10CFR50.71(b)
10CFR140.15(b)(1)

BOSTON EDISON
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Braintree, Massachusetts 02184

E. J. Wagner
Vice President
Nuclear Engineering

April 10, 1991
BECo 91-047

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

License DPR-35
Docket 50-293

Annual Financial Statement

In accordance with 10CFR50.71(b) and 10CFR140.15(b)(1), Boston Edison is submitting the 1990 Annual Report and the Securities and Exchange Commission (SEC) Form 10-K which corresponds to the 1990 Annual Report.

If you have any questions regarding this submittal, please contact our Licensing Division Manager, John Dietrich, at (617) 849-8948.

E J Wagner
E. J. Wagner

MTL/clc/5652

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Senior NRC Resident Inspector
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M004
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SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 1990

OR

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

For the transition period from __________ to __________

Commission file number 1-2301

BOSTON EDISON COMPANY

(Exact name of registrant as specified in its charter)

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

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

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

Title of each class	Name of each exchange on which registered
Common Stock (par value $5 per share)	Boston Stock Exchange New York Stock Exchange
Preference Stock: $1.46 Series (par value $1 per share)	Boston Stock Exchange New York Stock Exchange
Cumulative Preferred Stock, 8.88% Series (par value $100 per share)	New York Stock Exchange
First Mortgage Bonds: Series P, 9-1/4% Due 2007	New York Stock Exchange

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

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

State the aggregate market value of the voting stock held by non-affiliates of the registrant as of March 1, 1991 computed by reference to the last reported sale price of the Common Stock, $5 par value, of the registrant of the New York Stock Exchange Consolidated Tape on that date: $787,168,183.

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

Class	Outstanding at March 1, 1991
Common Stock, $5 par value	**39,113,947 shares**

Documents Incorporated by Reference

Part	Document
I, II and III	Portions of Annual Report to Shareholders for Year Ended December 31, 1990
III	Portions of definitive Proxy Statement dated March 21, 1991 for Annual Meeting of Stockholders to be held May 2, 1991.

Exhibit List appears on page 32.

BOSTON EDISON COMPANY

ANNUAL REPORT ON FORM 10-K

December 31, 1990

PART I

Item 1: BUSINESS

Item 1 (a): GENERAL DEVELOPMENT OF BUSINESS

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

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

Item 1 (b): FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

The Company operates solely in the electric utility business. In 1989 the Commonwealth of Massachusetts Department of Public Utilities (the "DPU") granted interim approval for the formation of Harbor Electric Energy Company ("HEEC"), a wholly owned regulated subsidiary of the Company. The subsidiary commenced supplying transmission service to the Massachusetts Water Resource Authority in 1990.

Item 1 (c): NARRATIVE DESCRIPTION OF BUSINESS

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

The Company supplies electricity at retail to an area of approximately 590 square miles within 30 miles of Boston, Massachusetts, encompassing the City of Boston and 39 surrounding cities and towns. The population of the territory served with electricity at retail is approximately 1,500,000. At December 31, 1990, the Company served approximately 640,000 customers. The Company also supplies electricity at wholesale for resale to other utilities and municipal electric departments. For information relating to the principal classes of services from which the Company derives its electric revenues, see selected consolidated sales statistics contained on page 37 of the Annual Report to Shareholders for the year ended December 31, 1990, incorporated herein by reference.

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

For certain information concerning the Company's expected plant expenditures and related financing, see Management's Discussion and Analysis contained on Pages 17 through 18 of the Annual Report to Shareholders for the year ended December 31, 1990, incorporated herein by reference.

Plant Expenditures. The Company's most recent estimated plant expenditures, which are subject to continuing review and adjustment, sinking fund requirements and long-term debt maturities for the periods 1991 through 1995 are shown in the following table.

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

	1991	1992	1993	1994	1995
Plant Expenditures (1)	$231,000	$202,000	$182,000	$206,000	$192,000
AFUDC (2)	8,000	10,000	8,000	8,000	8,000
First Mortgage Bond Maturities and Sinking Fund Requirements	6,800	21,800	6,800	6,800	31,800
Debentures	-	-	-	-	100,000
Medium-Term Note Maturities	50,000	-	50,000	50,000	-
Mandatory Sinking Fund - 7.27% Preferred Stock	-	-	2,000	2,000	2,000
Stated Rate Auction Preference Stock (3)	-	-	-	-	-

(1) Included in the table are $65,000 of estimated contractual obligations at December 31, 1990 for plant and equipment (including nuclear fuel). This excludes anticipated expenditures for the proposed Edgar Energy Park; see Item 2 "Property and Power Supply", subheading "Planned Facilities".

(2) Based upon assumed allowance for funds used during construction ("AFUDC") accrual rates of 7.5% - 8.5%.

(3) See Note 5 of Notes to Consolidated Schedules of Capital Stock and Indebtedness contained on Page 25 of the Annual Report to Shareholders for the year ended December 31, 1990, incorporated herein by reference, for information on potential mandatory redemption requirements on the Company's outstanding Stated Rate Auction Preference Stock commencing November, 1991.

Funds generated internally represented approximately 73%, 62% and 43% of plant expenditures in 1990, 1989 and 1988, respectively. Plant expenditures associated with work at Pilgrim Station approximated $32,000,000 in 1990, $30,000,000 in 1989 and $45,000,000 in 1988. The remaining plant expenditures of approximately $224,000,000 in 1990 were primarily related to improvements in the Company's transmission and distribution systems and fossil units. It is expected that a portion of future plant expenditures will be funded internally.

Demand-Side Management Program Expenditures. The Company plans to spend significant amounts as part of its energy conservation plan in its retail service area. Included in these expenditures is a portion of the $[illegible]5,000,000 resulting from a Settlement Agreement effective November 1, 1989 with the Commonwealth of Massachusetts Department of Public Utilities (the "DPU Settlement Agreement"), for which the Company will not seek recovery as discussed further in "Rate Proceedings and Pilgrim Nuclear Power Station and Outlook for Future" hereunder. On March 15, 1991, the Company filed with the DPU for pre-approval of all of its demand-side management programs including those covered by the DPU Settlement Agreement. For those demand-side management programs not covered by the Settlement Agreement, the Company is seeking recovery of the cost, and for recovery of lost base revenues associated with the implementation of those demand-side management programs, and an incentive consistent with similar filings of other Massachusetts electric utilities. The Company has expended approximately $29,000,000 during 1990 for demand-side management programs of which approximately $22,000,000 is

associated with the previously discussed DPU Settlement Agreement. See also "Rate Proceedings, Pilgrim Nuclear Power Station, and Outlook for Future" hereunder.

Liquidity and Working Capital Requirements; Financing. The Company's estimate of working capital needs for calendar years 1991 and 1992 is expected to be consistent with historical levels, except for the additional impact of the $77,000,000 of expected future cash outlays in 1991-1992 as part of the settlement agreements (of which approximately $54,000,000 are classified as a current liability on the Company's balance sheet). Approximately $68,000,000 of similar payments were made to the settling parties in 1990. The Company meets working capital requirements, as well as the interim financing necessary for its current program of plant expenditures, primarily by internally generated funds, supplemented by the issuance of short-term commercial paper and bank borrowings. The Company currently has short-term borrowing authority from the FERC of $350,000,000, which the Company deems adequate to cover working capital and other liquidity requirements (including the $77,000,000 of remaining future cash outlays as discussed above). As of December 31, 1990, the Company had $153,530,000 of short-term debt outstanding (which excludes $56,800,000 of long-term debt due within one year and $21,000,000 of short-term debt issued by the Company's wholly-owned subsidiary). The Company has available a three year $330,000,000 revolving credit facility which expires in February, 1993. The Company is reducing this revolving credit facility to $200,000,000 as of April 1, 1991. As of December 31, 1990, the Company had not applied to the DPU for regulatory approval to incur long-term debt under this agreement, nor had the Company incurred any short-term debt thereunder. The Company is arranging some committed bank lines for April 1991 and also has arrangements with certain banks to provide additional short-term credit on an uncommitted and as available basis.

In June 1990, the Company issued $100,000,000 of 9 7/8% Debentures due 2020; in December, 1990 the Company issued another $100,000,000 of 8 7/8% Debentures due 1995. In December, 1990 Harbor Electric Energy Company ("HEEC"), a wholly-owned subsidiary of the company, borrowed the proceeds of $21,000,000 of short-term Sewage Facility Revenue Bonds ("the Bonds") issued for the benefit of HEEC by the Industrial Development Financing Authority of the City of Boston, Massachusetts. The net proceeds of the Bonds were used by HEEC to reimburse the Company for advances extended to pay the costs of acquiring, equipping and installing certain electric transmission facilities owned and operated by HEEC.

In 1990, the Company redeemed both the remaining $6,110,000 of Series V Bonds (12 5/8%) and $10,029,000 of Series T bonds (12 1/4%). The Company's 1990 year-end capitalization ratios were 55% long-term debt, 11% preferred/ preference stock and 34% common equity as compared to 1989 year-end capitalization ratios of 52% long-term debt, 12% preferred/preference stock and 36% common equity as compared to 1988 year-end levels of 50%, 12% and 38%, respectively. The change from the 1988 year-end levels is primarily the result of the net increase in long-term debt securities. In September 1990, the Company filed for an additional 2,000,000 shares of common stock with the Securities and Exchange Commission to be issued in accordance with the Company's Dividend Reinvestment and Common Stock Purchase Plan. The Company does not expect to be able to satisfy net earning requirements necessary to issue additional shares of cumulative preferred stock before the second quarter of 1991. In addition, without approval of the holders of the Company's common stock, the aggregate liquidation value of all outstanding shares of preference stock cannot exceed $100,000,000; following the issuance

of 500,000 shares of Stated Rate Auction Preference Stock in 1988, the Company may not issue additional shares of preference stock having a liquidation value in excess of approximately $10,000,000 without obtaining such approval.

Rate Proceedings, Pilgrim Nuclear Power Station, and Outlook for Future

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

The non-recurring charge to earnings associated with all of the Settlement Agreements, totaling approximately $178,650,000 before taxes, included approximately $80,000,000 for demand-side management programs, $31,000,000 for certain replacement power costs, $36,000,000 for litigation, regulatory commission and other expenses and the write off of the remaining $31,000,000 of previously deferred incremental nuclear outage costs incurred prior to 1989. Prior to the October 1989 Settlement Agreements, previously deferred incremental nuclear outage costs were being amortized to expense (as part of normal operating expenses) over a five year period consistent with previous retail rate orders from the DPU and wholesale contract provisions.

The Company made cash outlays relating to all Settlement Agreements of approximately $8,000,000 in 1989 and approximately $68,070,000 for the year ended December 31, 1990. As of December 31, 1990, the Company anticipates making future cash outlays of approximately $77,000,000 as part of these approved settlement agreements (of which approximately $54,000,000 are classified as a current liability on the Company's balance sheet).

In connection with the DPU Settlement Agreement, the Company has agreed to limit its retail revenue increases prior to November 1, 1992 to approximately 2% per year, subject to adjustment based on Pilgrim Station's performance. Accordingly, the Company's ability to maintain or increase earnings through October 31, 1992, will depend primarily on its ability to control costs and increase kilowatthour sales, as well as the efficient operation of Pilgrim Station. During the performance period November 1, 1989 through October 31, 1990 the Company received approximately $20,000,000 in accordance with the retail revenue increase previously discussed, adjusted for

Pilgrim Station performance; during that period, Pilgrim Station operated at a capacity factor of approximately 68% which was within the neutral zone of performance per the DPU Settlement Agreement. Effective November 1, 1990 annual retail revenues increased an additional $22,500,000, subject to adjustment based upon Pilgrim Station's performance. In addition, if the Company would not otherwise achieve retail rates of return of 11.5% in 1991 and 12.0% in 1992, the Company may make certain accounting adjustments (but only to the extent that such adjustments do not result in the Company's exceeding such retail rates of return): i) by reducing deferred income tax expense by up to $13,000,000 in 1991 and up to $23,000,000 in 1992 and (ii) by accelerating the amortization period of certain municipal property tax abatements totaling approximately $37,000,000 from six to three years. During the period November 1, 1992 through October 31, 2000, the Company has agreed to institute a new cost recovery mechanism, which is also tied to Pilgrim Station's performance, for a portion of the Company's investment and costs related to Pilgrim Station. For further discussion of regulatory and other matters concerning Pilgrim Station, please refer to Item 1(e) "Additional Information", subheading "Nuclear" hereunder.

A large portion of the Company's kWh sales are in the commercial sector as compared to the industrial sector. The New England area is currently experiencing a sluggish economy. Consequently, the Company does not anticipate significant growth in retail kWh sales. Future revenues commencing in February and July, 1991 will include annual rate increases of $6,800,000 and $2,800,000, respectively from certain wholesale customers; such increases are subject to refund pending the outcome of a wholesale rate hearing at FERC. The Company may also experience reduced future growth in base revenues as a result of implementation of demand-side management programs; see "Demand-Side Management Program Expenditures" preceding.

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

The Company's generation units, other than Pilgrim Station, are oil or oil and natural gas-fired. Fossil fuel related expenses (excluding net purchased power) accounted for approximately 21%, 24% and 19% of the Company's total electric operating expenses in each of the years ended December 31, 1990, 1989, and 1988, respectively. The Company's generation (excluding net purchased power) by type of fuel since 1986 and the cost of fuels during that period are set forth below:

	Percentage of Company Generation by Source (%)					Average Cost in Cents per Million BTU's on a Burned Basis (¢)				
	1990	1989	1988	1987	1986	1990	1989	1988	1987	1986
Oil	33.6	53.7	89.8	76.3	81.9	275.72	267.08	228.53	278.8	239.4
Nuclear..	33.1	14.6	--	--	10.4	59.05	56.79	--	--	102.5
Nat. Gas.	33.3	31.7	10.2	23.7	7.7	235.15	234.26	212.83	231.1	227.7

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

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

<u>Natural Gas</u>. The Company has the ability to burn natural gas, oil, or both simultaneously (depending upon the amount of natural gas available and the difference in price between natural gas and residual oil) at the New Boston generation units and the Mystic Unit #7 generation unit. Natural gas is supplied to the units on an "interruptible" basis; such a contract permits interruptions in deliveries by the supplier when natural gas pipeline capacity is needed to refill storage facilities or serve other year-round customers. Deliveries of natural gas to the Company's generation units from suppliers may also be dependent on the availability of pipeline capacity to the New England region and/or on competitive forces prevailing in the pipeline industry.

<u>Purchased Power.</u> See Item 2 "Property and Power Supply" for information relative to the availability to the Company of purchased energy from other utilities and/or the New England Power Pool ("NEPOOL"). Such sources supplied 16.3%, 21.8%, and 39.3% of the Company's total system kWh output in each of the years ended December 31, 1990, 1989 and 1988, respectively. See also Item 2 "Property and Power Supply" hereunder for further information on potential transmission line access issues facing the New England region in the near future, and Company planned future purchases of power from cogenerators and/or independent power producers.

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

The Company's contractual entitlements for supplies of uranium concentrates are at the present time sufficient to permit operation of Pilgrim Station through 1998. The Company has also entered into contracts for other segments of the nuclear fuel supply cycle which will satisfy the requirements of Pilgrim Station with respect to such segments through the approximate dates as follows: conversion - 1991; enrichment - 2001; fabrication - 2004.

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

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

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

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

The number of kilowatthours of electricity sold by the Company in its territory has historically been less in the spring and fall than during winter and summer as sales vary somewhat with weather conditions. The Company's electric revenues and operating income are also dependent on a variety of other factors, which are not necessarily seasonal, including contract sales of system and unit power to other electric companies, changes in the Company's rates and charges, the extent and nature of transactions involving NEPOOL, and general economic conditions. The Company has been directed by the DPU to bill a "summer surcharge" rate to retail customers during the billing months of July through October, which is usually when the Company has experienced its annual peak load. Accordingly, a significant portion of annual earnings occurs in the Company's third quarter. In addition, the DPU has directed that large commercial and industrial customers be billed throughout the year pursuant to mandatory time-of-use rates. Approximately 150 commercial and industrial customers are transferred to time-of-use rates each year (an estimated 1,800 customers are on time-of-use rates as of the end of 1990). See Item 2 "Property and Power Supply" for information relative to the Company's 1990-1991 winter and 1990 summer peak loads. For further information on quarterly results, see Selected Consolidated Financial Statistics - Supplementary Financial Information, (Unaudited), 1990 and 1989, Quarterly Consolidated Financial Data contained on page 38 of the Annual Report to Shareholders for the year ended December 31, 1990, incorporated herein by reference.

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

The Company has no special practices with respect to working capital that would be considered unusual for the electric utility industry. For information relating to the operation of the Company's retail fuel and purchased power adjustment clause, see Note A.3 of Notes to Consolidated Financial Statements contained on page 27 of the Annual Report to Shareholders for the year ended December 31, 1990, incorporated herein by reference.

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

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

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

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

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

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

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

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

In connection with the generation of electricity and the sale of electricity for resale, the Company competes with other electric utilities, non-utility power plant developers, and Qualifying Cogeneration and Small Power Production Facilities ("QF's") as defined in the Public Utility Regulatory Policies Act of 1978 ("PURPA"), as amended . PURPA requires the Company to purchase electric energy offered for sale by QF's at a price equal to the Company's avoided cost. Amounts of electric energy currently purchased by the Company from QF's and the amount of kWh sales permanently lost to former customers, including certain hospitals, now utilizing their own generation facilities are not material to the financial statements which are part of the Annual Report to Shareholders for the year ended December 31, 1990, incorporated herein by reference. See also Item 2 (a) "Property and Power Supply" and (c) "Independent Power Producers/Cogenerators" hereunder.

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

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

The Company actively participates in several industry-sponsored research activities; however, such amounts incurred for research and development activities were not material to the financial statements which are part of the Annual Report to Shareholders for the year ended December 31, 1990, and are incorporated herein by reference.

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

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

The Company estimates that its capital expenditures for environmental purposes during the five years 1986 through 1990 totaled approximately $75,000,000, and such capital expenditures for the period 1991 through 1994 are presently expected to be approximately $154,000,000, including approximately $35,000,000 for the year 1991 and $34,000,000 for 1992. Substantial additional expenditures may be required as a result of changes in environmental requirements, or any decision to construct new facilities.

The Company is subject to regulation by the Massachusetts Energy Facilities Siting Council ("the EFSC"), which must approve the Company's long-range forecasts with respect to the electric power needs and requirements of the Company's service area. Such forecasts are required to be filed with the EFSC every five years with supplements required in intervening years. To approve a long-range forecast or supplement, the EFSC must find, among other things, that plans for certain new generation or transmission facilities are consistent with Massachusetts policies regarding health, environmental protection, and resource use and development. Construction of such generation and transmission facilities is prohibited unless such facilities are approved by the EFSC as consistent with the most recently approved long-range forecast or supplement. The Company's most recent filing with the EFSC of its long-range forecast and resource plan was made in May, 1990. As a part of such filing the Company seeks approval of the Edgar Energy Park Project. For further information concerning this project and the proceedings before the EFSC and other regulatory agencies, see Item 3 "Planned Facilities" hereunder.

The Company is subject to regulation by the United States Environmental Protection Agency ("EPA") and the Massachusetts Department of Environmental

Protection ("DEP") with respect to discharges of effluent from the Company's power plants into receiving waters. The Federal Clean Water Act and the Massachusetts Clean Waters Act require dischargers to receive permits limiting discharges in accordance with applicable effluent discharge limitations and water quality standards. The Company has received discharge permits as required by the EPA and the DEP for each of its electric generation plants. One of those discharge permits had an expiration date during 1988. Action has not been taken by the EPA and DEP to renew such permit. However, the Company has made timely application for renewal of such permit in accordance with applicable regulations and, pending final action on such renewal application, such permit remains in full force and effect.

Pursuant to Massachusetts and Federal air pollution laws, the Company is subject to regulation by the DEP and EPA relative to emissions into the air from the Company's fossil-fired plants. Such regulations require the installation of various emissions controls and, in certain cases, the utilization of low sulfur content fuels. To the extent that regulations limiting the sulfur content of oil burned in generating plants require the use of more expensive oil, the Company believes that fuel adjustment clauses in its retail and wholesale rate schedules continue to provide for recovery of the resulting increased costs. The Company has performed a preliminary analysis of the 1990 Clean Air Act Amendments and believes that it will not be adversely impacted by any requirements of the 1990 Amendments. The preliminary analysis indicates that the Company has emission allowances under the 1990 Amendments, and it is possible that the Company may have allowances in excess of its needs which may be marketable.

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

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

The Company is subject to various federal, state and local laws and regulations pertaining to the generation, treatment, transport, storage and disposal of certain hazardous substances and to the clean-up of locations where such substances have either been spilled or disposed of. Among such laws of principal importance to the Company's operations are the Federal Resource Conservation and Recovery Act ("RCRA"), the Federal Comprehensive Environmental Response Conservation and Liability Act ("CERCLA"), the Federal Superfund Amendments and Reauthorization Act ("SARA"), the Massachusetts Hazardous Waste Management Act ("MHWMA"), and the Massachusetts Oil and Hazardous Material Release, Prevention and Response Act ("MOHMRPRA"). Under the requirements of RCRA and MHWMA and applicable regulations adopted thereunder, certain facilities which treat, store or dispose of hazardous wastes must be licensed and the Company is required to meet other applicable requirements regarding the generation and handling of hazardous wastes at all of the Company's facilities. Pursuant to such requirements, wastewater

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

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

The Company presently disposes of low-level radioactive waste ("LLW") generated at Pilgrim Station through arrangements for decontamination and disposal with licensed brokers and for disposal with licensed disposal facilities located in Barnwell, South Carolina and Richland, Washington. Pursuant to the Federal Low-Level Radioactive Waste Policy Act of 1980, as amended by the Low-Level Radioactive Waste Policy Amendments Act of 1985, the Company's continued access to such disposal facilities may not be available after December 31, 1992. In the interim, such access is restricted in volume and is conditioned upon the payment of surcharges as well as upon the meeting by the Commonwealth of certain milestones involving the establishment of alternative disposal facilities accessible to Massachusetts waste generators. Legislation has been enacted in Massachusetts establishing a regulatory scheme for managing the Commonwealth's LLW including the possible siting, licensing and construction of such a facility within the Commonwealth. The States of South Carolina and Washington have recently expressed dissatisfaction with the Commonwealth's progress towards establishment of alternative disposal facilities and have indicated the possibility that access to out of state disposal sites may be denied at an earlier date than 1992. Pending the construction of a disposal facility within the Commonwealth or the adoption by the Commonwealth of some other LLW management scheme, the Company continues to monitor the situation and is investigating options, including options involving on-site storage, which are available to it.

The Company presently has spent nuclear fuel storage capacity at Pilgrim Station sufficient to store spent nuclear fuel generated through the year 1995. Pursuant to the Federal Nuclear Waste Policy Act of 1982 ("NWPA"), and through a contract entered into with the United States Department of Energy ("DOE") in accordance with that Act, DOE will be responsible for the ultimate disposal of spent nuclear fuel generated at Pilgrim Station. In accordance with this contract, the Company paid approximately $40,583,000 in June 1985 to DOE for disposal of nuclear fuel depleted through April 7, 1983 and is paying DOE on a quarterly basis for the cost of nuclear fuel depleted since that date. The Company is recovering these costs through its fuel and purchased power adjustment clauses. Under the contract, DOE is to take delivery of spent nuclear fuel beginning in 1998. In order to fulfill its obligations, DOE is presently engaged in an effort to construct a repository for such spent nuclear fuel and other high level radioactive waste at Yucca Mountain, Nevada; however, such effort has encountered substantial public and political opposition and litigation and DOE has publicly stated that it may be unable to construct such a repository by 1998. In addition, DOE has been authorized to construct, following licensing by the NRC, a monitored retrievable storage facility which would provide storage and packaging of spent nuclear fuel and high level radioactive waste prior to shipment to a permanent repository; however, no site has been identified for such a facility. The Company is unable to predict whether and on what schedule DOE will eventually construct such a repository or monitored retrievable storage facility and what will be the effect upon the Company if a delay should occur. The Company is investigating all options which may be available to it, including the expansion of existing spent nuclear fuel storage capacity at Pilgrim Station.

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

The Company had 4,738 full-time employees as of the end of 1990, 3,078 of the employees are represented by two locals of the Utility Workers Union of America, AFL-CIO. The current four year labor contract in effect with the locals is scheduled to expire in May 1994.

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

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

Item 1 (e): ADDITIONAL INFORMATION

REGULATION

Rates, Accounting and Securities

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

In 1989, the DPU implemented regulations which require electric utilities subject to its jurisdiction to obtain pre-approval for both investments in new generation capacity and for major incremental investments in existing generation capacity. Under these regulations, prior to making such generation investments the Company must file with the DPU an agreement which defines the revenue amounts associated with the investments which the Company will be allowed to recover through rates. The regulations require the Company to bear the risk of changes in the majority of project costs. Rate-payers bear the risk of unanticipated demand reductions and fuel price changes.

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

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

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

The Company's most recent generation unit performance program covered the period November 1, 1989 to October 31, 1990. As in prior years, the Company did not meet all the DPU performance goals. On January 25, 1991, the DPU initiated a ninety day investigation of the performance of the Company's units and the other units from which the Company purchased power under long-term contracts during that period. While the Company believes it was prudent in the operation of its generation units, the ultimate resolution of certain replacement power costs already billed to customers cannot be determined by the Company. No provision for any amounts that may be refundable as a result of the foregoing has been made in 1990. However, in the opinion of management such amounts are not expected to be material. Hearings began on February 25, 1991, with an order expected in the spring of 1991.

Nuclear

The Federal Nuclear Regulatory Commission ("NRC") has broad and continuing regulatory jurisdiction over the siting, construction and operation of nuclear reactors with respect to public health and safety, environmental matters and antitrust considerations. A permit or license granted by the NRC may be revoked, suspended or modified by the NRC because of conditions revealed by the application therefor or any report or inspection which would warrant the NRC to refuse to grant a license on an original application or for failure to construct or operate a facility in accordance with the terms of a construction permit or license. The Company currently holds an operating license for Pilgrim Station which was issued in 1972. In January, 1991, the NRC extended the expiration date of that license from the year 2008 to 2012, an extension of approximately three and one-half years.

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

On August 4, 1987, the Federal Emergency Management Agency ("FEMA") released the results of a review of the adequacy of the offsite emergency preparedness plan for Pilgrim Station. FEMA identified certain deficiencies in the then existing offsite emergency response plan and withdrew its previous interim finding of adequacy. The Company continues to work with the Commonwealth of Massachusetts and local officials and since 1987 has spent more than $15 million in this effort to improve offsite emergency preparedness plans, which are the responsibility of the Commonwealth. On January 30, 1991, the Commonwealth submitted the Annual Letter of Certification for Pilgrim Station offsite emergency preparedness program to FEMA pursuant to applicable FEMA guidance.

On October 12 and 13, 1989, the Company, along with the Commonwealth and local officials, participated in a full scale emergency preparedness exercise for Pilgrim Station. The exercise was evaluated by the NRC and FEMA. FEMA subsequently issued a report to the Commonwealth identifying two deficiencies in the Commonwealth's performance during the October drill and directed the state to schedule and successfully complete a remedial drill addressing these deficiencies. The remedial drill was conducted on May 25, 1990. The subsequent report concerning the remedial drill indicated that there were no deficiencies, however it identified forty-three areas requiring corrective action (which the Commonwealth and local communities must resolve in future exercises) as well as nine planning issues. The next full participation biennial exercise is tentatively scheduled for August 1991.

In July 1990, the Inspector General of the NRC issued a report which was critical of the NRC's review of the adequacy of the offsite emergency preparedness program during the fall of 1988. As a result of the Inspector General's Report, a Congressional hearing was held in Plymouth on October 30, 1990 and a joint NRC/FEMA task force was created for the purpose of conducting an in-depth review of the adequacy of the offsite emergency preparedness program. The task force is meeting with local and state officials and the Company to determine whether the NRC should reconsider its current finding that there is reasonable assurance that the offsite program is adequate. It is not anticipated that the task force will complete these deliberations before the second quarter of 1991.

While substantial progress has been recognized in emergency preparedness in recent years, formal approval of the offsite emergency plans for Pilgrim Station has not been obtained from any of the necessary parties. The NRC and FEMA are expected to continue to monitor emergency preparedness issues on an ongoing basis.

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

In October 1990, the Commonwealth of Massachusetts Department of Public Health released the results of a three-year case control study conducted for the purpose of investigating adult leukemia incidence rates for certain communities surrounding Pilgrim Station. The report stated that prior to 1984 there was an increased incidence of adult leukemia among persons living near Pilgrim Station as compared to those living in an area more remote from Pilgrim Station. The study recommended increased monitoring of radiation releases from the plant, stricter air quality requirements in the Commonwealth and a study of childhood leukemia incidences. The Company strongly disputes the findings of the Commonwealth's study. The results are contrary to a large body of scientific information collected over the past forty years on the health effects of radiation. The Company and the Massachusetts Department of Public Health have jointly proposed a further review of the study in order to resolve open issues.

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

Item 2: PROPERTY AND POWER SUPPLY

a. Company-owned facilities

Existing Facilities. The Company's total installed electric generation capability as of January 1, 1991 is as follows:

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

The Company participates as a 5.888% joint owner (36,462 kW) in W. F. Wyman Unit #4, a 619,250 kW (NEPOOL year-end maximum capacity) oil-fired unit which commenced operations in 1978 and is operated by Central Maine Power Company, located in Yarmouth, Maine, as discussed further in Note F of Notes to Consolidated Financial Statements contained on pages 28 through 30 of the Annual Report to Shareholders for the Year Ended December 31, 1990 incorporated herein by reference.

All of the Company's fossil-fired electric generation units are located at tide water and have access to ample fuel oil storage (and/or natural gas or oil pipelines from nearby suppliers) and condensing water. Additional electric generation capacity is available to the Company as a result of its contractual arrangements with other utilities and its participation in NEPOOL, which are described below. For additional information regarding jointly-owned electric plant and long-term power contracts, see Note F of Notes to Consolidated Financial Statements contained on pages 28 through 30 of the Annual Report to Shareholders for the year ended December 31, 1990, incorporated herein by reference.

As of December 31, 1990 the Company's transmission system comprised approximately 361 miles of overhead circuits operating at 115,000, 230,000 and 345,000 volts and approximately 154 miles of underground circuits operating at 115,000 and 345,000 volts. The substations fed by these lines consisted of 38 transmission or combined transmission and distribution substations with a transformer capacity of 9,335 MVA, 64 distribution substations with a transformer capacity of 1,165 MVA and 19 primary network units with 83 MVA capacity. In addition, high tension service was delivered to 240 customers' substations. The overhead distribution system covered approximately 4,633 miles of streets and the underground distribution system extended through approximately 879 miles of streets.

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

Planned Facilities.

On May 1, 1990, the Company filed its Long-Range Forecast of Electric Power Needs and Requirements for the years 1990-2014 with the Commonwealth of Massachusetts Energy Facilities Siting Council (the "EFSC"). Included with this filing was a request for approval of the Edgar Energy Park project, which is a proposed 300 MW combined cycle generating station which the Company plans to construct on the Company-owned site of the retired Edgar Generating Station located in Weymouth, Massachusetts. On August 1, 1990, the Company filed additional requests at the DPU seeking 1) approval to form a wholly-owned subsidiary to construct and operate the 300 MW generating unit at the Edgar Energy Park; 2) approval to make an equity investment up to $90,000,000 in the subsidiary; and 3) approval of a contract between the Company and the subsidiary under which the Company would purchase the energy and capacity of the generating unit for 20 years. DPU hearings on approval to form the subsidiary and to make an initial investment in the subsidiary commenced in late 1990. Hearings on the Company's filing before the EFSC commenced in February 1991. On January 31, 1991, the Company filed for FERC approval of the power purchase contract between the Company and its subsidiary.

In addition to proceedings before the DPU, EFSC and FERC, the Company has also commenced applications for other required permits and approvals, including in particular many environmental permits, before a number of other federal, state and local agencies. Receipt of all the various permits and regulatory approvals is not expected until the second half of 1991. Assuming the successful early completion of permitting activities and receipt of regulatory approvals, it is anticipated that construction of this facility by the subsidiary could start by the end of 1991. The Company has currently expended approximately $3,000,000 on this project which is included in construction work in progress. See also Item 1 (e) "Additional Information", subheading "Regulation" preceding with respect to newly promulgated DPU regulations requiring pre-approval of new investments in generation capacity.

b. Purchased power/contract sales agreements

The Company owns 9.5% of the common stock of both Yankee Atomic Electric Company and Connecticut Yankee Atomic Power Company, which operate nuclear generation units located in Rowe, MA and Haddam, CT, respectively, with net capabilities of 173,050 kW and 591,000 kW (NEPOOL year-end maximum

capability), respectively. Until the expiration of the power contracts relating to these units (July 2000 and June 2007, respectively), the Company is entitled to receive 9.5% of the output of each unit and is obligated to pay to each company 9.5% of such amount as will provide such company with operating revenues and other income from all sources (including power revenues) equal to its total operating expenses plus an annual return on investment. These contract billing rates include a provision for the ultimate decommissioning of the units and spent nuclear fuel disposal costs. In each case, other New England electric utility companies with varying percentages of participation have made similar arrangements.

The Company has entered into a contract pursuant to which the Company, a subsidiary of Commonwealth Energy System and two other utilities are sharing in four equal parts the output of a 569,170 kW (NEPOOL year-end maximum capability), oil-fired electric generation plant located at the Cape Cod Canal in Sandwich, Massachusetts. The unit is owned by a wholly-owned subsidiary of Commonwealth Energy System and went into commercial operation in July 1968, at which time the Company became obligated to pay over a period of thirty-three and one-third years 25% of the unit's fixed and operating costs.

The Company has entered into agreements with Montaup Electric Company, a subsidiary of Eastern Utilities Associates, and with Commonwealth Electric Company, a subsidiary of Commonwealth Energy System, under which Montaup and Commonwealth each purchase 11% of the capacity and corresponding energy of Pilgrim Nuclear Power Station, and pay 11% of the Unit's fixed and operating costs. Montaup and Commonwealth have also agreed to indemnify the Company to the extent of 11% each of all loss, liability or damage (not covered by insurance) arising out of the operation, condemnation, shutdown or retirement of the Unit. The Company has similar agreements with certain municipal electric companies for a total of 3.7% of the capacity and corresponding energy of the Pilgrim Nuclear Power Station. The term of the original agreements with Montaup, Commonwealth and the municipal electric companies extended until the year 2000. The Company signed an amendment to the original agreement with Montaup on January 1, 1985 which extends the term of the Pilgrim Unit Contract from twenty-eight years to a period equal to the full operational life of the Pilgrim Unit and makes certain other revisions. The agreement has been accepted by the FERC. In November 1990, the FERC approved, as part of a settlement agreement, extending the term of the agreement with Commonwealth to the life of Pilgrim Station. For information with respect to settlement of litigation concerning these agreements, see "Rate Proceedings and Pilgrim Nuclear Power Station" preceding. See also Note F.3 of Notes to Consolidated Financial Statements contained on page 30 of the Annual Report to Shareholders for the year ended December 31, 1990, incorporated herein by reference.

The Company has entered into an agreement to purchase 100 MW of capacity and energy from the New Brunswick Electric Power Commission's 640 MW Point Lepreau Nuclear Power Station. The Company's entitlement commenced on February 1, 1983. Under notice duly given pursuant to the contract's terms, the contract (as amended) will expire on October 31, 1991.

On June 1, 1986 an agreement between the Company and the Massachusetts Bay Transportation Authority ("MBTA") was implemented whereby the MBTA's 35.5 MW jet turbine at O Street, South Boston, MA was made available for Company dispatch through the year 2005. The MBTA retains the right to start up the jet for its own emergency use and for testing purposes, but the Company retains NEPOOL credit for its capacity and output.

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

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

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

Effective August 1, 1990 and terminating October 31, 1992, the Company has agreed to purchase unit entitlements from United Illuminating Company (Connecticut) of 18.3445% (currently 82 MW) Unit 1 in New Haven Harbor and 1.5371% (currently 18 MW) in Millstone Unit 3.

Effective December 31, 1990 through 2010, the Company has agreed to purchase approximately 120 MW from the Ocean State Power combined cycle project located in Burrillville, Rhode Island. The Company's entitlement of this unit represents approximately 47% of the output and would obligate the Company to pay that proportion of the operating costs. This consists of an entitlement of 47% of the first unit until the second unit goes into commercial operation currently expected by the end of the 1991. Thereafter, the Company's entitlement will be 23.5% of each of the two units.

The Company has entered into other agreements with several other utilities for varying periods for purchases of system and unit power, for sales of Company system and unit power, and for transmission services. The Company's rates and charges under certain of these contracts are the subject of proceedings before the FERC. See also Note F of Notes to Consolidated Financial Statements contained on pages 28 and 29 of the Annual Report to Shareholders for the year ended December 31, 1990, incorporated herein by reference.

c. <u>Non-Utility Generation</u>

The Company continues to pursue purchases of electricity from QF's. During 1990, the Company completed contract negotiations with Masspower to purchase approximately 100 MW of capacity and associated electric energy from Masspower's planned 235 MW gas-fired combined cycle facility to be located in Springfield, MA. The Masspower project was selected through the Company's

competitive bidding program which periodically solicits bids from non-utility power producers. The Masspower contract was approved by the Department of Public Utilities which entitles the Company to recover all costs associated with such purchase compliance.

Currently, the Company has signed contracts with non-utility generators representing 548 MW of capacity and seven (7) different projects. Four of these projects, with a combined capacity of 141 MW, are operational at this time, the largest of which (approximately 120 MW) commenced commercial operations in December 1990. Of the remaining three projects, one (248 MW) is under construction and is expected to be completed in late 1991 and the other two (159 MW) are under development.

d. Demand-Side Management Programs

The Company is pursuing the installation of demand-side management programs ("DSM") which have an estimated impact of reducing demand by 152 megawatts and saving 251,494 megawatthours during 1991. The implementation of DSM programs has the potential of reducing the summer peak by 477 megawatts and saving 906,249 megawatthours by the year 2000. During 1990, 126,479 megawatthours were saved and the summer peak was reduced by 96.7 megawatts. See also Item 1(c)(1)(ii) "Expected Plant Expenditures and Related Financing" subparagraph "Demand-Side Management Program Expenditures" preceding.

e. NEPEX

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

As a result of its participation in NEPOOL, the Company's operating revenues and costs are affected to some extent by the operations of other participants in those arrangements. The table below sets forth certain information as of the date of the Company's 1990 summer and 1990-1991 winter peak loads:

	January 22, 1991 (Winter 1990-91)	July 20, 1990 (1990 Summer)
NEPEX utilities installed capacity		
(Seasonal Max. rating):	25,660 MW	24,045 MW
(Seasonal Normal rating): . .	25,220 MW	23,635 MW
NEPEX peak load	18,659 MW	19,131 MW
Company adjusted territory peak load	2,361 MW	2,582 MW

Neither of the winter or summer peak loads noted above were all-time seasonal peaks. The Company's net capability at its summer peak was 3,506 MW, and its net capability at its winter peak was 3,634 MW. Its corresponding NEPOOL capacity obligations were estimated to be 3,393 MW and 3,351 MW, respectively.

The New England region's previously tight energy supply situation moderated significantly during 1990 due to the commercial operation of Seabrook Nuclear Power Station located in New Hampshire, and several new non-utility generators. Lower peak loads and good unit availability over both seasonal peaks added to NEPOOL's reserve margins. The regional supply situation is expected to remain good through 1991 into 1992.

As a result o. these 1990 additions to New England generating capacity, the dispatching of Company-owned generating facilities by NEPEX may be affected. While the Company is monitoring the situation closely, it currently does not expect any material adverse effect upon the calculation of the revenue increases as permitted by the DPU Settlement Agreement (to the extent such increases/decreases are adjusted based upon the performance of Pilgrim Nuclear Power Station.

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

In October 1985, an agreement was finalized between NEPOOL and Hydro-Quebec to provide an additional seven billion kilowatthours of hydro-electric power annually for ten years. The Company will receive capacity credit through NEPOOL for approximately eleven percent of the generation equivalent of the total Hydro-Quebec Interconnection. In the first five years, the price of energy will be set based upon 80 percent of the average New England cost of fossil fuel in the previous year. In the second five years, the price will be set based upon 95 percent of the average New England fossil fuel cost in the previous year. This agreement, designated Phase II, required expansion of existing 690 MW Phase I interconnection.

The Company, along with other New England electric utilities, entered into an agreement to expand the 690 MV Interconnection with the Hydro - Quebec system of Canada to 2000 mw. the phase II facilities began commercial operation, up to the 1200 MW level, on November 1, 1990, with full operation up to the 2000 MW level expected in July, 1991.

The Company has approximately an 11% equity ownership interest in the two companies which constructed the Phase II facilities. This is included in the accompanying financial statements. All equity participants are required to guarantee, in addition to their own share, the total obligations of those participants not meeting certain credit criteria. The equity participants are compensated accordingly. Amounts so guaranteed by the Company are approximately $25,000,000 at December 31, 1990.

f. Transmission Line Access to the New England Region

In 1989, another New England electric utility became the apparent successful bidder for the ownership of Public Service of New Hampshire, an electric utility serving a large portion of the State of New Hampshire. While completion of the transaction is subject to various regulatory approvals, preliminary approvals for this merger were granted in December, 1990. The Company and other utilities are requesting the FERC to impose conditions on this takeover on the basis that the new combined entity would control most of the excess generating capacity in New England and most of the available electric transmission facilities entering the Southeastern New England region.

g. Insurance

The federal Price-Anderson Act, as amended by the Price-Anderson Amendment Act of 1988, provides that liability from a single nuclear related accident at a U.S. nuclear power plant shall not exceed approximately $7.8 billion. The first $200 million of nuclear liability will be covered by the maximum provided by commercial insurance. Additional nuclear liability insurance up to $7.2 billion is provided by a retrospective assessment of up to $63 million per incident which can be levied on each of the 115 units licensed to operate in the United States, subject to a maximum assessment of $10 million per reactor per accident in any year. This additional nuclear liability insurance amount of approximately $7.2 billion is subject to change as new commercial nuclear units are licensed and existing units give up their license. In addition to the nuclear liability retrospective assessments discussed above, if the sum of all public liability claims and legal costs arising from any nuclear accident exceeds the maximum amount of available financial protection, each licensee can be assessed an additional 5% of the maximum retrospective assessment ($3.15 million).

Insurance has been purchased from Nuclear Electric Insurance Limited (NEIL) to cover certain costs incurred in obtaining replacement power during a prolonged accidental outage at Pilgrim Station and the cost of repair, replacement decontamination or decommissioning of utility property resulting from insured occurrences at Pilgrim Station. The maximum potential assessments against the Company with respect to losses arising during current policy years are approximately $4,563,000 under the replacement power policy and $7,000,000 under the excess property damage, decontamination and decommissioning policy. All companies insured with NEIL are subject to retroactive assessments if losses exceed the accumulated funds available to NEIL. While assessments may also be made for losses in certain prior policy years, the Company is not aware of any losses in such years which it believes are likely to result in an assessment.

Item 3: LEGAL PROCEEDINGS

Although the DPU Settlement Agreement and Wholesale Settlement Agreements have removed certain major uncertainties facing the Company, other uncertainties remain as discussed in Item 1(c)(1)(ii) preceding (see also "Management's Discussion and Analysis" and in Notes G and H of Notes to Consolidated Financial Statements contained on pages 14 through 19 and pages 30 through 31, respectively of the Annual Report to Shareholders for the year ended December 31, 1990 incorporated by reference).

For further information concerning other Company legal and rate proceedings, see also Item 1 (c) (1) (xii) "Environmental Matters" in this Form 10-K and Notes A.3. and H of Notes to Consolidated Financial Statements contained on page 27 and pages 30 through 31, respectively of the Annual Report to Shareholders for the year ended December 31, 1990 incorporated herein by reference.

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

On July 24, 1987, the Towns of Concord, MA and Wellesley, MA (the "Customers") filed a complaint against the Company in the United States District Court for the District of Massachusetts alleging violations of the federal antitrust laws. The Company supplies substantially all of the electric power requirements of the Customers. The Customers' complaint included allegations of price discrimination, anticompetitive restrictions and price squeeze. In May 1989, a jury determined that the Company had violated federal antitrust laws and awarded damages of $13,100,000, which results in a total judgment of $39,300,000 when trebled under antitrust law, plus interest. On September 21, 1990, the United States Court of Appeals for the First Circuit reversed the $39,300,000 judgment against the Company. On January 22, 1991, the Customers petitioned the United States Supreme Court for a writ of certiorari seeking to restore the jury verdict. On March 18, 1991, the United States Supreme Court denied the Customers' petition for a writ of certiorari. Accordingly, the United States Supreme Court let stand the decision of the U. S. Court of Appeals for the First Circuit that the Company did not violate the federal antitrust laws in its sales of electricity to the Customers.

On March 8, 1991, the Company was named in a lawsuit brought in the United States District Court for the District of Massachusetts alleging discriminatory employment practices under the Age Discrimination in Employment Act of 1967 concerning forty-six employees affected by the Company's 1988 reduction in force. Damages being sought have not been quantified in the complaint. The Company and legal counsel are currently analyzing the allegations made in these actions and intend to defend the Company vigorously.

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

There were no matters submitted to a vote of security holders during the fourth quarter of 1990.

EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages, positions and business experience during the last five years of all the executive officers of Boston Edison Company and Harbor Electric Energy Company (the Company's wholly owned subsidiary) as of March 1, 1991 are listed below. There are no family relationships between any of the officers of the Company, nor any arrangement or understanding between any Company officer and another person pursuant to which he/she was elected as an officer. The expiration of each term of office is the next annual meeting and when successors are duly elected and qualified.

Name, Age and Position	Business Experience During Past Five Years
Bernard W. Reznicek, 54 President and Chief Executive Officer	Elected Chief Executive Officer effective December 1, 1990. Elected President and Chief Operating Officer effective October 1987. Director since 1987. Was President and Chief Executive Officer of the Omaha Public Power District from 1981-1987. President and Director of Harbor Electric Energy Company since 1989.
Thomas J. May, 43 Executive Vice President	Elected Executive Vice President effective December 1, 1990. Elected Senior Vice President effective June 1987. Has responsibility for financial, accounting and information services. Assumed added responsibilities for energy planning and business planning effective February 1989 and resource and corporate planning, customer service, marketing and human resources, effective December 1990. Had responsibility for customer service from June 1987 to February 1989. Was Vice President (from 1983-1987) and Treasurer (from 1983 to February 1988). Treasurer and Director of Harbor Electric Energy Company since 1989.

Name, Age and Position	Business Experience During Past Five Years
Ralph G. Bird, 57 Executive Vice President	Elected Executive Vice President effective December 1, 1990. Elected Senior Vice President-Nuclear effective January 1987. Since February 1987, has responsibility for all nuclear activities, and since December 1, 1990 responsible for all operations. In 1985-1986 served as consultant to Westinghouse Electric Corporation and Advanced Science & Technology Associates, Inc.
William D. Harrington, 60 Senior Vice President	Elected Senior Vice President in 1982. Has responsibility for Power Delivery, effective July 1986, and Stores and Service since March, 1988. Had responsibility for Power Production (fossil) from July 1986 to February 1989. Had responsibility for all Nuclear activities from 1982 to June 1986.
Cameron H. Daley, 45 Senior Vice President	Elected Senior Vice President effective February 1989. Has responsibility for power supply. Prior to February 1989, was Vice President - Power Production. Elected Vice President in 1982.
L. Carlisle Gustin, 47 Senior Vice President	Elected Senior Vice President effective February 1989. Has responsibility for marketing, customer services and corporate relations. Prior to election was Vice President - Corporate Relations since September 1986. On special assignment - Member, Executive Review Group on Nuclear in 1986. Prior to 1986, was Manager of the Public Information Department.

Name, Age and Position	Business Experience During Past Five Years
John J. Higgins, 58 Senior Vice President	Elected Senior Vice President effective December 1, 1990. Elected Vice President effective July 1988. Prior to joining the Company was Director of Construction for the Massachusetts Water Resource Authority in 1988. Prior to that was Senior Vice President - Personnel and Industrial Relations, for the Eastern Associated Coal Corporation.
George W. Davis, Jr., 57 Senior Vice President - Nuclear	Elected Senior Vice President - Nuclear effective December 1, 1990. Elected Vice President effective September 1989. Prior to election was Commander Naval Surface Force, Pacific 1985-88.
John J. Desmond, III, 57 Vice President and General Counsel	Elected Vice President and General Counsel in April 1985. General Counsel of Harbor Electric Energy Company.
Marc S. Alpert, 46 Vice President and Treasurer	Elected Treasurer of the Company effective March 1988, in addition to his previous position as Vice President. Head of the Treasury Organization effective March 1, 1988. Was Vice President - Rates from 1983 to 1988.
Robert J. Weafer, Jr., 44 Vice President, Controller and Chief Accounting Officer	Elected Vice President effective February 1, 1991. Designated Chief Accounting Officer in April 1988 while holding the position of Controller. Assumed responsibility for Purchasing Department in April 1988. Controller and Department Head, Accounting, Budgeting and Control Department since 1985.
Theodora S. Convisser, 43 Clerk of the Corporation	Elected Clerk of the Corporation effective September 1986. Assistant General Counsel since 1985. Clerk of Harbor Electric Energy Company since 1990.

PART II

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

a. MARKET INFORMATION.

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

See Consolidated Financial Statistics (Unaudited) - Quarterly Stock Data contained on Page 35 of the Annual Report to Shareholders for the year ended December 31, 1990, incorporated herein by reference.

b. HOLDERS.

As of December 31, 1990, the Company had 45,826 holders of record of its Common Stock (actual count of record holders).

c. DIVIDENDS.

For information as to the frequency and amount of cash dividends declared per common share during the past two fiscal years, see Consolidated Financial Statistics (Unaudited) - Quarterly Stock Data, contained on Page 35 of the Annual Report to Shareholders for the year ended December 31, 1990, incorporated herein by reference.

Item 6 - SELECTED FINANCIAL DATA

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

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

	1990	1989	1988	1987	1986
Operating Revenues	$1,258,546	$1,269,345	$1,202,655	$1,181,097	$1,105,367
Income/(Loss) from Continuing Electric Operations	$95,440*	$(16,135)**	$84,212	$86,721	$110,015
Earnings/(Loss) Per Common Share from Continuing Electric Operations	$2.01*	$(0.88)**	$1.86	$1.97	$2.68
Total Assets	$3,014,123	$2,878,271	$2,817,050	$2,702,960	$2,361,998
Long-Term Debt	$1,074,025	$948,839	$966,534	$822,659	$728,909
Redeemable Preferred/ Preference Stock	$100,000	$100,000	$100,000	$50,000	$35,188
Cash Dividends Declared Per Common Share	$1.535	$1.745	$1.82	$1.80	$1.75

* Includes $0.41 per common share for an accounting change; See Note I of Notes to Consolidated Financial Statements included in the Annual Report to Shareholders for the Year Ended December 31, 1990, incorporated herein by reference.

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

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

See Management's Discussion and Analysis contained on pages 14 through 19 of the Annual Report to Shareholders for the year ended December 31, 1990, incorporated herein by reference.

Item 8 - CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

None.

PART III

Item 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

(a) IDENTIFICATION OF DIRECTORS.

See "Election of Directors - Information about Nominees and Incumbent Directors" - contained on pages 3 through 7 of the definitive Proxy Statement dated March 21, 1991 incorporated herein by reference.

(b) IDENTIFICATION OF EXECUTIVE OFFICERS

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

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

(d) FAMILY RELATIONSHIPS - NOT APPLICABLE.

(e) BUSINESS EXPERIENCE

For information relating to the business experience during the past five years and other directorships (of companies subject to certain SEC requirements) held by each person nominated to be a director, see "Election of Directors - Information about Nominees and Incumbent Directors" contained on pages 3 through 7 of the definitive Proxy Statement dated March 21, 1991, incorporated herein by reference.

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

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

(g) PROMOTERS AND CONTROL PERSONS - NOT APPLICABLE.

Item 11 - EXECUTIVE COMPENSATION

See paragraphs entitled "Director Compensation", "Executive Compensation", "Pension Plans", "Key Executive Benefit Plan", "Recognition and Retention Program", "Incentive Compensation Plans", and "Deferred Compensation Agreements", contained on pages 8 through 11 of the definitive Proxy Statement dated March 21, 1991, incorporated herein by reference.

Item 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS.

See page 7 "Beneficial Ownership of Securities" of the definitive Proxy Statement dated March 21, 1991, incorporated herein by reference.

(b) SECURITY OWNERSHIP OF MANAGEMENT.

See "Election of Directors - Information about Nominees and Incumbent Directors" contained on pages 3 through 7 of the definitive Proxy Statement dated March 21, 1991, incorporated herein by reference.

(c) CHANGES IN CONTROL - NOT APPLICABLE

Item 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

PART IV

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

	Pages: Annual Shareholders Report	Pages: Form 10-K
Item 14(a): Exhibits and Consolidated Financial Statement Schedules:		
Consolidated Statements of Income for each of the Three Years in the Period Ended December 31, 1990	20	
Consolidated Statements of Cash Flows for each of the Three Years in the Period Ended December 31, 1990	21	
Consolidated Balance Sheets as of December 31, 1990 and 1989	22	
Consolidated Statements of Retained Earnings for each of the Three Years in the Period Ended December 31, 1990	23	
Consolidated Schedules of Capital Stock, as of December 31, 1990 and 1989	23	
Consolidated Schedules of Indebtedness, as of December 31, 1990 and 1989	24	
Notes to Consolidated Schedules of Capital Stock and Indebtedness	25-26	
Notes to Consolidated Financial Statements	27-33	
Report of Independent Certified Public Accountants		46
Selected Consolidated Quarterly Financial Data (Unaudited)	35	
Selected Consolidated Statistics (Unaudited)	36-38	
Schedules for Years Ended December 31, 1990, 1989 and 1988		
V - Property, Plant and Equipment		S-1 to S-3
VI - Reserves for Depreciation and Amortization of Property, Plant and Equipment		S-4 to S-6
VII - Guarantees of Securities of Other Issuers		S-7
IX - Short-Term Borrowings		S-8
X - Supplementary Income Statement Information		S-9

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

		Exhibit	SEC Docket
Exhibit 3	Articles of Incorporation and By-Laws		
Incorporated herein by reference:			
3.1	Restated Articles of Organization	2(a)4	2-58587
3.1.1	Amendment to Restated Articles of Organization dated May 5, 1977	2.4	2-64975
3.1.2	Amendment to Restated Articles of Organization filed May 26, 1978	3.31	1-2301 Form 10-K for the Year Ended December 31, 1981
3.1.3	Amendment to Restated Articles of Organization filed May 6, 1980	3.32	1-2301 Form 10-K for the Year Ended December 31, 1981
3.1.4	Amendment to Restated Articles of Organization filed May 4, 1983	3.1	1-2301 Form 10-Q for the Quarter Ended March 31, 1983
3.1.5	Amendment to Restated Articles of Organization filed April 28, 1986	3.1	1-2301 Form 10-Q for the Quarter Ended March 31, 1986
3.1.6	Amendment to Restated Articles of Organization filed August 27, 1986	3.5	1-2301 Form 10-K for the Year Ended December 31, 1986

		Exhibit	SEC Docket
3.1.7	Amendment to Restated Articles of Organization filed February 19, 1987	3.1	1-2301 Form 10-Q for the Quarter Ended March 31, 1987
3.1.8	Amendment to Restated Articles of Organization filed May 5, 1987	3.1.8	1-2301 Form 10-K for the Year Ended December 31, 1987
3.1.9	Amendment to Restated Articles of Organization as filed May 27, 1988	4.1	33-24271 Registration Statement dated September 22, 1988
3.1.10	Certificate of Vote of Directors Establishing a Series of a Class of Stock, filed March 9, 1987	4.2	1-2301 Form 10-Q for the Quarter Ended September 30, 1988
3.1.11	Certificate of Vote of Directors Establishing a Series of a Class of Stock, filed October 4, 1988	4.3	1-2301 Form 10-Q for the Quarter Ended September 30, 1988
3.2	Boston Edison Company Bylaws April 19, 1977, as amended January 22, 1987, January 28, 1988 and May 24, 1988	3.2	1-2301 Form 10-K for the Year Ended December 31, 1988.
3.3	Boston Edison Company Bylaws April 19, 1977, as amended January 22, 1987, January 28, 1988, May 24, 1988 and November 22, 1989	3.1	1-2301 Form 10-Q for the Quarter Ended June 30, 1990

		Exhibit	SEC Docket
3.4	By-Laws of Harbor Electric Energy Company	3.4	1-2301 Form 10-K for the Year Ended December 31, 1989
3.5	Articles of Organization of Harbor Electric Energy Company	3.3	1-2301 Form 10-K for the Year Ended December 31, 1989

Filed Herewith:

3.6	Articles of Organization of Harbor Electric Energy Company December 22, 1989, as amended December 13, 1990	-	-

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

Incorporated herein by reference:

4.1	Indenture of Trust and First Mortgage dated December 1, 1940 with State Street Trust Company	B-2	2-4564
4.1.1	Tenth supplemental indenture dated April 1, 1950	7.5	2-8349
4.1.2	Twelfth supplemental indenture dated November 15, 1951	4.2	2-80748

Filed Herewith:

* 4.1.3	Twenty-fourth supplemental indenture dated June 1, 1962	-	-
* 4.1.4	Twenty-seventh supplemental indenture dated November 1, 1965	-	-
* 4.1.5	Twenty-ninth supplemental indenture dated June 1, 1967	-	-
* 4.1.6	Thirtieth supplemental indenture dated November 1, 1968	-	-
* 4.1.7	Thirty-first supplemental indenture dated December 1, 1969	-	-

* Refiled pursuant to SEC record retention rules.

			Exhibit	SEC Docket
*	4.1.8	Thirty-second supplemental indenture dated July 1, 1970	-	-
*	4.1.9	Thirty-third supplemental indenture dated May 15, 1971	-	-

Incorporated Herein By Reference:

		Exhibit	SEC Docket
4.1.10	Thirty-fifth supplemental indenture dated April 15, 1977	4.1.10	1-2301 Form 10-K for the Year Ended December 31, 1989.
4.1.11	Thirty-sixth supplemental indenture dated December 15, 1978	4.1.11	1-2301 Form 10-K for the Year Ended December 31, 1989.
4.1.12	Thirty-seventh supplemental indenture dated October 31, 1979	4.1.12	1-2301 Form 10-K for the Year Ended December 31, 1989
4.1.13	Thirty-eight supplemental indenture dated January 1, 1982	4.1.16	1-2301 Form 10-K for the Year Ended December 31, 1981

* Refiled pursuant to SEC record ret ntion rules.

		Exhibit	SEC Docket
4.1.14	Thirty-ninth supplemental indenture dated April 15, 1983	4.1	1-2301 Form 10-Q for the Quarter Ended March 31, 1983
4.1.15	Fortieth supplemental indenture dated April 1, 1984	4.1	1-2301 Form 10-Q for the Quarter Ended March 31, 1984
4.1.16	Forty-first supplemental indenture dated April 1, 1985	4.1	1-2301 Form 10-Q for the Quarter Ended March 31, 1985
4.1.17	Forty-second supplemental indenture dated July 15, 1986	4.1	1-2301 Form 10-Q for the Quarter Ended June 30, 1986
4.1.18	Forty-third supplemental indenture dated September 15, 1987	4.1	1-2301 Form 10-Q for the Quarter Ended September 30, 1987
4.1.19	Revolving Credit Agreement dated as of May 25, 1988	4.1	1-2301 Form 10-Q for the Quarter Ended June 30, 1988
4.1.20	Amendment to Revolving Credit Agreement, effective March 10, 1990	4.1.20	1-2301 Form 10-K for the Year Ended December 31, 1989.

		Exhibit	SEC Docket
4.1.21	Medium Term Notes Series A - Indenture dated as of September 1, 1988, between Boston Edison Company and Bank of Montreal Trust Company	4.1	1-2301 Form 10-Q for the Quarter Ended September 30, 1988
4.1.22	Series B Medium Term Notes Distribution Agreement	1.1	1-2301 Form 10-Q for the Quarter ended March 31, 1990
4.1.23	First Supplemental Indenture dated as of June 1, 1990 to Indenture dated as of September 1, 1988 with Bank of Montreal Trust Company - 9 7/8% Debentures Due June 1, 2020.	4.1	1-2301 Form 8-K dated June 28, 1990

Filed Herewith:

4.1.24	Letter of Credit and Reimbursement Agreement between Harbor Electric Energy Company and Citibank N.A. dated as of December 21, 1990.	-	-

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

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

Exhibit 10 Material Contracts

Incorporated herein by reference:

10.1.1	Form of Deferred Compensation Agreement, as Amended April 26, 1984	10.1.1	1-2301 Form 10-K for the Year Ended December 31, 1984

		Exhibit	SEC Docket
10.1.2	Form of Deferred Compensation Agreement, as Amended November 27, 1985	10.1.2	1-2301 Form 10-K for the Year Ended December 31, 1985
10.1.3	Form of Deferred Compensation Agreement, as Amended November 27, 1986	10.1.3	1-2301 Form 10-K for the Year Ended December 31, 1989.
10.2.1	Form of Deferred Fee Agreement, as Amended April 26, 1984	10.2.1	1-2301 Form 10-K for the Year Ended December 31, 1984
10.2.2	Form of Deferred Fee Agreement as Amended November 27, 1985	10.2.2	1-2301 Form 10-K for the Year Ended December 31, 1985
10.2.3	Form of Deferred Fee Agreement, as Amended November 27, 1986	10.2.3	1-2301 Form 10-K for the Year Ended December 31, 1989.
10.3	Key Executive Benefit Plan	10.4	1-2301 Form 10-K for the Year Ended December 31, 1981

		Exhibit	SEC Docket
10.3.1	Amendment to Key Executive Benefit Plan dated February 1, 1986	10.4.1	1-2301 Form 10-K for the Year Ended December 31, 1985
10.3.2	Amendments to Key Executive Benefit plan dated May 9, 1986	10.1	1-2301 for the Quarter Ended June 30, 1986
10.3.3	Key Executive Benefit Plan Agreement dated as of January 1, 1987 for Ralph G. Bird	10.4.3	1-2301 Form 10-K for the Year Ended December 31, 1987
10.3.4	Amendment to Key Executive Benefit Plan dated July 13, 1987 and Manager Transition Benefits Agreements for James M. Lydon	10.4.4	1-2301 Form 10-K for the Year Ended December 31, 1987
10.3.5	Amendment to Key Executive Benefit Plan dated August 20, 1987 and Manager Transition Benefits Agreement for Joseph P. Tyrrell	10.4.5	1-2301 Form 10-K for the Year Ended December 31, 1987
10.3.6	Key Executive Benefit Plan Agreement dated as of October 1, 1987 for Bernard W. Reznicek	10.4.6	1-2301 Form 10-K for the Year Ended December 31, 1987
10.4	Description of Supplemental Fee Arrangement for Certain Directors	10.5	1-2301 Form 10-K for the Year Ended December 31, 1983

		Exhibit	SEC Docket
10.5	Executive Annual Incentive Compensation Plan	10.5	1-2301 Form 10-K for the Year Ended December 31, 1988.
10.5.1	Executive Long-Term Incentive Compensation Plan	10.5.1	1-2301 Form 10-K for the Year Ended December 31, 1988.
10.6	Description of Nuclear Restart and Management Continuity Plan, effective January 26, 1989 - Ralph G. Bird	10.6	1-2301 Form 10-K for the Year Ended December 31, 1988.
10.7	Recognition and Retention Program	10.7	1-2301 Form 10-K for the Year Ended December 31, 1989

Filed herewith:

10.8	Deferred Compensation Plan	-	-

Exhibit 12 Computation of Ratio of Earnings to Fixed Charges

Incorporated herein by reference:

12.1	Computation of Ratio of Earnings to Fixed Charges for the year ended December 31, 1989.	12.1	1-2301 Form 10-K for the Year Ended December 31, 1989

Exhibit 13 Annual Report to Shareholders

Filed herewith:

13.1 Boston Edison Company Annual Report to Shareholders for the Year Ended December 31, 1990, which, except for those portions thereof which are expressly incorporated by reference herein, is furnished for the information of the Securities and Exchange Commission and is not deemed to be "filed" as part of this report.

		Exhibit	SEC Docket
Exhibit 18	Letter re: Change in Accounting Principle		
Incorporated herein by reference:			
18.1	Letter of Independent Certified Public Accountants	18.1	1-2301 Form 10-Q for the Quarter ended March 31, 1990
Exhibit 22	Subsidiaries of the Registrant	-	-
22.1	Harbor Electric Energy Company (incorporated in Massachusetts) is a wholly-owned subsidiary of Boston Edison Company.		
Exhibit 24	Consent of Independent Accountants.		
Filed herewith:			
24.1	Consent of Independent Accountants to incorporate, by reference, their opinion included with this Form 10-K, in the Form S-3 Registration Statements filed by the Company on November 18, 1985 (File No. 33-01614), July 15, 1986 (File No. 33-07103), July 2, 1990 (File No. 33-35588), September 14, 1990 (File No. 33-36824), and in the Form S-8 Registration Statements filed by the Company on October 10, 1985 (File No. 33-00810) July 28, 1986 (File No. 33-7558) and December 31, 1990 (File No. 33-38434).		
Exhibit 28	Other Exhibits		
Incorporated herein by reference:			
28.1	DPU Settlement Agreement with Boston Edison Company dated October 3, 1989	28.1	1-2301 Form 8-K dated October 3, 1989
28.2	Settlement Agreement between Boston Edison Company and Commonwealth Electric Company, Montaup Electric Company and the Municipal Light Department of the Town of Reading, Massachusetts, dated January 5, 1990.	28.1	1-2301 Form 8-K dated December 21, 1989

		Exhibit	SEC Docket
28.3	Pilgrim Outage Case Settlement between Boston Edison Company and Reading Municipal Light Department regarding Contract Demand Rate, dated December 21, 1989.	28.2	1-2301 Form 8-K dated December 21, 1989
28.4	Settlement Agreement Between Boston Edison Company and City of Holyoke Gas and Electric Department et. al., dated April 26, 1990.	28.2	1-2301 Form 10-Q for the Quarter Ended March 31, 1990

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

There were no Form 8-K's filed by the Company in the fourth quarter of 1990.

A Form 8-K was filed by the Company January 9, 1991, with the Securities and Exchange Commission. This report contained information under Item 5 - Other Events, which included amendments to the rules governing Form S-8 under the Securities Act of 1933.

SIGNATURES

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

BOSTON EDISON COMPANY

By /s/ Thomas J. May
Thomas J. May
Executive Vice President

Date: March 28, 1991

Pursuant to the requirements of the Securities Exchange Act of 1934 this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 28th day of March, 1991.

/s/ Bernard W. Reznicek Bernard W. Reznicek	President, Chief Executive Officer and Director
/s/ Thomas J. May Thomas J. May	Executive Vice President (Principal Financial Officer)
/s/ Robert J. Weafer, Jr. Robert J. Weafer, Jr.	Vice President, Controller and Chief Accounting Officer
/s/ Stephen J. Sweeney Stephen J. Sweeney	Chairman and Director
/s/ Helene R. Cahners-Kaplan Helene R. Cahners-Kaplan	Director
/s/ William F. Connell William F. Connell	Director
/s/ Gary L. Countryman Gary L. Countryman	Director

______________________________ Thomas G. Dignan, Jr.	Director
/s/ Charles K. Gifford Charles K. Gifford	Director
/s/ Nelson S. Gifford Nelson S. Gifford	Director
/s/ Kenneth I. Guscott Kenneth I. Guscott	Director
/s/ Matina S. Horner Matina S. Horner	Director
/s/ William D. Manly William D. Manly	Director
/s/ Sherry H. Penney Sherry H. Penney	Director
/s/ Herbert Roth, Jr. Herbert Roth, Jr.	Director
/s/ Paul E. Tsongas Paul E. Tsongas	Director
/s/ Charles A. Zraket Charles A. Zraket	Director

Coopers & Lybrand | certified public accountants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Stockholders and Directors of
Boston Edison Company

We have audited the consolidated financial statements of Boston Edison Company and subsidiary (the Company) as of December 31, 1990 and 1989 and for each of the three years in the period ended December 31, 1990 which financial statements are included on pages 20 through 33 of the 1990 Annual Report to Shareholders of Boston Edison Company and incorporated by reference herein. We have also audited the financial statement schedules listed in Item 14(a) of this Form 10-K. These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Boston Edison Company and subsidiary as of December 31, 1990 and 1989, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1990, in conformity with generally accepted accounting principles. In addition, in our opinion, the consolidated financial statement schedules referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

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

Coopers & Lybrand

Boston, Massachusetts
January 22, 1991

COOPERS & LYBRAND

BOSTON EDISON COMPANY
PROPERTY, PLANT AND EQUIPMENT

SCHEDULE V

DECEMBER 31, 1990

(IN THOUSANDS)

Column A	Column F Balance at Close of period
Electric Plant:	
Land and Rights of Way	$38,326
Generating Station and Substation Buildings and Misc. Structures	388,804
Electric Generating Equipment	1,363,937
Transmission, Distribution, Street Lighting and Other Utilization Equipment	1,502,641
Transmission and Distribution- Harbor Electric Energy Company	23,032
Total Electric Plant	3,316,740
Nuclear Fuel	248,595
Non Utility property	956
Construction Work in Progress	142,211
Construction Work in Progress- Harbor Electric Energy Company	22
Total	$3,708,524

Notes (000's)

(1) The information called for by columns B, C, D and E for 1990 is omitted as neither the total additions nor the total retirements during the year exceed 10% of the balance at the end of 1990. Total additions and retirements, at cost, were $243,884 and $27,181, respectively.

(2) Physical property (electric) was depreciated on a straight-line basis at various rates ranging from 2.84% to 4.59% in 1990. For further information relating to the Company's policies regarding depreciation and amortization, reference Note A, "Summary of Significant Accounting Policies" of Notes to Consolidated Financial Statements, incorporated herein by reference (Annual Report to Shareholders for the year ended December 31, 1990, page 27).

(3) Approximately $107,000 of additions, at cost, in 1990 related to various modifications made to the Company's transmission and distribution system during the year, approximately $58,000 represents an increase in construction work in progress, and the remainder includes additions to generating station, electric generating equipment and other.

(4) See Note B, "Rate Proceedings and Pilgrim Nuclear Power Station" of Notes to Consolidated Financial Statements, incorporated herein by reference (Annual Report to Shareholders for the year ended December 31, 1990, pages 27 through 29).

* Reference is made to Note E, "Allowance for Funds Used During Construction" of "Notes to Consolidated Financial Statements", on page 28 of the 1990 Annual Report to Shareholders, incorporated herein by reference.

BOSTON EDISON COMPANY
PROPERTY, PLANT AND EQUIPMENT

DECEMBER 31, 1989

(IN THOUSANDS)

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

Notes (000's)

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

(2) Physical property (electric) was depreciated on a straight-line basis at various rates ranging from 2.84% to 4.59% in 1989. For further information relating to the Company's policies regarding depreciation and amortization, reference Note A, "Summary of Significant Accounting Policies" of Notes to Consolidated Financial Statements, incorporated herein by reference (Annual Report to Shareholders for the year ended December 31, 1990, page 27).

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

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

(5) See Note B, "Rate Proceedings and Pilgrim Nuclear Power Station" of Notes to Financial Statements, incorporated herein by reference (Annual Report to Shareholders for the year ended December 31, 1990, pages 27 through 28).

* Reference is made to Note E, "Allowance for Funds Used During Construction" of "Notes to Consolidated Financial Statements", on page 28 of the 1990 Annual Report to Shareholders, incorporated herein by reference.

BOSTON EDISON COMPANY
PROPERTY, PLANT AND EQUIPMENT

SCHEDULE V

DECEMBER 31, 1988

(IN THOUSANDS)

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

Notes (000's)

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

(2) Physical property (electric) was depreciated on a straight-line basis at various rates ranging from 2.84% to 4.59% in 1988. For further information relating to the Company's policies regarding depreciation and amortization, reference Note A, "Summary of Significant Accounting Policies" of Notes to Consolidated Financial Statements, incorporated herein by reference (Annual Report to Shareholders for the year ended December 31, 1990, page 27).

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

* Reference is made to Note E, "Allowance for Funds Used During Construction" of "Notes to Consolidated Financial Statements", on page 28 of the 1990 Annual Report to Shareholders, incorporated herein by reference.

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

Schedule VI

1990

(in thousands)

Column A	Column B	Column C			Column D			Column E	Column F	Column G
		Additions								
			Charged to Other Accounts							
Description	Balance Beginning of Period	Charge to Profit and Loss	Adjustments	Invty-Salv Value of Property Retired	Retirement Renewals and Replacements	Cost of Removal		Balance at Close of Period	Charlestown Aquisition Adjustment	Balance at Close Of Period
Depreciation Reserve:										
Electric Plant:										
Production -Fossil	$244,252	$23,311	$0	$23	$3,901	$9,283		$254,402	$0	$254,402
- Nuclear	248,063	36,852 (A)	(5,737)	(2)	1,557	1,633		275,986	0	275,986
-Other	15,672	1,730	0	0	689	0		16,713	0	16,713
Total Production	507,987	61,893	(5,737)	21	6,147	10,916		547,101	0	547,101
Transmission	100,908	10,219	0	430	1,128	60		110,369	0	110,369
Distribution	305,153	31,410	0	1,900	17,734	7,926		312,803	405	313,208
General	36,250	10,672 (B)	124	(39)	2,152	219		44,636	0	44,636
Harbor Electric Energy Company	0	462 (C)	0	0	0	0		462	0	462
Total Electric	950,298	114,656 (D)	(5,613)(G)	2,312	27,161	19,121		1,015,371	405	1,015,776
Accumulated Amortization								0		
of Nuclear Fuel (D)	142,023	25,914	(4,243)(F)	0	0	0		163,694	0	163,694
Total	$1,092,321	$140,570	($9,856)	$2,312	$27,161	$19,121		$1,179,065	$405	$1,179,470

Notes (000's)

(A) Excludes $4,319 of nuclear decommissioning costs.
(B) Includes $6,945 for amortization of leasehold improvements, computer software and load management program costs.
(C) Includes $11 of other amortization.
(D) This amount differs from "Depreciation" and "Other amortization" in the Consolidated Statement of Cash Flows by $5,925 which represents amortization of previously incurred costs that do not affect the reserve.
(E) For information relating to the amortization policy for nuclear fuel, reference Notes A and L of the Notes to Consolidated Financial Statements on pages 27 and 33, respectively, of the 1990 Annual Report to Shareholders, incorporated herein by reference.
(F) Payments to the Department of Energy for post April 1983 nuclear fuel disposal.
(G) Adjustment of depreciation billed to certain wholesale customers based upon revisions to contracts.
(H) See Note B, "Rate Proceedings and Pilgrim Nuclear Power Station" of Notes to Consolidated Financial Statements, incorporated herein by reference (Annual Report to Shareholders for the year ended December 31, 1990, pages 27 through 28).

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

Schedule VI

1989

(in thousands)

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

Notes (000's)

(A) Excludes $5,354 of nuclear decommissioning costs.
(B) Includes $5,791 for amortization of leasehold improvements, computer software and load management program costs.
(C) This amount differs from "Depreciation" and "Other amortization" in the Consolidated Statement of Cash Flows by $6,368 which represents amortization of previously incurred costs that do not affect the reserve.
(D) For information relating to the amortization policy for nuclear fuel, reference Notes A and L of the Notes to Consolidated Financial Statements on pages 27 and 33, respectively, of the 1990 Annual Report to Shareholders, incorporated herein by reference.
(E) Payments to the Department of Energy for post April 1983 nuclear fuel disposal.
(F) See Note B, "Rate Proceedings and Pilgrim Nuclear Power Station" of Notes to Consolidated Financial Statements, incorporated herein by reference (Annual Report to Shareholders for the year ended December 31, 1990, pages 27 through 28).

Sch- ule VI

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

1988

(in thousands)

Column A	Column B	Column C		Column D			Column E	Column F	Column G
		Additions							
			Charged to Other Accounts						
Description	Balance Beginning of Period	Charge to Profit and Loss	Adjustments	Invty-Salv Value of Prop Retired	Retirement Renewals and Replacements	Cost of Removal	Balance at Close of Period	Charlestown Aquisition Adjustment	Balance at Close Of Period
Depreciation Reserve:									
Electric Plant:									
Production -Fossil	$208,969	$21,839	$0	($110)	$731	$1,225	$228,742	$0	$228,742
- Nuclear	173,390	32,095 (A)	0	2,261	60	11	$207,675	0	207,675
-Other	12,652	1,598	0	0	141	1	$14,108	0	14,108
Total Production	395,011	55,532	0	2,151	932	1,237	$450,525	0	450,525
Transmission	86,142	6,664	0	(1)	391	35	$92,379	0	92,379
Distribution	275,300	27,289	0	2,322	9,189	5,044	$290,678	405	291,083
General	22,793	7,416 (B)	0	0	1,494	0	$28,715	0	28,715
Total Electric	779,246	96,901 (C)	0	4,472	12,006	6,316	862,297	405	862,702
Accumulated Amortization of Nuclear Fuel (D)	130,429	2,689	0	0	0	0	133,118	0	133,118
Total	$909,675	$99,590	$0	$4,472	$12,006	$6,316	$995,415	$405	$995,820

Notes (000's)

(A) Excludes $5,354 of nuclear decommissioning costs.
(B) Includes $4,585 for amortization of leasehold improvements, computer software and load management program costs.
(C) This amount differs from "Depreciation" and "Other amortization" in the Consolidated Statement of Cash Flows by $6,779, which represents amortization of previously incurred costs that do not affect the reserve.
(D) For information relating to the amortization policy for nuclear fuel, reference Notes A and L of the Notes to Consolidated Financial Statements on pages 27 and 33, respectively, of the 1990 Annual Report to Shareholders, incorporated herein by reference.

Boston Edison Company
December 31, 1990
Guarantees of Securities of Other Issuers

Schedule VII

Column A	Column B	Column C	Column D	Column E	Column F	Column G
Name of issuer of securities	Title of issue	Total amount guaranteed and outstanding	Amounts owned by Company (b)	Amount in treasury of issuer of securities guaranteed (b)	Nature of guarantee	Nature of default by issuer guaranteed (b)
		(in thousands)				
Connecticut Yankee Atomic Power Company	Series A Note-due 1996	$1,500			principal and interest	
Yankee Atomic Electric Company:	$30 Million Revolving Credit Facility-expires 1993-1995	2,850			principal and interest	
	$25 Million Revolving Credit Facility-expires 1991	600			principal and interest	
New England Hydro-Transmission Corp.(a)	$300 Million Revolving Credit Facility-expires 1998	9,900			principal and interest	
New England Hydro-Transmission Electric Co. Inc.(a)	$300 Million Revolving Credit Facility-expires 1998	15,200			principal and interest	
	Total	$30,050				

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

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

Boston Edison Company
Short-Term Borrowings

Year ended December 31,

(in thousands)

Schedule IX

	Column A	Column B	Column C	Column D	Column E	Column F
	Category of Aggregate Short-Term Borrowings	Balance at Close of Period	December 31 Weighted Average Interest Rate	Maximum Amount Outstanding During the Period	Average Amount Outstanding During the Period (2)	Weighted Average Interest Rate During the Period (2)
1990	(1)	$174,530	8.96%	$302,900	$221,525	8.5%
1989	(1)	$213,840	8.91%	$233,275	$169,377	9.4%
1988	(1)	$114,580	9.44%	$340,705	$212,344	7.6%

(1) Borrowings under:

	Year Ended December 31, 1990	1989	1988
Lines of Credit	$72,500	$39,000	$0
Commercial Paper	81,030	174,840	114,580
Sewage Facility Revenue Bonds	21,000	0	0
Total	$174,530	$213,840	$114,580

(2) See Note 8 of Notes to Consolidated Schedules of Capital Stock and Indebtedness on page 26 of the 1990 Annual Report to Shareholders, incorporated herein by reference.

Supplementary Income Statement Information

Year ended December 31,

(in thousands)

Column A	Column B		
Item	Charged to Costs and Expenses		
	1990	1989	1988
1. Maintenance and repairs	$102,459	$91,326	$107,325
3. Taxes other than payroll and income taxes:			
Municipal property	$41,787	$45,017	$49,851

The above amounts are net of capitalized expenses.

For information relating to Item 2 "Amortization of Deferred Cost of Cancelled Nuclear Unit" and "Amortization of Deferred Nuclear Outage Costs", see "Consolidated Statements of Income" for the years ended December 31, 1990, 1989 and 1988 on page 20 of the 1990 Annual Report to Shareholders, incorporated herein by reference.

Boston Edison Company Annual Report 1990

An Energy and Energy Services 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. About 89 percent of the Company's revenues are derived from retail electric sales, nine percent from wholesale electric sales and two percent from other sources.

ON THE COVER:

Boston Edison Employees – The Company's performance in 1990 is due mainly to the skill, hard work, ingenuity and commitment of our 4,740 employees. Our employees recognize their responsibilities, as individuals and as a team, for the Company's future.

FINANCIAL HIGHLIGHTS

		Years ended December 31	
	1990	1989 [a]	% Change
Operating revenues (000)	$1,258,546	$1,269,345	– 0.9%
Income available for common stock (000)	$77,788	($33,788)	+ 330.2%
Common shares outstanding – weighted average (000)	38,779	38,246	+ 1.4%
Common stock data:			
Earnings (loss) per share	$2.01	($0.88)	+ 328.4%
Dividends declared per share	$1.535	$1.745	– 12.0%
Payout ratio	76%	–	–
Book value per share	$17.20	$16.71	+ 2.9%
Return on average common equity	11.82%	(4.6%)	+ 357.0%
Fixed charge coverage (SEC)	2.13x	0.52x	+ 309.6%

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

DEAR SHAREHOLDER:

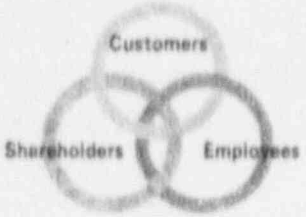
Everybody benefits when a company performs well. Customers receive greater value for the price and better quality products and services. Employees receive a clear, positive message that they are doing a good job and can take pride in their work. And you, our shareholders, earn a better return on your investment and, therefore, are provided a greater incentive to invest in the Company. This, in turn, creates more opportunity to strengthen our performance.

As your new chief executive officer, I'm pleased to report that the Boston Edison Company is performing well and that despite a sluggish economy, we did increase the value of your investment during 1990. Our financial progress was the result of excellent management of our resources and strict adherence to the Operating Plan we established at the beginning of last year.

Positive signs of the Company's improved financial strength include an increase in the common dividend, and the fact that Boston Edison's common stock provided a higher return on investment than the electric utility industry average. Our goal to increase the value of your investment during the 1990's will be constantly challenged, however, by outside competition from independent power producers and alternative sources of energy and by climbing costs for fuel, purchased power and providing reliable service to customers.

To prepare for the decade ahead and beyond, we have undertaken a Company-wide program of quality improvement known as Operational Excellence; it is the application of all employees' skills, imagination and creativity to reducing our operating costs and improving efficiency.

Operational Excellence builds on our success over the past three years to improve our information systems, make us more competitive among New England utilities and become adaptable to changing market conditions. For instance, since 1988 we have decreased the average annual total amount of time our customers' service is interrupted by more than 35 percent, we have decreased the operating and maintenance costs at our two fossil-fueled generating stations by 34 percent and our largest fossil-fueled generating units operated at record levels over the past two years, establishing records for availability and consecutive days of operation.



MISSION STATEMENT

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

Rising standards of excellence will guide us in achieving our mission.

Credit for these improvements and many more goes to our employees, who identified and seized opportunities for improvement and followed them through to implementation. That's important because our future success depends heavily on their full and willing participation in our business. Through expanded training and development programs, good wages and benefits and open communications, we will offer our employees more opportunities to excel and make Boston Edison a better company.

These improvements are also good examples of the Company's efforts to improve planning, control costs, increase productivity and identify indicators against which we can measure our success. The results we have achieved to date are not an end, but rather the beginning of an effort to increase the value of our core business and your investment.

The new competitive business environment in which Boston Edison now operates also requires that we create new business opportunities. Therefore, the Company will pursue new subsidiaries, such as the Harbor Electric Energy Company and Edgar Electric Energy Company; both are good projects for our service area's economic and energy future. You will read more about these business ventures later in this Annual Report. Allow me to make the point here, however, that all new business opportunities we pursue, like these two projects, will be related to our core energy business.

Boston Edison will also be an active participant in the rejuvenation of the Massachusetts economy. To that end, we have established a new Economic Development Department that will work directly with business leaders to identify new business opportunities for our state as well as the Company.

In summary, we are developing strategies to address increasing competition, we have a strong management team, and we will pursue Operational Excellence in every department, division and Company location. To succeed, we must have a clear vision of where we are going that is easily understood by everyone. That vision, quite simply, is that Boston Edison will be an energy and energy services company that seeks to provide top quality customer service, become a premier employer and increase shareholder value. We are in business for our shareholders, customers and employees, and we will balance the needs of these three important constituencies in everything we do.

With correct information, thoughtful planning and careful execution, we will take control of our future. We cannot afford to wait for the economy to stabilize or for other events to forge our destiny. We must create our future.

To conclude my first letter to you, I would like to recognize and thank Stephen J. Sweeney for

successfully guiding Boston Edison through some very difficult years. He retired from his position as Chief Executive Officer on December 1, 1990 and remains as the Chairman of the Board. It has been my pleasure to work with Steve since I joined the Company as president in 1987, and I wish him well in his retirement.

Bernard W. Reznicek
President & Chief Executive Officer

TRAINING TO IMPROVE RESULTS

In its efforts to become a premier employer, Boston Edison is launching a major training and development program, offering employees opportunities to craft their technical, professional, supervisory and general work skills. By becoming a premier employer, the Company will be able to retain and attract a skilled, motivated and satisfied workforce. With the best people, we can produce the best results.

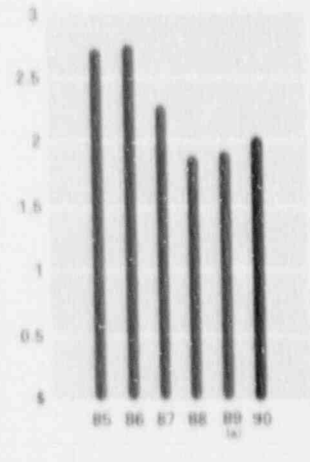
Nuclear training at the Chiltonville Training Center has been key to the successful licensing of 100 percent of the last five consecutive classes of Control Room Operators.

Working safely is important too as safety is a prominent element of the Electric Equipment Training Site on Massachusetts Avenue in Boston.

FINANCIAL PROGRESS IN 1990

Operating revenues exceeded $1.25 billion of which approximately $20 million were received from the three-year settlement agreement, reached in 1989 with the Massachusetts Department of Public Utilities (MDPU). Earnings per share increased to $2.01, including 41 cents per common share from a change in accounting principle. The Company increased the common dividend by four percent in December, and, during 1989 and 1990, the Company's common stock provided investors with annual returns of 34.4 percent and 8.4 percent respectively. Boston Edison common stock performed well against the average annual returns of the electric utility industry average, which were 27.4 percent in 1989 and minus 0.7 percent in 1990.

For the second consecutive year, retail electricity sales increased by less than one percent as the Massachusetts unemployment rate climbed to 8.6 percent in January 1991 and the commercial space vacancy rate approached 24 percent. With this economic downturn, the real credit for our positive financial performance belongs to our managers and employees, who held operating and maintenance costs $11 million under original budget and capital expenditures $9 million under plan.



EARNINGS PER SHARE

Earnings increased 11¢ due in part to a change in accounting principle which was offset by an increase in O&M and net financing costs.

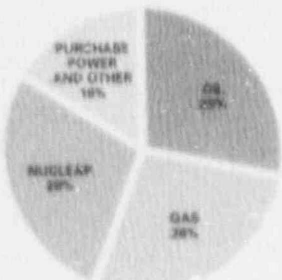
(a) Does not include effect of rate and contract settlements.

OPERATIONS AND SERVICE

Operations at the Pilgrim Nuclear Power Station returned to normal during 1990, its first full year since returning to service. The station's operation saved more than 5 million barrels of oil that would have been needed to produce an equivalent amount of power. Based on its most recent Systematic Assessment of Licensee Performance (SALP), Pilgrim is considered a better than average plant by the Nuclear Regulatory Commission.

With excellent production performances from Pilgrim Station and our Mystic and New Boston fossil-fueled stations, we generated 84 percent of the power needed to meet our customers' demand in 1990, as compared to 78 percent in 1989. Mystic Unit 7 set an operating record for availability of 86.3 percent, while New Boston Unit 2 finished the year with a unit equivalent availability factor of 88.8 percent. Even better news is that despite increases in fuel prices brought about by the crisis in the Persian Gulf, our prices charged to customers remained stable during the year, thanks mainly to a diverse energy mix, including natural gas, nuclear and oil and a fuel purchasing policy that provides greater security of supply and price, especially during periods of wide market fluctuation.

Always searching for ways to improve service to our customers, we initiated a new "drive-by" meter reading technology to enhance our ability to provide accurate bills to customers who have inaccessible electric meters, and we continued development of ServiceNet, a high-speed, two-way communications network that allows direct transmission of information between our customers and the Company's billing, information and energy management systems. By reformatting our bills, and through new, more flexible customer service procedures that empower our representatives to negotiate payment agreements with customers having difficulty in paying their electric bills, we have significantly reduced the number of customer calls to the Massachusetts Department of Public Utilities, and we have placed problem solving where it belongs...between the customer and Boston Edison.



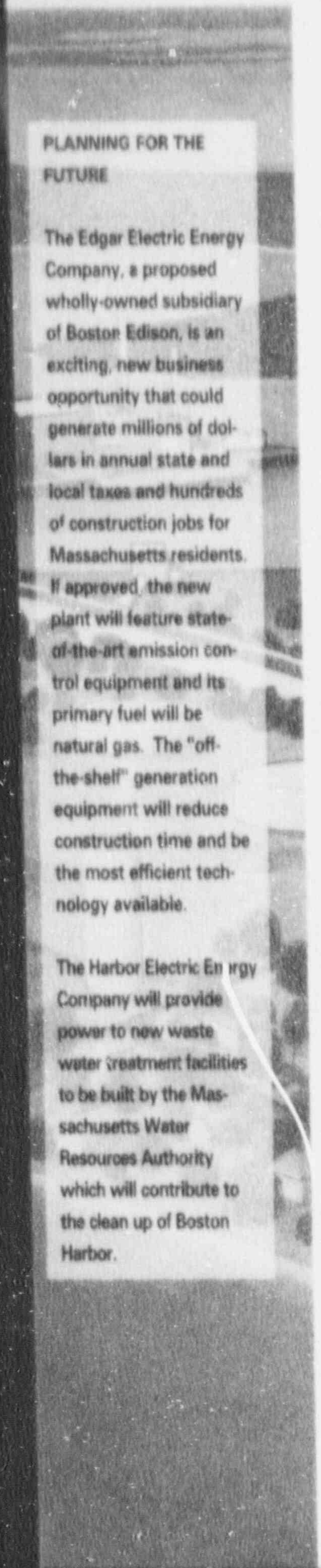
FUEL MIX

A measure of our success at satisfying customers, a market research survey conducted in late 1990, found that 82% of our customers hold favorable or very favorable opinions of Boston Edison.

TUNING FOR EFFICIENCY

To improve its generating efficiency, a major overhaul of Unit 1 at New Boston Station in South Boston was just completed. New Boston Unit 2 set a new record during 1990 for continuous days of operation, 135 consecutive days, with an equivalent availability factor of 99.3% for the period. Improved maintenance and operating procedures have increased the efficiency and competitiveness of New Boston as well as Mystic Station in Everett and the Company's 13 combustion turbines.

Of significance to our South Boston neighbors are the environmental modifications planned for New Boston Station to reduce ground-level concentrations of pollutants and improve local air quality.



PLANNING FOR THE FUTURE

The Edgar Electric Energy Company, a proposed wholly-owned subsidiary of Boston Edison, is an exciting, new business opportunity that could generate millions of dollars in annual state and local taxes and hundreds of construction jobs for Massachusetts residents. If approved, the new plant will feature state-of-the-art emission control equipment and its primary fuel will be natural gas. The "off-the-shelf" generation equipment will reduce construction time and be the most efficient technology available.

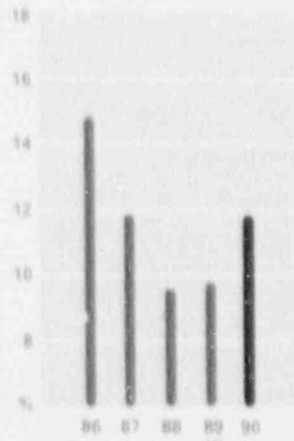
The Harbor Electric Energy Company will provide power to new waste water treatment facilities to be built by the Massachusetts Water Resources Authority which will contribute to the clean up of Boston Harbor.

NEW BUSINESS OPPORTUNITIES

Today, nearly 100% of the revenues earned by Boston Edison are attributable to sales of electricity and the provision of basic services. By 1995, our goal is to earn from 10 to 15 percent of total revenues from new business opportunities that are related to our core business, such as the Harbor Electric Energy Company, the Edgar Electric Energy Company and our demand-side management programs.

The Harbor Electric Energy Company is a wholly-owned subsidiary of Boston Edison, formed to supply power to the Massachusetts Water Resources Authority's new wastewater treatment facilities being built on Deer Island. By forming a subsidiary for this project, we are able to obtain more favorable rates of financing for this project, which could save millions of dollars. The first phase of the project went into service during 1990 and is already providing annual revenues of $5 million.

The Edgar Electric Energy Company is a proposed wholly-owned subsidiary of Boston Edison. Again, the subsidiary approach will allow us to obtain more favorable rates of financing as well as protect Boston Edison from some of the risks associated with building new power plants and make us more competitive with non-utility generators. We believe in the fundamental soundness of this proposal, although the downturn in the economy and a difficult permitting process do pose challenges to us. Edgar is important to offering a reliable future energy supply to our customers and adding value to your investment in Boston Edison. Our plans are now being reviewed by the Federal Energy Regulatory Commission (FERC), the Massachusetts Department of Public Utilities (MDPU) and the Massachusetts Energy Facilities Siting Council.



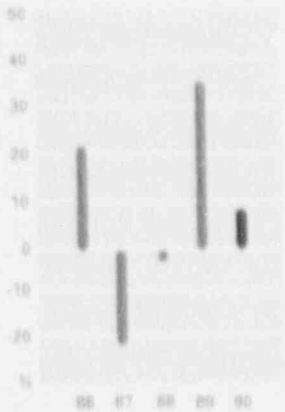
RETURN ON EQUITY

Return on equity grew 21 percent over 1989's level.

(a) Does not include effect of rate and contract settlements.

DEMAND-SIDE MANAGEMENT AND THE ENVIRONMENT

As we progress into the 1990's, demand-side management (DSM) programs will play an increasingly larger role in our business. These energy-saving programs are critical during periods of peak demand, and, by 1995, it is our goal that they reduce our summer peak demand by some 14 percent. Of importance to Boston Edison is making DSM profitable. During the first quarter of 1991, we will file a request with the MDPU for a fair incentive system for marketing DSM and to recover our program expenses and lost base revenues. We anticipate success since the MDPU has already approved incentive and recovery requests for other Massachusetts utilities.



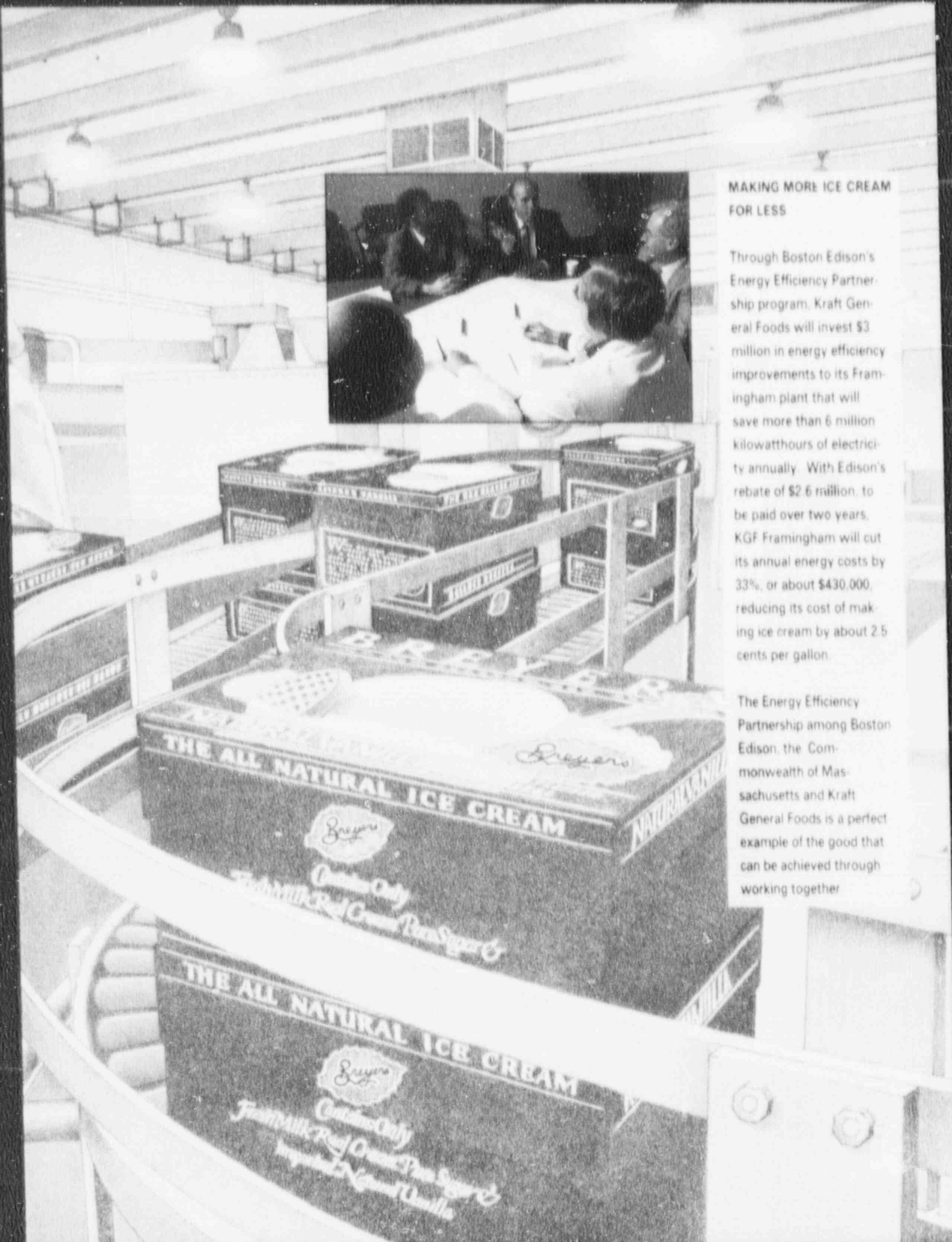
TOTAL RETURN TO SHAREHOLDERS

For the last two years, Boston Edison's total return has exceeded that of the overall stock-market and the electric utility industry average.

The results of the second phase of the Energy Collaborative Plan, a partnership among Boston Edison, the Conservation Law Foundation, the Massachusetts Attorney General's office, the Massachusetts Division of Energy Resources and the Massachusetts Public Interest Research Group, were announced in March 1990. A goal of the Plan is to reduce our customers' electricity usage by 1 billion kilowatthours annually through the replacement of inefficient lighting, heating, cooling and other equipment in existing homes and businesses.

Demand-side management is just one of the tools Boston Edison employs to protect our state's environmental resources. Other methods include burning low-sulfur fuel oils and natural gas at our power stations, supporting the research and development of cleaner fuels and properly managing solid and hazardous wastes. The Company is fully aware that every power source, be it oil, gas, wind, solar or hydro, has an environmental impact.

We will pay close attention to air and water quality as well as the aesthetic and health impacts our facilities have on our neighbors. We will stay close to research on electromagnetic fields (EMF) and the Greenhouse Effect. And, as a consumer, we are recycling paper and other products and, in fact, printing this report on recycled paper. Our goal is to achieve balance between serving a basic need for electricity and protecting the environment.



MAKING MORE ICE CREAM FOR LESS

Through Boston Edison's Energy Efficiency Partnership program, Kraft General Foods will invest $3 million in energy efficiency improvements to its Framingham plant that will save more than 6 million kilowatthours of electricity annually. With Edison's rebate of $2.6 million, to be paid over two years, KGF Framingham will cut its annual energy costs by 33%, or about $430,000, reducing its cost of making ice cream by about 2.5 cents per gallon.

The Energy Efficiency Partnership among Boston Edison, the Commonwealth of Massachusetts and Kraft General Foods is a perfect example of the good that can be achieved through working together.

CHANGE

By now, it should be obvious that Boston Edison's future success depends on our ability to change the way we do business. This does not mean that the way we have done business in the past was wrong. To the contrary, we have a 104-year history of success in both good and bad economic times; we can and should take pride in our record of accomplishments.

It does mean that our customers require more and different services. It means that our employee workforce is changing and we must prepare for that change through better development, training and succession planning. And it means that you, our shareholders, can expect better value for your investment. By pursuing excellence, Boston Edison Company will successfully meet the changing needs of our customers, employees and shareholders.

APPOINTMENTS

Effective December 1, 1990:

Bernard W. Reznicek was elected Chief Executive Officer, succeeding Stephen J. Sweeney. Reznicek came to Edison as President and Chief Operating Officer in 1987 from the Omaha Public Power District, where he served as President and CEO from 1981 to 1987. He has more than 32 years experience in the utility industry in the areas of accounting, finance, employee relations and senior management.

Ralph G. Bird was elected Executive Vice President in charge of all engineering and production operations, including the Pilgrim Nuclear Power Station.

Thomas J. May was elected Executive Vice President in charge of the Company's finance, administration, customer service, marketing, planning and corporate relations organizations.

George W. Davis, Jr. was elected Senior Vice President, Nuclear.

John J. Higgins was elected Senior Vice President, Human Resources.

Roy A. Anderson was elected Vice President, Nuclear Operations and Station Director, effective October 1, 1990.

Effective February 1, 1991:

Martin S. Karl was elected Vice President, Corporate Planning

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

Richard S. Hahn, formerly Vice President, Energy Planning, is now Vice President of Marketing.

Stephen J. Sweeney retired on December 1, 1990 as the Company's Chief Executive Officer. He remains as Chairman of the Board of Directors.

Sweeney's retirement capped a 37-year career with Boston Edison, encompassing many important milestones both for the Company and for the utility industry in general. He was instrumental in developing a New England-wide system of interconnections among utilities, which improved the reliability and economy of the region's electrical system. He served as the first director of the Rhode Island, Eastern Massachusetts, Vermont Energy Control Center (REMVEC), one of four control centers that made the improved interconnection possible. At Edison, Sweeney was promoted through the management ranks to become Chairman, President and CEO in 1986. Among his accomplishments, Sweeney oversaw the recruitment of a new management team, the restoration of the Pilgrim Nuclear Power Station to full operation and the resolution of major regulatory and financial uncertainties.

Table of Contents for Financial Section

Management's Discussion and Analysis

Regulatory Proceedings

On October 31, 1989, the Commonwealth of Massachusetts Department of Public Utilities ("DPU") approved a settlement agreement (the DPU Settlement Agreement) effective November 1, 1989, relating to certain DPU proceedings involving the Company. On November 5, 1990 the Federal Energy Regulatory Commission (the "FERC") approved the Wholesale Settlement Agreements relating to claims filed by certain wholesale customers of the Company in conjunction with the 1986-1988 outage at Pilgrim Nuclear Power Station ("Pilgrim Station"). The Company made cash payments to the wholesale settling parties in the fourth quarter of 1990 of approximately $39,800,000 as discussed further hereunder. As a result of the DPU Settlement Agreement and the Wholesale Settlement Agreements, the Company recorded in the fourth quarter of 1989 a before-tax charge of $178,680,000, with an after-tax effect of $106,280,000 or $2.78 per share of common stock.

This charge was included in the 1989 year-end Statement of Income as a component of Other Income (Loss) consistent with accounting practice and presentation applicable to the electric utility industry. The components associated with this 1989 non-recurring charge to earnings are not recoverable through rates from either the Company's retail or wholesale customers. The charge to earnings for all of the Settlement Agreements includes approximately $80,000,000 of certain demand-side management expenses, $31,000,000 of previously deferred incremental nuclear outage expenses, $36,000,000 of litigation, regulation commission and other expenses, and $31,000,000 for certain replacement power costs. Demand-side management expenditures (not directly associated with the Settlement Agreements) are normally recoverable through rates pursuant to regulatory guidelines. Deferred incremental nuclear outage costs (not directly associated with the Settlement Agreements) are normally included as part of operating expenses (Amortization of Deferred Nuclear Outage Costs) in the Statement of Income. The Company expects to seek recovery of similar costs incurred in the future in accordance with past regulatory decisions of the DPU.

Results of Operations

Earnings per common share amounted to $2.01 in 1990, which includes $0.41 per common share relating to the cumulative effect of a change in accounting principle adopted as of January 1, 1990 (accrual of unbilled revenues). Excluding the charge of $2.78 per common share in 1989 related to the recording of the DPU and Wholesale Settlement Agreements, earnings per common share from continuing operations for the years ended December 31, 1989, and 1988 amounted to $1.90 and $1.86, respectively. The 1989 activity includes a $0.14 per common share gain from an eminent domain taking of certain Company property.

1990 Versus 1989

Earnings per common share for the year ended December 31, 1990 amounted to $2.01 as compared to a loss of ($0.88) for the year ended December 31, 1989.

The results of operations for the year ended December 31, 1990 include $0.41 per common share due to the cumulative effect of a change in accounting principle effective January 1, 1990 (accrual of unbilled revenues), as discussed further in Note I of "Notes to Consolidated Financial Statements". Excluding the cumulative effect of the change in accounting principle, earnings amounted to $1.60 per common share for the year ended December 31, 1990 as compared to a loss of $0.88 per common share ($0.84 per common share had the Company been accruing unbilled revenues in 1989) for the same period last year. The 1989 results include a $2.78 per common share charge relating to rate and contract settlements and a $0.14 per common share gain relating to an eminent domain taking of Company property as discussed further in Note C of "Notes to Consolidated Financial Statements". Net income for both periods includes several non-cash items, including equity income from certain investments in affiliated companies, amortization of prior year municipal property tax abatements, the reversal to income of certain deferred taxes, Allowances for Funds Used During Construction ("AFUDC"), and the imputed interest effect of the Company's retroactive adoption of Statement of Financial Accounting Standards ("SFAS") No. 90 as discussed further in Note D of "Notes to Consolidated Financial Statements". These non-cash items (excluding the effect of a change in accounting principle as discussed further in Note I of "Notes to Consolidated Financial Statements") amounted to $0.55 per common share in the year ended December 31, 1990 and $0.43 per common share for the same period last year.

Total operating revenues amounted to $1,258,546,000, a decrease of 0.9%, as follows:

0.2% increase in retail kWh sales billed	$ 266,000
Increase in performance clause revenues [a]	20,582,000
Decrease in fuel and purchased power adjustment clause revenues	(23,460,000)
Sales for resale	(4,608,000)
Other changes [b]	(3,579,000)
Decrease in total revenues	$ (10,799,000)

(a) As part of the DPU Settlement Agreement, effective November 1, 1989, the Company is permitted to increase retail rates by approximately $20,000,000 over the period November 1, 1989 to October 31, 1990, and an additional $72,500,000 increase in retail rates over the period November 1, 1990 to October 31, 1991 (subject to adjustment based upon the operation of Pilgrim Station). The Company experienced no significant adjustments during the first performance year which ended October 31, 1990.

(b) See Note I of "Notes to Consolidated Financial Statements" regarding the Company's 1990 adoption of a change in accounting principle.

Retail kWh sales billed for the year ended December 31, 1990 increased 0.2% in comparison to the same period last year. A major portion of the large decrease in fuel and purchased power revenues and fuel and purchased power expenses of $22,460,000 and $20,328,000, respectively is due to lower purchased energy costs associated with an increase in Company generation in 1990, which replaced higher cost kWh purchases from other utilities, as compared to the same period last year. Generation from Company owned facilities was up 9% for the year 1990 as compared to the same period last year coupled with a 24% decline in kWh purchased from other utilities primarily due to increased kWh output from Pilgrim Station. The major portion of fuel and purchased power expenses are recovered through fuel and purchased power clauses with the balance being recovered through the base rates.

Other operation and maintenance expenses increased $24,770,000, primarily as a result of increases in labor, employee benefits expense and uncollectibles, partially offset by decreases in regulatory commission and research and development expenses. Amortizat on of deferred nuclear outage costs decreased $19,876,000 due to the write off of substantially all deferred nuclear outage costs in the fourth quarter of 1989 as part of the $178,650,000 charge as discussed previously.

Property and other tax expense decreased $1,118,000 primarily due to lower property taxes as a result of the 1988 settlement of a tax dispute with the City of Boston, Massachusetts. The Company's effective income tax rates for the years ended December 31, 1990 and 1989 were 30.4% (including the cumulative effect of a change in accounting principle) and 26.7% (excluding the Settlement Agreements), respectively. The lower figure in 1989 is related to the reversal of certain prior years' deferred income taxes, the calculation of which was based upon a FERC rulemaking regarding AFUDC; these were being credited to income as such methodology has not been adopted by the DPU. In accordance with the terms of the DPU Settlement Agreement, the Company restored to income certain municipal tax abatements (approximately $13,000,000), and deferred income taxes ($2,000,000) for the year ended December 31, 1990. See also Note B of "Notes to Consolidated Financial Statements". Other income in 1989 includes a $0.14 per share gain on an eminent domain taking as discussed previously.

AFUDC totaled $8,833,000, a decrease of 16% from 1989, due to decreases in both the average construction work in progress base and the AFUDC rate. Total interest expense increased $5,635,000, primarily related to an increase in average short-term loan balance outstanding (which is necessary to support the Company's ongoing program of plant expenditures), the June 1990 issuance of $100,000,000 of thirty year 9 7/8% Debentures and $100,000,000 of five year 8 7/8% Debentures issued in December of 1990. The Company finances a portion of its capital expenditures through internally generated funds with the balance through external financings.

1989 Versus 1988

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

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

0.9% increase in retail kWh sales	$ 4,606,000
Performance clause revenues [a]	3,174,000
Increase in fuel and purchased power adjustment clause revenues	39,802,000
Sales for resale	11,155,000
Other increases, net [b]	7,953,000
Increase in total revenues	$ 66,690,000

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

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

Retail kWh sales for 1989 increased 0.9% from 1988. Sales for resale increased 85% in 1989 primarily as a result of increased output from Pilgrim Station, which returned to full power in 1989. Approximately 26% of the output from Pilgrim Station is sold to other utilities pursuant to long-term purchased power contracts. The large increases in fuel and purchased power revenues and fuel and purchased power expenses of $39,802,000 and $47,791,000, respectively, are due to rising fossil fuel prices and the increased cost per kWh purchased from other utilities. Pilgrim Station operated at gradually increasing power levels as part of the Power Ascension and Test Program in 1989 and thus, coupled with improved fossil unit performance, the Company was able to reduce its overall level of power purchases from outside sources to 22% in 1989 as compared to 40% in 1988. The major portion of fuel and purchased power expenses are recovered through fuel and purchased power clauses with the balance being recovered through base rates.

Other operation expenses increased $7,124,000, primarily as a result of increases in labor, employee benefits expense and uncollectibles. Maintenance expense decreased $15,972,000 due to decreased expenditures at Pilgrim Station and fewer weeks of scheduled unit overhauls in 1989 versus 1988. Depreciation and amortization expense increased $15,615,000 due to a large increase in the average depreciable plant investment base, primarily comprised of Pilgrim Station additions (which were completed and placed

into service in late 1988) and transmission and distribution equipment additions. Property and other tax expense decreased $4,640,000 due to lower property taxes as a result of the settlement of a tax dispute with the City of Boston, Massachusetts in late 1988. The Company's effective income tax rate for 1989 (excluding the DPU Settlement Agreement and the Wholesale Settlement Agreements) is 26.7% versus 26.9% in 1988. Income taxes expense per the accompanying financial statements decreased $1,646,000, a portion of which is due to a slight decline in taxable income. The Company also reversed certain prior years' deferred income taxes in both 1989 and 1988 associated with AFUDC related deferred taxes provided during the years 1977-1979, the calculation of which was based upon FERC Order 561 methodology. These were restored to income as such methodology has not been adopted by the DPU. The earnings per common share effect of these reversals was $0.15 in 1989 and $0.10 in 1988; see also Note J of "Notes to Consolidated Financial Statements".

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

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

Financial Condition, Liquidity and Outlook for Future

Financial Condition

In connection with the DPU Settlement Agreement, the Company has agreed to limit its retail revenue increases prior to November 1, 1992 to approximately 2% per year, subject to adjustment based on Pilgrim Station's performance. Accordingly, the Company's ability to maintain or increase earnings through October 31, 1992 will depend primarily on its ability to control costs and increase kilowatthour sales, as well as the efficient operation of Pilgrim Station. During the performance period November 1, 1989 through October 31, 1990 the Company received approximately $20,000,000 in accordance with the retail revenue increase previously discussed, adjusted for Pilgrim Station performance; during that period, Pilgrim Station operated at a capacity factor of approximately 68% which was within the neutral zone of performance per the DPU Settlement Agreement. Effective November 1, 1990 annual retail revenues increased an additional $22,500,000, subject to adjustment based upon Pilgrim Station's performance. In addition, if the Company would not otherwise achieve retail rates of return of 11.5% in 1991 and 12.0% in 1992, the Company may make certain accounting adjustments (but only to the extent that such adjustments do not result in the Company's exceeding such retail rates of return): (i) by reducing deferred income tax expense by $13,000,000 in 1991 and $23,000,000 in 1992 and (ii) by accelerating the amortization period of certain municipal property tax abatements totaling approximately $37,000,000 from six to three years. During the period November 1, 1992 through October 31, 2000, the Company has agreed to institute a new cost recovery mechanism, which is also tied to Pilgrim Station's performance, for a portion of the Company's investment and costs related to Pilgrim Station.

The Company's electric generation units, other than Pilgrim Station, are fossil fuel-fired (oil or natural gas). Fossil fuel related expenses (excluding net purchased power) accounted for approximately 21%, 24% and 19% of total operating expenses in each of the years ended December 31, 1990, 1989, and 1988, respectively. The majority of the Company's fossil fuel purchases involve imported residual fuel oil acquired primarily from international suppliers, and natural gas which is supplied to the Company on an "interruptible" basis. The Company has experienced recent increases in the price of residual fuel oil as a result of disruptions in the oil-producing regions of the world, but does not anticipate disruptions in the availability of supply to the New England region. The Company is currently recovering increased power generation costs associated with recent fossil fuel price increases via the normal operation of fuel adjustment clauses. The Company does not expect to be materially impacted by the passage of the Clean Air Act. The Company currently receives recovery of fossil fuel costs incurred, as a result of burning very low sulfur fuel oil in compliance with the new legislation, via existing fuel adjustment clauses in both its retail and wholesale rate schedules.

The Company is affected by inflation with respect to its operation and maintenance costs. The Company is also affected by inflation to the extent that inflation appears in the form of higher construction and related financing costs for new generation stations, transmission and distribution equipment, and significant improvements to existing facilities. The Company's level of depreciation expense is based upon the historical cost of its plant; the Company believes that depreciation expense calculated on a "replacement cost of facilities" basis would be significantly higher.

Expected Plant Expenditures and Future Generation Capacity

The Company's estimate of plant expenditures over the next five years (which is subject to continuing review and adjustments), is currently estimated to be approximately $1,004,000,000 (including nuclear fuel, but excluding AFUDC). Long-term debt and medium-term note maturities and sinking fund requirements for both debt and preferred stock aggregate $330,000,000 in the next five years; see also Note 5 of "Notes to Schedules of Capital Stock and Indebtedness" with respect to potential mandatory redemption requirements on the Company's outstanding Stated Rate Auction Preference Stock subsequent to November 1991.

The Company is continually studying various energy alternatives in order to address its capability requirements. Due to the demand for electricity in the region, and regulatory emphasis on least-cost options coupled with certain environmental considerations, a growing share of future plant expenditures is being invested in demand-side management programs and regional transmission facilities. Pursuant to guidelines from the DPU, the selection of least-cost options may be subject to advance approval of the DPU. Also, as part of the DPU Settlement Agreement, the Company committed to spend $75,000,000 in demand-side management programs during 1990-1992, of which approximately $53,127,000 remains to be spent as of December 31, 1990. In 1990, the Company continued to seek independent proposals for purchases of power from cogeneration facilities and/or private power producers, increased emphasis on customer utilization of demand-side management programs, and explored the feasibility of installing new generation capacity at the Edgar Energy Park, located on Company-owned property in Weymouth, MA. In addition, the Company continued to explore other least-cost options including potential long-term purchases of power from Canadian facilities and the installation of combustion turbines.

Liquidity and Financing

The Company's scheduled debt principal repayments are $56,800,000 in 1991. Interest on anticipated long-term debt outstanding, estimated to be $106,000,000 in 1991, is expected to be funded via normal cash flow from operations. Funds generated internally (excluding the effects of the 1989 rate and contract settlements) represented approximately 73%, 62% and 43% of plant expenditures in the years 1990, 1989 and 1988, respectively.

The Company's estimate of working capital needs for calendar years 1991 and 1992 is expected to be consistent with historical levels, except for the additional impact of the $77,000,000 of expected future cash outlays in 1991-1992 as part of the settlement agreements (of which approximately $54,000,000 are classified as a current liability on the Company's balance sheet). Approximately $68,000,000 of similar payments were made the settling parties in 1990. The Company meets working capital requirements, as well as the interim financing necessary for its current program of plant expenditures, primarily by internally generated funds, supplemented by the issuance of short-term commercial paper and bank borrowings. The Company currently has short-term borrowing authority from the FERC of $350,000,000, which the Company deems adequate to cover working capital and other liquidity requirements (including the $77,000,000 of remaining future cash outlays as discussed above). As of December 31, 1990, the Company had $153,530,000 of short-term debt outstanding (which excludes $56,800,000 of long-term debt due within one year and $21,000,000 of short-term debt issued by the Company's wholly-owned subsidiary). The Company has available a three year $330,000,000 revolving credit facility which expires in February, 1993. As of December 31, 1990, the Company had not applied to the DPU for regulatory approval to incur long-term debt under this agreement, nor had the Company incurred any short-term debt thereunder. The Company also has arrangements with certain banks to provide additional short-term credit on an uncommitted and as available basis.

In June, 1990 the Company issued $100,000,000 of 9 7/8% Debentures due 2020, in December, 1990 the Company issued another $100,000,000 of 8 7/8% Debentures due 1995. In December, 1990 Harbor Electric Energy Company (HEEC), a wholly-owned subsidiary of the Company, borrowed the proceeds of $21,000,000 of short-term Sewage Facility Revenue Bonds (the Bonds) issued for the benefit of HEEC by the Industrial Development Financing Authority of the City of Boston, Massachusetts. The net proceeds of the Bonds were used by HEEC to reimburse the Company for advances extended to pay the costs of acquiring, equipping and installing certain electric transmission facilities owned and operated by HEEC. In 1990, the Company redeemed both the remaining $6,110,000 of Series V Bonds (12 5/8%) and $10,029,000 of Series T Bonds (12 1/4%). As a result of the net increase in long-term debt securities outstanding, the Company's capitalization ratios became: 55% long-term debt, 11% preferred/preference stock, and 34% common equity. In September, 1990, the Company filed for an additional 2,000,000 shares of common stock with the Securities and Exchange Commission to be issued in accordance with the Company's Dividend Reinvestment and Common Stock Purchase Plan.

Outlook for Future

A large portion of the Company's kWh sales are in the commercial sector as compared to the industrial sector. The New England area is currently experiencing a sluggish economy. While the Company does not anticipate any significant effects from a continuation of the current slowdown in the regional economy, the Company does not anticipate significant growth in retail kWh sales. Retail kWh sales billed for the year ended December 31, 1990 were 0.2% greater than the same period last year. Future revenues commencing in February and July, 1991 will include annual rate increases of $6,800,000 and $2,800,000, respectively from certain wholesale customers; such increases are subject to refund pending the outcome of a wholesale rate hearing. The Company intends to file in the first quarter of 1991 with the DPU for recovery of certain expenditures related to demand-side management ("DSM") programs, recovery of lost base revenues associated with the implementation of these demand-side management programs, and an incentive consistent with similar filings of other Massachusetts electric utilities. Some of the major programs include: 1) rebates to customers for reduced energy consumption, 2) offering commercial and industrial customers programs to revamp facilities, 3) offering the largest commercial and industrial customers the opportunity to redesign energy systems, 4) cash incentives to customers for the use

of their own on-site generation, 5) offering commercial and industrial customers rebates for replacing lighting systems with more energy efficient systems, and 6) offering energy saving measures to residential customers who use electric hot water heating systems. The Company has expended approximately $28,000,000 during 1990 for DSM expenditures of which approximately $22,000,000 is associated with the previously discussed DPU Settlement Agreement.

In 1989, Northeast Utilities became the apparent successful bidder for the ownership of Public Service of New Hampshire, an electric utility serving a large portion of the State of New Hampshire. While completion of the transaction is subject to various regulatory approvals, preliminary approvals for this merger were granted in December, 1990. The Company and other utilities are requesting the FERC to impose conditions on this takeover on the basis that the new combined entity would control most of the excess generating capacity in New England and most of the available major electric transmission facilities entering the southeastern New England region.

On September 21, 1990, the U. S. Court of Appeals for the First Circuit reversed a May 1989 jury verdict against the Company for $39,300,000 in an antitrust suit brought by certain of the Company's municipal customers. On January 22, 1991, the Customers petitioned the United States Supreme Court for a writ of certiorari seeking to restore the jury verdict. The Company believes that, even in the unlikely event that the Supreme Court will agree to hear the appeal, the 1989 judgment against the Company will not be reinstated. That judgment is not reflected in the accompanying financial statements, and accordingly, the Appeals Court decision had no effect on the Company's reported earnings.

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

Pilgrim Station Operating License Extension

In January, 1991, the NRC extended Pilgrim Station's operating license from the year 2008 to 2012, an extension of approximately three and one half years.

Edgar Energy Park

On May 1, 1990, the Company filed its Long-Range Forecast of Electric Power Needs and Requirements for the years 1990-2014 with the Commonwealth of Massachusetts Energy Facilities Siting Council (the "EFSC"). Included with this filing was a request for approval of the Edgar Energy Park project, which is a proposed 300 MW combined cycle generating station which the Company plans to construct on the Company-owned site of the retired Edgar Generating Station located in Weymouth, Massachusetts. Also on May 1, 1990 the Company filed with the DPU a request for a zoning exemption for the Edgar Energy Park Project. On August 1, 1990, the Company filed additional requests at the DPU seeking 1) approval to form a wholly-owned subsidiary to construct and operate the 300 MW generating unit at the Edgar Energy Park, 2) approval to make an equity investment up to $90,000,000 in the subsidiary; and 3) approval of a contract between the Company and the subsidiary under which the Company would purchase the energy and capacity of the generating unit for 20 years. DPU hearings on approval to form the subsidiary and to make an initial investment in the subsidiary commenced in late 1990. Hearings on the Company's filing before the EFSC are anticipated to commence in the first quarter of 1991. On January 31, 1991 the Company filed for FERC approval of the power purchase contract between the Company and its subsidiary.

In addition to proceedings before the DPU, EFSC and FERC, the Company has also commenced applications for other required permits and approvals, including in particular many environmental permits, before a number of other federal, state and local agencies. Receipt of all the various permits and regulatory approvals is not expected until the second half of 1991. Assuming the successful early completion of permitting activities and receipt of regulatory approvals, it is anticipated that construction of this facility by the subsidiary could start by the end of 1991. The Company has currently expended approximately $3,000,000 on this project which is included in construction work in progress.

Harbor Electric Energy Company

On November 2, 1990, HEEC and the Company filed an application requesting approval of a financing plan with the DPU. In the event the financing plan is not approved by the DPU by December 31, 1991, HEEC will be required to dissolve and its assets and liabilities will be transferred to the Company.

Other Uncertainties

Emergency Preparedness Plan for Pilgrim Station

On August 4, 1987, the Federal Emergency Management Agency ("FEMA") released the results of a review of the adequacy of the offsite emergency preparedness plan for Pilgrim Station. FEMA identified certain deficiencies in the then existing offsite emergency response plan and withdrew its previous interim finding of adequacy. The Company continues to work with the Commonwealth of Massachusetts (the Commonwealth) and local officials to improve offsite emergency preparedness plans, which are the responsibility of the Commonwealth. On January 30, 1991, the Commonwealth submitted the Annual Letter of Certification for the Pilgrim Station offsite emergency preparedness program to FEMA pursuant to applicable FEMA guidance.

On October 12 and 13, 1989, the Company, along with the Commonwealth and local officials, participated in a full scale emergency preparedness exercise for Pilgrim Station. The exercise was monitored by the Nuclear Regulatory Commission ("NRC") and FEMA. On February 1, 1990, FEMA issued a report to the Commonwealth identifying two deficiencies in the Commonwealth's

performance during the October drill and directed the state to schedule and successfully complete a remedial drill addressing these deficiencies. The remedial drill was conducted on May 25, 1990. On August 31, 1990, FEMA issued its final report on the emergency preparedness exercise conducted on October 12 and 13, 1989. The report indicated that there were no deficiencies following the remedial drill conducted on May 25, 1990. The report identified forty-three areas requiring corrective action (which the Commonwealth and local communities must resolve in future exercises) as well as nine planning issues. The next full participation biennial exercise is tentatively scheduled for August 1991.

In July 1990, the Inspector General of the NRC issued a report which was critical of the NRC's review of the adequacy of the offsite emergency preparedness program during the fall of 1988. As a result of the Inspector General's Report, a congressional hearing was held in Plymouth on October 30, 1990 and a task force was created by the NRC for the purpose of conducting an in-depth review of the adequacy of the offsite emergency preparedness program. The task force, which is comprised of officials from the NRC and FEMA, is meeting with local and state officials to determine whether the NRC should reconsider its current finding that there is reasonable assurance that the offsite program is adequate. It is not anticipated that the task force will complete these deliberations before the second quarter of 1991.

While progress has been made in emergency preparedness in recent years, formal approval of the offsite emergency plans for Pilgrim Station has not been obtained from any of the necessary parties. As previously stated, the NRC will continue to monitor emergency preparedness issues on an ongoing basis. Various individuals and groups continue to monitor and oppose operations at Pilgrim Station.

Cancer Studies Completed

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

In October, 1990, the Commonwealth of Massachusetts Department of Public Health released the results of a three-year case control study conducted for the purpose of investigating adult leukemia incidence rates for certain communities surrounding Pilgrim Station. The report stated that prior to 1984 there was an increased incidence of adult leukemia among persons living near Pilgrim Station as compared to those living in an area more remote from Pilgrim Station. The study recommended increased monitoring of radiation releases from the plant, stricter air quality requirements in the Commonwealth and a study of childhood leukemia incidences. The Company strongly disputes the findings of the Commonwealth's study. The results are contrary to a large body of scientific information collected over the past forty years on the health effects of radiation. The Company and the Massachusetts Department of Public Health have jointly proposed a further review of the study in order to resolve open issues.

Income Taxes

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

Post Retirement Benefits Other Than Pensions

In December 1990, the FASB issued SFAS No. 106 - "Accounting for Postretirement Benefits Other than Pensions" which will be effective for the 1993 fiscal year. SFAS No. 106 requires an actuarial method of accounting for benefits (other than pensions) for retired employees and future retirees. The Company currently recognizes such benefits primarily as claims are paid. While the Company may be faced with a large increase in liability, the Company has not yet fully determined the effect of implementing this accounting pronouncement, nor the potential recovery of such expenses via effects of the rate-making process. The adoption of this accounting pronouncement is not expected to impact cash flow in the near future.

Consolidated Statements of Income (Loss)

(in thousands, except earnings (loss) per share)	1990	1989	1988
		years ended December 31,	
Operating revenues	$ 1,258,546	$ 1,269,345	$ 1,202,655
Operating expenses:			
Fuel	276,333	277,274	205,305
Net purchased power	187,801	207,188	231,366
Other operations and maintenance	381,420	356,650	365,498
Depreciation and amortization (Note L)	121,881	120,759	105,144
Amortization of deferred cost of cancelled nuclear unit (Note D)	24,381	24,381	24,381
Amortization of deferred nuclear outage costs (Note B)	1,500	21,376	21,376
Taxes - property and other	55,854	56,972	61,612
Provision for income taxes (Note J)	29,638	26,222	27,868
Total operating expenses	1,078,808	1,090,822	1,042,550
Operating income	179,738	178,523	160,105
Other income (loss):			
Rate and contract settlements (Note B)	0	(178,650)	0
Income taxes on rate and contract settlements (Note J)	0	72,370	0
Allowance for other funds used during construction (Note E)	0	1,362	6,875
Other, net (Notes C, D and J)	6,294	11,041	1,309
Operating and other income	186,032	84,646	168,289
Interest charges:			
Long-term debt	93,706	91,674	81,783
Other	21,543	18,219	18,335
Allowance for borrowed funds used during construction - credit (Note E)	(8,833)	(9,112)	(16,041)
Total interest charges	106,416	100,781	84,077
Income (loss) before cumulative effect of accounting change	79,616	(16,135)	84,212
Cumulative effect of accrual for unbilled revenues, net of taxes of $9,819 (Note I)	15,824	0	0
Net income (loss)	95,440	(16,135)	84,212
Preferred and preference dividends provided	17,652	17,653	14,141
Balance available for common stock (Note B)	$ 77,788	$ (33,788)	$ 70,071
Common shares outstanding (weighted average)	38,779	38,246	37,684
Earnings (loss) per share of common stock:			
Before cumulative effect of accounting change	$1.60	$(0.88)	$1.86
Cumulative effect of accrual of unbilled revenues (Note I)	0.41	0	0
Total	$ 2.01	$ (0.88)	$ 1.86

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

Consolidated Statements of Cash Flows

(in thousands)	1990	1989	1988
		years ended December 31,	
Cash flows from operating activities:			
Net income (loss)	$ 95,440	$ (16,135)	$ 84,212
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Cumulative effect (net) for years prior to 1990 of change for unbilled revenues	(15,824)	0	0
Rate and contract settlements, net (Note B)	(68,070)	98,630	0
Depreciation (Notes A and J)	107,659	106,727	92,316
Amortization of nuclear fuel	25,913	10,614	2,688
Amortization of deferred cost of cancelled nuclear unit (net) (Note D)	19,967	18,898	17,903
Other amortization	12,922	12,159	11,364
Allowance for funds used during construction	(8,833)	(10,474)	(22,916)
Net changes in:			
Accounts receivable	21,173	(27,515)	20,699
Fuel, materials & supplies	(16,890)	(1,536)	21,133
Accounts payable	16,320	5,502	(14,930)
Other current assets and liabilities	(105)	14,783	(13,748)
Other, net	6,696	25,242	2,748
Net cash provided by operating activities	196,368	236,895	201,469
Cash flows provided (used) by investing activities:			
Plant expenditures (excluding AFUDC)	(255,784)	(235,946)	(245,103)
Decommissioning fund	(6,679)	(6,983)	(3,337)
Investments in electric companies	(3,367)	(11,207)	(874)
Proceeds from asset dispositions (Note C)	0	9,145	0
Net cash (used) by investing activities	(265,830)	(244,991)	(249,314)
Cash flows provided (used) by financing activities:			
Issuances:			
Common stock	8,623	10,943	7,866
Preferred and preference stock	0	0	50,000
Long-term debt	200,000	0	150,000
Sewage facility revenue bonds	21,000	0	0
Redemptions:			
Debt retirements	(23,689)	(16,270)	(6,125)
Net change in notes payable	(60,310)	99,260	(71,083)
Dividends paid	(76,484)	(87,083)	(82,207)
Net cash provided by financing activities	69,140	6,850	48,451
Net increase (decrease) in cash	(322)	(1,246)	606
Cash at the beginning of the year	1,989	3,235	2,629
Cash at the end of the year	$ 1,667	$ 1,989	$ 3,235
Cash paid during the year for:			
Interest, net of amounts capitalized	$ 105,642	$ 100,647	$ 78,509
Income taxes	$ 19,227	$ 42,159	$ 43,843

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

Consolidated Balance Sheets

(in thousands)		1990		December 31, 1989
Assets				
Property, plant and equipment, at original cost (Notes A, B, E, F and L):				
Utility plant in service	$ 3,317,696		$ 3,172,132	
Less: accumulated depreciation	1,015,371	$ 2,302,325	950,298	$ 2,221,834
Nuclear fuel	248,595		235,862	
Less: accumulated amortization	163,694	84,901	142,023	93,839
Construction work in progress		142,233		83,827
Total		2,529,459		2,399,500
Investments in electric companies, at equity		25,793		22,427
Nuclear decommissioning fund (Note L)		37,765		31,085
Current assets:				
Cash	1,667		1,989	
Accounts receivable	163,648		187,950	
Accrued unbilled revenues (Note I)	28,772		0	
Fuel, materials & supplies, at average cost	106,533		89,643	
Prepaid expenses & other current assets	6,116	306,736	7,260	286,842
Deferred debits:				
Deferred cost of cancelled nuclear unit (Note D)	64,777		84,744	
Other (Note A)	49,593	114,370	53,673	138,417
Total assets		$ 3,014,123		$ 2,878,271
Capitalization and Liabilities (see accompanying Schedules of Capital Stock and Indebtedness)				
Common stock equity		$ 671,362		$ 644,548
Cumulative preferred stock:				
Non-mandatory redeemable series		83,000		83,000
Mandatory redeemable series		50,000		50,000
Cumulative preference stock:				
Non-mandatory redeemable series		38,287		38,287
Mandatory redeemable series		50,000		50,000
First mortgage bonds		774,025		798,839
Debentures		200,000		0
Unsecured medium-term notes		100,000		150,000
Current liabilities: (Note H)				
Sewage facility revenue bonds	$ 21,000		$ 0	
Long-term debt due within one year	56,800		5,675	
Notes payable	153,530		213,840	
Accounts payable	132,211		115,891	
Income, property and other taxes accrued (Note J)	7,278		8,669	
Interest accrued	21,878		21,104	
Dividends payable	18,073		17,308	
Other	6,376		7,008	
Rate and contract settlements (Note B)	53,784	470,930	89,541	479,036
Deferred credits:				
Accumulated deferred income taxes (Note J)	405,895		377,227	
Accumulated deferred investment tax credits (Note J)	89,271		94,835	
Nuclear decommissioning reserve (Note L)	41,323		35,409	
Rate settlement (Note B)	23,300		50,000	
Other	16,730	576,519	27,090	584,561
Commitments and contingencies (Notes B, F, G and H)				
Total capitalization and liabilities		$ 3,014,123		$ 2,878,271

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

Consolidated Statements of Retained Earnings

(in thousands)	1990	1989	1988
		years ended December 31,	
Balance at beginning of year	$ 142,952	$ 243,569	$ 242,161
Net income (loss)	95,440	(16,135)	84,212
Subtotal	238,392	227,434	326,373
Cash dividends declared			
Preferred	9,147	9,147	9,147
Preference	8,505	8,506	4,994
Common	59,597	66,829	68,663
Subtotal	77,249	84,482	82,804
Balance at end of year	$ 161,143	$ 142,952	$ 243,569

Consolidated Schedules of Capital Stock

(in thousands, except per share amounts)		1990	1989
			December 31,
Common stock equity:			
Common stock			
Par value $5 per share (Note 1), 50,000,000 shares authorized, issued and outstanding 38,998,531 and 38,526,035 shares		$ 194,993	$ 192,630
Premium on common stock		314,821	308,561
Retained earnings		161,143	142,952
Surplus invested in plant		405	405
Total		$ 671,362	$ 644,548
Cumulative preferred stock:			
Par value $100 per share, 2,830,000 shares authorized; issued and outstanding:			
Non-mandatory redeemable series (Note 2):			
Series	Shares		
4.25%	180,000	$ 18,000	$ 18,000
4.78%	250,000	25,000	25,000
8.88%	400,000	40,000	40,000
Total		$ 83,000	$ 83,000
7.27% mandatory redeemable series (Note 3) - 500,000 shares		$ 50,000	$ 50,000
Cumulative preference stock:			
Par value $1 per share, 8,000,000 authorized; issued and outstanding:			
Non-mandatory redeemable series (Note 4):			
$1.46 Series - 2,675,000 shares		$ 2,675	$ 2,675
Premium on $1.46 Series		35,612	35,612
Total		$ 38,287	$ 38,287
Mandatory redeemable series (Note 5):			
Stated rate auction preference stock - 500,000 shares		$ 500	$ 500
Premium on stated rate auction preference stock		49,500	49,500
Total		$ 50,000	$ 50,000

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

Consolidated Schedules of Indebtedness

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

Series	Interest Rate (%)	Maturity	(in thousands) December 31, 1990	1989
H	4 1/4	June 1, 1992	$ 15,000	$ 15,000
I	4 3/4	Nov. 1, 1995	25,000	25,000
J	6 1/8	June 1, 1997	40,000	40,000
K	6 7/8	Nov. 1, 1998	50,000	50,000
L	9	Dec. 1, 1999	50,000	50,000
M	9 3/8	July 1, 2000	60,000	60,000
N	8 1/8	May 15, 2001	75,000	75,000
S	Variable	Jan. 15, 2002	25,000	25,000
Q	9 3/4	Dec. 15, 2003	74,575	78,375
R	10.95	Oct. 31, 2004	56,250	60,000
P	9 1/4	Apr. 15, 2007	60,000	60,000
T	12 1/4	Apr. 15, 2013	0	10,029
U	10 1/4	Apr. 1, 2014	15,000	15,000
V	12 5/8	Apr. 1, 2015	0	6,110
W	9 1/2	July 15, 2016	135,000	135,000
X	11	Sept. 15, 2017	100,000	100,000
Total first mortgage bonds			780,825	804,514
Less: due within one year			6,800	5,675
First mortgage bonds - net			$ 774,025	$ 798,839

	1990	1989
Unsecured medium-term notes	$ 150,000	$ 150,000
Less: due within one year	50,000	0
Unsecured medium-term notes - net	$ 100,000	$ 150,000
Debentures (Note 7):		
9 7/8%, due June 1, 2020	$ 100,000	0
8 7/8%, due December 11, 1995	100,000	0
Total debentures	$ 200,000	0
Short-term debt:		
Boston Edison Company:		
Notes payable (Note 8):		
Bank loans	$ 72,500	$ 39,000
Commercial paper	81,030	174,840
Total notes payable	$ 153,530	$ 213,840
Harbor Electric Energy Company:		
Sewage facility revenue bonds (Note 9)	$ 21,000	0

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

Notes to Consolidated Schedules of Capital Stock and Indebtedness

1. Common Stock

Since December 31, 1987, the Company has issued shares of common stock, $5 par value, as follows:

	Number of Shares	Total Par Value	Premium on Common Stock
Balance December 31, 1987	37,424,910	$187,124,550	$295,257,031
Dividend Reinvestment Plan [a]	468,881	2,344,405	5,522,068
Balance December 31, 1988	37,893,791	$189,468,955	$300,779,099
Dividend Reinvestment Plan [a]	632,294	3,161,470	7,781,966
Balance December 31, 1989	38,526,085	$192,630,425	$308,561,065
Dividend Reinvestment Plan [a]	472,446	2,362,230	6,620,499
Balance December 31, 1990	38,998,531	$194,992,655	$314,821,564

(a) The remaining authorized common shares reserved for future issuance under the Dividend Reinvestment and Common Stock Purchase Plan are 2,045,866 shares at December 31, 1990.

2. Cumulative Non-Mandatory Redeemable Preferred Stock

There were no changes during 1988, 1989, or 1990 in cumulative non-mandatory redeemable preferred stock. The redemption prices at December 31, 1990 for the 4.25%, 4.78% and 8.88% Series of Cumulative Preferred Stock are $103.625, $102.80, and $102.00, respectively. Upon any liquidation of the Company, holders are entitled to $100 per share.

3. Cumulative Mandatory Redeemable Preferred Stock

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

4. Cumulative Non-Mandatory Redeemable Preference Stock

There were no changes during 1988, 1989, or 1990 in the $1.46 Series of Preference Stock. Upon resolution of the Board of Directors, the shares may be redeemed as a whole or in part; the redemption price at December 31, 1990 is $15.146 per share. Subject to the prior preferential rights of the cumulative preferred stockholders, upon involuntary liquidation of the Company, holders of the $1.46 Series are entitled to receive $15 per share.

5. Cumulative Mandatory Redeemable Preference Stock

On October 6, 1988, the Company issued 500,000 shares of Stated Rate Auction Preference Stock, Series A ("STRAPS"), Liquidation Value of $100 per share, Par Value of $1.00 per share, at a price of $100 per share. The dividend rate is 9.20% per annum through November 30, 1991. Thereafter, the dividend rate, for dividend periods whose length shall be selected by the Company, will be determined by auction and may not exceed a Maximum Permitted Rate established by the Commonwealth of Massachusetts Department of Public Utilities ("DPU"), which is currently 15%. In certain circumstances, if the dividend rate would exceed the Maximum Permitted Rate, the Company is obligated to redeem the STRAPS at $100 per share plus accrued and unpaid dividends. The Company may in the future, but is not obligated to, petition the DPU for an order increasing or eliminating the Maximum Permitted Rate. Dividends are cumulative from date of original issue and are payable when and as declared out of funds legally available therefor. The STRAPS are redeemable at the Company's option at $100 per share plus accrued and unpaid dividends to the redemption date, at the end of the initial dividend period (November 30, 1991) and at certain other times thereafter. The Company's preference stock is subordinate to the cumulative preferred stock but senior to its common stock both with respect to dividends and upon liquidation. Without approval of the holders of the Company's common stock, the aggregate liquidation value of all outstanding shares of preference stock cannot exceed $100,000,000. Following the issuance of the STRAPS, the Company may not issue additional shares of preference stock having a liquidation value in excess of approximately $10,000,000 without obtaining such approval. The Company does not expect to be able to satisfy net earnings requirements necessary to issue additional series of cumulative preferred stock before the second quarter of 1991.

6. Long-Term Debt

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

The aggregate principal amounts of long-term debt, debentures and medium-term notes including sinking fund requirements due in the five years 1991 through 1995 are $56,800,000, $21,800,000, $56,800,000, $56,800,000, and $131,800,000, respectively. See also Note 3 preceding with respect to a sinking fund requirement on the Company's outstanding 7.27% redeemable preferred stock which commences in 1993 and Note 5 preceding with respect to a potential mandatory redemption requirement on the Company's outstanding STRAPS which may be in effect subsequent to November 30, 1991.

The Company's First Mortgage Bonds, Series S, adjustable rate due 2002, bore interest at 10.30% per annum for the period January 15, 1990 through January 14, 1991. The rate is adjusted annually and is based upon the ten year constant maturity Treasury Rate as published by the Federal Reserve Board. The interest rate for the period January 15, 1991 through January 14, 1992 will be 10.50%.

In April of 1990, the Company redeemed all of the outstanding Series T and V Bonds at a total redemption price of $17,678,000 (including a redemption premium of $1,539,000).

On September 15, 1988 the Company issued $150,000,000 Medium-Term Notes, Series A, in three equal increments of $50,000,000, bearing interest at 9.35%, 9.65% and 9.75% per annum and maturing on September 16, 1991, September 15, 1993, and September 15, 1994, respectively. The effective cost to the Company after underwriting commissions was 9.71%. The 9.35% notes are not redeemable. The 9.65% and 9.75% notes are redeemable after September 15, 1991 and September 15, 1992, respectively at 102.4125% and 101.95% of par value, respectively declining to 100% of par value in 1992 and in 1993, respectively. Interest is payable on March 1 and September 1 in each year, and at maturity. The notes are unsecured obligations of the Company.

7. Debentures

On June 11, 1990, the Company issued $100,000,000 of debentures. The debentures bear an interest rate of 9.875% per annum and mature on June 1, 2020. On or after June 1, 2000, the debentures are redeemable at prices declining from 104.483% of par beginning on June 1, 2000 to 100% of par on and after June 1, 2010. On December 18, 1990, the Company issued an additional $100,000,000 of debentures which bear an interest rate of 8.875% per annum and mature on December 15, 1995 and are not callable before that date. The net proceeds from the sales of the securities were used to reduce certain outstanding short-term indebtedness incurred for capital expenditures for extensions, additions and improvements to the Company's plant and properties.

8. Notes Payable

The Company amended a $330,000,000 revolving credit agreement with a group of banks in March 1990. This agreement replaced most of the Company's committed short-term lines of credit and is intended to provide a standby source of short-term borrowings. The agreement terminates on the earlier of (i) February 28, 1993 or (ii) the 364th day following the first borrowing if the Company has not received regulatory approval to incur indebtedness pursuant to the agreement payable more than one year after the date thereof. As of December 31, 1990, the Company had not applied to the DPU for regulatory approval to incur long-term debt under the agreement nor had the Company incurred any short-term debt thereunder. The Company is obligated to pay commitment fees on the unused portion of the commitment amount.

Under the terms of this agreement the Company is required to maintain and forecast certain financial ratios related to capitalization and interest coverages. The most restrictive covenant requires that the Company not declare dividends or make other distributions on its common stock, or incur additional debt if certain capitalization ratios are not maintained. As of December 31, 1990, the Company's capitalization ratio exceeded the minimum requirement. See also Note H.

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

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

(thousands of dollars)	1990	1989	1988
Maximum short-term borrowings	$302,900	$233,275	$340,705
Daily weighted average amount outstanding	$221,525	$169,377	$212,344
Weighted average interest rates, excluding commitment fees, on balance during the year (daily)	8.5%	9.4%	7.6%

9. Sewage Facility Revenue Bonds

On December 21, 1990, Harbor Electric Energy Company (HEEC), a wholly owned subsidiary of the Company, borrowed the proceeds of $21,000,000 of short-term sewage facility revenue bonds (the Bonds) issued for the benefit of HEEC by the Industrial Development Financing Authority of the City of Boston, Massachusetts, at a coupon rate of 6.35%. Principal and accrued interest are due on December 10, 1991 subject to early redemption at par beginning on July 1, 1991. The net proceeds of the Bonds were used by HEEC to reimburse the Company for advances extended to pay the costs of acquiring, equipping and installing certain electric transmission facilities owned and operated by HEEC. The Bonds are secured by a letter of credit. The Bonds are non-recourse debt to the Company, although the Company is required to make loans of up to $5,000,000 to HEEC following the occurrence of default by HEEC under its agreement with the bank issuing the letter of credit and to assume HEEC's payment obligations to the bank in the event of certain amendments to or the termination of HEEC's corporate charter.

Notes to Consolidated Financial Statements

Note A. Summary of Significant Accounting Policies

The Company is subject to regulation by various agencies. Because of the effect in regulated businesses of the rate-making process, there are differences in generally accepted accounting principles between regulated and nonregulated businesses. Such differences are related principally to the time at which various items enter into the determination of net income in accordance with the principle of matching costs and revenues. (Accounting policies are also described in Notes B, E, I, J, K and L). Certain reclassifications, not affecting income, have been made to amounts reported in prior years to conform to presentations used in 1990.

1. Basis of Consolidation

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

2. Depreciation, Amortization and Maintenance

Physical property (excluding a factor for nuclear decommissioning costs) was depreciated on a straight-line basis in 1990, 1989 and 1988 at approximately 3.41%, 3.59% and 3.46% annually, respectively, utilizing the average remaining life method of computing depreciation. At the time of retirement of property units, their cost and the net of cost of removal and salvage is charged to accumulated depreciation.

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

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.

3. Forecasted Fuel Clause and Performance Clause

The Company's retail fuel and purchased power adjustment clause permits all fuel costs, the capacity portion of certain purchased power costs, and certain transmission and demand-side management costs to be billed to customers monthly utilizing a forecasted rate. The difference between actual and estimated cost is included in accounts receivable on the accompanying balance sheets pending adjustments of subsequent rates. The non-fuel portion of certain purchased power costs are recovered through base rates. The DPU has the right to reduce subsequent fuel clause billings if it finds that the Company has been unreasonable or imprudent in the operation of its generating units or in the procurement of fuel. As part of the DPU Settlement Agreement (discussed further in Note B), the Company commenced the billing of a performance adjustment clause to retail customers effective November 1989.

4. Revenue Recognition

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

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

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

Note B. Settlement of Certain Proceedings

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

The non-recurring charge to earnings associated with all of the Settlement Agreements, totaling approximately $178,650,000 before taxes, included approximately $80,000,000 for demand-side management programs, $31,000,000 for certain replacement power costs, $36,000,000 of litigation, regulatory commission and other expenses and the write off of the remaining $31,000,000 of previously deferred incremental nuclear outage costs incurred prior to 1989. Prior to the October 1989 Settlement Agreements, previously deferred incremental nuclear outage costs were being amortized to expense (as part of normal operating expenses) over a five year period consistent with previous retail rate orders from the DPU and wholesale contract provisions.

The Company made cash outlays relating to all Settlement Agreements of approximately $8,000,000 in 1989 and approximately $68,070,000 for the year ended December 31, 1990. As of December 31, 1990, the Company anticipates making future cash outlays of approximately $77,000,000 as part of these approved settlement agreements (of which approximately $54,000,000 are classified as a current liability on the Company's balance sheet).

In connection with the DPU Settlement Agreement, the Company has agreed to limit its retail revenue increases prior to November 1, 1992 to approximately 2% per year, subject to adjustment based on Pilgrim Station's performance. Accordingly, the Company's ability to maintain or increase earnings through October 31, 1992, will depend primarily on its ability to control costs and increase kilowatthour sales, as well as the efficient operation of Pilgrim Station. During the performance period November 1, 1989 through October 31, 1990 the Company received approximately $20,000,000 in accordance with the retail revenue increase previously discussed, adjusted for Pilgrim Station performance; during that period, Pilgrim Station operated at a capacity factor of approximately 68% which was within the neutral zone of performance per the DPU Settlement Agreement. Effective November 1, 1990 annual retail revenues increased an additional $22,500,000, subject to adjustment based upon Pilgrim Station's performance. In addition, if the Company would not otherwise achieve retail rates of return of 11.5% in 1991 and 12.0% in 1992, the Company may make certain accounting adjustments (but only to the extent that such adjustments do not result in the Company's exceeding such retail rates of return): (i) by reducing deferred income tax expense by $13,000,000 in 1991 and $23,000,000 in 1992 and (ii) by accelerating the amortization period of certain municipal property tax abatements totaling approximately $37,000,000 from six to three years. During the period November 1, 1992 through October 31, 2000, the Company has agreed to institute a new cost recovery mechanism, which is also tied to Pilgrim Station's performance, for a portion of the Company's investment and costs related to Pilgrim Station.

Note C. Eminent Domain Taking

On May 4, 1989 the Commonwealth of Massachusetts Metropolitan District Commission (the "MDC") filed an order of land taking with respect to certain Company-owned property located in Quincy, MA. The MDC tendered its offered amount of $9,145,000 to the Company on August 24, 1989, and the Company recorded a gain of $0.14 per common share, which is reflected in the accompanying financial statements. The Company has three years from the date of the eminent domain taking to determine whether to pursue additional damages in court.

Note D. Cancelled Nuclear Unit

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

The Company's adoption of Statement of Financial Accounting Standards ("SFAS") No. 90, "Accounting for Abandonments and Disallowances of Plant Costs", in 1987 had the effect of increasing net income for 1990, 1989 and 1988 by $2,724,000 ($0.07 per share), $3,384,000 ($0.09 per share) and $3,998,000 ($0.11 per share), net of taxes of $1,690,000, $2,099,000 and $2,481,000, respectively, due to the inclusion in net income of the imputed interest income related to the cancelled Pilgrim 2 nuclear unit costs being recovered through revenues from customers. At December 31, 1990, the unamortized discount was approximately $6,034,000, with related deferred taxes of $2,311,000.

Note E. Allowance for Funds Used During Construction

The Company capitalizes as part of plant expenditures an allowance for funds used during construction ("AFUDC"). AFUDC represents the estimated cost of borrowed and equity funds used to finance the Company's plant expenditures. This cost is not an item of current cash income, but is recovered over the service life of plant in the form of increased revenue collected as a result of higher depreciation expense. AFUDC rates for the years 1990, 1989 and 1988 were 9.0%, 10.2% and 9.0%, respectively.

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

1. Jointly-Owned Electric Plant

The Company is a joint owner of W. F. Wyman Unit 4, which was constructed by Central Maine Power Company and commenced operations in 1979; included in the accompanying balance sheets is the Company's proportionate share (5.888%) of plant in service of $12,229,000 and $12,207,000 for 1990 and 1989, respectively, and accumulated depreciation of $5,143,000 and $4,708,000 for 1990 and 1989, respectively. The Company includes its share of direct expenses of W. F. Wyman Unit 4 in the corresponding operating expenses on its income statement.

2. Long-Term Contracts for the Purchase of Electricity

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

						(in thousands)
				1990 proportionate share		Company
					Interest	Share-of-Debt
	Contract	Units of Capacity		Minimum	Portion	Outstanding
	Expiration	Purchased [a]		Debt	of Minimum	Through Cont.
Generating Unit	Date	%	MW	Service	Debt Service	Exp. Date
Canal Unit 1	2001	25.0	142	$ 842	$ 361	$ 2,418
Connecticut Yankee Atomic	2007	9.5	56	3,451	2,630	19,238 [b]
Yankee Atomic	2000	9.5	16	150	88	2,850
Ocean State Power	2010	47.0	130	14,198	11,560	57,575 [g]
Massachusetts Bay Transportation Authority Gas Turbine	2005	100.0	35	[d]	[d]	[d]
Northeast Utilities - Base Load	1993	[e]	200	7,389	5,710	4,701 [c]
United Illuminating - N.H. Harbor/Millstone	1992	[f]	100	[f]	[f]	[f]
Total				$ 26,030	$ 20,349	$ 86,782

(a) The Northeast Utilities contracts represent about 5.7% of the Company's installed net capability; the remaining units listed above, except Ocean State Power Unit 1, aggregate 9.9%. Ocean State Power Unit 1 is not included in the Company's installed net capability for December 31, 1990 by the New England Power Pool ("NEPOOL").

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

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

(d) The Company is required to pay the greater of $22.00 per KW year or 90% of NEPOOL Capability Responsibility Adjustment Charge up to $63.00 per KW year times the qualified capacity (presently 35.5 MW) plus incremental operating, maintenance and fuel costs. The total charges for this contract for the year ended December 31, 1990 were $1,834,000.

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

(f) This contract consists of 82 MW of New Haven Harbor Unit 1 and 18 MW of Millstone Unit 3. The company is required to pay a capacity charge of $157/KW year for power year 1991-1992 along with associated fuel costs for the units. The total charges for this contract for the year ended December 31, 1990 were $10,880,000.

(g) Ocean State Power Unit 1 began commercial operations on December 31, 1990.

Total fixed and variable costs for these contracts for the years ended December 31, 1990, 1989 and 1988 were $93,707,000, $62,334,000 and $48,479,000, respectively. The variable component represents fuel costs which are included with net purchased power in the Statements of Income.

The aggregate principal amounts of these future unconditional purchase obligations due in the five years 1991 through 1995 are $130,147,000, $143,800,000, $125,310,000, $76,626,000, $74,832,000, respectively, and $880,276,000 thereafter. The aggregate present value of such obligations is $715,649,000.

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

3. Long-Term Power Sales

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

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

(a) Subject to certain adjustments

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

The ability of the Company to recover certain costs related to the operation of Pilgrim Station is subject to certain limitations set forth in the Wholesale Settlement Agreements; see Note B.

Note G. Wholesale and Contract Customers

On July 24, 1987, the Towns of Concord, MA and Wellesley, MA (the "Customers") filed a complaint against the Company in the United States District Court for the District of Massachusetts alleging violations of the federal antitrust laws. The Company supplies substantially all of the electric power requirements of the Customers. The Customers' complaint included allegations of price discrimination, anticompetitive restrictions and price squeeze. In May 1989, a jury determined that the Company had violated federal antitrust laws and awarded damages of $13,100,000, which results in a total judgment of $39,300,000 when trebled under antitrust law plus interest. On September 21, 1990 the United States Court of Appeals for the First Circuit reversed the $39,300,000 judgment against the Company. On January 22, 1991 the Customers petitioned to the United States Supreme Court for a writ of certiorari seeking to restore the jury verdict. The Company believes that, even in the unlikely event that the Supreme Court will agree to hear the appeal, the 1989 judgment against the Company will not be reinstated. That judgment has not been reflected in the Company's financial statements, and accordingly the Appeals Court decision had no effect on the Company's reported earnings.

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

1. Capital Commitments

At December 31, 1990, estimated contractual obligations for plant and equipment were approximately $65,000,000.

2. Lease Commitments

At December 31, 1990 and 1989, the Company had leases covering certain facilities and equipment. Some of these leases are "capital leases", as defined by the Financial Accounting Standards Board ("FASB"). Beginning in 1984, FASB required that regulated utilities commence the capitalization of certain leases. Had all leases which meet such criteria been capitalized, the amount of the asset and the liability that would have been included in the balance sheets as of December 31, 1990 and 1989 and the effect on expenses for each of the three years in the period ended December 31, 1990 would not have been material.

Estimated minimum rental commitments under both noncancellable leases and transmission agreements for years subsequent to 1990 are as follows:

(in thousands)	Total
1991	$ 36,589
1992	31,846
1993	27,504
1994	21,408
1995	19,160
Years Thereafter	200,370
Total	$336,877

A portion of the aforementioned lease rentals will be capitalized as part of plant expenditures in the future. Total expense for both lease rentals and transmission agreements for the years ended December 31, 1990, 1989 and 1988 were $32,000,000, $29,300,000 and $28,500,000, respectively, net of $3,000,000, $4,600,000 and $4,300,000, respectively, of capitalized expenses. Lease payments under certain transmission line agreements are expected to be offset by the savings from a related energy contract. Recovery of these lease payments (net of any savings) are currently passed through the Company's retail fuel and purchased power clause.

3. Nuclear Insurance
On August 20, 1988, a fifteen year extension to the Price-Anderson Act became effective. The Act currently provides $7.807 billion of financial protection for public liability claims and legal costs arising from a single nuclear related accident. The first $200 million of nuclear liability is covered by the maximum provided by commercial insurance. Additional nuclear liability insurance up to $7.245 billion is provided by a retrospective assessment of up to $63 million per incident levied on each of the 115 units licensed to operate in the United States, subject to a maximum assessment of $10 million per reactor per accident in any year. The additional nuclear liability insurance amount of $7.245 billion is subject to change as new commercial nuclear units are licensed and existing units give up their license. In addition to the nuclear liability retrospective assessments discussed above, if the sum of all public liability claims and legal costs arising from any nuclear accident exceeds the maximum amount of financial protection, each licensee can be assessed an additional 5% ($3.15 million) of the maximum retrospective assessment.

Insurance has been purchased from Nuclear Electric Insurance Limited ("NEIL") to cover certain costs incurred in obtaining replacement power during a prolonged accidental outage at Pilgrim Station and the cost of repair, replacement, decontamination or decommissioning of utility property resulting from in- -red occurrences at Pilgrim Station. The maximum potential assessments against the Company with respect to losses arising during current policy years are approximately $4,563,000 under the replacement power policy and $7,000,000 under the excess property damage, decontamination and decommissioning policy. All companies insured with NEIL are subject to retroactive assessments if losses exceed the accumulated funds available to NEIL. While assessments may also be made for losses in certain prior policy years, the Company is not aware of any losses in such years which it believes are likely to result in an assessment.

4. Hazardous Waste
Under the requirements of the applicable state and federal "Superfund" laws and regulations adopted thereunder, the Company and others are exposed to potential joint and several liability with respect to the clean-up of sites where hazardous wastes may have been spilled or disposed of in the past. The Company has had claims asserted against it related to clean-up costs at a number of such sites in Massachusetts and other states. While the Company is unable at this time to predict the ultimate total clean-up costs for such sites or what its share of costs will be for each such site, on the basis of information presently available, the Company believes the likelihood that it would incur any material liability in connection with such sites is remote.

5. Hydro-Quebec
The Company, along with other New England electric utilities, has entered into an agreement to expand the existing 690 MW transmission line interconnection with the Hydro-Quebec system of Canada to 2,000 MW. These transmission facilities were transferred to the New England Power Exchange for commercial operations on November 1, 1990. The Company has approximately an 11% equity ownership interest in two companies who own these transmission facilities, which is included in the accompanying financial statements. The Company's share of the amount committed for support of these facilities is included in Note H(2). All equity participants are required to guarantee, in addition to their own share, the total obligations of those participants not meeting certain credit criteria. The equity participants are compensated accordingly. Amounts so guaranteed by the Company are approximately $25,000,000 at December 31, 1990.

Note I. Change in Accounting Principle - Unbilled Revenues
Effective January 1, 1990, the Company began accruing the base portion of revenues for services rendered but not billed, in order to more closely match revenues with expenses. The effect of the change in accounting principle in the year ended December 31, 1990 was an increase of $0.39 per common share ($15,286,000 net of taxes of $9,485,000) consisting of $0.41 per common share ($15,824,000 net of taxes of $9,819,000) for the cumulative effect of the change at January 1, 1990, and a decrease of $0.02 per common share ($538,000 net of taxes of $334,000) for the year ended December 31, 1990. Had the Company been accruing unbilled revenues in 1989, the pro forma effect of this change on the year ended December 31, 1989 results would have been as follows (in thousands, except earnings per share):

	1989		1988	
	as reported	pro forma	as reported	pro forma
Net income/(loss)	$ (16,135)	$ (14,646)	$ 84,212	$ 85,898
Balance available for common stock	$ (33,788)	$ (32,299)	$ 70,071	$ 71,757
Income/(loss) per common share	$ (0.88)	$ (0.84)	$ 1.86	$ 1.90

Note J. Income Taxes

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

(in thousands)	1990	1989	1988
Cancelled nuclear unit (Note D)	$ (8,998)	$ (8,998)	$ (7,750)
Excess tax depreciation over book depreciation	11,165	4,464	7,326
Deferred fuel expense	(4,141)	(879)	(221)
Debt portion of allowance for funds used during construction	2,966	2,897	5,099
Massachusetts corporate franchise tax	5,964	(946)	(2,751)
Deferred nuclear outage expense	(477)	(6,795)	(6,795)
Unbilled revenues	(873)	(1,938)	(2,688)
Cost of removal	3,063	1,359	1,035
Revenue reserve adjustment	(1,297)	4,843	(1,875)
Rate and contract settlements	20,389 [b]	0	0
Other	(429)	(3,900) [a]	(8,414) [a]
Subtotal deferred income taxes	27,332	(9,893)	(17,034)
Current income tax expense	7,046	40,348	49,936
Investment tax credits	(4,740)	(4,233)	(5,034)
Provision for income taxes	29,638	26,222	27,868
Taxes on other income:			
Current	518	1,065	643
Deferred	1,689	5,511	2,481
Subtotal	2,207	6,576	3,124
Change in accounting principle (Note I):			
Current	876	0	0
Deferred	8,943	0	0
Subtotal	9,819	0	0
Rate and contract settlements:			
Current	0	(2,929)	0
Deferred	0	(69,441)	0
Subtotal	0	(72,370)	0
Total	$ 41,664	$ (39,572)	$ 30,992

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:

	1990	1989	1988
Statutory tax rate (benefit)	34.0%	(34.0%)	34.0%
Allowance for other funds used during construction	-	(0.8)	(2.0)
Massachusetts corporate franchise tax	4.1	(4.5)	4.2
Investment tax credit	(3.4)	(8.2)	(4.4)
Municipal property tax adjustment	(1.3)	(3.2)	(1.5)
Reversal of outage expense deferred taxes	-	(7.1)	-
Reversal of deferred taxes - settlement agreement	(1.5) [b]	-	-
Other	(1.5)	(13.2) [a]	(3.4) [a]
Total	30.4%	(71.0%)	26.9%

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

(b) In 1990, in accordance with the DPU Settlement Agreement, the Company credited $2,000,000 of deferred income taxes to income. See Note B.

Federal income tax returns through 1984 have been examined and closed.

Note K. Pensions and Other Post-Employment Benefits

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

Retirement plan costs for the years 1990, 1989 and 1988 were $2,580,000, $3,728,000, and $2,113,000, respectively, of which $748,000, $837,000 and $473,000, respectively, were capitalized.

The components of net pension cost for 1990, 1989 and 1988 were as follows:

(in thousands)	1990	1989	1988
Current service cost - benefits earned during the period	$ 6,686	$ 5,821	$ 5,102
Interest cost on projected benefit obligation	31,627	29,823	27,772
Actual return on plan assets	(9,464)	(50,261)	(25,674)
Net amortization and deferral	(26,269)	18,345	(5,087)
Net pension cost	$ 2,580	$ 3,728	$ 2,113

The following table sets forth the plan's funded status at December 31, 1990 and 1989:

(in thousands)	1990	1989
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of $270,561 and $244,586	$ 286,143	$ 268,281
Plan assets at fair value	$ 371,400	$ 396,049
Projected benefit (obligation) for service rendered to date	(350,865)	(360,870)
Plan assets in excess of projected benefit obligations	20,535	35,179
Unrecognized prior service cost	10,082	10,754
Unrecognized net gain	(45,921)	(63,206)
Unrecognized net obligation	12,734	13,668
(Accrued) pension cost included in accounts payable at December 31	$ (2,570)	$ (3,605)

The weighted-average discount rate and rate of compensation increase used to measure the projected benefit obligation for 1990 and 1989 were 9.0% and 5.5%, respectively. For 1990, the end of year compensation increase for funded status was 4.5%. The weighted average expected long-term rate of return on plan assets for 1990 and 1989 was 9.25%.

In addition to pension benefits, the Company provides certain health care and life insurance benefits to retired employees. The cost of providing those benefits was approximately $6,856,500 in 1990, $4,574,000 in 1989 and $4,069,000 in 1988. The Company recognizes health care benefits and death benefits as claims are paid. New FASB rules effective in 1993 will require the utilization of an actuarial method of accounting for these benefits. The Company has not yet fully determined the effect of implementing these rules nor the potential recovery of such expenses via effects of the rate-making process.

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

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

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

The Company also participates as an investor in two other domestic nuclear units. Both of these units are recovering as part of their wholesale rates a provision for estimated charges for spent nuclear fuel disposal costs and plant decommissioning costs. See also Note A(2).

Report of Independent Certified Public Accountants

To the Stockholders and Directors of Boston Edison Company:

We have audited the accompanying consolidated balance sheets of Boston Edison Company and subsidiary (the Company) as of December 31, 1990 and 1989 and the related consolidated statements of income (loss), retained earnings and cash flows for each of the three years in the period ended December 31, 1990. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 1990 and 1989, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1990 in conformity with generally accepted accounting principles.

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

Coopers & Lybrand

Boston, Massachusetts
January 22, 1991

Selected Consolidated Financial Statistics (Unaudited)

Quarterly Financial Data

(in thousands of dollars, except earnings per share)

	Operating Revenues		Operating Income		Net Income (Loss)		Balance Available for Common Stock		Earnings/(Loss) Per Share of Common Stock [a]	
	as reported	pro forma	as reported	pro forma	as reported	pro forma	as reported	pro forma	as reported	pro forma
1990										
First Qtr.	$309,664	-	$39,213	-	$30,595 [c]	-	$26,182 [c]	-	$0.66 [c]	-
Second Qtr.	269,652	-	22,905	-	(2,048)	-	(6,462)	-	(0.17)	-
Third Qtr.	353,863	-	81,483	-	56,914	-	52,502	-	1.35	-
Fourth Qtr.	325,367	-	36,137	-	9,979	-	5,566	-	0.14	-
1989 [d]										
First Qtr.	$296,253	$292,889	$33,564	$30,200	$11,813	$ 9,737	$ 7,400	$ 5,324	$0.19	$0.14
Second Qtr.	282,729	284,901	24,327	26,499	1,120	2,460	(3,294)	(1,954)	(0.09)	(0.05)
Third Qtr.	383,895	389,635	78,134	83,877	58,961	62,503	54,540	58,091	1.42	1.51 [b]
Fourth Qtr.	306,466	304,333	42,498	40,363	(88,029) [b]	(89,346) [b]	(92,443) [b]	(93,760) [b]	(2.40) [b]	(2.43)

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

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

(c) Includes $15,824,000 or $0.41 per common share from an accounting change (See Note I of "Notes to Consolidated Financial Statements").

(d) Pro Forma information is provided for 1989 as if the change in accounting principle had been in effect during the year. (See Note I of "Notes to Consolidated Financial Statements")

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

Quarterly Stock Data

Following are the reported high and low sales prices of Boston Edison Company's common stock on the New York Stock Exchange Consolidated Tape for each of the quarters of 1990 and 1989 and the dividends declared per share during each of those quarters:

	1990			1989		
	High	Low	Dividends	High	Low	Dividends
First Quarter	$19 7/8	$17 5/8	$0.380	$16 5/8	$15 3/8	$0.455
Second Quarter	19 5/8	17 3/4	0.380	17 3/4	15 1/2	0.455
Third Quarter	19 3/8	16 1/2	0.380	19 1/4	16 7/8	0.455
Fourth Quarter	20 1/4	17 1/4	0.395	22 1/8	18	0.380

Selected Consolidated Operating Statistics

	1990	1989	1988	1987	1986
Capacity - MW:					
New Boston Station	760	760	760	760	760
Pilgrim Station	670	670	670	670	670
Mystic Station	1,014	1,018	1,027	1,036	1,034
L Street Station	22	22	22	22	23
W.F. Wyman Unit 4	36	36	36	36	36
Jet turbines	259	251	249	256	260
Total	2,761	2,757	2,764	2,780	2,783
Contract purchases	924	1,102	1,301	901	700
Contract sales	(173)	(171)	(173)	(258)	(203)
Net capbility at year-end MW	3,512	3,688	3,892	3,423	3,280
Net capability at peak-MW	3,505	3,483	3,200	3,200	2,963
Capability responsibility to NEPOOL at peak-MW	3,393	3,443	3,253	2,827	2,905
Edison territory:					
Hourly peak-MW	2,548	2,626	2,626	2,432	2,254
Load factor	62.2%	61.4%	60.5%	62.7%	64.8%
Generating station economy (BTU/net kWh)	10,403	10,309	10,050	10,151	10,097
Average cost of fuel (Company)- ¢ per million BTU:					
Fossil	255.51	254.56	226.91	272.24	238.45
Nuclear	59.05	56.79	-	-	102.53
Composite	191.48	223.86	-	-	224.03
Capability (net kW):					
Fossil	81%	82%	83%	80%	80%
Nuclear	19%	18%	17%	20%	20%
Generation (system kWh excluding interchange):					
Fossil	72%	87%	90%	90%	84%
Nuclear	28%	13%	10%	10%	16%
Utility plant:					
Expenditures	$ 240,902	$ 234,253	$ 244,807	317,797	$ 162,206
Retirements	27,180	14,042	12,017	23,070	22,266
Accumulated depreciation	1,015,371	950,298	862,297	779,246	743,908
Depreciable plant	3,277,616	3,130,031	2,910,390	2,492,547	2,383,274
Number of employees at year-end	4,738	4,686	4,559	4,532	4,428

Selected Consolidated Sales Statistics

	1990	1989	1988	1987	1986
Electric energy: (kWh in thousands)					
Sources: net system output:					
Generated	12,744,238	11,679,060	8,653,274	8,951,229	9,862,768
Purchased	3,305,491	4,177,079	4,474,726	3,129,045	2,763,274
Interchange	(819,434)	(919,391)	1,116,394	1,501,746	881,567
Total	15,230,295	14,936,748	14,244,394	13,582,020	13,507,609
Disposition:					
Retail sales:					
Commercial	7,183,347	7,095,297	7,004,452	6,750,870	6,362,478
Residential	3,430,720	3,413,801	3,430,611	3,188,748	3,048,454
Industrial	1,750,325	1,845,441	1,839,363	1,853,019	1,837,263
Street lighting	132,016	132,791	131,549	132,666	134,116
Railroads	143,197	126,971	90,697	0	0
Total retail	12,639,605	12,614,301	12,496,672	11,925,303	11,382,311
Sales for resale - total requirements	336,343	332,800	331,918	315,354	302,349
Territory total	12,975,948	12,947,101	12,828,590	12,240,657	11,684,660
Sales for resale - partial requirements	1,337,771	805,882	282,929	219,298	714,804
Total system	14,313,719	13,752,983	13,111,519	12,459,955	12,399,464
Miscellaneous usage	916,576	1,183,765	1,132,875	1,122,065	1,108,145
Total	15,230,295	14,936,748	14,244,394	13,582,020	13,507,609
Kilowatthours - annual growth percent:					
Retail sales:					
Commercial	1.2%	1.3%	3.8%	6.1%	6.2%
Residential	0.5	(0.5)	7.6	4.6	5.2
Industrial	(5.2)	0.3	(0.7)	0.9	0.8
Street lighting	(0.6)	0.9	(0.8)	(1.1)	0.8
Railroads	12.8	40.0	-	-	-
Total retail	0.2	0.9	4.8	4.8	5.0
Sales for resale - total requirements	1.1	0.3	5.3	4.3	(28.7)
Territory total	0.2	0.9	4.8	4.8	3.7
Sales for resale - partial requirements	66.0	184.8	29.0	(69.3)	(62.5)
Total - system	4.1%	4.9%	5.2%	0.5%	(5.9)%
System total electric revenues by class:					
Commercial	48%	48%	48%	49%	49%
Residential	28%	27%	28%	28%	26%
Industrial	10%	11%	11%	12%	13%
Sales for resale	9%	10%	9%	9%	10%
Other	5%	4%	4%	2%	2%
Electric sales statistics:					
Residential averages:					
Annual kWh use	6,150	6,160	6,270	5,903	5,735
Revenue per kWh [a]	10.10¢	10.19¢	9.95¢	10.26¢	9.42¢
Annual bill [a]	$621.15	$627.70	$623.87	$605.65	$540.24
Customer:					
Meters at year-end	677,667	672,992	663,627	653,903	644,138
Average number	642,041	637,871	629,659	621,083	609,283

(a) Excludes deferred fuel revenue.

Certain reclassifications have been made to data reported in prior years to conform to presentations used in 1990.

Selected Consolidated Financial Statistics

	1990	1989	1988	1987	1986
Operating revenues (000)	$1,258,546	$1,269,345	$1,202,655	$1,181,097	$1,105,367
Balance for common (000)	$77,788	($33,788)	$70,071	$84,255	$97,404
Per common share:					
Earnings/(loss) per share	$2.01 [d]	$(0.88) [a]	$1.86	$2.27 [b]	$2.72 [b]
Dividends declared	$1.535	$1.745	$1.82	$1.80	$1.75
Dividends paid	$1.52	$1.82	$1.82	$1.79	$1.735
Book value	$17.20	$16.71	$19.36	$19.35	$18.84
Cash flow [e]	$6.86	$5.10	$4.55	$5.53	$6.61
Payout ratio	76%	– [c]	98%	79%	64%
Return on average common equity	11.82%	(4.6%)	9.60%	11.86%	14.86%
Year-end dividend yield	7.9%	7.6%	11.03%	9.71%	6.91%
Fixed charge coverage (SEC)	2.13x	0.52x	2.08x	2.85x	3.56x
Capitalization:					
Long-term debt	55%	52%	50%	48%	46%
Preferred and preference equity	11%	12%	12%	10%	10%
Common equity	34%	36%	38%	42%	44%
Long-term debt (000)	$1,074,025	$948,839	$968,534	$822,659	$728,909
Redeemable preferred/ preference stocks (000)	$100,000	$100,000	$100,000	$50,000	$35,188
Total assets (000)	$3,014,123	$2,878,271	$2,817,050	$2,702,960	$2,361,998
Internal generation after dividends (000) [e]	$187,954	$147,449	$104,241	$148,644	$184,723
Plant expenditures (000)	$255,784	$235,946	$245,103	$309,239	$174,645
Internal generation [e]	73%	62%	43%	48%	106%
Common stockholders at year-end	45,826	49,149	49,976	48,063	48,046
Common shares outstanding:					
Weighted average	38,778,901	38,245,648	37,683,515	37,168,722	35,817,344
Year-end	38,998,531	38,526,085	37,893,791	37,424,910	36,905,558
Stock price:					
High	20 1/4	22 1/8	18 3/4	28	28
Low	16 1/2	15 3/8	12 1/2	16 3/4	21 1/8
Year-end	20	20	16 1/2	18 3/4	25 3/4
Year-end market value (000)	$779,971	$764,913	$625,248	$701,717	$950,318
Trading volume	19,652,300	29,938,900	46,517,500	30,040,900	29,657,400
Market/book (year-end)	1.16	1.20	.85	.97	1.37
Price/earnings ratio (year-end)	10.0	– [c]	8.8	8.3	9.5

(a) Includes $2.78 per common share loss applicable to rate and contract settlements.
(b) Includes $0.30 and $0.04 per common share from discontinued operations for the years 1987 and 1986, respectively.
(c) Not calculated based upon a loss per common share. A payout ratio of 96% and a price/earnings ratio of 10.5 were calculated based upon the $1.90 per common share earnings excluding the $2.78 per common share loss due to rate and contract settlements.
(d) Includes $0.41 per common share from an accounting change.
(e) Excludes effect of 1989 rate and contract settlements.

Certain reclassifications have been made to data reported in prior years to conform to the presentations used in 1990.

Officers

Bernard W. Reznicek, President and Chief Executive Officer

Thomas J. May, Executive Vice President

Ralph G. Bird, Executive Vice President

William D. Harrington, Senior Vice President

Cameron H. Daley, Senior Vice President

L. Carlisle Gustin, Senior Vice President

John J. Higgins, Senior Vice President

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

C. Bruce Damrell, Vice President - Power Delivery System

Craig D. Peffer, Vice President - Customer Service

Marc S. Alpert, Vice President and Treasurer

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

Richard S. Hahn, Vice President - Marketing

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

Joel Y. Kamya, Vice President - Production Operations

Edwin J. Wagner, Vice President - Nuclear Engineering

Roy A. Anderson, Vice President - Nuclear Operations and Station Director

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

Martin S. Karl, Vice President - Corporate Planning

Theodora S. Convisser, Clerk of the Corporation

Donald Anastasia, Assistant Treasurer

James J. Judge, Assistant Treasurer

Jean C. Quinn, Assistant Clerk of the Corporation

Directors

(b)(c) Helene R. Cahners-Kaplan, Trustee

(a)(b)(c) William F. Connell, Chairman and Chief Executive Officer, Connell Limited Partnership (metals recycling and processing and industrial production)

(c)(d) Gary L. Countryman, President and Chief Executive Officer, Liberty Mutual Insurance Company

(b)(d) Thomas G. Dignan, Jr., Partner, Ropes & Gray (law firm)

(b)(c) Charles K. Gifford, President, Bank of Boston Corporation (bank holding company) and The First National Bank of Boston

(a)(d) Nelson S. Gifford, Vice Chairman, Avery Dennison Corporation (pressure-sensitive adhesives and materials, office products, product identification and control systems and specialty chemicals)

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

(b)(c) Matina S. Horner, Executive Vice President, Teachers Insurance and Annuity Association and College Retirement Equities Fund

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

(b)(c) Sherry H. Penney, Chancellor, University of Massachusetts at Boston, MA

(a) Bernard W. Reznicek, President and Chief Executive Officer, Boston Edison Company

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

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

(b)(c) Paul E. Tsongas, Chairman, Commonwealth of Massachusetts Board of Regents of Higher Education and of counsel, Foley, Hoag and Eliot (law firm)

(b)(d) Charles A. Zraket, Trustee, The MITRE Corporation (not-for-profit system research and engineering firm)

(a) Member of Executive Committee
(b) Member of Audit Committee
(c) Member of Executive Personnel Committee
(d) Member of Nuclear Operations Review Committee

Dividend Reinvestment Plan

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

All holders of record of shares of common, preferred or preference stock are eligible to participate directly in the Plan. Beneficial owners of the Company's stock whose shares are registered in names other than their own (e.g., a broker or bank nominee) must arrange participation with the record holder. If for any reason a beneficial owner is unable to arrange participation with his broker or bank nominee, he must become a record holder by having the shares transferred to his own name.

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

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

Important Shareholder Information

Annual Meeting
The Annual Meeting of Stockholders of the Company will be held on May 2, 1991, at 11:00 a.m. A copy of the President's remarks will be sent on request.

Company Contact
Theodora S. Convisser, 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 1990 Dividends
No part of dividends paid on Boston Edison Company common, preferred and preference stock in 1990 were a return of capital.

Dividend Reinvestment Plan Agent
The First National Bank of Boston

Stock Transfer Agent and Registrar of Stock
The First National Bank of Boston

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

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

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

If you are submitting documents requesting a transfer, address change or account consolidation, please use this same address with **Mail Stop: 45-01-05**. If you would like to contact the Bank by telephone, a toll-free number is now available to shareholders outside of Massachusetts. Please call **1-800-442-2001**.

BOSTON EDISON

800 Boylston Street, Boston, Massachusetts 02199