

Stephen J. Sweeney
Chairman of the Board and Chief Executive Officer
February 22, 1990

Chairman and Chief Executive Officer Stephen J. Sweeney (right) with President and Chief Operating Officer Bernard W. Reznicek.

One of the successful Boston Edison programs has been Cool Storage which encourages customers to make ice or chilled water during low cost off-peak hours and store it for air conditioning use during daytime peak hours. EMC Corporation of Hopkinton, a leading computer hardware enhancement products manufacturer, was the first to install a full storage system. Facilities Manager Dan Fitzgerald has also joined the ENCORE program.

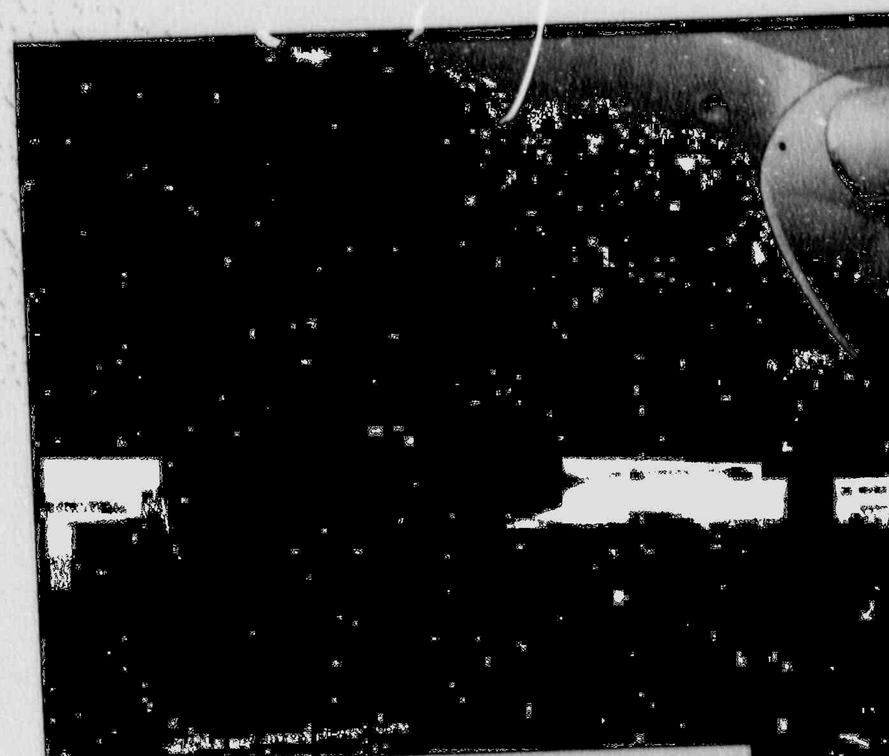




The world headquarters for the First Church of Christ, Scientist, is one of eleven customers currently enrolled in the Boston Edison Energy Cooperative (BEEC), which can provide up to 11 megawatts of capacity savings. In return for monthly rebates, the participants, including Ted Gutelius, Facilities Manager for the Boston Christian Science Center, reduce their energy use by an agreed upon amount when requested by Boston Edison.

Boston Edison's ENCORE (Energy Conservation Retrofit) offers commercial and industrial customers a no-cost opportunity to have their facilities made more energy efficient. The largest contract to date has been with the Polaroid Corporation Reservoir Complex in Waltham under the direction of Dave Bell, Polaroid's Corporate Energy Manager.

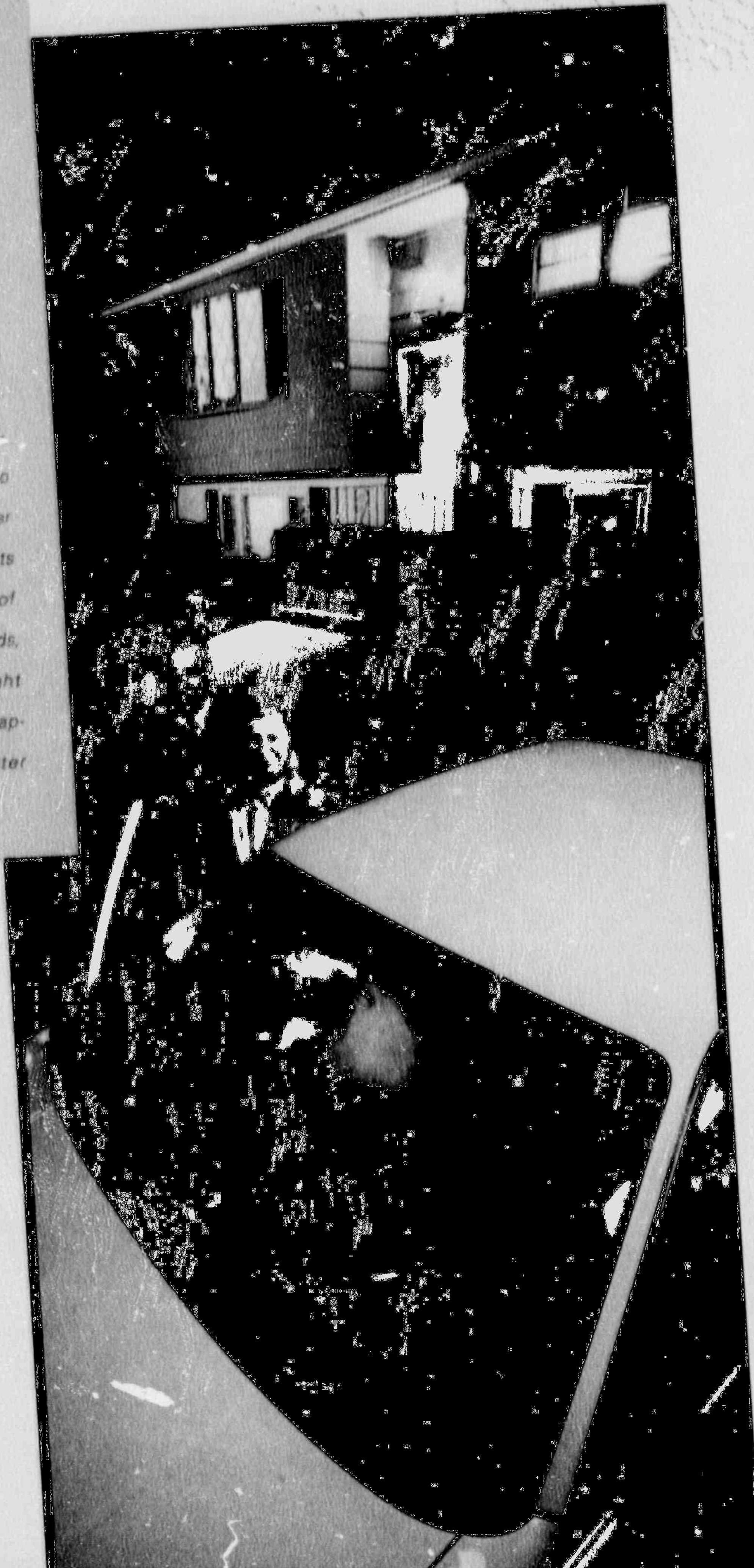
The Design Plus program is focused on Boston Edison's largest commercial and industrial customers. It requires the comprehensive redesign of a building's energy systems. The Boston Globe, whose Engineering Manager is Luis Azeredo, is one of seven participants.



The Generator Assistance program has saved a record 20 megawatts from a total of 41 Boston Edison customers. Under this plan, they receive cash incentives to use their on-site generators on peak days. MASSPORT, whose Executive Director is David W. Davis, is the largest single customer in this program.

The Efficient Lighting program provides rebates to commercial and industrial customers who replace old lighting systems with new, more energy efficient systems. Jim Wilson is Operations Engineer for the Boston Campus of the University of Massachusetts, which has not only included its gym in this program, but is a member of BEEC and is developing a Design Plus program as well.

Massachusetts State Representative Joseph M. Connolly of Natick and his wife Peg are among the more than 12,000 customers who participated in the Watt-busters program in 1989. This program offers free energy saving measures for residential customers who use electric hot water heating. These benefits include installation of low-flow showerheads, energy saving light bulbs, and the wrapping of hot water heaters and pipes.



A NEW SET OF PRIORITIES

The past decade has seen dramatic change in the ways in which society views the uses and sources of energy. The attention of all the parties — the providers of energy, the users of energy, and those who regulate the industry — has become focused on a new set of priorities. These priorities include a growing concern for the world environment, a desire to limit and even reduce the use of energy, and a search for alternative sources of energy. Boston Edison, with a new management team in place, is actively pursuing all of these priorities.

The Demand Side

Concerns about acid rain, the depletion of the earth's ozone layer, and the threat of consequent global warming have led society to question uncontrolled growth in the use of fossil fuels. Rapidly escalating costs of construction and financing, licensing delays compounded by public fears about safety, and the uncertainty of recovering costs have created a situation where no new nuclear power plants have been ordered. In the face of these concerns, the realization has grown that efforts to conserve and reduce energy use must receive more emphasis. Boston Edison is now in the forefront of research, development, and implementation of demand-side management programs. Applying the same ingenuity, innovation, and engineering resources which in another decade might have been devoted to meeting increased usage, your company is working with its customers to improve efficiency and reduce peak loads which have traditionally put great demands on the system.

With some 25 programs targeted at different customer groups, some of which are described in this report, Boston Edison has already been recognized as a demand-side leader in the energy industry. The results have

been dramatic: lower costs for customers without lessening the quality of life or quality of work, reduction in demand peaks, and a reduced future need for expensive capital investment in new facilities.

Regulators and other interested parties have played a constructive role in this effort by jointly developing various efficiency and demand reduction programs, and by working together to establish appropriate incentives, both for customers and shareholders. We believe these incentives will make this a profitable business opportunity. In an increasingly cooperative atmosphere, all parties have been pursuing the same goals.

ENCORE

The Supply Side

Even with efforts to reduce demand, there will be growth in energy use and a need for new sources of supply. New ideas are coming into play on the supply side as well. The current regulatory environment provides more certainty of cost recovery for new generating plants which can be shown to be both necessary and economical at the time they are planned. Agreement can now be reached as to the need for as well as the scope of a given project at inception.

In addition, there is a trend toward smaller and more efficient generating plants. This development has led to greater competition in the industry, particularly among independent power producers. Boston Edison is well positioned to maintain its leadership in this field. Your company has more than 100 years of experience in siting and building power plants. Moreover, although the location of a new power plant can be highly controversial, Boston Edison has available sites. The Edgar site in Weymouth, for example, known as Edgar Energy Park, is being developed as the location for a new 300 megawatt combined cycle generating facility. Edgar Energy Park could ultimately handle as many as four facilities of this type if they are found to be needed.

BECO

Boston Edison has also formed Harbor Electric Energy Company, a wholly owned subsidiary which will provide energy for the new waste water treatment plant to be built on Deer Island by the Massachusetts Water Resources Authority. The Authority's initial needs during the construction phase will be about 15 megawatts of electricity. This is expected to increase to 60 megawatts by mid-decade. This subsidiary represents a new and highly promising direction for Boston Edison. Increasingly in the years ahead, we will be exploring ways to build value and earnings through related businesses and subsidiaries.

Service

Service has been a leading priority of Boston Edison for more than a century. Efforts to improve service never cease. During the past year, the average time for customer outages was reduced by more than a third. Reorganization has provided more than 100 frontline customer service representatives to handle calls and letters. This group can provide translation services to customers in 65 languages to deal with the diversity of our service area.

New customers are now connected in substantially less time than ever before. Boston Edison is only the third utility in the nation to introduce ServiceNet, a programmable meter which uses radio to link customers to billing, information, and energy management systems. ServiceNet is a pilot program but already has shown great potential benefits in customer service.

An Energy Services Company

In the decade to come, Boston Edison will not be perceived only as an electric power company. Rather, we have become an energy and energy services provider. The Company has been restructured to take advantage of opportunities on both the demand side and the supply side of the energy equation. The positive new regulatory atmosphere allows us to plan with confidence

EFFICIENT LIGHTING

Design Plus

that investment costs will be recovered, and with knowledge that our plans are in line with the needs and concerns of the public.

As the Massachusetts economy slows from the boom years of the eighties, we will be able to pursue a balanced strategy in supplying energy services. By helping our customers both large and small to become more efficient, we will save them money and reduce peak energy loads on our generating facilities. As new generating needs are identified, such as for the waste facility to be constructed in Boston Harbor, we will plan specifically to meet those needs in the most efficient and environmentally-conscious way possible. Our new Harbor Electric Energy subsidiary is a prototype of a flexible response to the future.

An energy services company serves many and diverse constituencies. Our customers range from small households to Copley Place, which uses as much power as the City of Chelsea. One of our goals for the new decade is to convey a message to the many audiences we address: residential, commercial, and industrial customers; the regulatory boards with which we interact; the political establishment; and the press. That message is a simple but powerful one. The Boston Edison of the nineties is different in many respects from the company of past years. It is restructured; it has environmental priorities which reflect the times; it works with its customers to save money and be more efficient. In one respect, however, your company is the same as it has been for the past one hundred and three years. Boston Edison promises service and reliability to those we serve.

WATT BUSTERS

GENERATOR ASSISTANCE

Rate Proceedings and Pilgrim Nuclear Power Station

On October 31, 1989, the Commonwealth of Massachusetts Department of Public Utilities (the "DPU") approved a settlement agreement effective November 1, 1989 (the "DPU Settlement Agreement"), relating to certain DPU proceedings involving the Company. In addition, in January 1990, the Company entered into settlement agreements with certain wholesale customers (the "Wholesale Settlement Agreements") to resolve a portion of certain pending regulatory and legal proceedings concerning long-term purchased power contracts with such customers for a portion of the output of Pilgrim Nuclear Power Station ("Pilgrim Station"). The Wholesale Settlement Agreements are subject to the approval of the Federal Energy Regulatory Commission ("FERC"), as well as, in part, approval by the DPU of a related agreement. As a result of the DPU Settlement Agreement and the Wholesale Settlement Agreements, the Company incurred in the fourth quarter of 1989 a before-tax charge of $178,650,000 (including a reserve for remaining regulatory proceedings and related litigation in connection with the long-term purchased power dispute described above), with an after-tax effect of $106,280,000 or $2.78 per share of common stock.

Although the DPU Settlement Agreement and the Wholesale Settlement Agreements have removed major uncertainties facing the Company, other uncertainties remain and are discussed further hereunder.

Results of Operations

The Company incurred a loss of $0.88 per common share in 1989, primarily as a result of a $2.78 per common share charge, as discussed above, which was related to the recording of the DPU Settlement Agreement and the Wholesale Settlement Agreements and an estimate for other legal and regulatory proceedings involving Pilgrim Station. Excluding such charge, earnings per share of common stock from continuing operations for the years ended December 31, 1989, 1988, and 1987 amounted to $1.90, $1.86, and $1.97, respectively. The 1989 activity includes a $0.14 per common share gain from an eminent domain taking of certain Company property. The Company sold its steam heating business in February, 1987; earnings per common share from discontinued steam heat operations for the year ended December 31, 1987 amounted to $0.30 (including $0.25 gain on the sale of the steam heat business).

1989 Versus 1988

The Company incurred a loss of $0.88 per common share for the year ended December 31, 1989 compared to earnings of $1.86 for the same period in 1988. The loss of $0.88 per common share in 1989 included a $2.78 charge to earnings primarily relating to the DPU Settlement Agreement and the Wholesale Settlement Agreements and offset, in part, by a $0.14 per common share gain relating to an eminent domain taking of Company property. Net income includes three noncash items: Allowances for Funds Used During Construction ("AFUDC"), the imputed interest effect of the Company's retroactive adoption of Statement of Financial Accounting Standards (SFAS) No. 90 (as discussed further in Note E of Notes to Financial Statements), and the reversal of certain prior years' deferred income taxes as discussed further hereunder. These items amounted to $0.43 per common share in 1989 and $0.65 per common share in 1988.

Total operating revenues amounted to $1,269,345,000, an increase of 5.5%, as follows:

0.9% increase in retail kWh sales	$ 4,606,000
Performance Clause Revenues (1)	3,174,000
Increase in fuel and purchased power adjustment clause revenues	39,802,000
Sales for resale	11,155,000
Other increases, net (2)	7,953,000
Increase in total revenues	$66,690,000

(1) As part of the DPU Settlement Agreement, effective November 1, 1989, the Company is permitted to increase retail rates by approximately $20,000,000 over the period from November 1, 1989 to October 31, 1990 (subject to adjustment based upon the operation of Pilgrim Station).

(2) 1988 other revenues were reduced by a charge of $7,600,000 for Pilgrim I replacement power costs.

Retail kWh sales for 1989 increased 0.9% from 1988. Sales for resale increased 85% in 1989 primarily as a result of increased output from Pilgrim Station, which returned to full power in 1989. Approximately 26% of the output from Pilgrim Station is sold to other utilities pursuant to long-term purchased power contracts. The large increases in fuel and purchased power revenues and fuel and purchased power expenses of $39,802,000 and $47,791,000, respectively, are due to rising fossil fuel prices and the increased cost per kWh purchased from other utilities. Pilgrim Station operated at

gradually increasing power levels as part of the Power Ascension and Test Program in 1989 and thus, coupled with improved fossil unit performance, the Company has been able to reduce its overall level of power purchases from outside sources to 22% in 1989 as compared to 40% in 1988. The major portion of fuel and purchased power expenses are recovered through fuel and purchased power clauses with the balance being recovered through base rates.

Other operation expenses increased $7,124,000, primarily as a result of increases in labor, employee benefits expense and uncollectibles. Maintenance expense decreased $15,972,000 due to decreased expenditures at Pilgrim Station and fewer weeks of scheduled unit overhauls in 1989 versus last year. Depreciation and amortization expense increased $15,615,000 due to a large increase in the average depreciable plant investment base, primarily comprised of Pilgrim Station additions (which were completed and placed into service in late 1988) and transmission and distribution equipment additions. Property and other tax expense decreased $4,640,000 due to lower property taxes as a result of the settlement of a tax dispute with the City of Boston, Massachusetts (MA) in late 1988. The Company's effective income tax rate for 1989 (excluding the DPU Settlement Agreement and the Wholesale Settlement Agreements in 1989) is 26.7% versus 26.9% in 1988. Income taxes expense per the accompanying financial statements decreased $1,646,000, a portion of which is due to a slight decline in taxable income. The Company also reversed certain prior years' deferred income taxes in both 1989 and 1988 associated with AFUDC related deferred taxes provided during the years 1977-1979, the calculation of which was based upon FERC Order 561 methodology. These were restored to income as such methodology has not been adopted by the DPU. The earnings per common share effect of these reversals was $0.15 in 1989 and $0.10 in 1988; see also Note H of Notes to Financial Statements.

Other income increased over the prior-year period primarily as a result of expenses incurred in 1988 in opposition to an initiative petition which would have required the shutdown of all operating nuclear plants in the Commonwealth. In addition, in 1989 the Company recorded a gain of $5,499,000, net of taxes, from the eminent domain taking of certain Company property. See Note E of Notes to Financial Statements for information on the impact on 1989 and 1988 earnings (loss) relative to the Company's adoption in 1987 of SFAS No. 90.

AFUDC totaled $10,474,000, a decrease of 54% from 1988, due to a large decrease in the construction work in progress base, which is primarily related to the completion of work at Pilgrim Station in late 1988 and in the transmission and distribution system. The Company finances a portion of its capital expenditures through internally generated funds with the balance through external financings. Interest expense on long-term debt increased $9,891,000, primarily as a result of the September 1988 issuance of $150,000,000 of Unsecured Medium-Term Notes, the proceeds of which were used to reduce short-term borrowings. Preference dividends increased $3,512,000 due to the issuance of 500,000 shares of Stated Rate Auction Preference Stock in October 1988, the proceeds of which were also used to reduce short-term borrowings.

1988 Versus 1987

The outage of Pilgrim Station continued for substantially all of 1988. The Company continued to replace lower cost nuclear fuel generation from Pilgrim Station with higher cost fossil fuel generation and purchased energy from other utilities. While total operating expenses were relatively unchanged from 1987, an increase in base revenues associated with a 4.8% growth in retail kilowatthour (kWh) sales was more than offset by higher net financing costs and expenses incurred in connection with the Company's opposition to the Massachusetts referendum which would have required the permanent shutdown of Pilgrim Station in 1989. AFUDC represented approximately 24% and 17% of 1988 and 1987 reported earnings, respectively.

Total operating revenues amounted to $1,202,655,000, an increase of 1.8% from 1987. The Company experienced a 4.8% increase in retail kWh sales, a portion of which was due to unusually warm weather experienced in the summer of 1988. Fuel clause revenues were essentially unchanged. An analysis of the increase in total revenues is as follows:

4.8% increase in retail kWh sales	$29,887,000
Rate reduction due to Tax Reform Act of 1986 (1)	(17,030,000)
Increase in contract revenues	6,869,000
Other	1,832,000
Increase in total revenues	$21,558,000

(1) Pursuant to a rate order from the DPU on July 1, 1987, the Company lowered its annual revenue requirements by $34,000,000 to reflect the impact of the Tax Reform Act of 1986.

Fuel and net purchased power expenses, exclusive of deferred fuel costs, decreased 4%; a 5% increase in system power output was more than offset by declining fossil fuel prices and lower cost kWh purchases from other utilities. The Company's retail fuel and purchased power adjustment clause permits the major portion of such costs to be billed to customers utilizing forecasted costs, with the balance being recovered through base rates. A 3% decline in kWh output from the Company's fossil generation stations was offset by increased power purchases from other utilities;

approximately 40% of system kWh output was from outside sources in 1988 as opposed to 34% for 1987; since the commencement of the outage at Pilgrim Station in April 1986, the Company increased its reliance on purchased power from other utilities in order to meet demand.

In June 1988, the DPU issued its decision in its annual review of the Company's generating units (excluding Pilgrim Station) performance for the period November 1, 1986 to October 31, 1987; the DPU disallowed certain replacement power costs totaling approximately $700,000. This amount was recorded in the accompanying financial statements and was refunded to the Company's retail customers in 1988. See also Note A(2) of Notes to Financial Statements.

In 1988, the Company recorded a reserve of approximately $7,600,000 ($0.12 per common share) for Pilgrim Station replacement power costs; such amount was refunded to customers via the quarterly fuel clause. This charge was offset in 1988 by the $7,600,000 reversal of a previously established reserve relating to a prior years' wholesale contract dispute, following the Company's receipt of a favorable court ruling.

Other operation expenses increased $16,801,000 primarily as a result of increases in nuclear expenses, employee benefits expense, legal fees, uncollectibles, and regulatory commission expenses. A $5,722,000 decrease in maintenance expense is due to a lower level of current maintenance expenditures at Pilgrim Station, partially offset by higher levels of maintenance at the Company's fossil steam stations and combustion turbines. Depreciation and amortization expense increased $8,309,000; the Company placed in service approximately $400,000,000 of plant additions in 1988 of which $240,000,000 related to Pilgrim Station. Municipal property tax expense and other taxes increased $3,104,000, due to increased property tax billings from the Town of Everett, MA coupled with a higher level of payroll taxes, partially offset by lower property taxes from the City of Boston, MA due to the settlement of a tax dispute with the City; 1987 property taxes were reduced due to a revaluation in the Town of Plymouth, MA. Income taxes decreased $16,434,000, due to a large decrease in taxable income coupled with lower income tax rates established by the Tax Reform Act of 1986; the Company's effective income tax rates for 1988 and 1987 were 26.9% and 38.0%, respectively. See also Note H of Notes to Financial Statements for further information relative to a decrease in 1988 deferred tax expense of $3,700,000 ($0.10 per common share) which is attributable to prior years' operations.

Other income (net) decreased $3,723,000 from the comparable period in 1987, primarily due to expenses incurred in 1988 in connection with the Company's opposition to a Massachusetts referendum. See Note E of Notes to Financial Statements for information on the impact on 1988 and 1987 earnings relative to the Company's adoption in 1987 of SFAS No. 90.

AFUDC totaled $22,916,000, an increase of 31% from 1987, due to a large increase in the average construction work in progress base, a majority of which related to completed work at Pilgrim Station. Interest expense on long-term debt increased $11,879,000 primarily as a result of the September 1987 issuance of $100,000,000 of Series X, 11% First Mortgage Bonds and the issuance of $150,000,000 of Medium-Term Notes in September 1988. Short-term interest expense totaled $18,335,000, an increase of $9,444,000 from 1987; substantially higher levels of short-term borrowings were incurred during a portion of 1988 to finance capital expenditures for extensions, additions and improvements to the Company's plant and properties.

Financial Condition, Liquidity and Outlook for Future

General Financial Condition

On October 31, 1989, the DPU approved the DPU Settlement Agreement effective November 1, 1989, resolving certain proceedings before the DPU (see Note B of Notes to Financial Statements). The Company expects that the retail revenues allowed to it under the DPU Settlement Agreement, although limited through October 1992, will allow it to sell debt and equity securities including those discussed below which, coupled with normal internal generation of funds and supplemented by its short-term borrowing capabilities, would meet projected working capital (which includes approximately $139,000,000 of cash outlays as a result of the DPU Settlement Agreement and Wholesale Settlement Agreements), plant expenditures and debt service needs. As part of the DPU Settlement Agreement, the Company has been allowed consecutive retail revenue increases of $20,000,000 effective November 1, 1989, $22,500,000 effective November 1, 1990 and $25,000,000 effective November 1, 1991, subject to adjustment based upon Pilgrim Station's performance. In addition, if the Company would not otherwise achieve retail rates of return of 11.0% in 1990, 11.5% in 1991, and 12.0% in 1992, the Company may make certain accounting adjustments (but only to the extent that such adjustments do not result in the Company's exceeding such retail rates of return): (i) by reducing deferred income tax expense by $2,000,000 in 1990, $13,000,000 in 1991, and $23,000,000 in 1992 and (ii) by accelerating the amortization period for certain municipal property tax abatements, totaling approximately $37,000,000, from six to three years. Accordingly, the Company's ability to maintain or increase earnings will depend primarily upon its ability to control costs and increase kilowatthour sales, as well as the efficient operation of Pilgrim Station. During the period November 1, 1992 through October 31, 2000, the Company has agreed to institute a new cost recovery mechanism, which is also tied to Pilgrim Station's performance, for a portion of the Company's investment and costs related to Pilgrim Station. As a result, the Company's potential earnings after 1992 will continue to depend, in part, upon the efficient operation of Pilgrim Station.

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 forecasted to experience a sluggish economy in the near future. While the Company does not anticipate any significant effects from a continuation of the current slowdown in the regional economy, the Company does not anticipate significant growth in retail kWh sales. The Company's growth in base revenues may also be reduced by the expenditures associated with demand-side management programs.

The Company's electric generation units, other than Pilgrim Station, are fossil fuel-fired (oil or natural gas). Fossil fuel related expenses (excluding net purchased power) accounted for approximately 24%, 19% and 23% of total operating expenses in each of the years ended December 31, 1989, 1988 and 1987, respectively. The majority of the Company's fossil fuel purchases involve imported residual fuel oil acquired primarily from international suppliers, and natural gas, which is supplied to the Company on an "interruptible" basis. While the Company does not anticipate major disruptions in either the oil-producing regions of the world (which would cut off important sources of oil) or the availability of pipeline capacity to the New England region, the Company is subject to changes in the price of such fuel. The Company believes that its present fuel adjustment clauses in both its retail and wholesale rate schedules would provide for recovery of any potential increased costs.

The Company is affected by inflation to the extent that its operation and maintenance costs increase accordingly. The Company is also affected by inflation to the extent that inflation appears in the form of higher construction and related financing costs for new generation stations, transmission and distribution equipment, and significant improvements to existing facilities. In accordance with the DPU Settlement Agreement dated October 3, 1989, the Company is allowed consecutive retail revenue increases of approximately 2% each year over the next three years subject to adjustment based upon Pilgrim Station's performance. The Company's level of depreciation expense is based upon the historical cost of its plant; the Company believes that depreciation expense calculated on a "replacement cost of facilities" basis would be significantly higher.

The Company may have additional financial exposure with respect to a jury verdict of $39,300,000 against the Company in an antitrust suit which the Company is currently appealing; management believes that the decision is contrary to the facts and applicable law and that it is unlikely that the judgment will be upheld on appeal. The Company has been named as a potentially responsible party by certain environmental authorities with respect to the clean up of certain hazardous waste sites; the Company believes that it is remote that it will incur any significant liability with respect to such claims (see Note G of Notes to Financial Statements).

The Company began negotiations involving its labor contracts on January 22, 1990. These contracts expire on May 15, 1990. The Company anticipates favorable resolution of these negotiations prior to that date.

Certain other matters remain open regarding the continued operation of Pilgrim Station. On August 4, 1987, the Federal Emergency Management Agency identified certain deficiencies in the then existing offsite emergency response plan for Pilgrim Station and withdrew its previous interim finding of adequacy. The Company continues to work with the Commonwealth of Massachusetts and local officials to improve offsite emergency preparedness plans and in October of 1989 participated with these parties in an integrated emergency preparedness exercise. While progress has been made, formal approval of emergency preparedness plans has not been obtained from the necessary parties. Without continued Commonwealth of Massachusetts and local participation it would be extremely difficult to formulate plans satisfactory to the Nuclear Regulatory Commission.

Continued operation of Pilgrim Station is being actively opposed by various individuals, groups and public officials. Certain governmental agencies are currently conducting studies to determine whether there is a link between Pilgrim Station and purported elevated levels of radiation-sensitive cancer in certain communities near Pilgrim Station. The Company continues to monitor the situation closely and disputes any contention linking Pilgrim Station to any such elevated cancer levels.

Expected Plant Expenditures and Future Generation Capacity

The Company's estimate of plant expenditures over the next five years (which is subject to continuing review and adjustments), and debt and preferred stock retirements is currently estimated to be approximately $1,317,000,000 (including nuclear fuel, but excluding AFUDC). Long-term debt and medium-term note maturities and sinking fund requirements for both debt and preferred stock aggregate $201,875,000 in the next five years; see also Note 5 of Notes to Schedules of Capital Stock and Indebtedness with respect to potential mandatory redemption requirements on the Company's outstanding Stated Rate Auction Preference Stock subsequent to November 1991.

The Company is continually studying various energy alternatives in order to address its capability requirements. Due to the demand for electricity in the region, coupled with renewed regulatory emphasis on least-cost options, a growing share of future plant expenditures is being invested in demand-side management programs and regional transmission facilities. Pursuant to guidelines from the DPU, the selection of least-cost options may be subject to advance approval of the DPU. Also, as part of the DPU Settlement Agreement, the Company is committed to spend $75,000,000 in demand-side management programs over the next three years. In 1989, the Company continued to seek independent proposals for purchases of power from cogeneration facilities and/or private power producers, increased emphasis on

customer utilization of demand-side management programs, and explored the feasibility of installing new generation capacity at the Edgar Energy Park, located on Company-owned property in Weymouth, MA. In addition, the Company continued to explore other least-cost options including potential long-term purchases of power from Canadian facilities and the installation of combustion turbines.

Liquidity and Financing

Funds generated internally represented approximately 59%, 43% and 48% of plant expenditures in 1989, 1988, and 1987, respectively. Plant expenditures in 1989 were primarily related to improvements in the Company's transmission and distribution systems. It is expected that a portion of future plant expenditures will be funded internally.

The Company filed a registration statement with the Securities and Exchange Commission seeking approval to issue $100,000,000 of securities consisting of First Mortgage Bonds and/or Unsecured Notes (together with $65,000,000 of previously registered First Mortgage Bonds). This registration statement became effective on January 29, 1990. It is the Company's current intention to issue securities pursuant to this registration statement in the first quarter of 1990 for such purposes as to refinance certain outstanding long-term indebtedness and for capital expenditures for extensions, additions and improvements to the Company's plant and properties or for the payment of obligations incurred for such expenditures.

The DPU approved in August 1989 the issuance and sale of not more than 2,000,000 additional shares of the Company's $5 par value per share common stock pursuant to the Company's Dividend Reinvestment and Common Stock Purchase Plan at prices not less than $15 per common share. The Company applied certain eminent domain and other proceeds to the redemption of $10,145,000 of its outstanding First Mortgage Bonds, Series V, 12-5/8% due 2015, in December, 1989.

The Company currently has short-term borrowing authority from FERC of $350,000,000, which the Company deems adequate to cover working capital and other liquidity requirements. The Company meets working capital requirements, as well as the interim financing necessary for its current program of plant expenditures, primarily by internally generated funds, supplemented by the issuance of short-term commercial paper and bank borrowings. As of December 31, 1989, the Company had $213,840,000 of short-term debt outstanding. The Company arranged for a three year, $350,000,000 revolving credit facility in May 1988, as discussed further in Note 7 of Notes to Schedules of Capital Stock and Indebtedness. As of December 31, 1989, the Company had not applied to the DPU for regulatory approval to incur long-term debt under this agreement, nor had the Company incurred any short-term debt thereunder. The Company also has arrangements with certain banks to provide additional short-term credit on an uncommitted and as available basis.

The Company's 1989 year-end capitalization ratios are 52% long-term debt, 12% preferred/preference stock and 36% common equity as compared to 1988 year-end levels of 50%, 12%, and 38% and 1987 year-end levels of 48%, 10%, and 42%, respectively. The Company did not issue any securities in 1989, except for $10,943,000 of common stock pursuant to the Company's Dividend Reinvestment and Common Stock Purchase Plan. The decline in 1989 in common equity was primarily related to charges associated with the DPU Settlement Agreement and the Wholesale Settlement Agreements which were recorded in the fourth quarter of 1989. The Company does not expect to be able to satisfy net earnings requirements necessary to issue additional series of Cumulative Preferred Stock before 1991.

The Company generated sufficient cash flow in 1989 to meet all debt service requirements, however, as a result of recording the charges associated with both the DPU Settlement Agreement and the Wholesale Settlement Agreements, the Company's ratio of earnings to fixed charges declined to 0.52X in 1989. The Company would have needed to generate additional taxable income of approximately $55,708,000 to cover its fixed charges of approximately $116,445,000 in 1989. Excluding the effects of recording both the DPU & Wholesale settlement agreements, the Company's ratio of earnings to fixed charges for 1989 would have been 2.06X. The Company's securities ratings, from Moody's Investors Services are Baa1 for first mortgage bonds, baa2 for preferred stock, baa3 for preference stock and Prime 2 for commercial paper. The ratings from Standard & Poor's are BBB+ for first mortgage bonds, BBB for preferred stock, and BBB- for preference stock. The ratings from Duff & Phelps are BBB+ for first mortgage bonds, BBB- for preferred stock, BBB- for preference stock and Duff 2 for commercial paper. The Company's Series A Unsecured Medium-Term Notes have been rated Baa2, BBB and BBB by each of the aforementioned agencies, respectively. These ratings which are unchanged from 1988, are subject to continuing review by the rating agencies.

On December 21, 1989, the Company's Board of Directors voted to reduce the quarterly dividend on shares of the Company's common stock to 38 cents per share of common stock, a reduction of 16% from the previous rate of 45.5 cents per share of common stock. The Company reported a loss for the year (as previously discussed) and as a result of the reduction to book value and a slowing of growth in the area economy, an adjustment to the Company's dividend was necessary to realign the current dividend payout with earnings prospects.

Income Taxes

In December 1987, the Financial Accounting Standards Board (FASB) issued SFAS No. 96, which, as amended by SFAS No. 103, is now scheduled to become effective in 1992. It is anticipated that due to the impact of regulation the primary impact of the statement will be reflected on the balance sheet and will result in no significant impact on net income.

STATEMENTS OF INCOME (LOSS)

in thousands, except earnings per share	1989	1988	1987
	years ended December 31		
Operating revenues	$1,269,345	$1,202,655	$1,181,097
Operating expenses:			
Fuel	277,274	205,305	236,511
Net purchased power	207,188	231,366	201,838
Other operations and maintenance	356,650	365,498	354,419
Depreciation and amortization (Note J)	120,759	105,144	96,835
Amortization of deferred cost of cancelled nuclear unit (Note E)	24,381	24,381	24,381
Amortization of deferred nuclear outage costs (Note B)	21,376	21,376	21,376
Taxes — property and other	56,972	61,612	58,508
Provision for income taxes (Note H)	26,222	27,868	44,302
Total operating expenses	1,090,822	1,042,550	1,038,170
Operating income	178,523	160,105	142,927
Other income (loss)			
Rate and contract settlements (Note B)	(178,650)	-0-	-0-
Income taxes on rate and contract settlements (Note H)	72,370	-0-	-0-
Allowance for other funds used during construction (Note F)	1,362	6,875	10,534
Other, net (Notes D and E)	11,041	1,309	5,032
Operating and other income	84,646	168,289	158,493
Interest charges:			
Long-term debt	91,674	81,783	69,904
Other	18,219	18,335	8,891
Allowance for borrowed funds used during construction — credit (Note F)	(9,112)	(16,041)	(7,023)
Total interest charges	100,781	84,077	71,772
Income (loss) from continuing operations	(16,135)	84,212	86,721
Income from discontinued steam heating operations, net (Note C)	-0-	-0-	10,965
Net income (loss)	(16,135)	84,212	97,686
Preferred and preference dividends provided	17,653	14,141	13,431
Balance available for common stock (Note B)	$ (33,788)	$ 70,071	$ 84,255
Common shares outstanding (weighted average)	38,246	37,684	37,169
Earnings (loss) per share of common stock:			
From continuing operations (Note B)	$(0.88)	$1.86	$1.97
From discontinued operations (Note C)	-0-	-0-	.30
Total	$(0.88)	$1.86	$2.27

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

STATEMENTS OF CASH FLOWS

in thousands	years ended December 31 1989	1988	1987
Cash flows from operating activities:			
Net income (loss) excluding gain on sale of steam heat operations	$ (16,135)	$ 84,212	$ 88,394
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Rate and contract settlements, net (Note B)	98,630	-0-	-0-
Depreciation (Notes A and J)	106,727	92,316	85,453
Amortization of nuclear fuel	10,614	2,688	5,376
Amortization of deferred cost of cancelled nuclear unit, net (Note E)	18,898	17,903	16,240
Other amortization	12,159	11,364	10,325
Allowance for funds used during construction	(10,474)	(22,916)	(17,557)
Net changes in:			
Accounts receivable	(27,515)	20,699	(15,378)
Materials and supplies	(1,536)	21,133	(38,957)
Accounts payable	5,502	(14,930)	48,158
Other current assets and liabilities	14,783	(13,748)	3,976
Other, net	25,242	2,748	(26,544)
Net cash provided by operating activities	236,895	201,469	159,488
Cash flows provided (used) by investing activities:			
Plant expenditures (excluding AFUDC)	(235,946)	(245,103)	(309,239)
Decommissioning fund	(6,983)	(3,337)	(9,474)
Investments in electric companies	(11,207)	(874)	50
Proceeds from asset dispositions (Notes C and D)	9,145	-0-	32,500
Net cash (used) by investing activities	(244,991)	(249,314)	(286,163)
Cash flows provided (used) by financing activities:			
Issuances:			
Common stock	10,943	7,866	11,290
Preferred and preference stock	-0-	50,000	50,000
Long-term debt	-0-	150,000	100,000
Redemptions:			
Preference stock	-0-	-0-	(40,093)
Debt retirements	(16,270)	(6,125)	(31,677)
Net change in notes payable	99,260	(71,083)	116,698
Dividends paid	(87,083)	(82,267)	(79,281)
Net cash provided by financing activities	6,850	48,451	126,937
Net increase (decrease) in cash	(1,246)	606	262
Cash at the beginning of the year	3,235	2,629	2,367
Cash at the end of the year	$ 1,989	$ 3,235	$ 2,629
Cash paid during the year for:			
Interest, net of amounts capitalized	$100,647	$ 78,509	$ 68,609
Income taxes	$ 42,159	$ 43,843	$ 24,161

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

BALANCE SHEETS

in thousands		1989	December 31	1988
Assets				
Property, plant and equipment, at original cost (Notes A, B, F, J and K):				
Utility plant in service	$3,172,132		$2,939,574	
Less: accumulated depreciation	950,298	$2,221,834	862,297	$2,077,277
Nuclear fuel	235,862		233,508	
Less: accumulated amortization	142,023	93,839	133,118	100,390
Construction work in progress		83,827		98,655
Total		2,399,500		2,276,322
Investments in electric companies, at equity		22,427		11,220
Nuclear decommissioning fund (Note J)		31,085		24,102
Current assets:				
Cash	1,989		3,235	
Accounts receivable	186,373		158,858	
Materials & supplies, at average cost	89,643		88,107	
Prepaid expenses & other current assets	7,260	285,265	27,668	277,868
Deferred debits:				
Deferred cost of cancelled nuclear unit (Note E)	84,744		103,642	
Deferred nuclear outage costs (Note B)	2,309		55,144	
Other (Note A)	52,941	139,994	68,752	227,538
		$2,878,271		$2,817,050
Capitalization and Liabilities (see accompanying Schedules of Capital Stock and Indebtedness)				
Common stock equity		$ 644,546		$ 734,222
Cumulative preferred stock:				
Non-mandatory redeemable series		83,000		83,000
Mandatory redeemable series		50,000		50,000
Cumulative preference stock:				
Non-mandatory redeemable series		38,287		38,287
Mandatory redeemable series		50,000		50,000
First mortgage bonds		798,839		816,534
Unsecured medium-term notes		150,000		150,000
Current liabilities: (Note G)				
First mortgage bonds due within one year	$ 5,675		$ 4,250	
Notes payable	213,840		114,580	
Accounts payable	115,891		110,389	
Property and other taxes accrued (Note H)	8,669		8,987	
Interest accrued	21,104		20,969	
Dividends payable	17,308		19,910	
Other	7,008		12,322	
Rate and contract settlements (Note B)	89,541	479,036	-0-	291,407
Deferred credits:				
Accumulated deferred income taxes (Note H)	377,227		453,979	
Accumulated deferred investment tax credits (Note H)	94,835		98,952	
Nuclear decommissioning reserve (Note J)	35,409		28,217	
Rate settlement (Note B)	50,000		-0-	
Other	27,090	584,561	22,452	603,600
Commitments and contingencies (Notes B and G)				
		$2,878,271		$2,817,050

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

STATEMENTS OF RETAINED EARNINGS

in thousands	1989	1988	1987
		years ended December 31	
Balance at beginning of year	$243,569	$242,161	$225,270
Net income (loss)	(16,135)	84,212	97,686
Subtotal	227,434	326,373	322,956
Cash dividends declared:			
Preferred	9,147	9,147	8,430
Preference	8,506	4,994	5,369
Common	66,829	68,663	66,996
Subtotal	84,482	82,804	80,795
Balance at end of year	$142,952	$243,569	$242,161

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

SCHEDULES OF CAPITAL STOCK

in thousands, except per share amounts	1989	1988
	December 31	
Common stock equity:		
Common stock		
Par value $5 per share (Note 1), 50,000,000 shares authorized; issued and outstanding 38,526,085 and 37,893,791 shares	$192,630	$189,469
Premium on common stock	308,561	300,779
Retained earnings	142,952	243,569
Surplus invested in plant	405	405
Total	$644,548	$734,222
Cumulative preferred stock:		
Par value $100 per share, 2,830,000 shares authorized, issued and outstanding:		
Non-mandatory redeemable series (Note 2):		
Series / Shares		
4.25% 180,000	$ 18,000	$ 18,000
4.78% 250,000	25,000	25,000
8.88% 400,000	40,000	40,000
Total	$ 83,000	$ 83,000
7.27% mandatory redeemable series (Note 3) - 500,000 shares	$ 50,000	$ 50,000
Cumulative preference stock:		
Par value $1 per share, 8,000,000 authorized, issued and outstanding:		
Non-mandatory redeemable series (Note 4):		
$1.46 Series - 2,675,000 shares	$ 2,675	$ 2,675
Premium on $1.46 Series	35,612	35,612
Total	$ 38,287	$ 38,287
Mandatory redeemable series (Note 5):		
Stated rate auction preference stock - 500,000 shares	$ 500	$ 500
Premium on stated rate auction preference stock	49,500	49,500
Total	$ 50,000	$ 50,000

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

SCHEDULES OF INDEBTEDNESS

Long-term debt (Note 6):
First mortgage bonds:

			in thousands	
	Interest		December 31	
Series	Rate (%)	Maturity	1989	1988
H	4 1/4	June 1, 1992	$ 15,000	$ 15,000
I	4 3/4	Nov. 1, 1995	25,000	25,000
J	6 1/8	June 1, 1997	40,000	40,000
K	6 7/8	Nov. 1, 1998	50,000	50,000
L	9	Dec. 1, 1999	50,000	50,000
M	9 3/8	July 1, 2000	60,000	60,000
N	8 1/8	May 15, 2001	75,000	75,000
S	Variable	Jan. 15, 2002	25,000	25,000
O	9 3/4	Dec. 15, 2003	78,375	80,750
R	10.95	Oct. 31, 2004	60,000	63,750
P	9 1/4	Apr. 15, 2007	60,000	60,000
T	12 1/4	Apr. 15, 2013	10,029	10,029
U	10 1/4	Apr. 1, 2014	15,000	15,000
V	12 5/8	Apr. 1, 2015	6,110	16,255
W	9 1/2	July 15, 2016	135,000	135,000
X	11	Sept. 15, 2017	100,000	100,000
Total first mortgage bonds			804,514	820,784
Less: due within one year			5,675	4,250
First mortgage bonds - net			$798,839	$816,534

Unsecured medium-term notes	$150,000	$150,000
Notes payable (Note 7):		
Bank loans	$ 39,000	$ -0-
Commercial paper	174,840	114,580
Total notes payable	$213,840	$114,580

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

1. Common Stock

Since December 31, 1986, the Company has issued shares of common stock, $5 par value, as follows:

	Number of Shares	Total Par Value	Premium on Common Stock
Balance December 31, 1986	36,905,558	$184,527,790	$286,564,480
Dividend Reinvestment Plan (1)	484,327	2,421,635	8,047,215
Employee Stock Ownership Plan (1)	35,025	175,125	645,336
Balance December 31, 1987	37,424,910	$187,124,550	$295,257,031
Dividend Reinvestment Plan (1)	468,881	2,344,405	5,522,068
Balance December 31, 1988	37,893,791	$189,468,955	$300,779,099
Dividend Reinvestment Plan (1)	632,294	3,161,470	7,781,966
Balance December 31, 1989	38,526,085	$192,630,425	$308,561,065

(1) The remaining authorized common shares reserved for future issuance under the Dividend Reinvestment and Common Stock Purchase Plan are 2,518,312 shares at December 31, 1989. The Company terminated the Employee Stock Ownership Plan in 1989.

2. Cumulative Non-Mandatory Redeemable Preferred Stock

There were no changes during 1987, 1988, or 1989 in cumulative non-mandatory redeemable preferred stock. The redemption prices at December 31, 1989 for the 4.25%, 4.78% and 8.88% Series of Cumulative Preferred Stock are $103.625, $102.80, and $102.00, respectively. Upon any liquidation of the Company, holders are entitled to $100 per share.

3. Cumulative Mandatory Redeemable Preferred Stock

The Company sold 500,000 shares of 7.27% Sinking Fund Series $100 par value Cumulative Preferred Stock on March 12, 1987. The shares of 7.27% Preferred Stock are redeemable at the option of the Company at $107.27 prior to May 1, 1992, and at prices declining from $107.27 per share to par value commencing May 1, 2002, provided that no redemption may be made prior to May 1, 1992 through refunding by the issuance of indebtedness or certain stock having an interest rate or cost, or dividend rate or cost to the Company of less than 7.334% per annum. The 7.27% Preferred Stock will be entitled to a sinking fund to retire 20,000 shares at $100 per share, plus accrued dividends on May 1 of each year, beginning in 1993. On May 1 in any year, beginning in 1993, the Company has the non-cumulative option to redeem an additional number of shares, not to exceed 20,000 shares, for the sinking fund at $100 per share, plus accrued dividends.

4. Cumulative Non-Mandatory Redeemable Preference Stock

There were no changes during 1987, 1988, or 1989 in the $1.46 Series of Preference Stock. Upon resolution of the Board of Directors, the shares may be redeemed as a whole or in part; the redemption price at December 31, 1989 is $15.292 per share. Subject to the prior preferential rights of the cumulative preferred stockholders, upon involuntary liquidation of the Company, holders of the $1.46 Series are entitled to receive $15 per share.

5. Cumulative Mandatory Redeemable Preference Stock

On October 6, 1988 the Company issued 500,000 shares of Stated Rate Auction Preference Stock, Series A (STRAPS), Liquidation Value of $100 per share, Par Value of $1.00 per share, at a price of $100 per share. The dividend rate is 9.20% per annum through November 30, 1991. Thereafter, the dividend rate, for dividend periods whose length shall be selected by the Company, will be determined by auction and may not exceed a Maximum Permitted Rate established by the Commonwealth of Massachusetts Department of Public Utilities (DPU), which is currently 15%. In certain circumstances, if the dividend rate would exceed the Maximum Permitted Rate, the Company is obligated to redeem the STRAPS at $100 per share plus accrued and unpaid dividends. The Company may in the future, but is not obligated to, petition the DPU for an order increasing or eliminating the Maximum Permitted Rate. Dividends are cumulative from date of original issue and are payable when and as declared out of funds legally available therefor. The STRAPS are redeemable at the

Company's option at $100 per share plus accrued and unpaid dividends to the redemption date, at the end of the initial dividend period (November 30, 1991) and at certain other times thereafter. The Company's preference stock is subordinate to the cumulative preferred stock but senior to its common stock both with respect to dividends and upon liquidation. Without approval of the holders of the Company's common stock, the aggregate liquidation value of all outstanding shares of preference stock cannot exceed $100,000,000. Following the issuance of the STRAPS, the Company may not issue additional shares of preference stock having a liquidation value in excess of approximately $10,000,000 without obtaining such approval. The Company does not expect to be able to satisfy net earnings requirements necessary to issue additional series of cumulative preferred stock before 1991.

On March 30, 1987, the Company redeemed all of the outstanding $1.175 Series Preference Stock, at a total redemption price (including a redemption premium) of $40,124,000 plus accrued dividends of $361,000. The $4,900,000 redemption premium has been recorded in deferred debits pending anticipated recovery in the Company's next rate filing.

6. Long-Term Debt

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

The aggregate principal amounts of long-term debt and medium-term notes including sinking fund requirements due in the five years 1990 through 1994 are $5,675,000, $56,800,000, $21,800,000, $56,800,000, and $56,800,000, respectively. See also Note 3 preceding with respect to a sinking fund requirement on the Company's outstanding 7.27% redeemable preferred stock which commences in 1993 and Note 5 preceding with respect to a potential mandatory redemption requirement on the Company's outstanding STRAPS which may be in effect subsequent to November 30, 1991.

The Company's First Mortgage Bonds, Series S, adjustable rate due 2002, bore interest at 11.6% per annum for the period January 14, 1989 through January 14, 1990. 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, 1990 through January 14, 1991 will be 10.30%.

On September 15, 1988 the Company 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 effective cost to the Company after underwriting commissions was 9.71%. The 9.35% notes are not redeemable. The 9.65% and 9.75% notes are redeemable at prices declining from 109.65% and 109.75% of par value, respectively, to 100% of par value in 1992 and 1993, respectively. However, the notes may not be redeemed prior to September 15, 1991 and September 15, 1992, respectively, through issuances of indebtedness having an interest cost to the Company of less than 9.65% and 9.75%, respectively. Interest is payable on March 1 and September 1 in each year, and at maturity. The notes are unsecured obligations of the Company.

7. Notes Payable

The Company entered into a $350,000,000 revolving credit agreement with a group of banks in May, 1988. This agreement replaced most of the Company's committed short-term lines of credit and is intended to provide a standby source of short-term borrowings. The agreement terminates on the earlier of (i) May 31, 1991 or (ii) the 364th day following the first borrowing if the Company has not received regulatory approval to incur indebtedness pursuant to the agreement payable more than one year after the date thereof. As of December 31, 1989, the Company had not applied to the DPU for regulatory approval to incur long-term debt under the agreement nor had the Company incurred any short-term debt thereunder. The Company is obligated to pay commitment fees on the unused portion of the commitment amount.

Under the terms of this agreement the Company is required to maintain and forecast certain financial ratios related to capitalization and interest coverages. The most restrictive covenant requires that the Company not declare dividends or make other distributions on its common stock, or incur additional debt if certain capitalization ratios are not maintained. As of December 31, 1989, the Company's capitalization ratio exceeded the minimum requirement. See also Note G.

The Company also has arrangements with certain banks to provide additional short-term credit on an uncommitted and as available basis. The Company currently has authority to issue up to $350,000,000 of short-term debt.

Information regarding short-term borrowings, comprised of bank loans and commercial paper, is as follows:

in thousands of dollars	1989	1988	1987
Maximum short-term borrowings	$233,275	$340,705	$226,312
Daily weighted average amount outstanding	$169,377	$212,344	$118,428
Weighted average interest rates, excluding commitment fees on balance during the year (daily)	9.40%	7.63%	7.02%

Note A. Summary of Significant Accounting Policies

The Company is subject to regulation by various agencies. Because of the effect in regulated businesses of the rate-making process, there are differences in generally accepted accounting principles between regulated and nonregulated businesses. Such differences are related principally to the time at which various items enter into the determination of net income in accordance with the principle of matching costs and revenues. (Accounting policies are also described in Notes B, F, H, I and J.) Certain reclassifications, not affecting income, have been made to amounts reported in prior years to conform to presentations used in 1989.

1. Depreciation, Amortization and Maintenance

Physical property (excluding a factor for nuclear decommissioning costs) is depreciated on a straight-line basis at approximately 3.59% annually, utilizing the average remaining life method of computing depreciation. At the time of retirement of property units, their cost and the net of cost of removal and salvage is charged to accumulated depreciation.

The cost of nuclear fuel is amortized to fuel expense based on the quantity of energy produced for the generation of electricity. Nuclear fuel expense also includes a provision for the costs associated with the ultimate disposal of spent nuclear fuel; such estimated disposal costs are subject to review and are amortized to fuel expense, where they are being recovered through the Company's fuel and purchased power adjustment clause. (See Note J.)

Maintenance expense is charged for the cost of current repairs, replacement of items not accounted for as units of property, and minor betterments of plants and properties as they are incurred.

2. Forecasted Fuel Clause and Performance Clause

The Company's retail fuel and purchased power adjustment clause permits all fuel costs, the capacity portion of certain purchased power costs, certain transmission and demand-side management costs to be billed to customers monthly utilizing a forecasted rate. The difference between actual and estimated cost is included in deferred debits on the accompanying balance sheets pending adjustments of subsequent rates. The non-fuel portion of certain purchased power costs are recovered through base rates. The DPU 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. (See also Note G(6).) As part of the DPU Settlement Agreement (discussed further in Note B), the Company commenced the billing of a performance adjustment clause to retail customers effective November 1989.

3. Revenue Recognition

The Company recognizes revenues when customers are billed on a cycle billing basis.

4. Amortizations of Discounts, Premiums and Redemption Premiums on Debt

The Company amortizes discounts, premiums, redemption premiums and related expenses associated with debt issuances or refinancings ratably over the life of the new debt.

Note B. Rate Proceedings and Pilgrim Nuclear Power Station

On October 31, 1989, the DPU approved a settlement agreement effective November 1, 1989 (the "DPU Settlement Agreement") relating to certain DPU proceedings involving the Company. In addition, in January 1990, the Company entered into settlement agreements with certain wholesale customers (the "Wholesale Settlement Agreements") to resolve a portion of certain pending regulatory and legal proceedings concerning long-term purchased power contracts with such customers for a portion of the output of Pilgrim Nuclear Power Station ("Pilgrim Station"). The Wholesale Settlement Agreements are subject to the approval of the Federal Energy Regulatory Commission ("FERC"), as well as, in part, approval by the DPU of a related agreement. As a result of the DPU Settlement Agreement and the Wholesale Settlement Agreements, the Company recorded in the fourth quarter of 1989 a before-tax charge of $178,650,000 (including a reserve for remaining regulatory proceedings and related litigation in connection with the long-term purchased power dispute described above), with an after-tax effect of approximately $106,280,000 or $2.78 per share of Common Stock.

Although the DPU Settlement Agreement and the Wholesale Settlement Agreements have removed certain major uncertainties facing the Company, other uncertainties remain, as discussed further in Note G and in Management's Discussion and Analysis.

Settlement of Certain DPU Proceedings

On October 31, 1989, the DPU approved the DPU Settlement Agreement resolving certain DPU proceedings involving the Company. These proceedings involved: (i) consideration of the recovery of approximately $300,000,000 of replacement fuel and purchased power costs associated with the 1986-1989 Pilgrim Station outage and power ascension program, (ii) a petition by certain customers of the Company requesting that the DPU remove from the Company's retail rate base all investments in Pilgrim Station, and (iii) the Company's request for a retail rate increase of $85,800,000. The Settlement Agreement was proposed by the Company, the Attorney General of the Commonwealth of Massachusetts and other interested parties to the proceedings.

Pursuant to the DPU Settlement Agreement, the Company has agreed: (i) to limit its retail revenue increases prior to November 1, 1992 to approximately 2% per year (except in the case of certain changes in tax law, or a significant increase or decrease in expenses due to a change in law or a catastrophic event), subject to adjustment based on Pilgrim Station's performance; (ii) to expend and not seek recovery of $75,000,000 which will be spent over the next three years on certain demand-side management programs and overseen by a special board consisting of representatives from the Company and various public agencies and groups; (iii) to implement during the period November 1, 1992 through October 31, 2000 a new cost recovery mechanism for the recovery of a portion of the Company's investment in and operations and maintenance costs related to Pilgrim Station; and (iv) not to seek recovery of the retail portion of approximately $101,000,000 of incremental operations and maintenance costs incurred during the Pilgrim Station outage (of which approximately $70,000,000 had been amortized through December 31, 1989, with the balance included as part of the fourth quarter charge described above).

Under the DPU Settlement Agreement, the Company will be allowed consecutive annual retail revenue increases of $20,000,000 effective November 1, 1989, $22,500,000 effective November 1, 1990, and $25,000,000 effective November 1, 1991, subject to adjustment in accordance with Pilgrim Station's performance measured by its capacity factor and by Nuclear Regulatory Commission ("NRC") and certain other industry standards. For the period November 1, 1989 through October 31, 1992, no adjustment will be made if Pilgrim Station's capacity factor is between 60% and 76%. For each 1% below 60%, revenues will be reduced $1,000,000 with a maximum additional decrease of $30,000,000, and for each 1% in excess of 76%, revenues will be increased by $1,000,000 with a maximum additional increase of $15,000,000. In addition, revenues will be adjusted based on the Company's average Systematic Assessment of Licensee Performance ("SALP") ratings issued by the NRC (resulting in a maximum additional decrease in revenues of $6,000,000 and a maximum additional increase of $3,000,000, with no adjustment for an average SALP rating between 1.6 and 1.8). Adjustments due to Pilgrim Station's performance in relation to other industry standards could result in an annual maximum additional decrease in revenues of $3,000,000 and a maximum additional increase of $1,500,000.

Between November 1, 1992 and October 31, 2000, recovery of the undepreciated portion of approximately $50,000,000 of capital additions made to Pilgrim Station during the outage, one-fourth of the Company's undepreciated post-1988 capital additions and one-fourth of the annual operations and maintenance expenses at Pilgrim Station will be recovered through a per-kilowatthour charge, subject to adjustment based upon the same NRC and industry standards applied during the period November 1, 1989 through October 31, 1992. In addition, in the event that Pilgrim Station operates below a 35% capacity factor in a year between November 1, 1992 and October 31, 2000, the DPU Settlement Agreement incorporates a revenue floor which entitles the Company to bill retail customers the per kilowatthour charge as if the plant operated at a capacity factor of 35% on the first such occurrence. Each time the Company elects to utilize the revenue floor, it is reduced for subsequent years. Other Pilgrim Station costs will continue to be recovered in retail base rates.

Under the DPU Settlement Agreement, the Company will not be required to make any refund to retail customers of Pilgrim Station replacement fuel and purchased power costs incurred through October 3, 1989 (the date the DPU Settlement Agreement was filed with the DPU). Also, the parties to the DPU Settlement Agreement have agreed not to challenge the prudency of any capital costs incurred at Pilgrim Station prior to December 31, 1988 (the approximate date of the commencement of Pilgrim Station's power ascension program). Finally, if the Company would not otherwise achieve retail rates of return of 11.0% in 1990, 11.5% in 1991, and 12.0% in 1992, the Company may make certain accounting adjustments (but only to the extent that such adjustments do not result in the Company's exceeding such retail rates of return): (i) by reducing deferred income tax expense by $2,000,000 in 1990, $13,000,000 in 1991, and $23,000,000 in 1992 and (ii) by accelerating the amortization period for certain municipal property tax abatements, totaling approximately $37,000,000, from six years to three years.

Proceedings Regarding Long-Term Purchased Power Contracts

Approximately 26% of the output from Pilgrim Station is sold to other utilities pursuant to long-term purchased power

contracts which require such purchasers to pay a proportionate share of the costs of the plant. In December 1987, complaints were filed at the FERC against the Company by two utilities that receive approximately twelve percent of the total output from Pilgrim Station pursuant to such long-term purchased power contracts, which alleged that the Company mismanaged the operation of the unit and sought, among other relief, termination of the Pilgrim contract and reimbursement for damages incurred. Billings pursuant to such contracts (excluding fuel) from April 12, 1986 through December 31, 1989 were approximately $288,000,000. The Company filed responses denying the utilities' allegations. All Pilgrim contract customers, with the exception of one municipal light department, intervened in the proceedings before FERC. One utility and thirteen municipal light departments filed complaints in court seeking additional relief. In addition, the Towns of Concord and Wellesley, MA, wholesale customers of the Company, intervened in these proceedings seeking reimbursement for replacement power costs incurred during the outage. The Company answered these complaints, and the courts stayed any further proceedings pending the outcome of the proceedings at FERC. In January 1990, the Company entered into the Wholesale Settlement Agreements with certain of the parties to the proceedings described above. The Wholesale Settlement Agreements are subject to approval of FERC, as well as, in part, approval by the DPU of a related agreement. Parties to the Wholesale Settlement Agreements have contracts to purchase approximately 23% of the output of Pilgrim Station. The other parties to the proceedings, having contracts for less than 3% of the output of Pilgrim Station (for which billings pursuant to such contracts, excluding fuel, from April 12, 1986 through December 31, 1989 were approximately $33,000,000) as well as the Towns of Concord and Wellesley, MA, are not parties to the Wholesale Settlement Agreements and are continuing with their portion of the proceedings at FERC. A tentative schedule at FERC has been established calling for hearings to commence in September 1990.

Pursuant to the Wholesale Settlement Agreements, the Company has agreed: (i) to compensate the settling parties for a portion of replacement power costs incurred during the Pilgrim Station outage and for certain demand-side management programs in certain of such customers' service territories and (ii) to reimburse the parties for certain litigation costs. In addition, the Company has agreed not to bill such customers for a portion of the deferred incremental operations and maintenance costs incurred during the Pilgrim Station outage. As a result of the Wholesale Settlement Agreements, the Company anticipates making cash payments to the settling parties of approximately $45,000,000, the timing of which will be dependent upon the receipt of the necessary regulatory approvals.

Note C. Sale of Steam Heat Assets

The Company sold its steam heating business on February 6, 1987 to Boston Thermal Energy Corporation, a subsidiary of Catalyst Energy Corporation, for $32,500,000. The Company realized a gain of $9,292,000 (after taxes of $8,278,000) or $0.25 per common share, based upon the average number of shares outstanding during the period. Income in 1987 from discontinued steam heat operations totaled $1,673,000 (net of taxes of $1,293,000) or $0.05 per common share for the period from January 1 to February 6, 1987. Steam revenues for 1987 were approximately $7,000,000.

Note D. Eminent Domain Taking

On May 4, 1989 the Commonwealth of Massachusetts Metropolitan District Commission (the MDC) filed an order of land taking with respect to certain Company-owned property located in Quincy, MA. The MDC tendered its offered amount of $9,145,000 to the Company on August 24, 1989, and the Company recorded a gain of $0.14 per common share, which is reflected in the accompanying financial statements. The Company is currently evaluating the adequacy of the offered amount and the options available to it.

Note E. Cancelled Nuclear Unit

The Company commenced amortizing the cost of the cancelled Pilgrim 2 nuclear unit in May 1982 over approximately eleven and one-half years pursuant to retail rate orders of the DPU. Such costs include certain financial carrying costs that will be reviewed and may be increased or decreased from time to time by the DPU.

The Company's adoption of Statements of Financial Accounting Standards ("SFAS") No. 90, "Accounting for Abandonments and Disallowances of Plant Costs", in 1987 had the effect of increasing net income for 1989, 1988 and 1987 by $3,384,000 ($0.09 per share), $3,998,000 ($0.11 per share), and $4,571,000 ($0.12 per share), net of taxes of $2,099,000, $2,481,000, and $3,570,000, respectively, due to the inclusion in net income of the imputed interest income related to the cancelled Pilgrim 2 nuclear unit costs being recovered through revenues from customers. At December 31, 1989, the unamortized discount was approximately $10,450,000, with related deferred taxes of $4,000,000.

Note F. Allowance for Funds Used During Construction

The Company capitalizes as part of plant expenditures an allowance for funds used during construction (AFUDC). AFUDC represents the estimated cost of borrowed and equity funds used to finance the Company's plant expenditures. This cost is not an item of current cash income, but is recovered over the service life of plant in the form of increased revenue collected as a result of higher depreciation expense. AFUDC rates for the years 1989, 1988 and 1987 were 10.2%, 9.0%, and 10.4%, respectively.

Note G. Commitments and Contingencies (see also Note B)

1. Capital Commitments
At December 31, 1989, estimated contractual obligations for plant and equipment were approximately $51,000,000.

2. Lease Commitments
At December 31, 1989 and 1988, the Company had leases covering certain facilities and equipment. Some of these leases are "capital leases", as defined by the Financial Accounting Standards Board (FASB). Beginning in 1984, FASB required that regulated utilities commence the capitalization of certain leases. Had all leases which meet such criteria been capitalized, the amount of the asset and the liability that would have been included in the balance sheets as of December 31, 1989 and 1988 and the effect on expenses for each of the three years in the period ended December 31, 1989 would not have been material.

Estimated minimum rental commitments under both noncancellable leases and transmission agreements for years subsequent to 1989 are as follows:

in thousands	
1990	$ 38,601
1991	43,561
1992	36,961
1993	32,583
1994	29,402
Years thereafter	491,250
Total	$672,358

A portion of the aforementioned lease rentals will be capitalized as part of plant expenditures in the future. In 1989 future minimum rental commitments increased due to a new transmission line agreement as discussed further in Note G(7). Total expense for both lease rentals and transmission agreements for the years ended December 31, 1989, 1988, and 1987 were $29,300,000, $28,500,000, and $26,500,000, respectively, net of $4,600,000, $4,300,000, and $4,200,000, respectively, of capitalized expenses.

3. Nuclear Insurance
On August 20, 1988, a fifteen year extension to the Price-Anderson Act became effective. The Act currently provides $7.807 billion of financial protection for public liability claims and legal costs arising from a single nuclear related accident. The first $200 million of nuclear liability is covered by the maximum provided by commercial insurance. Additional nuclear liability insurance up to $7.245 billion is provided by a retrospective assessment of up to $63 million per incident levied on each of the 115 units licensed to operate in the United States, subject to a maximum assessment of $10 million per reactor per accident in any year. The additional nuclear liability insurance amount of $7.245 billion is subject to 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 5% ($3.15 million) of the maximum retrospective assessment.

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 or decontamination 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 $3,568,000 under the replacement power policies and $6,947,000 under the property damage and decontamination policies. 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.

4. Wholesale and Contract Customers

On July 24, 1987, the Towns of Concord, MA and Wellesley, MA (the Towns) filed a complaint against the Company in the United States District Court for the District of Massachusetts alleging violations of the federal antitrust laws. The Company supplies substantially all of the electric power requirements of the Towns. The Towns' complaint included allegations of price discrimination, anticompetitive restrictions and price squeeze. In May 1989, a jury determined that the Company had violated federal antitrust laws and awarded damages of $13,100,000, which results in a total judgment of $39,300,000 when trebled under antitrust law. If upheld, the judgment (which is not reflected in the accompanying financial statements) would have represented a charge to earnings in 1989 of approximately $0.64 per share of common stock. The Company has appealed the judgment to the United States Court of Appeals for the 1st Circuit. Management believes that the decision is contrary to the facts and applicable law and that it is unlikely that this judgment will be upheld on appeal.

5. Hazardous Waste

Under the requirements of the applicable state and federal "Superfund" laws and regulations adopted thereunder, the Company and others are exposed to potential joint and several liability with respect to the clean-up 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 clean-up costs at a number of such sites in Massachusetts and other states. While the Company is unable at this time to predict the ultimate total clean-up costs for such sites or what its share of costs will be for each such site, on the basis of information presently available, it is remote that the Company would incur any material liability in connection with such sites.

6. Generating Unit Performance Program

In compliance with a 1981 amendment to the Massachusetts statute under which the Company recovers its fuel and purchased power costs, 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 generating 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. For the performance year ended October 31, 1988, the Company received an order on December 20, 1989, wherein the Company was ordered to refund to customers approximately $130,000. In the performance year ended October 31, 1989, as in prior years, the Company did not meet all the DPU performance goals. No provision for any amounts that may be refundable as a result of the foregoing has been made in 1989, however, in the opinion of management such amounts would not be material.

7. Hydro-Quebec

The Company, along with other New England electric utilities, has entered into an agreement to expand the existing 690 MW transmission line interconnection with the Hydro-Quebec system of Canada to 2,000 MW. The Company has approximately an 11% equity ownership interest in two companies who are constructing these transmission facilities, which is included in the accompanying financial statements. The Company's share of the amounts committed as of December 31, 1989 is approximately $45,000,000. 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 $20,000,000 at December 31, 1989. These transmission facilities are currently scheduled for commercial operation in the fall of 1990.

Note H. Income Taxes

The Company's income before income tax expense results solely from domestic operations. Deferred income tax expense results from timing differences in the recognition of certain income and expenses for tax and financial statement purposes. Investment tax credits are reflected in income over the estimated useful lives of the related property. Components of income tax expense are as follows:

in thousands	1989	1988	1987
Cancelled nuclear unit (Note E)	$ (8,998)	$ (7,750)	$ (8,997)
Excess tax depreciation over book depreciation	4,464	7,326	18,070
Deferred fuel expense	(879)	(221)	5,914
Debt portion of allowance for funds used during construction	2,897	5,099	2,623
Massachusetts corporate franchise tax	(946)	(2,751)	6,278
Pre-April 7, 1983 spent nuclear fuel disposal costs	-0-	(854)	(2,008)
Deferred nuclear outage expense	(6,795)	(6,795)	21,935
Unbilled revenues	(1,938)	(2,688)	(2,025)
Cost of removal	1,359	1,035	3,642
Revenue reserve adjustment	4,843	(1,875)	(3,852)
Conservation & load management	2,242	1,341	-0-
Other	(6,142) (1)	(8,901) (1)	(4,553)
Subtotal deferred income taxes	(9,893)	(17,034)	37,027
Current income tax expense	40,348	49,936	6,664
Investment tax credits	(4,233)	(5,034)	611
Provision for income taxes	26,222	27,868	44,302
Taxes on other income:			
Current	1,065	643	2,308
Deferred	5,511	2,481	3,570
Subtotal	6,576	3,124	5,876
Rate and contract settlements:			
Current	(2,929)	-0-	-0-
Deferred	(69,441)	-0-	-0-
Subtotal	(72,370)	-0-	-0-
Total	$(39,572)	$30,992	$50,180 (2)

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

	1989	1988	1987
Statutory tax rate (benefit)	(34.0%)	34.0%	40.0%
Allowance for other funds used during construction	(0.8)	(2.0)	(2.7)
Massachusetts corporate franchise tax	(4.5)	4.2	3.8
Investment tax credit	(8.2)	(4.4)	(3.4)
Municipal property tax adjustment	(3.2)	(1.5)	(1.4)
Reversal of outage expense deferred taxes	(7.1)	–	–
Other	(13.2) (1)	(3.4) (1)	1.7
Total	(71.0%)	26.9%	38.0%

(1) In 1989 and in the fourth quarter of 1988, the Company reduced deferred income tax expense by $5,900,000 or $0.15 per common share and $3,700,000 or $0.10 per common share, respectively, resulting from the reversal of certain AFUDC related deferred taxes provided during the years 1977-1979, the calculation of which was based upon FERC Order 561 methodology. The DPU has not adopted the FERC methodology for those years, as a result of which all such excess deferred tax amounts have been restored to income.

(2) Excludes $1,293,000 of current and $8,278,000 of deferred income taxes associated with discontinued steam heat operations (see Note C).

Federal income tax returns through 1982 have been examined and closed.

Note I. Pensions and Other Post-Employment Benefits

The Company has a noncontributory funded plan, with certain voluntary contributory features. Benefits are based upon years of service and an employee's compensation during the last years of employment. The Company's funding policy is to contribute annually an amount which at least equals the minimum amount required by government funding standards, but does not exceed the amount which can be deducted for federal income tax purposes. Plan assets consist principally of insurance contracts, equities and real estate.

Retirement plan costs for the years 1989, 1988, and 1987 were \$3,728,000, \$2,113,000, and \$4,126,000, respectively, of which \$837,000, \$473,000 and \$928,000, respectively, were capitalized. In 1987, the Company changed certain actuarial assumptions and adopted the provisions of Statement of Financial Accounting Standards No. 87 "Employers Accounting for Pensions". The effect of the change was not material.

The components of net pension cost for 1989, 1988 and 1987 were as follows:

in thousands	1989	1988	1987
Current service cost – benefits earned during the period	\$ 5,821	\$ 5,102	\$ 5,474
Interest cost on projected benefit obligation	29,823	27,772	27,619
Actual return on plan assets	(50,261)	(25,674)	(28,764)
Net amortization and deferral	18,345	(5,087)	(203)
Net pension cost	\$ 3,728	\$ 2,113	\$ 4,126

The following table sets forth the plan's funded status at December 31, 1989 and 1988:

in thousands	1989	1988
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested		
benefits of \$244,586 and \$221,259	\$268,281	\$248,253
Plan assets at fair value	\$396,049	\$361,714
Projected benefit (obligation) for service rendered to date	(360,870)	(337,564)
Plan assets in excess of projected benefit obligations	35,179	24,150
Unrecognized prior service cost	10,754	-0-
Unrecognized net gain	(63,206)	(40,866)
Unrecognized net obligation	13,668	14,603
(Accrued) pension cost included in accounts payable at December 31	\$ (3,605)	\$ (2,113)

The weighted-average discount rate and rate of compensation increase used to measure the projected benefit obligation for 1989 and 1988 were 9.0% and 5.5%, respectively. The weighted average expected long-term rate of return on plan assets for 1989 and 1988 was 9.25% and 9.0%, respectively.

In addition to pension benefits, the Company provides certain health care and life insurance benefits to retired employees. The cost of providing those benefits was approximately \$4,574,000 in 1989, \$4,069,000 in 1988, and \$2,974,000 in 1987. The Company recognizes health care benefits and death benefits primarily as claims are paid.

Note J. Estimated Future Costs Related to Ultimate Disposal of Spent Nuclear Fuel and Nuclear Generating Plants

The Company has expanded its spent nuclear fuel storage facility at Pilgrim Station to include sufficient capacity for spent nuclear fuel through approximately the year 1995; however, pursuant to the Nuclear Waste Policy Act of 1982, the United States Department of Energy ("DOE") is responsible for the ultimate disposal of spent nuclear fuel. The Company recovers the cost of payments to the DOE for the ultimate disposal of spent nuclear fuel through its fuel and purchased power adjustment clauses.

The Company is recovering through depreciation an annual provision for the cost of decommissioning Pilgrim Station at the end of its useful life. Funds collected for decommissioning are restricted in their use; such funds collected in rates are based upon a 1985 estimate (\$122,000,000) to decommission the plant (immediate dismantlement method) as approved by the DPU. The Company will request approval of an updated estimate of decommissioning (currently \$218,000,000) in its next rate case expected in 1992. Securities held in the nuclear decommissioning fund are stated at cost, which approximates market. The Company also collects a provision for the cost of decommissioning Pilgrim Station from contract customers.

The Company also participates as an investor in two other domestic nuclear units. Both of these units are recovering as part of their wholesale rates a provision for estimated charges for spent nuclear fuel disposal costs and plant decommissioning costs. See also Note A(1).

Note K. Information Regarding Jointly-Owned Electric Plant and Long-Term Purchased Power Contracts

1. Jointly-Owned Electric Plant

The Company is a joint owner of W. F. Wyman Unit #4, which was constructed by Central Maine Power Company and commenced operations in 1979; included in the accompanying balance sheets is the Company's proportionate share (5.888%) of plant in service of $12,207,000 and $12,197,000 for 1989 and 1988, respectively, and accumulated depreciation of $4,708,000 and $4,273,000 for 1989 and 1988, respectively. The Company includes its share of direct expenses of W. F. Wyman Unit #4 in the corresponding operating expenses on its income statement.

2. Long-Term Contracts for the Purchase of Electricity

The Company has certain long-term contracts for the purchase of electric power. The Company is obligated to pay its proportionate share of the operating costs (including depreciation and a return on capital) through the contract expiration date. The total annual costs under these contracts are included with purchased power expense in the Company's Statements of Income. The contracts are as follows:

				in thousands		
				1989 proportionate share		
Generating Unit	Contract Expiration Date	Units of Capacity Purchased (1) %	Units of Capacity Purchased (1) MW	Minimum Debt Service	Interest Portion of Minimum Debt Service	Company Share-of-Debt Outstanding Through Cont. Exp. Date
Canal Unit #1	2001	25.0	143	$ 845	$ 361	$ 2,664
Connecticut Yankee Atomic	2007	9.5	56	3,107	2,385	17,351 (2)
Yankee Atomic	1991	9.5	16	495	227	1,908
Point Lepreau	1990 (3)	15.6	100	24,823	18,203	5,608 (4)
Northeast Utilities - Middletown/Montville	1991	20.0	250	2,633	2,032	1,082 (4)
Massachusetts Bay Transportation Authority Gas Turbine	2005 (5)	100.0	35.5	-0-	-0-	-0-
Northeast Utilities - Base Load	1993 (6)	(6)	(6)	2,018	1,269	2,847 (4)
				$33,921	$24,477	$31,460

(1) The Northeast Utilities contracts represent about 10% of the Company's installed net capability; the remaining units listed above aggregate 10%.

(2) Of this amount the Company has guaranteed $2,190,000.

(3) The Point Lepreau contract terminates on October 31, 1990, but may be extended for an additional twelve month period at the Company's option.

(4) This contract does not extend for the life of the unit; however, the amount represents the estimated debt payments through the contract expiration date.

(5) The Company is required to pay the greater of $22.00 per KW year or 90% of NEPOOL Capability Responsibility Adjustment Charge up to $63.00 per KW year times the qualified capacity (presently 35.5 MW) plus incremental operating, maintenance and fuel costs. The total charges for this contract for the twelve months ended December 31, 1989 were $2,082,000.

(6) This contract is for 100 MW for the year 1989-1990, 200 MW for 1990-1991, and 300 MW for 1991-1992 and 1992-1993. Of these amounts, 60% consists of Northfield Mountain pumped storage hydro, and the remaining 40% is made up of varying amounts of Millstone Point Units 1, 2 and 3.

Total fixed and variable costs for these contracts for the years ended December 31, 1989, 1988 and 1987 were $144,078,000, $133,608,000, and $125,095,000, respectively. The variable component represents fuel costs which are included with net purchased power in the Statements of Income.

The aggregate principal amounts of these future unconditional purchase obligations due in the five years 1990 through 1994 are $156,185,000, $120,475,000, $91,769,000, $80,930,000, $36,884,000, respectively, and $528,054,000 thereafter. The aggregate present value of such obligations is $492,762,000.

The Company also has several transmission contracts which relate to these purchased power contracts; information relative to these agreements is included in Note G(2).

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Stockholders and Directors of Boston Edison Company:

We have audited the accompanying balance sheets of Boston Edison Company as of December 31, 1989 and 1988 and the related statements of income (loss), retained earnings and cash flows for each of the three years in the period ended December 31, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boston Edison Company as of December 31, 1989 and 1988, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1989, in conformity with generally accepted accounting principles.

Coopers & Lybrand

Boston, Massachusetts
January 23, 1990

Quarterly Financial Data

in thousands of dollars, except earnings per share	Operating Revenues	Operating Income	Net Income (Loss)	Balance Available for Common Stock	Earnings (Loss) Per Share of Common Stock (1)
1989					
First quarter	$296,253	$33,564	$11,813	$ 7,400	$0.19
Second quarter	282,729	24,327	1,120	(3,294)	(0.09)
Third quarter	383,895	78,134	58,961	54,549	1.42
Fourth quarter	306,468	42,498	(88,029) (2)	(92,443) (2)	(2.40) (2)
1988					
First quarter	$299,109	$26,010	$ 9,445	$ 6,182	$0.16
Second quarter	256,923	19,655	3,484	221	0.01
Third quarter	367,310	73,664	54,571	51,308	1.36
Fourth quarter	279,313	40,776	16,712	12,360	0.33

(1) Based upon quarterly weighted average number of common shares outstanding.

(2) Includes $106,280,000 after-tax writeoff resulting from the recording of rate and contract settlements in the fourth quarter of 1989.

KWH sales and base revenues are seasonal in nature, with both being lower in the spring and fall seasons. In addition, pursuant to retail rate orders of the DPU, base retail rates billed to customers ar on average, forty percent higher in the billing months of July through October. Accordingly, a significant portic earnings occurs in the Company's third quarter.

Quarterly Stock Data

Following are the reported high and low sales prices of Boston Edison Company's common stock on the New York Stock Exchange Consolidated Tape for each of the quarters of 1989 and 1988 and the dividends declared per share during each of those quarters.

	1989			1988		
	High	Low	Dividends	High	Low	Dividends
First quarter	16 5/8	15 3/8	.455	18 3/4	16	.455
Second quarter	17 3/4	15 1/2	.455	16 5/8	12 1/2	.455
Third quarter	19 1/4	16 7/8	.455	16 1/8	14	.455
Fourth quarter	22 1/8	18	.38	17 1/4	15 1/4	.455

SELECTED OPERATING STATISTICS

	1989	1988	1987	1986	1985
Capacity - MW:					
New Boston Station	760	760	760	760	760
Pilgrim Station	670	670	670	670	670
Mystic Station	1,018	1,027	1,036	1,034	1,034
L Street Station	22	22	22	23	23
W.F. Wyman Unit #4	36	36	36	36	36
Jet turbines	251	249	256	260	257
Total	2,757	2,764	2,780	2,783	2,780
Contract purchases	1,102	1,301	901	700	414
Contract sales	(171)	(173)	(223)	(173)	(238)
Net capability at year-end - MW	3,688	3,892	3,458	3,310	2,956
Net capability at peak - MW	3,483	3,200	3,200	2,963	2,949
Capability responsibility to NEPOOL at peak - MW	3,443	3,253	2,945	2,905	2,777
Edison territory:					
Hourly peak - MW	2,626	2,626	2,432	2,254	2,416
Load factor	61.4%	60.5%	62.7%	64.8%	58.6%
Generating station economy (BTU/net kWh)	10,309	10,050	10,151	10,097	10,409
Average cost of fuel (Company) - ¢ per million BTU:					
Fossil	254.56	226.91	272.24	238.45	382.46
Nuclear	56.79	–	–	102.53	63.73
Composite	223.86	–	–	224.03	255.75
Capability (net kW):					
Fossil	82%	83%	80%	80%	77%
Nuclear	18%	17%	20%	20%	23%
Generation (system kWh excluding interchange):					
Fossil	83%	90%	90%	84%	60%
Nuclear	17%	10%	10%	[illegible]	40%
Utility plant:					
Expenditures	$234,253	$244,807	$317,797	$[illegible]62,206	$166,670
Retirements	$14,042	$12,017	$23,070	$22,236	$16,440
Accumulated depreciation	$950,298	$862,297	$779,246	$743,908	$685,805
Depreciable plant	$3,130,031	$2,910,390	$2,492,547	$2,383,274	$2,252,088
Number of employees at year-end	4,686	4,559	4,532	4,428	4,364

SELECTED SALES STATISTICS

	1989	1988	1987	1986	1985
Electric energy: (kWh in thousands)					
Sources (net system output):					
Generated	11,679,060	8,653,274	8,951,229	9,862,768	12,333,007
Purchased	4,177,079	4,474,726	3,129,045	2,763,274	2,262,337
Interchange	(919,391)	1,116,394	1,501,746	881,567	(286,229)
Total	14,936,748	14,244,394	13,582,020	13,507,609	14,309,115
Disposition:					
Retail sales:					
Commercial	7,095,297	7,004,452	6,750,870	6,362,478	5,991,734
Residential	3,413,801	3,430,611	3,188,748	3,048,454	2,896,678
Industrial	1,845,441	1,839,363	1,853,019	1,837,263	1,823,580
Street lighting	132,791	131,549	132,666	134,116	132,997
Railroads	126,971	90,697	-0-	-0-	-0-
Total retail	12,614,301	12,496,672	11,925,303	11,382,311	10,844,989
Sales for resale - total requirements	332,800	331,913	315,354	302,349	423,816
Territory total	12,947,101	12,828,590	12,240,657	11,684,660	11,268,805
Sales for resale - partial requirements	805,882	282,929	219,298	714,804	1,904,798
Total system	13,752,983	13,111,519	12,459,955	12,399,464	13,173,603
Miscellaneous usage	1,183,765	1,132,875	1,122,065	1,108,145	1,135,512
Total	14,936,748	14,244,394	13,582,020	13,507,609	14,309,115
Kilowatthours - annual growth percent:					
Retail sales:					
Commercial	1.3%	3.8%	6.1%	6.2%	4.7%
Residential	(0.5)	7.6	4.6	5.2	0.2
Industrial	0.3	(0.7)	0.9	0.8	(2.4)
Street lighting	0.9	(0.8)	(1.1)	0.8	(1.4)
Railroads	40.0	–	–	–	(100.0)
Total retail	0.9	4.8	4.8	5.0	1.9
Sales for resale - total requirements	0.3	5.5	4.3	(28.[illegible])	(5.3)
Territory total	0.9	4.8	4.8	3.7	1.6
Sales for resale - partial requirements	184.8	29.0	(69.3)	(62.5)	195.4
Total system	4.9%	5.2%	0.5%	[illegible]	12.2%
System total electric revenues by class:					
Commercial	48%	48%	49%	49%	48%
Residential	27%	28%	28%	26%	26%
Industrial	11%	11%	12%	13%	13%
Sales for resale	10%	9%	9%	10%	11%
Other	4%	4%	2%	2%	2%
Electric sales statistics:					
Residential averages:					
Annual kWh use	6,160	6,270	5,903	5,735	5,512
Revenue per kWh	10.17¢	9.91¢	10.22¢	9.45¢	10.40¢
Annual bill	$626.69	$621.43	$603.07	$542.14	$573.12
Customer:					
Meters at year-end	672,992	663,62[illegible]	653,903	644,138	636,187
Average number	637,871	629,659	621,083	609,283	600,763

Selected Financial Statistics

	1989	1988	1987	1986	1985
Operating revenues (000)	$1,269,345	$1,202,655	$1,181,097	$1,105,367	[illegible]
Balance for common (000)	$(33,788)	$70,071	$84,255	$97,404	$85,954
Per common share:					
Earnings (loss) per share	$(0.88) (1)	$1.86	$2.27 (2)	$2.72 (2)	$2.69 (2)
Dividends declared	$1.745	$1.82	$1.80	$1.75	$1.67
Dividends paid	$1.82	$1.82	$1.79	$1.735	$1.645
Book value	$16.71	$19.36	$19.35	$18.94	$16.94
Cash flow	$4.91	$4.55	$5.53	$6.61	$7.88
Payout ratio	– (3)	98%	79%	64%	61%
Return on average equity	(4.6%)	9.60%	11.56%	14.86%	16.34%
Year-end dividend yield	7.6%	11.03%	9.71%	6.91%	7.50%
Fixed charge coverage (SEC)	0.52x	2.08x	2.85x	3.56x	3.13x
Capitalization:					
Long-term debt	52%	50%	48%	46%	53%
Preferred and preference equity	12%	12%	10%	10%	10%
Common equity	36%	38%	42%	44%	37%
Long-term debt (000)	$948,839	$966,534	$822,659	$728,909	$744,875
Redeemable preferred/ preference stocks (000)	$100,000	$100,000	$50,000	$35,188	$35,188
Total assets (000)	$2,878,271	$2,817,050	$2,702,960	$2,361,998	$2,264,988
Internal generation after dividends (000)	$139,799	$104,241	$148,644	$184,723	$171,470
Plant expenditures (000)	$235,946	$245,103	$309,239	$174,645	$218,485
Internal generation	59%	43%	48%	106%	78%
Stockholders at year-end	49,149	49,976	48,063	48,046	50,550
Shares outstanding:					
Weighted average	38,245,648	37,683,515	37,168,722	35,817,344	31,963,846
Year-end	38,526,085	37,893,791	37,424,910	36,905,558	32,415,136
Stock price					
High	22 1/8	18 3/4	28	28	23 1/8
Low	15 3/8	12 1/2	16 3/4	21 1/8	16 3/4
Year-end	20	16 1/2	18 3/4	25 3/4	22 7/8
Year-end market value (000)	$764,913	$625,248	$701,717	$950,318	$743,522
Trading volume	29,938,900	46,517,500	30,040,900	29,657,400	15,158,400
Market/book (year-end)	1.20	.85	.97	1.37	1.35
Price/earnings ratio (year-end)	– (3)	8.8	8.3	9.5	8.5

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

(2) Includes $0.30, $0.04, and $0.05 per common share from discontinued operations for the years 1987, 1986, and 1985, respectively.

(3) 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 the $1.90 per common share earnings excluding the $2.78 per common share loss due to rate and contract settlements.

OFFICERS

Stephen J. Sweeney, Chairman and Chief Executive Officer

Bernard W. Reznicek, President and Chief Operating Officer

William D. Harrington, Senior Vice President

Ralph G. Bird, Senior Vice President - Nuclear

Thomas J. May, Senior Vice President

Cameron H. Daley, Senior Vice President

L. Carlisle Gustin, Senior Vice President

C. Bruce Damrell, Vice President - Power Delivery System

Craig D. Peffer, Vice President - Customer Service

Marc S. Alpert, Vice President and Treasurer

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

Richard S. Hahn, Vice President - Energy Planning

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

John J. Higgins, Vice President - Human Resources

Joel Y. Kamya, Vice President - Production Operations

Kenneth L. Highfill, Vice President - Nuclear Operations and Station Director

Edwin J. Wagner, Vice President - Nuclear Engineering

George W. Davis, Jr., Vice President - Nuclear Administration

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

Theodora S. Convisser, Clerk of the Corporation

Donald Anastasia, Assistant Treasurer

(1) James J. Judge, Assistant Treasurer

Jean C. Quinn, Assistant Clerk of the Corporation

(1) Elected effective January 1, 1990

DIRECTORS

(2)(3) Helene R. Cahners-Kaplan, Trustee

(2)(3) William F. Connell, Chairman and Chief Executive Officer, Connell Limited Partnership (metals recycling and processing and industrial production)

(2)(3)(5) Gary L. Countryman, President and Chief Executive Officer, Liberty Mutual Insurance Company

(2)(4)(5) Thomas G. Dignan, Jr., Partner, Ropes & Gray (law firm)

(4) Thomas J. Galligan, Jr., Former Chairman and Chief Executive Officer, Boston Edison Company

(1)(4) Nelson S. Gifford, Chairman and Chief Executive Officer, Dennison Manufacturing Company (stationary products, systems and packaging)

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

(1)(2) Richard D. Hill, Former Chairman of the Board and Chief Executive Officer, Bank of Boston Corporation (bank holding company) and The First National Bank of Boston

(2)(3)(5) Matina S. Horner, Executive Vice President, Teachers Insurance and Annuity Association and College Retirement Equities Fund

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

(1) Bernard W. Reznicek, President and Chief Operating Officer, Boston Edison Company

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

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

(2)(3)(5) Paul E. Tsongas, of counsel, Foley, Hoag and Elliot (law firm)

(2)(4) Charles A. Zraket, President and Chief Executive Officer, The MITRE Corporation (not-for-profit system research and engineering firm)

(1) Member of Executive Committee
(2) Member of Audit Committee
(3) Member of Executive Personnel Committee
(4) Member of Nuclear Operations Review Committee
(5) Member of Nominating Committee

DIVIDEND REINVESTMENT PLAN

The Dividend Reinvestment and Common Stock Purchase Plan is available to common, preferred and preference shareholders. Under the plan, common, preferred and preference shareholders may have their dividends reinvested in 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 holders of record of shares of common, preferred or preference stock are eligible to participate directly in the Plan. Beneficial owners of the Company's stock whose shares are registered in names other than their own (e.g., a broker or bank nominee) must arrange participation with the record holder. If for any reason a beneficial owner is unable to arrange participation with his broker or bank nominee, he must become a record holder by having the shares transferred to his 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 SHAREHOLDER INFORMATION

Annual Meeting

The Annual Meeting of Stockholders of the Company will be held on May 7, 1990, at 11:00 a.m. A copy of the Chairman's remarks will be sent on request.

Company Contact

Theodora S. Convisser, Clerk of the Corporation

Investor Relations Contact

Daniel L. Desjardins, Manager of Investor Relations

General Offices

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

Stock Listings

New York and Boston stock exchanges

Stock Symbol

BSE

Dividend Payment Dates

Common and Preferred
1st of February, May, August, November

Preference
1st of March, June, September, December

Tax Status of 1989 Dividends

No part of dividends paid on Boston Edison common, preferred and preference stock in 1989 were a return of capital.

Dividend Reinvestment Plan Agent

The First National Bank of Boston

Stock Transfer Agent and Registrar of Stock

The First National Bank of Boston

SEC Form 10-K

Stockholders may obtain a copy of Boston Edison Company's annual report to the Securities and Exchange Commission, on Form 10-K, including the financial statements and schedules thereto, by making a written request to the Clerk of the Corporation.

Inquiries Concerning Stock

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

The First National Bank of Boston
Shareholders 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.

Boston Edison Company

800 Boylston Street

Boston, Massachusetts 02199-2599