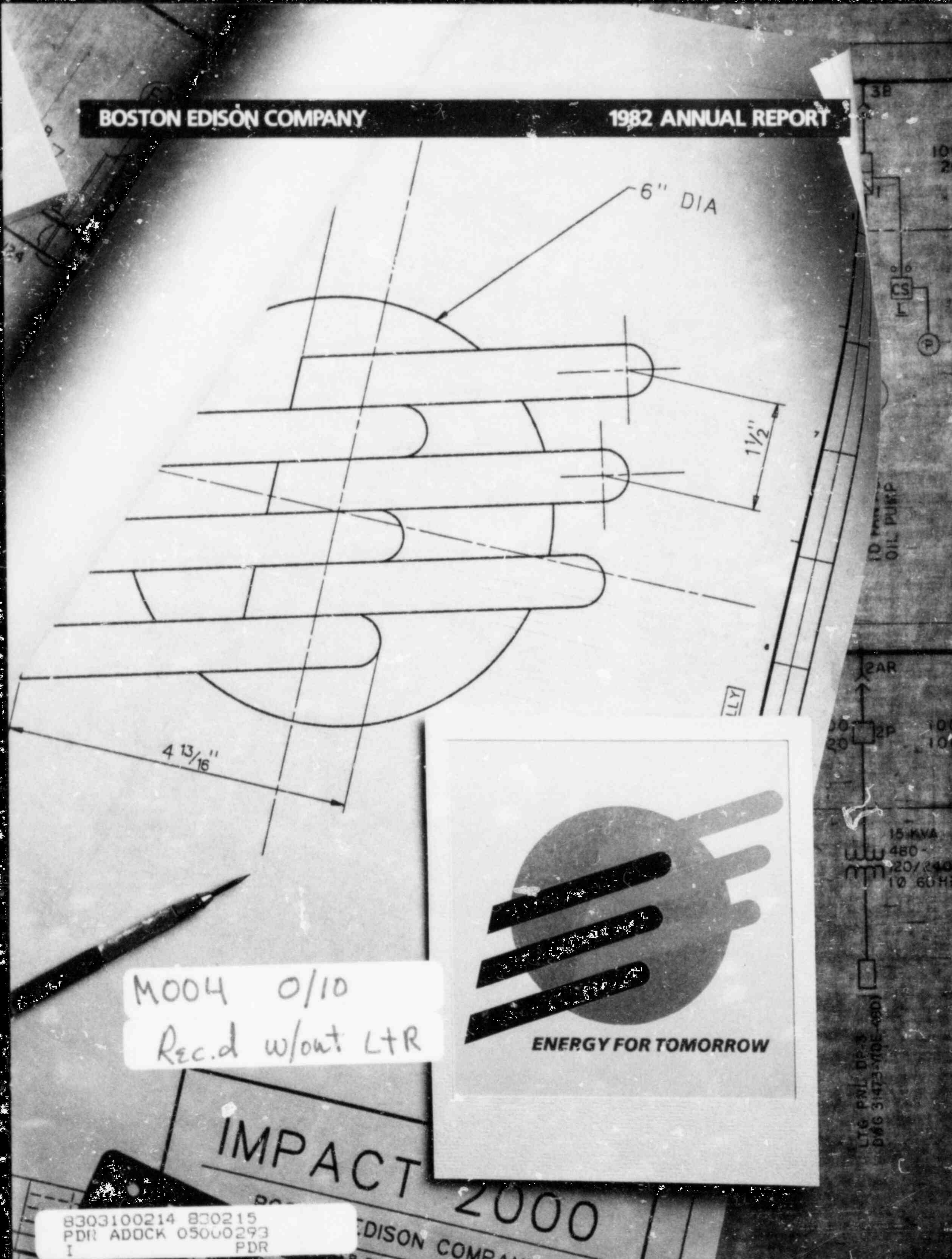
BOSTON EDISON COMPANY 1982 ANNUAL REPORT



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THE COMPANY

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 39 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, and provides steam to approximately 375 customers in the City of Boston.

About 81 percent of the company's revenues are derived from retail electric sales, 13 percent from wholesale electric sales, 5 percent from steam sales and 1 percent from other sources.

COVER: In 1982, IMPACT 2000 was designed, introduced and implemented. It is a plan for the future and a process for getting there by bringing various, often diverse, interests together in a cooperative effort to find solutions to energy problems. Depicted are a computer-generated blueprint and a photographic rendition of the logo used to communicate IMPACT 2000 messages.

CONTENTS

DIRECTORS

Mrs. Norman L. Cahners, Trustee†

Frank L. Farwell, Honorary Chairman of the Board, Liberty Mutual Insurance Company†○

Thomas J. Galligan, Jr., Chairman, President* and Chief Executive Officer, Boston Edison Company○

Kenneth I. Guscott, President, Ken Guscott Associates (management consultants)††△

Nelson S. Gifford, President, Dennison Manufacturing Company (manufacturers of paper products and systems)††△

Edward B. Hanify, Attorney-at-Law, Partner, Ropes & Gray†○

Joseph P. Healey, Chairman of the Board, Refrigerated Food Express, Inc.○

Richard D. Hill, Chairman of the Executive Committee,** First National Boston Corporation (bank holding company)††

William D. Manly, Senior Vice President, Cabot Corporation (energy, engineered products and performance chemicals)△

Bernard J. O'Keefe, Chairman and Chief Executive Officer, EG&G, Inc. (technological services)○△

Herbert Roth, Jr., Chairman and President, LFE Corporation (manufacturer of equipment and systems for traffic and industrial process control)†

Francis M. Staszesky, President and Chief Operating Officer, Boston Edison Company***

Stephen J. Sweeney, Executive Vice President,* Boston Edison Company

Joseph P. Tyrrell, Senior Vice President, Boston Edison Company

○Member of the Executive Committee
††Member of the Audit Committee
†Member of the Executive Personnel Committee
△Member of the Nuclear Operations Review Committee
*As of February 1, 1983
**As of January 1, 1983
***Retired as of January 31, 1983

OFFICERS

Thomas J. Galligan, Jr., Chairman, President* and Chief Executive Officer

Francis M. Staszesky, President and Chief Operating Officer***

Stephen J. Sweeney, Executive Vice President*

Joseph P. Tyrrell, Senior Vice President

James M. Lydon, Senior Vice President

Andrew F. Corry, Senior Vice President

William D. Harrington, Senior Vice President

Eleanor T. Daly, Vice President and Assistant to the Chairman

Robert T. Parry, Vice President – Employee Relations

Benjamin H. Weiner, Vice President – Energy Supply

Victor H. Kazanjian, Vice President and General Counsel

J. Edward Howard, Vice President – Nuclear Engineering and Quality Assurance

David J. O'Connor, Jr., Vice President – Corporate Information Services

C. Bruce Damrell, Vice President – Engineering and Distribution

Craig D. Peffer, Vice President – Commercial

John R. Stevens, Vice President – Corporate and Labor Relations

Cameron H. Daley, Vice President – Steam and Electric Operations

Richard J. Coughlin, Vice President – Procurement, Stores and Service

Jere M. Ballentine, Vice President – Nuclear Operations

Ralph M. Kelmon, Treasurer

Diane M. Kinch, Clerk of the Corporation

Timothy J. Heffernan, Assistant Treasurer

Thomas J. May, Assistant Treasurer

Marc S. Alpert, Assistant Treasurer

Barbara M. Donahue, Assistant Clerk of the Corporation

To our shareholders

The year 1982 marked a period of transition with the establishment of a new strategy for meeting the future needs of customers and shareholders. It was a year in which new initiatives were undertaken unencumbered by the weight of future heavy financial commitments for construction. It was a year in which your company continued to pursue an aggressive policy of cost reduction and improved productivity.

At the end of April, the Massachusetts Department of Public Utilities issued a rate decision providing for partial recovery of the investment in the Pilgrim 2 project, cancelled in September 1981. Internal cash generation was adequate to meet most of the company's financing requirements. And while the reduction of allowance for funds used during construction depressed earnings, the overall quality of those earnings improved. To continue improvement in the overall financial position, the company filed in November for an 8.3 percent increase in retail revenues. That increase would amount to $74 million annually. A decision is due by June 1.

President and Chief Operating Officer Francis M. Staszesky retired from the company January 31, 1983, after a distinguished career of nearly 35 years. His career spanned a period of rapid growth during which he directed the company's engineering and construction programs. Mr. Staszesky made a lasting contribution to the company in helping to provide a sound basis for future progress.

Effective with Mr. Staszesky's retirement, I was elected to the additional position of president. Stephen J. Sweeney was elected executive vice president and director. Mr. Sweeney had been the senior vice president since February 1980, responsible for Corporate Information Services, Energy Supply and Special Projects.

Despite the national recession, the Boston economy remained unusually strong in 1982 as it outperformed the rest of the nation in virtually all areas. Despite a national decline in electricity sales of 2.2 percent, the company experienced an increase of 1.78 percent, primarily on the strength of continued expansion in the service industry, high tech companies and defense contractors. All indications point to 1983 as another strong year for the area's economy compared to the rest of the nation.

A major event was implementation of IMPACT 2000, a plan and a process for reducing dependence on foreign oil and minimizing the need for capital expenditures. It is responsive to a changing social, economic and political climate, a climate in which consumers, directly and through government officials, are demanding a greater say in their future. It is a program designed to achieve a consensus on how best to reduce dependence on foreign oil and achieve long-term market stability.

As part of IMPACT 2000, we are proceeding with preliminary engineering and environmental licensing that would permit conversion to coal of five oil units and diversify the fuel mix. The conversions can be financed under Massachusetts' innovative oil conservation legislation. The final construction decision will require identifiable customer cost savings; improved reliability of future fuel supplies; the commitment of government regulators to support cost recovery; the ability to meet any imposed environmental licensing restrictions; and a review of the availability of other fuel diversification options. Conversion to coal/oil dual fuel capability is a major component in achieving the corporate goal of less than 20 percent oil in the fuel mix by 1990.

IMPACT 2000 also includes an ambitious and innovative mix of conservation and load management programs and a process to involve various groups including customers, government officials, investors and other interested parties in discussion of the options, issues and alternatives encompassed by IMPACT 2000.

In May 1981, the shareholders voted to reorganize the company into a holding company structure under a newly created entity called Boston Industries. As reported to you last year, the reorganization is subject to the approval of the DPU. On February 9, 1983 the DPU issued an order denying the company's petition for such approval. We are convinced that the proposal represents an approach that would be beneficial to customers and shareholders. The company is examining the possibility of seeking reconsideration or appellate review.

We move into 1983 with a sense of confidence. We are confident in the ability of the Edison team to work with many external audiences in charting an energy supply course for the future, confident in the newly elected Massachusetts administration to work cooperatively in the common interest of customers and shareholders alike, and confident in the fundamental economic strength of the metropolitan Boston area and in the benefits our product, electricity, will bring to a productive society.

Thomas J. Galligan, Jr.

Thomas J. Galligan, Jr.
Chairman and President
February 15, 1983

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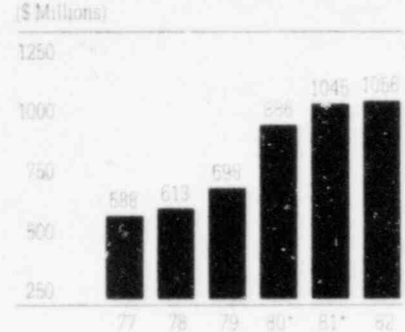
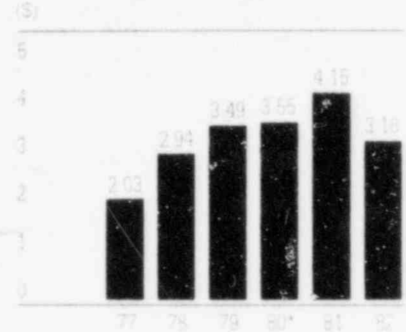
Operating Revenues

Operating Revenues have grown at a compound rate of 12.4 percent since 1977.



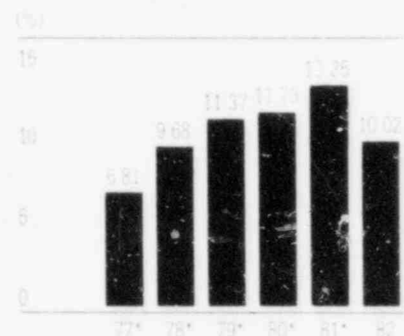
Earnings Per Share

After several years of steady increases, earnings this year have been affected by the 1981 cancellation of Pilgrim Unit 2.



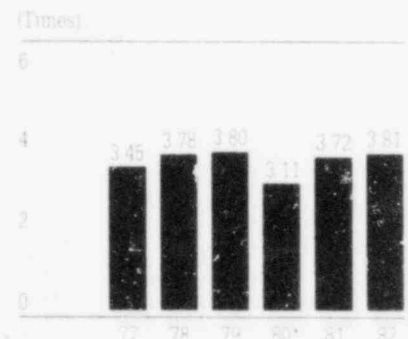
Return on Equity

Return on Equity has decreased to 10.02 percent.



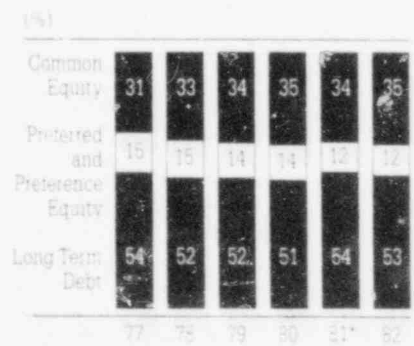
Common Dividend Coverage

The increase in common dividends voted this year resulted from further improvement in the already strong coverage of that dividend.



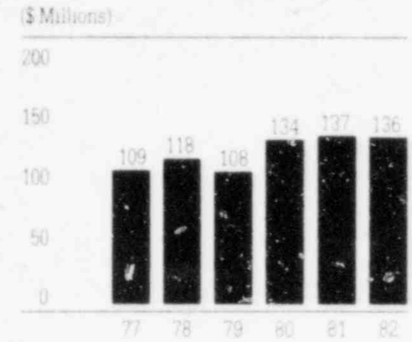
Capitalization

Capital structure remains stable. The company has minimized dilution of shareholders' equity by issuing new shares only through the Dividend Reinvestment Plan.



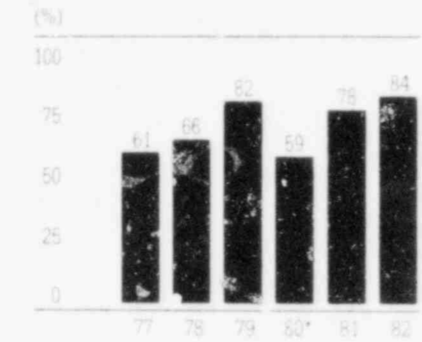
Construction Expenditures

Construction expenditures continue to be limited to those necessary to improve productivity, provide reliable service and meet regulatory requirements.



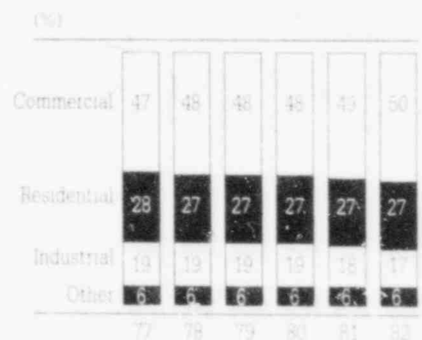
Percent Internal Generation

The company is generating more and more of its construction expenditures internally, reducing the need to enter costly financial markets.



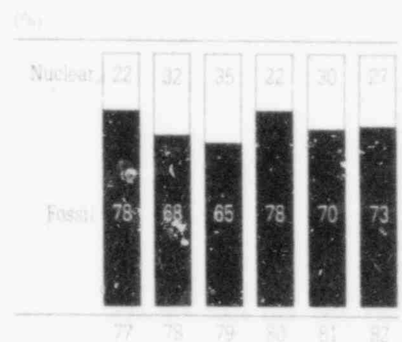
Territory Sales by Class

Commercial sales increase again primarily as a result of the continuing construction boom in Boston.



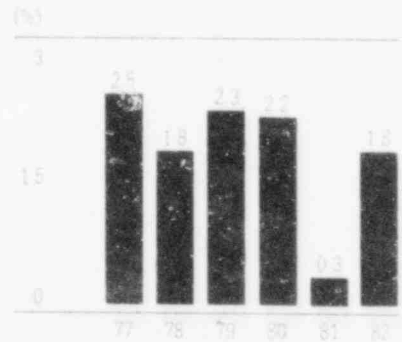
Nuclear and Fossil Generation

Inexpensive nuclear powered generation contributes significant savings to customers.



Territory Sales Growth

Territory sales growth is affected by the needs of major new commercial projects as well as load management and conservation programs.



*Restated, see Note J of Notes to Financial Statements

HIGHLIGHTS

New initiatives were introduced for reducing dependence on imported oil, minimizing the need for costly new generating plants and for helping customers control use. Called IMPACT 2000, the initiatives offer a plan for the future and a process for getting there.

Preliminary engineering and licensing activities began under IMPACT 2000 to determine feasibility of converting five oil fired units from oil to coal.

An increase in the common stock dividend was voted by the directors in December. The two cent per quarter increase raises the annual dividend to $2.88 per common share.

In May, a retail rate increase of approximately $32 million was granted by the DPU, primarily for partial recovery of the costs of the Pilgrim 2 plant cancelled in late 1981.

In November, a retail rate increase request totaling approximately $74 million was filed with the DPU to cover higher operating costs and inflation, and to achieve a higher return on equity.

Quality of earnings improved although earnings per share declined $.97 from $4.15 in 1981 to $3.18. The major factor was the $1.46 per share reduction of AFUDC due primarily to the cancelled Pilgrim 2 project.

Boston Edison maintained one of the best cash flow positions in the industry; most of the company's financing requirements were met through internally generated cash.

Territory sales increased 1.78 percent while sales in the rest of New England were flat and sales nationally declined 2.2 percent.

Ground was broken for an administrative/service building at the Pilgrim nuclear plant, a new nuclear training facility was purchased, and a new Boston Service Center was constructed.

Oil consumption was reduced to 11.6 million barrels annually, down from 12.4 million in 1981 and 15.3 million in 1980 and the lowest level in a decade.

Power plant efficiency was the best in the company's history. The efficiency program, which began in 1976, is saving customers $11 million a year in fuel costs.

Effective upon President Francis M. Staszesky's retirement on January 31, 1983, the board of directors elected Chairman of the Board and Chief Executive Officer Thomas J. Galligan to the additional position of president. Former Senior Vice President Stephen J. Sweeney was elected executive vice president and director.

The company's market share of new and renovated commercial space heating was 73 percent while electricity accounted for about 58 percent of new residential heating and cooling.

The Nuclear Department underwent a reorganization, part of which included the appointment of a new vice president in charge of nuclear operations and a move of the nuclear organization to new office space in Braintree.

Financial Highlights

Years ended December 31	1982	1981*	% Change
Operating Revenues (000)	$1,056,267	$1,044,941	1.1%
Balance for Common Stock (000)	$45,882	$58,462	(21.5%)
Common Shares Outstanding –			
Weighted Average (000)	14,434	14,074	2.6%
Common Stock Data			
Earnings Per Share	$3.18	$4.15	(23.4%)
Dividends Declared Per Share	$2.82	$2.80	0.7%
Payout Ratio	88%	67%	31.3%
Book Value Per Share	$31.71	$31.68	0.1%
Return on Average Common Equity	10.02%	13.35%	(24.9%)
Fixed Charges Coverage (SEC)	2.28X	2.25X	1.3%

*Restated; see Note J of Notes to Financial Statements

In 1982, Boston Edison set in motion a new plan and a process to reduce dependence on foreign oil, minimize the need for capital expenditures on new facilities and help customers control energy use. Called IMPACT 2000 (Initiatives for Managing Production and Consumption Trends to the year 2000), the plan incorporates a process for the company to work with regulators, investors, customers, legislators and other interested parties to gain greater control of the energy future. The process is designed to balance the interests of these groups in developing and implementing programs to meet the area's need for electricity and the company's need for a sound financial position.

In recent years, largely because of the escalating cost of oil, utility companies have been involved in many contested proceedings with customers, legislators and regulators. In 1981, following the cancellation of the Pilgrim 2 project, the company moved forward to develop alternative energy programs to meet future customer and corporate needs. IMPACT 2000 is the result. It is designed to create an environment more conducive to addressing the concerns and meeting the needs of the various interests involved.

In serving as the basis for a thoughtful dialogue, the IMPACT 2000 program has these major objectives: to decrease the company's oil consumption from the 1982 level of 67 percent to 20 percent or less by 1990 and to minimize the need for new capacity and the associated large capital requirements.

As long as Boston Edison and other northeast utilities rely on expensive, insecure supplies of foreign oil, there is a concern for the area's energy security and reliability of supply. The 1973 oil embargo and the aftermath of the 1978-79 Iranian revolution demonstrated the vulnerability of both utilities and their customers to dramatic price fluctuations and the economic repercussions which necessarily result. While relative fuel price stability was realized during 1982, there is no assurance that prices in the future will not spiral upwards, just as they did in the past.

Several scenarios for managing future supply and demand were developed based on Boston Edison's commitment to reduce oil dependency and to help customers obtain greater control over their energy use. From these studies, three interrelated elements of IMPACT 2000 were identified: fuel diversity, conservation and load management.

The company has studied extensively the potential of alternative fuels that could provide a diversified mix for the production of electricity. At this time, coal appears to have the greatest potential as an oil substitute. It is secure, abundant, domestically-produced and less expensive than oil. Estimates indicate that converting five of Boston Edison's plants from oil to coal could save customers as much as $3 billion in fuel costs by the year 2000.

Preliminary engineering and licensing are underway to determine if the five generating units can be converted to a dual coal/oil capability. The initial cost estimate for coal conversion of all five units is $900 million, which the company will seek to recover from fuel savings, through Massachusetts' oil conservation legislation.

The company assembled a coal conversion group to manage the project under the direc-

"IMPACT 2000 is both a program and a cooperative process for reaching and implementing decisions on future energy supply and demand options — options which minimize the need for costly new generating facilities."

Craig Peffer, Vice President

tion of a senior vice president. The coal conversion process has been organized into two phases. Phase I involves preliminary engineering and licensing, the securing of additional land and the development and approval of a financing plan. This phase is scheduled to be completed in 1984. Provided Phase I is successfully concluded, Phase II would include major engineering, material procurement and construction starting in 1985. The first unit would be converted in 1986 and the last by June 1988.

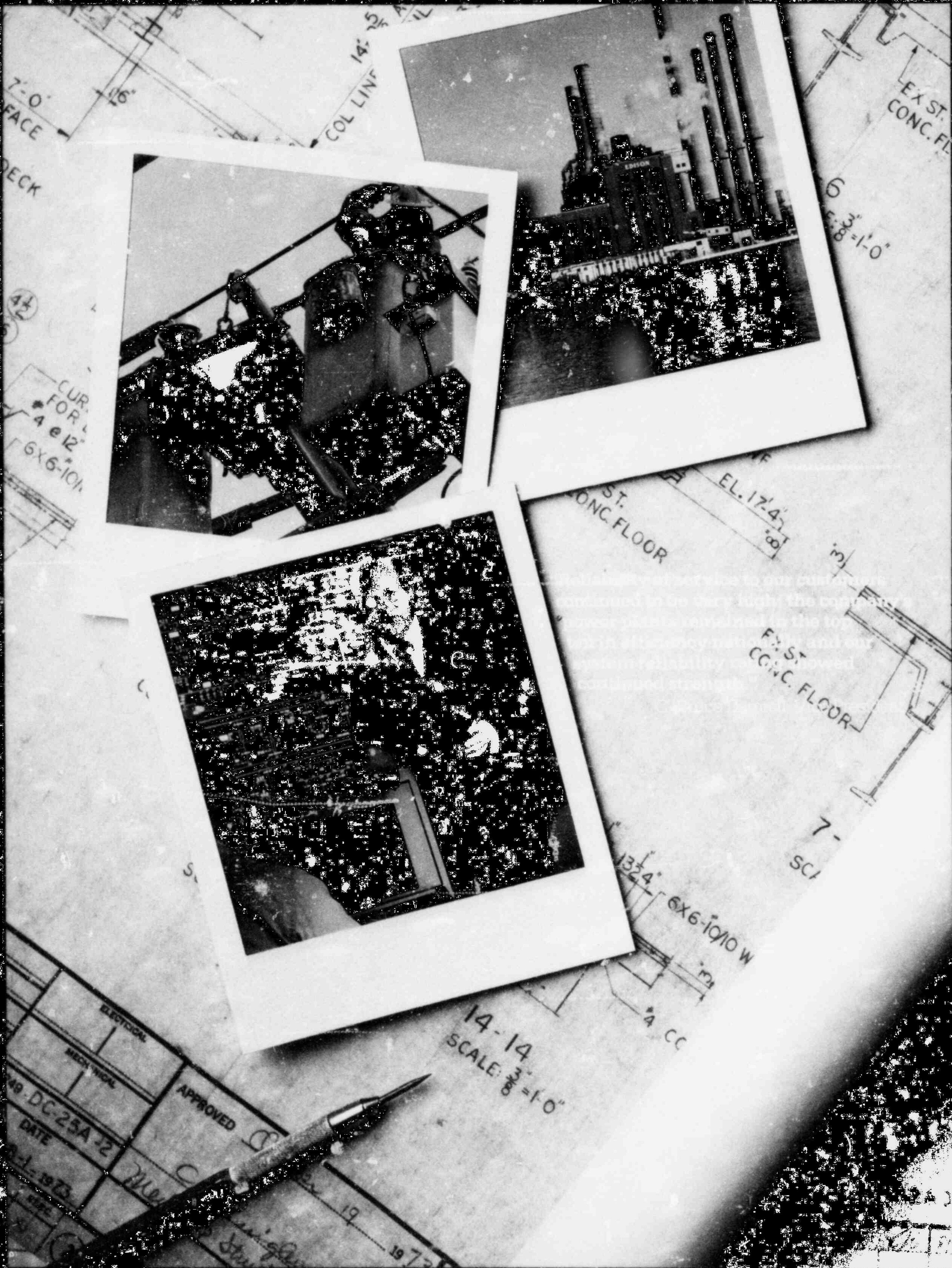
Coal is only part of the company's fuel diversity program. Nuclear energy and hydroelectric power from Canada are other options. The company has already contracted with the New Brunswick Electric Power Commission for 100 megawatts of nuclear power. Other possibilities for diversifying fuel sources will depend on the outcome of the coal conversion project and the economic feasibility of alternative sources now under study, including additional power purchases, refuse, fuel cells, coal gasification and wind/solar power.

In addition to providing a fuel diversity strategy, IMPACT 2000 expanded the company's conservation and load management programs. This involves moving forward with an active near-term conservation program and a long-term load management program, both of which will help consumers gain greater control over their energy consumption and minimize peak demand growth.

Through the use of creative marketing, including electronic and print advertising, energy fairs and community meetings, Boston Edison is offering consumers information about energy efficiency and the opportunity to meet and talk with energy efficiency specialists. Fourteen new or expanded customer conservation programs have been developed, several of which were operational by the end of 1982.

Boston Edison is a summer peaking company due to the heavy saturation of air conditioning in the metropolitan area. Ten pilot research and development load management programs have been planned to reduce the company's peak demand. All customer classes — residential, commercial, industrial and government — can participate in these pilot programs to determine which load management practices should be adopted. The programs will involve direct control of air conditioning and water heating, stored heating and cooling, solar water heating and co-generation.

IMPACT 2000 is more than an energy plan. It is an effort to build a consensus, through cooperative efforts involving all interested parties, on the appropriate actions to be taken to control both energy demand and supply. It is designed to identify issues, explore options, consider tradeoffs and arrive at decisions in a timely manner while minimizing adversarial encounters.



Reliability of service to our customers continued to be very high; the company's power plants remained in the top tier in efficiency nationally and our system reliability rating showed continued strength.

Employee productivity and the reduction of operating costs continued to be objectives in 1982. The company's fossil fuel units reported generating efficiency levels that exceeded those of 1981 when Boston Edison placed fifth in the nation in heat rate performance (a measurement used throughout the electric utility industry to indicate operating efficiency). The improved efficiency level reflects an $11 million savings annually in fuel costs for customers since the heat rate improvement program began in 1976. The steam system heat rate also improved in 1982, saving customers approximately $900,000 in fuel charges.

During 1982 the Generating Unit Performance Program took effect under jurisdiction of the Massachusetts Department of Public Utilities' Fuel Charge Bureau. The purpose of the program, which runs from August 1, 1982, through July 31, 1983, is to assure customers that Boston Edison's generating units are operated in an efficient and reliable manner.

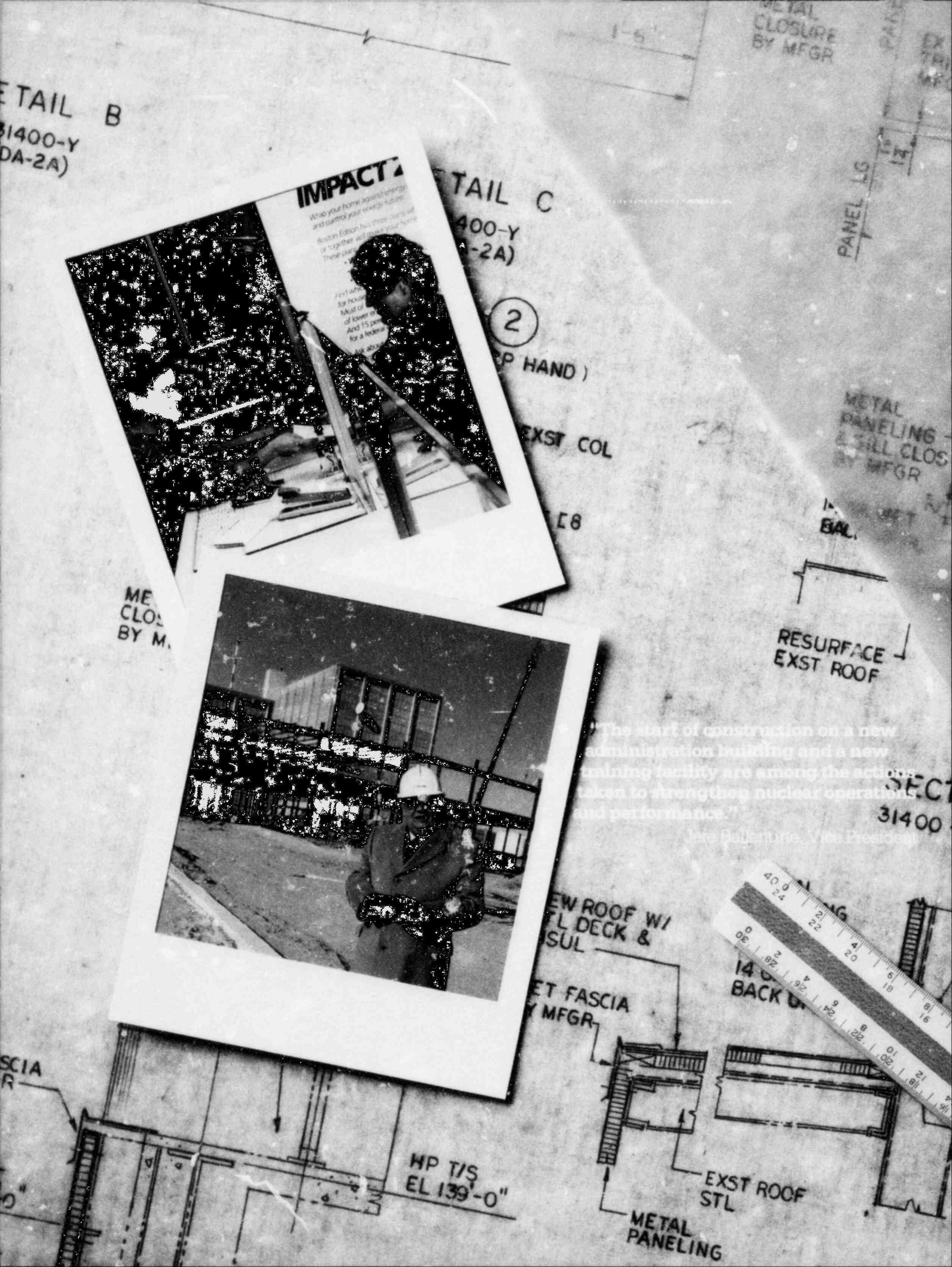
Another program to improve operating efficiency that began in 1981 with the opening of the Materials Management Center in Watertown continued with the construction of the new Boston Service Center. The $17 million, 153,000 square foot facility was built on the company's twenty-five acre site at Massachusetts Avenue, and will replace a deteriorating 70-year-old multi-building complex. The new center will headquarter approximately 700 employees. The construction of the Boston Service Center completes a program which began in the 1950s to upgrade all company service centers, offices and support facilities.

Participation in two programs by employees resulted in significant improvement in productivity and cost control. One, critical to employee health and well-being, related to on-the-job safety. During the last ten years, Boston Edison's safety record has reflected an improving trend. In 1982, the company demonstrated its best safety record in modern history, 23 percent better than 1981. This improvement is attributed to increased on-the-job awareness of safety and better attention to the safe performance of job-related tasks.

The other program involved employees meeting in small groups called quality circles. It was successfully tested in 1981 with a pilot group of employees and then expanded in 1982 into other areas of the company. Employees have the opportunity to discuss work-related problems, identify causes and recommend solutions. The program can be directly credited with instilling pride in work, reducing lost work days and improving productivity.

Organizationally, a number of changes were instituted in the Nuclear Organization in February 1982. These changes were prompted by the issuance by the Nuclear Regulatory Commission in January of a civil penalty and an order modifying the Pilgrim Station operating license to require a major reassessment of the company's nuclear operations. These organizational changes were further motivated by the cancellation of Pilgrim 2 and the company's commitment to the efficiency of Pilgrim Station, its primary source of base load generation. A new senior vice president position was created with responsibility for all nuclear activities. Two vice presidents, a new vice president for nuclear operations and the vice president for nuclear engineering and quality assurance, report to this senior vice president. A Nuclear Operations Review Committee of the Board of Directors, consisting of four outside board members, was also formed.

In November, ground was broken adjacent to Pilgrim Station for a new $4.1 million Administrative/Service Building. Scheduled for completion by August 1983, the building will be used to provide office space for employees in the Nuclear Operations Department and also as a warehouse. In addition, work began on a new $1,750,000 nuclear training facility which will open in early 1983.



"The start of construction on a new administration building and a new training facility are among the actions taken to strengthen nuclear operations and performance."

Jere Ballentine, Vice President

Further organizational changes took place in 1982 to consolidate responsibilities, reduce organizational entities and improve the balance between senior vice president groups. Of major importance was the streamlining of the Commercial Organization to provide improved response to customers and increased service.

Another organizational change was the development from existing functional areas of an energy supply organization, consisting of three groups responsible for making all wholesale power purchases and sales, purchasing fossil fuel and participating in planning and associated regulatory proceedings.

Both organizationally and operationally, customer relations activities received added attention in 1982. Through IMPACT 2000, the company renewed its commitment to be responsive to what customers identify as their greatest concerns. To achieve this, a better understanding of both sides is necessary — an understanding that can be obtained through a number of vehicles established to increase accessibility to customers.

In 1982, an external consumer advisory panel was developed as well as an internal customer relations activity group. The panel consists of 15 members representing all segments of the company's service territory. Meeting on a monthly basis, the group will discuss areas of mutual concern and will provide valuable customer feedback on changing consumer energy needs and expectations as well as recommendations on company customer policies and broader energy issues.

A formal internal customer relations group was formed in September to serve as the company liaison to the Department of Public Utilities on matters concerning customer service disputes and to provide timely information to the DPU.

To respond to customers' changing needs, in October the company installed a special telephone/typewriter keyboard and electronic display unit available for communicating with speech and hearing-impaired customers who have similar equipment. The unit enables the customer and the company to communicate visual messages to each other easily and clearly.

In December, the newest top-of-the-line computerized telephone system was installed. The sophisticated features of the system enable Boston Edison to respond faster to incoming customer calls, thereby decreasing the amount of time a customer must remain on hold. The system expands customer access substantially and provides the capability to record the number of incoming calls received so that future traffic may be forecasted and the necessary personnel trained and assigned to accommodate the demand.

The company continued the development of information systems with the new IBM 3033-S central computer which, among other corporate business functions, will improve responses to customer needs. A priority project for the computer group is to upgrade the customer information system. The system will provide a wide range of up-to-date customer data to improve customer service and better satisfy requests for information from customers, other areas of the company and regulatory agencies. This project is under continual review by a steering committee consisting of vice presidents and department managers who provide top management direction. When complete, the new system will permit more rapid and comprehensive response to customers.

In addition to upgrading the customer information system, the computer group, as part of an overall corporate information plan, began work to upgrade or introduce the following systems:

- Materials Management, Accounts Payable and Purchasing;
- A central data store for corporate statistics;
- Budget preparation; and
- Company projects, reports and schedules.

Boston Edison experienced a 1.78 percent territory sales growth rate in 1982, in contrast to both a national trend, which saw a 2.2 percent decline in sales, and the New England regional trend where sales were flat. In recent years, the economy of the Greater Boston area has consistently outperformed that of the rest of the nation. This situation remained true in 1982, although the area did not entirely escape the prolonged national recession.

Boston's unemployment rate remained significantly below the national average, and the drop in real per capita income was slower than the drop nationally. This economic performance was largely due to the growing number of service and high-technology firms operating in Boston Edison's territory, which historically are much less susceptible to the effects of recession than their manufacturing counterparts. As a result, commercial sales increased 2.79 percent, offsetting a decline in industrial sales of 1.4 percent.

There is a commercial construction boom occurring in the Boston area. Commercial sales represented 50 percent of the company's retail sales in 1982. In 1982 alone, four new hotels opened for business, all of which selected electricity for heating and cooling. Four more are scheduled to open, one in 1983 and three in 1984, and they too will be electrically heated. Also planned for opening in 1983 is the 1.5 million square foot office/retail portion of Copley Place and the State Transportation Building, with 800,000 square feet of office space. Both of these buildings are to be heated and cooled electrically.

In the last two years, electricity has been the preferred source of heating and cooling for more than 18.5 million square feet of new and renovated commercial space, more than a third of which utilized high efficiency heat pumps, some coupled with advance storage systems. The company's market share of new and renovated commercial space heating approached 73 percent in 1982. The high acceptance of electric heating and cooling is fostered by the inherent flexibility in system design which allows for innovative improvements in overall building heating and cooling efficiencies. Of the new construction taking place in the residential market, Boston Edison captured 58 percent, or 3.6 million square feet of residential development.

Newly developing end-use trends in the residential and commercial markets indicate a steadily increasing demand for electric energy. The increased use of computers in the business sector, the change to electronic office equipment and the increased electrification of industrial processes are all factors affecting demand. In the residential sector, increases relate to the growing use of heat pumps and home appliances.

As a result of the increased demand for electric energy, territory sales totalled 9.9 million megawatthours at the end of 1982, a 1.78 percent increase over 1981. Of this total, sales in the commercial sector were 49.6 percent, industrial sales were 16.6 percent and residential sales were 26.6 percent. Sales in other areas totalled 7.2 percent. In July, a new peak was established at 2,181 megawatts, 3.9 percent above the 1981 summer peak.

In the energy supply area, a fuel diversification project was completed in June when the company converted Unit 7 of its oil-fired plant, Mystic Station, to dual oil and gas burning capability. Gas has been purchased on an interruptible basis at approximately 90 percent of the cost of oil. In the last six months of 1982, the use of gas resulted in a reduction of 1.3 million barrels of oil burned, with a $2.7 million reduction in fuel costs. Gas accounted for 6 percent of net generation with oil providing 67 percent and nuclear 27 percent.

Gas was also used to meet approximately 84 percent of the company's steam heat customer requirements, resulting in reductions of 845,000 barrels of oil burned and $3.1 mil-

"Our fuel diversity and cost containment efforts were successful as natural gas was added to the fuel mix at our largest fossil unit and nuclear power from Canada and domestic pumped hydro are now replacing some oil-fired generation."

Benjamin Weiner, Vice President

lion in fuel charges to steam customers.

In December, Pilgrim Station, the company's nuclear power plant, completed ten years of operation during which it supplied nearly 30 percent of the company's total generation. In 1982, Pilgrim Station saved the burning of 5.4 million barrels of oil, for a savings in fuel dollars to customers of $134 million. Total savings since the plant began operation in 1972 are 56 million barrels of oil and more than $847.1 million. Oil use dropped to 11.6 million barrels and oil prices averaged $28.07 per barrel, down 11.3 percent from 1981. As a result, net system power costs declined $15.2 million.

The company has entered into a contract with the New Brunswick Electric Power Commission for the delivery of additional nuclear generated power. Under the terms of the contract, Boston Edison will receive 100 megawatts of electricity from Pt. Lepreau nuclear power plant, with deliveries beginning February 1, 1983. Hydroelectric power from a pumped storage facility in Massachusetts has been obtained to complement the Pt. Lepreau purchase.

Several New England utilities, including Boston Edison, are negotiating for larger amounts of hydroelectric power from Canada. The completion of a new direct current transmission interconnection could result in the company receiving 80 megawatts of energy from Hydro-Quebec beginning in the late 1980s and potentially 270 megawatts in the 1990s.

IMPACT 2000 was developed and implemented in a period of transition in the financial and regulatory areas. During this period, the Massachusetts Department of Public Utilities allowed partial recovery of the company's investment in the cancelled Pilgrim 2 nuclear plant; the reduction of allowance for funds used during construction (AFUDC) associated with the cancelled plant depressed earnings; a hiring freeze was in effect and construction expenditures were strictly controlled.

For the year, earnings were $3.18 compared to $4.15 for 1981, a decline of $.97 per share. The major factor in the decrease was a decline of $1.46 per share resulting from the reduction of AFUDC, due primarily to the cancelled Pilgrim 2 project. Thus after accounting for the reduction of AFUDC, 1982 earnings showed some progress. The decrease in AFUDC, together with certain fuel clause revenue refunds, increased maintenance expenses and other operating expenses, was partially offset by rate increases, a 1.7 percent increase in retail kilowatthour sales, lower interest expense and lower municipal property taxes. Return on equity declined from 13.35 percent in 1981 to 10.02 percent in 1982, again primarily due to the reduction of AFUDC. The allowed return on equity is 15.5 percent.

The company has improved its already strong cash position and continues to maintain one of the best cash flows in the industry. Cash flow per share of $10.80 in 1982 covers the common dividend over 3.8 times. In addition, 84 percent of construction expenditures was generated internally for the first time since 1973, thus reducing the need for new and costly financing.

At year end, common stock equity was 35 percent of long-term capitalization; preferred and preference stock was 12 percent and long-term debt was 53 percent. Proceeds from common stock issued during the year amounted to $9,534,766 on 446,227 shares, through the Dividend Reinvestment and

"Financial flexibility was maintained. Our cash position was among the best in the industry, allowing us to meet most of our needs from internally generated funds."

Ralph [illegible]

Common Stock Purchase Plan. In 1982 short-term obligations were reduced by $18 million to $51 million, thus continuing the trend begun in 1981 when short-term notes were reduced by $88.7 million.

Another action aimed at maintaining financial flexibility and strengthening the balance sheet was the filing of a shelf registration statement with the Securities and Exchange Commission in connection with the sale of $75 million of first mortgage bonds. Depending upon market conditions, the bonds are expected to be sold in early 1983 to refinance existing intermediate-term floating rate debt.

In December, the company's Board of Directors increased the quarterly dividend to $.72 per share from $.70 per share. On an annual basis the dividend is increased eight cents to $2.88 per share. This dividend action, following increases voted in 1979 and 1980, reflects Boston Edison's continuing strong commitment to its shareholders and the yield on their investments as well as the company's confidence in the future.

On November 16, 1982, the company filed a $74 million electric rate increase request with the DPU which if granted would constitute an 8.3 percent increase in retail revenues over those in the test year 12-month period ended June 30, 1982. In addition to an allowance for inflation, the filing includes a requested 17 percent return on common equity, increased depreciation and, as a part of IMPACT 2000, funds for conservation, load management and fuel diversity programs, primarily coal conversion.

In the 1981 rate case, the DPU granted the company an increase of $31.3 million in annual revenues. Included in the decision was recovery over a 13-year period of most of the investment in the cancelled Pilgrim 2 nuclear plant. The DPU order has been appealed to the Massachusetts Supreme Judicial Court by several intervenors.

The DPU also issued two decisions ordering refunds of previously collected fuel charges. In one case, the company was ultimately directed to refund approximately $5 million, with interest, in fuel and purchased power adjustment clause revenues for costs incurred during a nuclear refueling and maintenance outage. The company has appealed the DPU order.

In a second fuel clause decision issued in early November, the DPU allowed the company to recover $43.7 million of $53.1 million which had been collected since 1980 when the company had changed from an historical to a forecast method of computing for fuel clause factors. Of the amount not allowed, $4 million is applicable to September and October 1974, and the balance to October 1980, the years in which calculations were disputed. Results for those two periods have been restated, reducing after tax net income by 21 cents per share and 20 cents per share for those years, respectively.

On June 25, 1982 the company filed with the Federal Energy Regulatory Commission (FERC) increased firm wholesale for resale rates. The increase is presently being collected at the rate of $5.9 million per year subject to refund pending FERC review. The company and its customers are conducting settlement discussions which may result in a reduction of the increase. If settlement agreements are signed, they will be submitted to the FERC for approval.

In other actions before regulatory agencies, the company initiated environmental reviews before state and federal agencies for the coal conversion projects discussed in the IMPACT 2000 section of this report. The regulatory review of the coal conversion projects will continue in 1983. The company is working with the regulatory agencies and interested groups to assure that all concerns of the agencies and the communities affected by the proposed conversion will be fully addressed.

FINANCIAL SECTIONS

Management's Discussion and Analysis of the Results of Operations and Financial Condition

Results of Operations

1982 represents the first full year of operations since cancellation of the construction of the proposed 1150 MW nuclear generating facility, Pilgrim 2. The Company received a retail rate increase approximating $32,000,000, the majority of which was intended to recover over a thirteen-year period the costs incurred for the cancelled unit.

Earnings per share of common stock were $3.18 in 1982 compared to $4.15 in 1981 and $3.55 in 1980, as restated (See Note J of Notes to Financial Statements). The major factor causing the $0.97 per common share decrease in 1982 earnings was a reduction of the Allowances for Funds Used During Construction (AFUDC) by $1.46 per common share. The removal of Pilgrim 2 from construction work in progress caused a considerable decrease in the accrual of AFUDC. AFUDC accrued on Pilgrim 2 construction during 1981 represented $1.50 of the earnings per common share of $4.15.

In November, 1982, the Company filed for a retail rate increase totaling approximately $74,000,000 annually, and in January, 1983 the Company began billing subject to refund a wholesale rate increase of approximately $5,900,000. These increases are intended to recover escalating costs, provide an inflation allowance as well as a higher return on equity.

Total operating revenues increased by $11,326,000 from 1981. Base electric retail rates increased by $25,278,000, primarily due to the rate increase effective in May, 1982, and a 1.7% increase in retail kilowatthour sales. This was partially offset by a decrease in fuel and purchased power revenues.

The Company recovers most of its fuel and purchased power costs through fuel and purchased power adjustment clauses. The remaining fuel costs are recovered through base rates. Fuel and purchased power adjustment revenues and fuel and purchased power expenses decreased $17,133,000 and $14,531,000, respectively from 1981. This is a reversal of the 1980 to 1981 trend in which fuel and purchased power revenues increased $98,753,000 and fuel and purchased power expenses increased $104,594,000. The primary reason for the decreases in 1982 are a decline in fossil fuel prices, whereas in 1981, the increase reflected a rise in fuel oil costs. Also, in 1982, the Company was ordered to refund approximately $5,000,000, of fuel and purchased power adjustment revenues which related to recovery of replacement power costs incurred during the outage of the Pilgrim 1 nuclear unit for maintenance, refueling and modifications.

Maintenance expense has increased primarily as a result of inflation and unit overhauls at the Company's two fossil fuel generating stations. Taxes other than income taxes, which are primarily property taxes, decreased $10,905,000 in 1982 as a result of the implementation of a tax-limiting referendum and court-ordered revaluations. These events took place in late 1981, and further impacts are still expected. (See also Note D of Notes to Financial Statements.)

Allowances for Funds Used During Construction (both on borrowed and other funds) contributed to net income by $9,116,000, $29,425,000 and $28,427,000 in 1982, 1981 and 1980, respectively. The primary reason for the major decrease in 1982 is the removal of Pilgrim 2 from the AFUDC accrual base.

Interest expense related to long-term debt increased approximately $14,000,000 over the 1981 and 1980 levels of $51,000,000, due to the issuance of a Eurodollar credit facility and Series S bonds in early 1982. Other interest expense decreased $24,421,000 from 1981 levels, principally as a result of a decrease in the average outstanding short-term loan balance from $160,888,000 in 1981 to $4[illegible],145,000 in 1982 and a decrease in the average borrowing rate (including commitment fees) from 19.76% in 1981 to 14.99% in 1982.

The effective income tax rates for the years 1982, 1981 and 1980 were 45.5%, 38.4%, and 37.9% respectively (see Note E of Notes to Financial Statements).

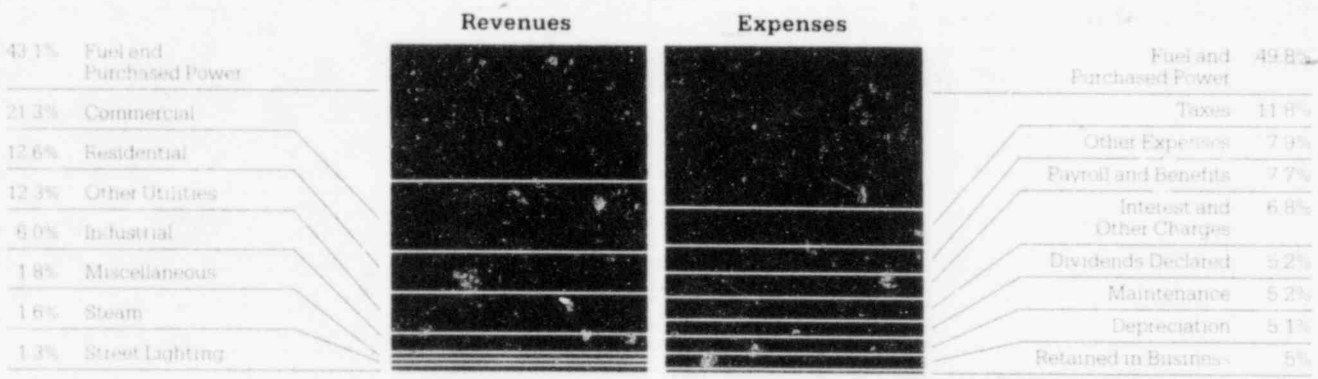
For a detailed discussion on the effects of inflation and changing prices, see supplementary information on pages 32 and 33.

Construction Program and Financing

The Company is currently studying energy supply alternatives to reduce oil consumption. In that regard, the Company has submitted a comprehensive report to the Massachusetts Department of Public Utilities (MDPU) outlining initiatives the Company is considering to reduce significantly its dependence on imported oil and to gain greater control over future growth. This report will serve as the basis for developing a long range energy planning process through which the Company can review with its regulators, government officials and customers the alternatives available to diversify the Company's fuel mix and to minimize new generating capacity requirements.

The Company's construction program for the period 1983 to 1987, which is subject to continuing review and adjustment, is currently estimated to be approximately $706,000,000 (including nuclear fuel, but excluding 1) allowances for funds used during construction and 2) potential coal conversion program costs). Funds generated internally are a major source of construction funding and represented 84%, 78% and 59% (restated, see Note J of Notes to Financial Statements) of construction expenditures in 1982, 1981 and 1980, respectively. Substantially all of the Company's construction expenditures for 1983 are expected to be financed by internally generated funds, and a significant percentage of future construction requirements will be funded internally, provided that the Company's rate structure is adequate to cover increasing costs. It is anticipated that the balance of the Company's construction program and its long-term debt maturities and sinking fund requirements (the latter two items aggregating $167,175,000) will be financed by the issuance of debt and equity securities. The Company anticipates financing its nuclear fuel requirements under its existing nuclear fuel financing agreements or similar arrangements.

The Company's outstanding First Mortgage Bonds are rated Baa by Moody's Investors Service, Inc. and BBB by Standard & Poor's Corporation. During 1982, the Company's preference stock ratings were raised to BBB- by Standard & Poor's Corporation. The Company meets increases in working capital requirements as well as the interim financing necessary for its construction program primarily through bank borrowings (See Note 7 of Notes to Schedules of Capital Stock and Indebtedness).



(in thousands, except Earnings per Share) Years ended December 31,	1982	1981*	1980*
Operating Revenues:			
Electric	$ 565,560	$ 538,610	$ 476,343
Steam	17,008	16,312	15,255
Fuel and purchased power adjustments (Note J)	454,683	471,816	378,581
Other	19,016	18,203	15,455
Total Operating Revenues	1,056,267	1,044,941	885,634
Operating Expenses:			
Operation:			
Fuel (Note J)	440,340	458,154	430,112
Net purchased power	86,057	82,774	11,740
	526,397	540,928	441,852
Other	151,461	140,399	116,605
Total Operation Expenses	677,858	681,327	558,457
Maintenance	54,878	48,425	42,760
Depreciation (Note A)	53,866	52,349	49,852
Amortization of deferred cost of cancelled nuclear unit (Note B)	13,380	–	–
Taxes – property and other (Note D)	74,173	85,078	85,900
Provisions for income taxes (Notes A and E):			
Current	14,060	(6,769)	(896)
Deferred	9,104	56,122	37,456
Investment tax credit – Net	26,923	(3,340)	1,636
Total Provision for Income Taxes	50,087	46,013	38,196
Total Operating Expenses	924,242	913,192	775,165
Operating Income	132,025	131,749	110,469
Other Income:			
Allowance for other funds used during construction (Note C)	4,781	7,055	7,270
Other – Net	1,140	481	(121)
Operating and Other Income	137,946	139,285	117,618
Interest Charges:			
Long-term debt	65,518	51,293	51,455
Nuclear fuel and related financing obligations	10,453	8,810	6,997
Other	8,081	32,502	20,968
Allowance for borrowed funds used during construction – credit (Note C)	(6,486)	(26,542)	(25,774)
Total	77,566	66,063	53,646
Net Income (Note J)	60,380	73,222	63,972
Preferred dividends provided	5,512	5,512	5,512
Preference dividends provided	8,986	9,248	9,581
Balance Available for Common Stock	$ 45,882	$ 58,462	$ 48,879
Common Shares Outstanding (weighted average)	14,434	14,074	13,763
Earnings per share of Common Stock (Note J)	$3.18	$4.15	$3.55

The notes and schedules on pages 23 through 33 are an integral part of the financial statements.

Management's Discussion and Analysis of Operations and Financial Condition is on pages 18 and 19.

*Restated, see Note J of Notes to Financial Statements.

(in thousands)

Years ended December 31,	1982	1981	1980*
Statements of Sources of Construction Funds			
Funds Generated Internally:			
Net Income	$ 60,380	$ 73,222	$ 63,972
Add – Amounts charged (credited) not requiring funds currently:			
Depreciation (Note A)	53,866	52,349	49,852
Amortization of deferred cost of cancelled nuclear unit (Note B)	13,380	–	–
Other Amortization	2,092	2,092	528
Deferred income taxes (Note E)	9,104	56,122	37,456
Amortization of nuclear fuel (Notes A, D, and G)	15,935	14,651	12,237
Investment tax credit – net (Note E)	26,923	(3,340)	1,636
Allowance for funds used during construction (Note C)	(11,267)	(33,597)	(33,044)
Total from operations	170,413	161,499	132,637
Less – Preferred dividends declared	5,512	5,512	5,512
Less – Preference dividends declared	9,005	9,294	9,604
Less – Common dividends declared	40,883	39,523	37,825
Funds generated internally	115,013	107,170	79,696
Funds Obtained from Outside Sources:			
Sales (Redemptions) of Securities:			
Sale of Common Stock	9,535	6,124	6,280
Redemption of Preference Stock	(1,759)	(3,587)	(2,011)
Increase in Long-term Debt Outstanding	3,310	102,032	–
Debt Retirements	(12,625)	–	(13,663)
Redemption of Secured Notes	(1,640)	(1,640)	(1,640)
Increase (decrease) in notes payable to banks	(18,000)	(88,700)	91,020
Proceeds from Nuclear Fuel and Related Financing Obligations	35,000	–	–
Funds obtained from outside sources	13,821	14,229	79,986
Other Funds Provided (used):			
Deferred fuel costs	42,627	22,828	(7,843)
Working Capital and other changes	(34,998)	(7,492)	(17,590)
	7,629	15,336	(25,433)
Total funds provided	$136,463	$136,735	$134,249
Construction Expenditures			
Plant	$130,075	$111,561	$121,275
Nuclear Fuel	6,388	25,174	12,974
Total construction expenditures	$136,463	$136,735	$134,249
Statements of Retained Earnings			
Balance at beginning of year			
As previously reported	$152,333	$133,440	$119,623
Cumulative Adjustment to reflect fuel clause refunds (Note J)	(4,829)	(4,829)	(2,043)
As Restated	147,504	128,611	117,580
Net Income	60,380	73,222	63,972
	207,884	201,833	181,552
Cash Dividends Declared			
Preferred	5,512	5,512	5,512
Preference	9,005	9,294	9,604
Common	40,883	39,523	37,825
	55,400	54,329	52,941
Balance at end of year	$152,484	$147,504	$128,611

The notes and schedules on pages 23 through 33 are an integral part of the financial statements. Management's Discussion and Analysis of Operations and Financial Condition is on pages 18 through 19.

*Restated, see Note J of Notes to Financial Statements.

(in thousands)

Years ended December 31	1982		1981*	
Assets				
Property, Plant and Equipment, at original cost (Notes A, C, and H)				
Utility plant in service				
Electric plant	$1,758,588		$1,662,348	
Steam heating service plant	39,512		39,506	
	1,798,100		1,701,854	
Less: Accumulated depreciation	533,761	$1,264,339	493,086	$1,208,768
Nuclear fuel	151,567		143,138	
Less: Accumulated amortization	102,273	49,294	86,338	56,800
Nonutility property	93		107	
Less: Accumulated depreciation	1	92	1	106
Construction work in progress (Note D)		94,582		79,099
		1,408,307		1,344,773
Investments in Nuclear Electric Companies, at equity		8,826		8,886
Current Assets:				
Cash	2,185		3,262	
Accounts receivable, net:				
Customers	161,108		145,239	
Other	8,801		14,426	
Materials & supplies at average cost, and other	58,233		53,979	
Prepaid expenses & other current assets	3,317	233,644	1,982	218,888
Deferred Debits				
Deferred cost of cancelled nuclear unit (Note B)	264,620		291,000	
Other (Notes A and J)	14,543	279,163	54,466	345,466
		$1,929,040		$1,918,013
Capitalization and Liabilities				
(see accompanying schedules of capital stock and indebtedness)				
Common Stock Equity		$ 465,071		$ 450,477
Cumulative Preferred Stock		83,000		83,000
Cumulative Preference Stock				
Non-Mandatory Redeemable Series		38,267		38,247
Redeemable Series		39,235		40,965
Long-Term Debt		706,503		704,833
Nuclear Fuel and Related Financing Obligations		85,000		50,000
Current Liabilities: (Note D)				
Long-term debt due within 1 year	$ 4,016		$ 16,640	
Notes payable	51,000		69,000	
Accounts payable	29,523		68,052	
Customer deposits	94		6,964	
Property taxes accrued and other taxes (Notes D, E, and J)	19,638		3,473	
Interest accrued	8,129		8,476	
Dividends declared	11,935		11,329	
Other current liabilities	1,751	126,085	1,557	185,491
Deferred Credits:				
Accumulated deferred income taxes (Note E)	310,404		303,019	
Accumulated deferred investment tax credits (Note F)	49,422		22,987	
Unamortized premium on debt, less expense	(1,222)		(1,032)	
Accrued cancellation costs of nuclear unit (Note B)	6,840		18,219	
Other (Note J)	21,335	386,779	21,807	365,000
		$1,929,940		$1,918,013

The notes and schedules on pages 23 through 33 are an integral part of the financial statements. Management's Discussion and Analysis of Operations and Financial Condition is on pages 18 & 19.

*Restated. See Note J of Notes to Financial Statements.

(in thousands)

Years ending December 31				1982	1981*
Common Stock Equity,					
Common Stock					
Par value $10 per share (Note 1)					
Authorized 17,534,500 shares					
Outstanding 14,665,213 and 14,218,986 shares				$146,652	$142,190
Premium on Common Stock				165,709	160,636
Retained Earnings				152,484	147,504
Surplus Invested in Plant				405	405
Capital Stock Expense – net				(179)	(258)
Total Common Stock Equity				$465,071	$450,477
Cumulative Preferred Stock,					
Par value $100 per share, authorized, issued and outstanding (Note 2)					
	Series	Redemption Price	Shares Outstanding		
	4.25%	$103.625	180,000	$ 18,000	$ 18,000
	4.78%	$102.80	250,000	25,000	25,000
	8.88%	$107.00	400,000	40,000	40,000
Total Preferred Stock				$ 83,000	$ 83,000
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				35,658	35,658
Capital Stock Expense – net				(66)	(86)
Total Non-Mandatory Redeemable Preference Stock				$ 38,267	$ 38,247
Redeemable Series (Note 3)					
$1.175 Series 4,206,800 and 4,400,000 shares				$ 4,207	$ 4,400
Premium on $1.175 Series				35,086	36,652
Capital Stock Expense – net				(58)	(87)
Total Redeemable Preference Stock				$ 39,235	$ 40,965

The notes on pages 25 through 26 are an integral part of this schedule.

*Restated, see Note J of Notes to Financial Statements.

Long-Term Debt (Note 5):
First Mortgage Bonds:

(in thousands)

Series	Rate(%)	Maturity	December 31 1982	December 31 1981
D	3⅛	July 1, 1982	$ –	$ 15,000
E	3	Aug. 1, 1984	18,000	18,000
F	4⅝	June 1, 1987	25,000	25,000
H	4¼	June 1, 1992	15,000	15,000
I	4¾	Nov. 1, 1995	25,000	25,000
J	6⅛	June 1, 1997	40,000	40,000
K	6⅞	Nov. 1, 1998	50,000	50,000
L	9	Dec. 1, 1999	50,000	50,000
M	9⅛	July 1, 2000	60,000	60,000
N	8⅛	May 15, 2001	75,000	75,000
S	Variable	Jan. 15, 2002	25,000	25,000
Q	9¾	Dec. 15, 2003	95,000	95,000
R	10.95	Oct. 31, 2004	75,000	75,000
P	9¼	Apr. 15, 2007	60,000	60,000
Total First Mortgage Bonds			613,000	628,000
Other Long-Term Debt:				
Eurodollar Credit Facility (Note 5)			75,000	75,000
Secured Notes, due November 15, 1985, with interest at 11¼%			14,300	16,440
Collateralized Pollution Control Revenue Bonds, 8⅛ percent, due May 1, 1984			15,000	15,000
Less: Funds held by Trustee			(7,282)	(12,967)
Total Long-term Debt			710,518	721,473
Less: Long-term Debt due within one year			4,015	16,640
Long-Term Debt – Net			$706,503	$704,833
Other Debt:				
Nuclear Fuel and Related Financing Obligations (Note 6)			$ 85,000	$ 50,000
Notes Payable (Note 7)			$ 51,000	$ 69,000

The notes on pages 25 through 26 are an integral part of this schedule

1. Common Stock:

Since December 31, 1979 the Company has issued shares of Common Stock, $10 par value, as follows:

	Number of Shares (b)	Common Stock	Premium on Common Stock
Balance December 31, 1979	13,626,439	$136,264,390	$154,156,615
Dividend Reinvestment Plan	271,205	2,712,050	2,876,336
Employee Stock Ownership Plan (a)	29,938	299,380	392,562
Balance December 31, 1980	13,927,582	139,275,820	157,425,513
Dividend Reinvestment Plan	291,404	2,914,040	3,210,711
Balance December 31, 1981	14,218,986	142,189,860	160,636,224
Dividend Reinvestment Plan (a)	446,227	4,462,270	5,072,496
Balance December 31, 1982	14,665,213	$146,652,130	$165,708,720

a. The remaining authorized shares reserved for future issuance are: Dividend Reinvestment Plan 648,425 shares; Employee Stock Ownership Plan 220,862 shares.

b. The shareholders have approved a merger pursuant to which the Company would become a subsidiary of Boston Industries, a Massachusetts business trust with authorized common stock of 50,000,000 shares, and the shares of common stock of the Company would be changed into an equal number of shares of common stock of Boston Industries. The merger is subject to approval by the Massachusetts Department of Public Utilities (MDPU). On February 9, 1983, the MDPU issued an order denying the Company's petition for such approval. The Company is examining the possibility of seeking reconsideration or appellate review.

2. Cumulative Preferred Stock

There were no changes during 1980, 1981, or 1982 in preferred stock. Upon involuntary liquidation of the Company, holders will be entitled to $100 per share.

3. Cumulative Redeemable Preference Stock:

Series $1.175 (issued March 19, 1975) (a) (b)	Number of Shares	Par Value	Premium
Balance December 31, 1979	5,000,000	$5,000,000	$41,650,000
Redemptions	215,500	215,500	1,795,115
Balance December 31, 1980	4,784,500	4,784,500	39,854,885
Redemptions	384,500	384,500	3,202,885
Balance December 31, 1981	4,400,000	4,400,000	36,652,000
Redemptions	193,200	193,200	1,565,723
Balance December 31, 1982	4,206,800	$4,206,800	$35,086,277

a. The Company may under certain market conditions be required to purchase 200,000 shares annually at a price not to exceed $10 per share plus dividends accrued. As of December 31, 1982, the Company had purchased 193,200 shares relative to the current redemption requirement; the remainder of the current redemption requirement was completed in early 1983.

b. Subject to the prior preferential rights of the Cumulative Preferred Stockholders, upon involuntary liquidation of the Company, holders of the $1.175 and $1.46 series are entitled to receive $10 and $15 per share, respectively.

4. Cumulative Non-Mandatory Redeemable Preference Stock

There were no changes during 1980, 1981, or 1982 in the $1.46 series of preference stock. See Note 3-b.

5. 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 including sinking fund requirements due in the five years 1983 through 1987 are $4,015,000, $38,890,000, $15,770,000, $79,250,000, and $29,250,000 respectively.

The unamortized premium on the Company's outstanding debt, less expense of issue, is being amortized ratably to the maturities of the respective debt.

The Company's Series S Bonds bore interest at 18.10% per annum for the period January 15, 1982 to January 15, 1983, and the rate will be adjusted each year thereafter subject to certain limits to 127% of the monthly average yields to maturity for actively traded marketable U.S. Treasury fixed interest securities, adjusted to constant maturities of ten years. The interest rate for the period January 15, 1983 to January 15, 1984 will be 13.4%.

The Company has issued $75,000,000 principal amount of Revolving Credit Notes due December 1, 1984 pursuant to a Eurodollar Credit Agreement. The Company may convert all or part of such notes into a term loan due October 1, 1986. Borrowings under the agreement bear interest in relation to the London Interbank Offered Rate. The effective rate of interest at December 31, 1982, was 10.3125%. The Company is obligated to pay a commitment fee on any unused portion of the facility.

6. Nuclear Fuel and Related Financing Obligations

Under the terms of an agreement with PruLease, Inc., the Company is able to finance from time to time the acquisition costs of nuclear fuel up to a maximum amount of $50,000,000 at any one time outstanding. Principal is paid quarterly on the basis of nuclear fuel burnup. The effective interest rate (10[illegible]% and 13[illegible]% at December 31, 1982 and 1981 respectively) fluctuates in relation to PruLease's ninety-day commercial paper rate.

On February 16, 1982, the Company entered into a credit agreement with a major commercial bank. Pursuant to this agreement, a wholly-owned subsidiary of the Company may issue not in excess of $35,000,000 principal amount of commercial paper supported by an irrevocable letter of credit issued by the bank and loan such proceeds to the Company. The credit agreement also permits the Company to make revolving credit borrowings from the Bank provided that the amount of such borrowings and the commercial paper outstanding do not exceed $35,000,000 in the aggregate. The credit agreement terminates June 30, 1986, subject to automatic one-year extensions unless the bank gives three years notice of termination. The revolving credit loans would bear interest in relation to the Bank's prime rate. The effective rate of interest on the commercial paper outstanding at December 31, 1982 was 9.17%. The Company is also obligated to pay a commitment fee on the average outstanding principal amount of commercial paper.

The Company's obligations under these financing agreements are secured by a security interest in certain nuclear fuel. These security interests are subordinate to the lien of the indenture securing the Company's First Mortgage Bonds.

7. Notes Payable

To provide financing flexibility, the Company maintains credit arrangements aggregating approximately $145,000,000. These arrangements provide for borrowings at or below the prime interest rate and require commitment fees to be paid on the unused lines of credit.

Information regarding short-term borrowings is as follows:

(thousands of dollars)	1982	1981	1980
Maximum Short-Term Borrowings	$174,000	$202,200	$171,200
Daily Weighted Average Amount Outstanding	$ 44,145	$160,888	$124,885
Daily Weighted Average Interest Rates			
At Year End	10.68%	15.47%	22.36%
During the Year (including commitment fees)	14.99%	19.76%	15.96%

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, differences may arise in the application of 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 C, E and F.)

1. Principles of Consolidation

The financial statements include the accounts of the Company and its wholly owned financing subsidiary, BECo Fuel Company, Inc. In the process of consolidation, all intercompany balances and transactions have been eliminated.

2. Depreciation and Amortization

Physical property is depreciated on a straight-line basis at approximately 3.15% annually. At the time of retirement of property units, their cost and the cost of removal are charged to and salvage is credited to accumulated depreciation.

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.

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 such fuel. See also Notes D and G.

3. Forecasted Fuel Clause

The Company's retail fuel adjustment clause permits estimated fuel and purchased power costs to be billed to customers monthly (based upon forecasted kilowatthour sales), utilizing a forecasted rate that is determined quarterly. Each subsequent rate is adjusted for any difference in forecasted costs billed versus actual costs incurred.

B. Cancelled Nuclear Unit

The Company commenced amortizing the cost of the cancelled Pilgrim 2 in May, 1982, over a thirteen-year period pursuant to retail rate orders of the MDPU. The estimated cost of the project (revised from $291,000,000 as of December 31, 1981) was $278,000,000 ($168,000,000 after giving effect to income taxes) and the MDPU's orders allow the Company to recover through rates over such period $116,800,000 (which is net of associated taxes) and $45,700,000 of financial carrying costs. The Attorney General and other intervenors have appealed the MDPU's decision to the Massachusetts Supreme Judicial Court.

C. Allowance for Funds Used During Construction

In accordance with regulatory accounting, the Company capitalizes as part of construction costs certain general and administrative costs and an allowance for funds used during construction (AFUDC).

AFUDC represents the estimated cost of borrowed and equity funds used to finance the Company's construction program. 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 1982, 1981, and 1980 were 12.6%, 14.2%, and 13.3% respectively. The MDPU has held generic proceedings regarding the allowable method of computing AFUDC and a decision is still pending.

D. Commitments and Contingencies

1. Capital Commitments

At December 31, 1982, estimated contractual obligations for plant and equipment were approximately $57,248,000.

2. Lease Commitments

At December 31, 1982 and 1981, the Company had leases covering certain facilities and equipment. Some of these leases are "capital leases" as defined by the Financial Accounting Standards Board; however, under regulatory accounting, leases are not capitalized.

Had all leases which meet the criteria for capital leases been capitalized, the amounts of the asset and the liability that would have been included in the balance sheets as of December 31, 1982, 1981 and 1980 and the effect on expenses for each of those years would not have been material.

Estimated minimum rental commitments under noncancellable leases for years subsequent to 1982 are as follows:

(in thousands)	Total
1983	$ 12,044
1984	11,883
1985	11,804
1986	11,572
1987	10,653
Years Thereafter	102,513

A portion of the aforementioned rentals will be capitalized as part of construction costs in the future.

Information with respect to rentals from 1980 through 1982 is as follows:

(in thousands)	Rent Expense	Portion Related to Capital Leases	Capitalized As Part of Construction Costs
1982	$11,700	$8,000	$3,300
1981	10,400	7,300	3,000
1980	9,000	6,300	2,100

3. Property Taxes

In December 1982, the City of Boston submitted to the Company property appraisal notices and requests for voluntary tax payments (reflecting valuations and a tax rate which are preliminary pending State certification) which indicate an annual tax increase of approximately $13,500,000, of which approximately $6,800,000 would apply to the year 1982; this amount is in excess of the liability reflected in the accompanying financial statements. The Company believes that the proposed valuation is substantially in excess of a justifiable valuation.

4. Nuclear Waste Disposal

Pursuant to the Nuclear Waste Policy Act of 1982, the Company estimates that it will be required to pay approximately $33,500,000 to the United States Department of Energy in the years 1988 through 1996 for disposal of partially depleted nuclear fuel in the reactor and spent nuclear fuel incurred through December 31, 1982. Of this amount, the Company has provided for approximately $10,800,000 and it is expected that the balance will be recovered through the Company's fuel and purchased power adjustment clauses.

E. 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 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 deferred income tax expense are as follows:

(in thousands)	1982	1981	1980
Cancelled nuclear unit (Note B)	$ 7,905	$37,234	–
Excess tax depreciation over book depreciation	13,559	15,514	$20,050
Deferred fuel expense	(18,340)	(8,892)	3,397
Capitalized property taxes	–	48	70
Debt portion of allowance for funds used during construction	1,730	3,626	4,012
Other indirect construction costs	1,429	1,186	1,322
Massachusetts corporate franchise tax	(146)	6,332	4,891
Other	2,967	1,074	3,714
Total	$ 9,104	$56,122	$37,456

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:

	1982	1981	1980
Statutory rate	46%	46%	46%
Allowance for other funds used during construction	(2.0)	(9.7)	(10.2)
Massachusetts corporate franchise tax	3.8	2.9	2.9
Other	(2.3)	(0.8)	(0.8)
Effective Rate	45.5%	38.4%	37.9%

Net operating loss and investment tax credit carryovers that arose in 1981 were utilized in 1982. These carryovers arose because of the cancellation of the Pilgrim 2 nuclear unit in 1981. However, investment tax credits generated in 1982 in the amount of $12,737,000 are being carried forward. Federal income tax returns through 1979 have been examined and closed.

F. Pensions

The Company has a noncontributory funded plan (with certain voluntary contributory features) covering substantially all employees. Pension accruals and the portion added to construction costs were as follows:

(in thousands)	1982	1981	1980
Total Accrued	$6,458	$4,237	$3,630
Added to Construction Costs	1,485	975	835

The Company's policy is to fund pension costs accrued using the aggregate cost method. In 1981 the Company adopted the aggregate cost method in its entirety, thereby eliminating all past service cost. The actuarial present value of accumulated plan benefits at the annual actuarial valuation dates were as follows:

(in thousands)	January 1, 1982	January 1, 1981
Actuarial Present Value of		
Accumulated Plan Benefits:		
Vested	$127,800	$104,200
Nonvested	5,000	2,300
Total	$132,800	$106,500

A nine percent annual rate of return was assumed in determining the actuarial present value of accumulated plan benefits for both 1982 and 1981.

The Company's basis for determining pension expense and funding of the plan considers the actuarial present value of accumulated plan benefits earned to date, as well as benefits to be earned in the future. At January 1, 1982 and 1981 the pension plan had net assets available for plan benefits of $156,000,000 and $146,600,000, respectively, which represents full funding of the actuarial present value of accumulated plan benefits and partial funding of the benefits to be earned in the future (which at January 1, 1982 were estimated to be $120,600,000).

G. Estimated Future Costs Related to Spent Nuclear Fuel and Generating Plants

The Company is expanding its fuel storage facilities at the Pilgrim site to include sufficient capability for spent fuel through approximately the year 1990. Commencing in July 1980, the amortization of nuclear fuel included an estimated charge for future disposal of the Company's spent fuel. These estimated disposal costs are subject to review and are amortized to fuel expense based upon energy produced for the generation of electricity, and the period until estimated disposal; these costs are being recovered through the fuel adjustment clause. See also Note D.

The depreciation rate for Pilgrim Unit 1 does not include provision for the cost of decommissioning the Unit at the end of its useful life; however, such costs are included in the depreciation rate proposed in the Company's current rate case and will be included in the accrual rates if approved by the appropriate regulatory authorities.

The Company also participates as an investor in two other nuclear units. Both of these units are recovering as part of their wholesale rates a provision for estimated permanent nuclear fuel storage costs and plant decommissioning costs.

H. Information Regarding Jointly Owned Electric Plants and Long-Term Purchased Power Contracts

1. Jointly-Owned Electric Plants

The Company is a joint owner of Yarmouth 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 $12,033,000 and $12,058,000 for 1982 and 1981, respectively, and accumulated depreciation of $1,686,000 and $1,256,000 for 1982 and 1981 respectively. The Company includes its share of direct expenses of Yarmouth Unit #4 in the corresponding operating expenses on its income statement.

H. Long-Term Contracts for the Purchase of Electricity

The Company has five 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:

Company's 1982 Proportionate Share

Generating Unit	Contract Expiration Date	% Unit(s) Capacity Purchased	Total Expense(c) (in thousands)	Minimum (f) Debt Service	Interest Portion of Minimum Debt Service	Company Share-of-Debt Outstanding thru Cont. Exp. Date
Canal Unit #1	2001	25.0(a)	$ 5,629	$ 718	$ 411	$ 3,373
Coleson Cove Units	1985	2.8	1,151	705	668	106(b)
Connecticut Yankee Atomic	1998	9.5	8,013	1,485	1,024	7,638(e)
Potter Unit #2	1984	25.17(d)	846	599	288	289(b)
Yankee Atomic	1991	9.5	4,264	297	170	1,625
Total			$19,903	$3,804	$2,561	$13,031

(a) Represents 4.73% of the Company's installed net capability; the remaining four units listed above aggregate 3.57%.

(b) These contracts do not extend for the life of the unit; however, the amount represents the estimated debt payments through the contract expiration dates.

(c) This amount represents the fixed costs of the contracts and excludes fuel costs, the variable component. Total fuel costs in 1982 for these contracts, included in purchased power on the Income Statement, was $35,424,000. Combined fixed and variable costs for the years ended December 31, 1982, 1981, and 1980 were $55,328,000, $52,333,000, and $57,051,000 respectively.

(d) Composite % for 1982; declines annually.

(e) Of this amount the Company has guaranteed $4,750,000. In addition, the Company has guaranteed $4,750,000 of a revolving credit line, which expires in 1984.

(f) Represents the Company's estimate of future minimum annual payments to be made through the contract expiration date.

I. Selected Financial Statistics

Supplementary Financial Information (Unaudited)

(In thousands of Dollars Except Earnings Per Share)	Operating Revenues*	Operating Income	Net Income	Balance Available For Common Stock	Earnings Per Share of Common Stock (1)
1982 and 1981 Quarterly Financial Data					
1982					
First Quarter	$299,223	$33,724	$15,011	$11,373	$0.80
Second Quarter	243,256	30,300	11,936	8,287	0.57
Third Quarter	264,865	38,790	20,545	16,908	1.17
Fourth Quarter	248,923	29,211	12,888	9,314	0.64
1981					
First Quarter	$279,389	$34,399	$20,744	$17,012	$1.22
Second Quarter	245,777	28,392	15,707	11,991	0.85
Third Quarter	264,616	41,075	28,040	24,358	1.73
Fourth Quarter	255,159	27,883	8,731	5,101	0.35

(1) Based on quarterly weighted average number of shares.

*Restated; see Note J of Notes to Financial Statements

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 for the quarters of 1982 and 1981 and the dividends declared per share during those quarters:

	1982			1981		
	High	Low	Dividends	High	Low	Dividends
First Quarter	23¾	20	.70	22¼	19⅝	.70
Second Quarter	22⅜	20⅞	.70	22⅞	19½	.70
Third Quarter	24⅜	21	.70	24⅛	21	.70
Fourth Quarter	26⅛	23	.72	24½	21½	.70

J. Rate Proceedings

On November 1, 1980, pursuant to a retail rate order of the MDPU which allowed the use of a forecasted fuel clause, the Company began billing $53,257,000 of deferred fuel and purchased power costs over a 24 month period. The Company recovered approximately $53,068,000 of such amount. In an order dated November 3, 1982 the MDPU disallowed $9,565,000 of such fuel and purchased power costs. Of this amount, $4,047,000 applies to 1974 and the balance to 1980. The Company has restated such prior periods, the effect of which is to reduce after tax net income by $2,786,000 ($.20 per share) for 1980 and $2,043,000 ($.21 per share) for 1974. Retained Earnings reflected in the accompanying Balance Sheets have been reduced by $4,829,000.

In addition, with no effect on net income, fuel and purchased power adjustment revenues and fuel expenses were each reduced by $762,000, $4,655,000 and $3,957,000 for the years 1980, 1981 and 1982. See also Note I.

Report of Independent Certified Public Accountants

To the Stockholders and Directors of Boston Edison Company

We have examined the balance sheets of Boston Edison Company at December 31, 1982 and 1981 and the related statements of income, retained earnings and sources of construction funds for each of the three years in the period ended December 31, 1982. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in Note B to the financial statements, the company is accounting for certain costs of the cancelled nuclear unit in accordance with a rate order received in 1982 from the Massachusetts Department of Public Utilities; however, various intervenors have appealed that decision to the Massachusetts Supreme Judicial Court. The ultimate outcome of these proceedings cannot presently be determined.

In our opinion, subject to the effects on the 1982 and 1981 financial statements of such adjustments, if any, as might have been required had the ultimate outcome of the matter described in the preceding paragraph been known, the financial statements referred to above present fairly the financial position of Boston Edison Company at December 31, 1982 and 1981 and the results of its operations and sources of construction funds for each of the three years in the period ended December 31, 1982 in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

Boston, Massachusetts
January 26, 1983

Supplementary Information to Disclose the Effects of Changing Prices (Unaudited)

The following supplementary information is supplied in accordance with the requirements of the Statement of Financial Accounting Standards No. 33 for the purpose of providing certain information about the effect of changing prices. It should be viewed as an estimate of the approximate effect of inflation, rather than as a precise measure.

Constant dollar amounts represent historical costs stated in terms of dollars of equal purchasing power, as measured by the Consumers Price Index for all Urban Consumers (CPI-U). Current cost amounts reflect the changes in specific prices of plant from the date the plant was acquired to the present, and differ from constant dollar amounts to the extent that specific prices have increased more or less rapidly than the general rate of inflation. The current cost of plant is determined primarily by indexing surviving plant by the Handy-Whitman Index of Public Utility Construction Costs. Since the utility plant is not expected to be replaced precisely in kind, current cost does not necessarily represent the replacement cost of the company's productive capacity.

Fuel inventories and the cost of fossil fuel used in generation have not been restated from their historical cost in nominal dollars. Regulation limits the recovery of fuel through the operation of adjustment clauses or adjustments in basic rate schedules to actual costs. For this reason, fuel inventories are effectively monetary assets.

Depreciation is determined by applying the Company's composite depreciation rate to the indexed plant amounts.

Since only historical costs are deductible for income tax purposes, the income tax expense in the historical cost financial statements is not adjusted.

Under rate-making prescribed by the regulatory commissions to which the Company is subject, only the historical cost of plant is recoverable in revenues as depreciation. Therefore, the excess of the cost of plant stated in terms of constant dollars or current cost that exceed the historical cost of plant is not presently recoverable in rates as depreciation, and is reflected as a reduction to net recoverable cost. While the rate-making process gives no recognition to current cost of replacing property, plant, and equipment, based on past practices, the Company believes it will be allowed to earn on the increased cost of its net investment when replacement of facilities actually occurs.

The Company, by holding assets such as receivables, prepayments, and inventory, suffers a loss of purchasing power during periods of inflation because the amount of cash received in the future for these items will purchase less. Conversely, by holding monetary liabilities, primarily long-term debt, the Company benefits because the payment in the future will be made with nominal dollars having less purchasing power. The Company has significant amounts of long-term debt outstanding which will be paid back in dollars having less purchasing power and, therefore, for purposes of these calculations, has a net gain from holding monetary liabilities in excess of monetary assets.

Statement of Income from Continuing Operations Adjusted for Changing Prices

(In thousands) For the Year Ended December 31, 1982	Conventional Historic Cost	Constant Dollar Average 1982 Dollars	Current Cost Average 1982 Dollars
Revenues	$1,056,267	$1,056,267	$1,056,267
Expenses			
Operation and maintenance excluding nuclear fuel amortization	716,801	716,801	716,801
Nuclear fuel amortization	15,935	19,241	19,627
Depreciation	53,866	113,233	117,288
Amortization of deferred cost of cancelled nuclear unit	13,380	13,380	13,380
Taxes – property and other	74,173	74,173	74,173
Income Taxes	50,087	50,087	50,087
Interest Charges	77,566	77,566	77,566
Other Income	(5,921)	(5,921)	(5,921)
Total Expenses	995,887	1,058,560	1,063,001
Income from operations excluding adjustments to net recoverable amount	$ 60,380	*$ (2,293)	$ (6,734)
Increase in specific prices (current cost) of plant held during the year**			$ 139,944
Adjustment to net recoverable amount		$ 3,465	(11,979)
Effect of increase in general price level			(120,059)
			7,906
Gain from decline in purchasing power of net amounts owed		61,476	61,476
Total		$ 64,941	$ 69,382

*Including the adjustment to net recoverable cost, income from continuing operations on a constant dollar basis would have been $1,172.

**At December 31, 1982, current cost of property, plant and equipment net of accumulated depreciation was $2,860,196 while historical cost or net cost recoverable through depreciation was $1,408,307.

Five Year Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices

(In thousands, except per share amounts and CPI, of average 1982 dollars)

Years Ended December 31,	1982	1981*	1980*	1979*	1978*
Operating revenues	$1,056,267	$1,109,770	$1,038,144	$927,553	$907,551
Historical cost information adjusted for general inflation					
Income (loss) from continuing operations (excluding adjustment to net recoverable cost)	$(2,293)	$14,523	$15,551	$23,637	
Income (loss) per common share (after dividend requirements on preferred stock)	$(1.16)	$(0.08)	$(0.15)	$0.27	
Net assets at year-end at net recoverable cost	$576,181	$591,477	$620,262	$669,206	
Current cost information					
Income (loss) from continuing operations (excluding adjustment to net recoverable cost)	$(6,734)	$7,283	$2,105	$696	
Loss per common share (after dividend requirements on preferred stock)	$(1.47)	$(0.59)	$(1.13)	$(1.58)	
Excess (deficiency) of increase in current cost of electric plant held during the year over changes in the general price level	$19,885	$(126,282)	$(97,012)	$69,895	
Adjustment to net recoverable cost	$(11,979)	$58,092	$(19,063)	$(234,222)	
Net assets at year-end at net recoverable cost	$576,181	$591,477	$620,262	$669,206	
General information					
Gain from decline in purchasing power of net amounts owed	$61,476	$83,911	$118,221	$153,463	
Cash dividends declared per common share	$2.82	$2.97	$3.20	$3.35	$3.61
Market price per common share at year-end	$26.00	$23.36	$25.20	$29.25	$35.36
Average consumer price index (CPI)	289.3	272.4	246.8	217.6	195.4

*Restated to Average 1982 Constant Dollars

Note: prior year amounts have been restated for fuel clause revenue refunds as described in Note J of Notes to Financial Statements.

SELECTED OPERATING STATISTICS

	1982	1981	1980	1979	1978	1977
Capability MW:						
New Boston Station	760	760	760	760	760	760
Pilgrim Station	670	670	670	670	670	670
Mystic Station	1,025	1,046	1,046	1,046	1,026	1,020
Edgar Station	—	—	—	—	—	297
L Street Station	23	23	48	48	48	48
Yarmouth Unit #4	36	36	36	36	35	—
Gas Turbines	237	267	267	267	267	237
Total	2,751	2,802	2,827	2,827	2,806	3,032
Contract Purchases	323	539	309	314	317	261
Contract Sales	(382)	(590)	(337)	(243)	(329)	(323)
Net Capability at Year-end	2,692	2,751	2,799	2,898	2,794	2,970
Net Capability at Peak	2,603	2,753	2,888	2,815	2,716	2,980
Capability Responsibility to NEPOOL at Peak	2,436	2,480	2,460	2,411	2,462	2,895
Edison Territory Hourly Peak-MW	2,181	2,077	2,100	2,002	2,031	2,013
Edison Territory Load Factor	56.8%	58.5%	57.8%	59.7%	57.7%	57.2%
Generating Station Economy BTU per Net kWh Generated	10,112	10,170	10,095	10,171	10,149	10,190
Average Cost of Fuel – Cents per Million BTU:						
Fossil	442.12	507.52	417.37	313.11	204.20	218.28
Nuclear	47.18	40.77	38.98	27.57	25.61	14.77
Composite	325.71	358.66	321.34	202.60	142.57	168.89
Capability (net kW):						
Fossil	79%	79%	80%	80%	80%	81%
Nuclear	21%	21%	20%	20%	20%	19%
Generation (system kWh):						
Fossil	73%	70%	78%	65%	68%	78%
Nuclear	27%	30%	22%	35%	32%	22%
Plant Investment (000):						
Additions (gross)	$ 140,209	$ 143,316	$ 150,454	$ 105,761	$ 126,625	$ 118,075
Retirements	23,130	11,119	9,699	12,219	64,869	11,475
Accumulated Depreciation	533,762	493,087	451,578	403,737	367,954	387,614
Amount of Depreciable Plant	1,762,337	1,669,411	1,615,846	1,514,123	1,467,975	1,441,653
Total Plant Investment	1,892,775	1,781,060	1,909,038	1,770,038	1,676,496	1,614,740
Per Average Customer (dollars)	3,282	3,127	3,400	3,194	3,053	2,963
Per Average Employee (dollars)	492,397	453,311	488,319	459,870	433,764	405,408
Per $1 Base Operating Revenue (dollars)	3.15	3.11	3.77	3.84	3.91	4.04
Electric Plant in Service per Edison Territory Hourly Peak (dollars per kW)	806	800	768	752	719	709
Number of Employees at Year-end	3,874	3,876	3,954	3,874	3,837	3,921

	1982	1981	1980	1979	1978	1977
Electric Energy: (kWh in thousands)						
Sources:						
Net system output						
Generated	11,344,914	11,124,788	12,357,[illegible]	12,758,756	13,004,323	11,387,793
Purchased	1,562,753	1,294,664	1,535,889	1,642,064	1,330,998	1,454,494
Interchange	44,263	482,323	(1,091,794)	(1,293,915)	(1,746,756)	(1,043,802)
Total	12,951,930	12,901,775	12,801,782	13,106,905	12,588,565	11,798,485
Disposition:						
Sales						
Commercial	4,931,918	4,798,108	4,654,964	4,549,642	4,428,213	4,276,644
Residential	2,647,217	2,594,7[illegible]8	2,651,979	2,597,364	2,559,654	2,538,806
Industrial	1,730,237	1,755,431	1,827,181	1,791,647	1,749,563	1,779,245
Street Lighting	136,762	136,541	130,809	125,166	120,838	116,334
Total Retail	9,446,134	9,284,788	9,264,933	9,063,819	8,858,268	8,711,029
Sales for Resale – Total Requirements	494,182	482,154	471,443	459,871	453,184	439,561
Edison Territory Total	9,940,316	9,766,942	9,736,376	9,523,690	9,311,452	9,150,590
Sales for Resale – Partial Requirements	2,089,938	2,257,000	2,132,352	2,631,798	2,315,731	1,705,129
Total – Edison System	12,030,254	12,023,942	11,868,728	12,155,488	11,627,183	10,855,719
Miscellaneous Usage						
Company	112,206	108,930	121,236	114,427	11[illegible],477	100,124
Transmission	264,290	255,609	313,356	357,573	323,167	283,584
Distribution	430,883	404,725	383,833	361,234	399,852	440,077
Other	114,297	108,569	114,629	118,183	125,886	118,981
Total	12,951,930	12,901,775	12,801,782	13,106,905	12,588,565	11,798,485
Kilowatthours – Annual Growth Percent:						
Commercial	2.8	3.1	2.3	2.7	3.5	3.2
Residential	2.0	(2.2)	2.1	1.5	0.8	2.0
Industrial	(1.4)	(3.9)	2.0	2.4	(1.7)	1.3
Street Lighting	0.2	4.4	4.5	3.6	3.9	7.6
Total Retail	1.7	0.2	2.2	2.3	1.7	2.5
Sales for Resale – Total Requirements	2.5	2.3	2.5	1.5	3.1	3.2
Edison Territory Total	1.8	0.3	2.2	2.3	1.8	2.5
Sales for Resale – Partial Requirements	(7.4)	5.9	(19.0)	13.6	35.8	(5.5)
Total – Edison System	0.1	1.3	(2.4)	4.5	7.1	1.2
Territory Sales by Class: (%)						
Commercial	50	49	48	48	48	47
Residential	27	27	27	27	27	28
Industrial	17	18	19	19	19	19
Other	6	6	6	6	6	6
Sales Statistics:						
Residential Averages						
Annual kWh Use	5,224	5,190	5,378	5,340	5,310	5,303
Revenue per kWh	9.64¢	9.54¢	8.05¢	6.39¢	5.85¢	5.59¢
Annual Bill	$503.59	$495.12	$432.76	$341.13	$310.62	$296.33
Customer						
Meters at Year-end	615,342	610,764	602,636	596,523	594,713	592,720
Average Number	576,754	569,511	562,076	554,105	549,063	544,989

SELECTED FINANCIAL STATISTICS

	1982	1981*	1980*	1979*	1978*	1977*
Operating Revenues (000)	$1,086,267	$1,044,941	$885,634	$697,668	$612,981	$588,107
Balance for Common (000)	$45,882	$58,462	$48,379	$43,267	$33,886	$22,067
Earnings Per Share	$3.18	$4.15	$3.55	$3.49	$2.94	$2.03
Dividends Declared Per Share	$2.82	$2.80	$2.74	$2.51	$2.44	$2.44
Payout Ratio	88%	67%	77%	72%	83%	120%
Book Value Per Share	$31.71	$31.68	$30.52	$29.93	$30.62	$30.09
Cash Flow Per Share	$10.80	$10.42	$8.54	$9.69	$9.23	$8.56
Return on Average Common Equity	10.02%	13.35%	11.73%	11.37%	9.68%	6.81%
Year-end Dividend Yield	11.08%	12.72%	13.02%	12.36%	10.22%	9.48%
Fixed Charges Coverage (SEC)	2.28x	2.25x	2.28x	2.52x	2.49x	2.24x
Capitalization:						
Long-Term Debt	53%	54%	51%	52%	52%	54%
Preferred and Preference Equity	12%	12%	14%	14%	15%	15%
Common Equity	35%	34%	35%	34%	33%	31%
Long-Term Debt (000)	$706,503	$704,833	$619,440	$621,080	$561,400	$603,198
Cumulative Preference Stock, Redeemable (000)	$39,235	$40,965	$44,514	$46,488	$46,457	$46,426
Total Assets (000)	$1,929,940	$1,918,013	$1,782,909	$1,659,268	$1,542,746	$1,467,516
Funds Generated Internally (000)	$115,013	$107,170	$79,696	$88,505	$78,267	$65,947
Construction Expenditures (000)	$136,463	$136,735	$134,249	$107,967	$118,155	$108,688
Percent Internal Generation	84%	78%	59%	82%	66%	61%
Stockholders (Common) at Year-end	58,853	59,478	61,533	61,564	57,667	57,302
Shares Outstanding:						
(Wtd. Ave.)	14,434,415	14,073,823	13,763,062	12,389,065	11,534,500	10,851,704
(Year-end)	14,665,213	14,218,986	13,927,582	13,626,439	11,534,500	11,534,500
Stock Price – High	26⅛	24½	24½	24¾	26⅛	28⅜
– Low	20	19½	18⅝	19⅞	22⅛	24⅞
– Year-end	26	22	21½	22	23⅞	25¾
Year-end Market Value (000)	$381,296	$312,818	$299,443	$299,782	$275,386	$297,012
Trading Volume (Common Shares)	3,750,400	2,738,900	2,643,000	2,485,000	2,087,000	1,982,000
Market/Book (Year-end)	82	69	70	73	78	86
Price/Earnings (Year-end)	8.2	5.3	6.1	6.3	8.1	12.7

*Restated: see Note J of Notes to Financial Statements

DIVIDEND REINVESTMENT PLAN

The Dividend Reinvestment and Common Stock Purchase Plan is available to common, preferred and preference shareholders. Under the plan, common shareholders may have their dividends reinvested in common stock at 95 percent of current market prices. Preferred and preference shareholders may have their dividends invested 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.

The Economic Recovery Tax Act of 1981 makes certain tax benefits available – beginning January 1, 1982 and ending December 31, 1985 – to individual stockholders who reinvest their dividends under the Plan. Each individual stockholder may elect to exclude from income for federal income tax purposes up to $750 each year ($1500 on a joint return) of dividends reinvested under the Plan. This election is made on the stockholders' federal income tax return for the taxable year in which the dividends would otherwise be includable in income.

When an election has been made as to the common stock so purchased, that stock ("Qualified Reinvested Dividend Stock") has a tax basis of zero. If the Qualified Reinvested Dividend Stock is held as a capital asset for more than one year, it will be taxed at long-term capital gains rates when sold; however, long-term capital gains treatment will not be available and the entire sale proceeds will be taxed as ordinary income if the Qualified Reinvested Dividend Stock is sold within one year after the Investment Date or if it is deemed to have been sold between the record date of the dividend and the date which is one year after the Investment Date.

The special tax treatment provided by the Act does not apply to shares purchased under the Plan with optional cash payments, shares purchased for accounts under the company's Employee Stock Ownership Plan, or shares purchased with dividends which represent a return of capital.

Reinvested dividends for which an election is not, or cannot, be made by a participant will be treated for federal income tax purposes in the same way as dividends payable to non-participating shareholders.

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 inquiries concerning the plan should be directed to the Plan Agent: The First National Bank of Boston, Dividend Reinvestment Plan, P.O. Box 1681, Boston, Massachusetts 02105.

IMPORTANT SHAREHOLDER INFORMATION

Annual Meeting
The Annual Meeting of Stockholders of the company will be held on April 19, 1983, at 11:00 a.m. A copy of the Chairman's Remarks will be sent on request.

Company Contact
Diane M. Kinch, Clerk of the Corporation

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 1982 Dividends
Dividends paid on Boston Edison common, preferred and preference stock in 1982 are 100 percent taxable as dividend income for federal income tax purposes. Participants in the reinvestment plan should also refer to the "Dividend Reinvestment Plan" section of this report for tax treatment of reinvested dividends.

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, change of address, consolidation of accounts, stock certificates, transfer of ownership and other stock account matters, please contact the Stock Transfer Agent at the following address:

The First National Bank of Boston
P.O. Box 644
Boston, Massachusetts 02102

BOSTON EDISON COMPANY
800 BOYLSTON STREET
BOSTON, MA 02199