

SHEEHAN
PHINNEY
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PROFESSIONAL
ASSOCIATION



August 21, 1991

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VIA HAND DELIVERY

Larry Smukler, Chairman
Nuclear Decommissioning
Financing Committee
N.H. Public Utilities Commission
8 Old Suncook Road
Concord, New Hampshire 03301

Re: NDFC 91-1

Dear Mr. Smukler:

Enclosed for filing are the Supplemental
Testimony of Mr. Wright and the Supplemental
Response of Mr. Canner to date a request IEC-1 of
OCA Set 1.

Sincerely yours,

Edward A. Haffer

EAH/kdb
Enclosures

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ADD: T. Murley Ltr. Encl.

QUESTIONS AND ANSWERS RELATIVE TO THE DECOMMISSIONING OF THE SEABROOK NUCLEAR PLANT

- Q. Have you read the Direct Testimony of John S. Rohrbach, Witness for the State of New Hampshire Office of the Consumer Advocate?
- A. Yes
- Q. Would you provide your understanding of how Mr. Rohrbach determined that 5.96 percent should be the assumed value for overall decommissioning cost escalation?
- A. Yes. Apparently Mr. Rohrbach used the same calculation as I did on page 2 of my testimony of May 19 except he used 14.51% instead of 6% as the median for waste burial.
- Q. Do you have any comments on Mr. Rohrbach's calculation.
- A. Yes. Mr. Rohrbach would have us start escalating burial costs at 14.51% starting today with what he indicates is the 1989 base rate at Beatty of \$30.11 per cubic foot. (OCA Test p31, line 35). This is evidenced by his comment (OCA Testimony p32, line 19) that 15 years from now, in the year 2006, the tip fee would thus be \$229 per cubic foot.

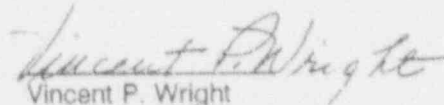
$$\$30.11 \times (1.1451)^{15} = \$229$$

The Committee should be clear that NHY has tried to incorporate some of the uncertainties related to burial costs in the development of the base burial cost assumed in the Seabrook decommissioning estimate. That base burial cost is \$139 per cubic foot.

In fact, at the compounded rate of 6% per annum which I have suggested in my testimony, the "tip fee" in 2006 would be \$333. The \$30 figure compounded at 14.51% per annum does not exceed the \$139 figure compounded at 6% per annum until 18 years out.

- Q. Do you still believe that 4.25% is a reasonable projection of cost escalation for decommissioning?
- A. Yes

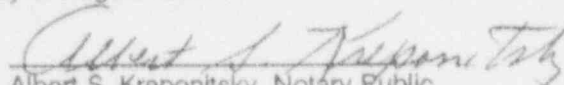
I do hereby solemnly swear and affirm that the above are answers given by me, Vincent P. Wright, Senior Consulting Economist, Stone & Webster Engineering Corporation, to questions asked in connection with the direct testimony of John S. Rohrbach, witness for the State of New Hampshire Office of the Consumer Advocate.


Vincent P. Wright

COMMONWEALTH OF MASSACHUSETTS

Suffolk, ss

Subscribed and sworn to before me this 20th day of August 1991.


Albert S. Kreponitsky, Notary Public
My commission expires March 7, 1997

THE STATE OF NEW HAMPSHIRE
NUCLEAR DECOMMISSIONING FINANCING COMMITTEE

Re: Seabrook Decommissioning Fund

Docket No. NDFC-91-1

SUPPLEMENTARY RESPONSE OF IRVING E. CANNER TO
DATA REQUEST IEC-1 OF THE OFFICE OF CONSUMER ADVOCATE (OCA) SET 1

OCA SET 1

IEC-1

HAVE THERE BEEN ANY PAYMENT PROBLEMS ANTICIPATED DUE TO THE BANKRUPTCIES OF THE NEW HAMPSHIRE ELECTRIC COOPERATIVE, EUA POWER OR PSNH? PLEASE EXPLAIN.

SUPPLEMENTARY
RESPONSE:

The response to this data request dated June 18, 1991 indicated that New Hampshire Electric Cooperative (NHEC) was deficient by \$1,224 in their obligations to the decommissioning fund. That deficiency has now been paid and New Hampshire Yankee (NHY) is not aware of any future difficulties that NHEC may incur in satisfying, in full, their future funding obligations to the Decommissioning Master Fund.

With respect to EUA Power Corporation bankruptcy proceedings, please see the attached letter NHY issued to the Nuclear Regulatory Commission (NRC) on August 15, 1991. It forwarded to the NRC a Form 10-Q dated August 13, 1991 filed by EUA Power with the Security Exchange Commission (SEC). The Form 10-Q states that EUA Power has advised the Bankruptcy Court that it will not be able to meet its monthly payment obligations to the Seabrook project beginning September 1, 1991 and that it has not determined what part, if any, of its August payment will be made. Subsequent to the EUA Power filing to the SEC, they made a partial payment of \$300,000 to the project.

The current status is that EUA Power has met its obligations to the decommissioning fund for August 1991 and an arrangement has been proposed with other Seabrook Joint Owners, subject to Bankruptcy Court approval, to assure adequate funding of its share of project costs thereafter.

PSNH continues to satisfy, in full, their funding obligations to the project.

AUGUST 20, 1991
(DATE)

IRVING E. CANNER

STATE OF NEW HAMPSHIRE

Rockingham, ss.

August 1991

Then personally appeared before me, the above-named Irving E. Canner, being duly sworn, did state that he is the Controller for the New Hampshire Yankee Division of Public Service Company of New Hampshire, that he is duly authorized to execute and file the foregoing information in the name and on the behalf of New Hampshire Yankee Division of the Public Service Company and that the statements therein are true to the best of his knowledge and belief.

Tracy A. DeCredico 8/20/91
Tracy A. DeCredico, Notary Public
My Commission Expires: October 3, 1995

New Hampshire Yankee

Ted C. Feigenbaum
President and
Chief Executive Officer

NYN. 91126

August 15, 1991

United States Nuclear Regulatory Commission
Washington, D.C. 20555

Attention: Document Control Desk

Reference: Facility Operating License No. NPF-86, Docket No. 50-443

Subject: EUA Power

Gentlemen:

In compliance with our undertaking to keep the Commission informed with respect to the bankruptcy proceeding relating to EUA Power Corporation ("EUA Power"), one of the licensees named in the above license, we enclose herewith a copy of the Quarterly Report on Form 10-Q, dated August 13, 1991, for the period ended June 30, 1991, which was filed by EUA Power with the Securities and Exchange Commission. On page 6 of this Report, under the heading "Seabrook Joint Ownership Agreement", EUA Power alludes to the fact that it has advised the Bankruptcy Court that, beginning September 1, 1991, it will not be able to meet its monthly payments to the Seabrook Project and that it has not determined what part, if any, of its August payment will be made. We have been orally advised by EUA Power that it will be making a partial payment in August and that an arrangement has been worked out with other Seabrook Joint Owners, subject to Bankruptcy Court approval, to assure adequate funding of its share of Project costs thereafter.

We will continue to keep you advised of any developments as they occur.

Very truly yours,

NEW HAMPSHIRE YANKEE,
as agent for the
Seabrook Joint Owners

By: Ted C. Feigenbaum
Ted C. Feigenbaum, President

Enclosure

TCF:JBH/tad

9108230031 14pp

United States Nuclear Commission
Attention: Document Control Desk

August 15, 1991
Page two

cc: Mr. Thomas T. Martin
Regional Administrator
United States Nuclear Regulatory Commission
Region I
475 Allendale Road
King of Prussia, PA 19406

Mr. Gordon E. Edison, Sr. Project Manager
Project Directorate I-3
Division of Reactor Projects
U.S. Nuclear Regulatory Commission
Washington, DC 20555

Mr. Noel Dudley
NRC Senior Resident Inspector
P.O. Box 1149
Seabrook, NH 03874

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark one)

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

For the quarterly period ended

June 30, 1991

OR

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

For the transition period from

to

Commission File Number 33-10978

EUA POWER CORPORATION

(Exact name of registrant as specified in its charter)

New Hampshire

(State or other jurisdiction of
incorporation or organization)

02-0396811

(I.R.S. Employer
Identification No.)

Forty Stark Street, P.O. Box 326

Manchester, New Hampshire

(Address of principal executive offices)

03105

(Zip Code)

Registrant's telephone number including area code

(617) 357-9590

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

YES

☒ X

NO

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

Class

Common Shares, \$.01 par value

Outstanding at July 31, 1991

10,000 shares

Item 1. Financial Statements

EASTERN UTILITIES ASSOCIATES
CONSOLIDATED CONDENSED BALANCE SHEET
(In Thousands)
(Unaudited)

	June 30, 1991	December 31, 1990
ASSETS		
Utility Plant in Service	\$ 974,335	\$ 985,138
Less: Accumulated Provision for Depreciation and Amortization	244,645	241,128
Net Utility Plant in Service	729,690	744,010
Construction Work in Progress	19,960	6,809
Net Utility Plant	749,650	750,819
Current Assets:		
Cash and Temporary Cash Investments	12,093	15,176
Notes Receivable	9,872	4,431
Accounts Receivable, Net	68,941	70,529
Materials and Supplies	13,877	18,175
Other Current Assets	18,076	16,529
Total Current Assets	122,859	124,840
Deferred Debits:		
Extraordinary Property Losses	3,670	4,509
Other Deferred Debits and Non-Current Assets	218,953	214,572
Total Deferred Debits and Non-Current Assets	222,623	219,081
Total Assets	\$ 1,095,132	\$ 1,094,740
LIABILITIES AND CAPITALIZATION		
Capitalization:		
Common Shares, \$5 Par Value	\$ 82,983	\$ 81,764
Other Paid-In Capital (Note C)	152,508	236,232
Common Share Expense	(2,307)	(2,290)
Retained Earnings (since June 30, 1991 quasi-reorganization in which a deficit of \$80,034,506 was eliminated, Note C)	0	(78,313)
Total Common Equity	233,184	315,706
Non-Redeemable Preferred Stock	15,850	15,850
Redeemable Preferred Stock	34,530	34,530
Long-Term Debt (Less Current Maturities)	441,810	443,595
Total Capitalization	725,374	809,681
Current Liabilities:		
Current Maturities of Long-Term Debt	2,322	1,670
Notes Payable	73,761	43,071
Preferred Stock Sinking Fund	650	650
Accounts Payable	30,916	38,536
Taxes Accrued	897	2,806
Liability for EUA Power Obligations	21,000	37,521
Interest Accrued	13,434	12,173
Other Current Liabilities	31,470	30,624
Total Current Liabilities	174,450	167,051
Accumulated Deferred Taxes, Deferred Credits and Other Non-Current Liabilities	195,308	196,321
Commitments and Contingencies (Note D)	\$ 1,095,132	\$ 1,173,055
Total Liabilities and Capitalization		

See accompanying notes to consolidated condensed financial statements.

EUA POWER CORPORATION
CONDENSED STATEMENT OF INCOME
(Debtor in Possession)
(In Thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1991	1990 (Note B)	1991	1990 (Note B)
Operating Revenues	\$ 4,948	\$ 0	\$ 12,693	\$ 0
Operating Expenses:				
Operation	6,264	315	12,830	553
Maintenance	871		1,539	
Depreciation and Decommissioning	2,125		4,368	
Taxes - Other Than Income	453		896	
- Income (Credit)	(2,308)		(2,375)	
- Deferred (Credit)	-583	(4,436)	(2,869)	(8,776)
Total	8,058	(4,121)	14,389	(8,223)
Operating (Loss) Income	(3,110)	4,121	(1,696)	8,223
Other Income and (Deductions) - Net	164	235	196	402
(Loss) Income Before Interest Charges	(2,946)	4,356	(1,500)	8,625
Interest Charges:				
Interest on Long-Term Debt (Contractual Interest Expense for the three month and six month periods ended June 30, 1991 was \$12,600,884 and \$25,147,669, respectively, Note B)		12,232	8,204	24,465
Other Interest Expense (Contractual Interest Expense for the three month and six month periods ended June 30, 1991 was \$285,760 and \$897,221, respectively, Note B)		643	509	1,106
Total Interest Charges (Credit)	0	12,875	8,713	25,571
(Loss) After Interest Charges	(2,946)	(8,519)	(10,213)	(16,946)
Preferred Dividend Requirements	3,943	3,894	7,886	7,693
Net (Loss)	\$ (6,889)	\$ (12,413)	\$ (18,099)	\$ (24,639)

See accompanying notes to condensed financial statements.

EUA POWER CORPORATION
CONDENSED STATEMENT OF CASH FLOWS
(Debtor in Possession)
(In Thousands)
(Unaudited)

	Six Months Ended June 30,	
	1991	1990 (Restated) (Note B)
CASH FLOW FROM OPERATING ACTIVITIES:		
(Loss) After Interest Charges	\$ (10,213)	\$ (16,946)
Adjustments to Reconcile (Loss) After Interest Charges to Net Cash Provided from Operating Activities:		
Depreciation and Amortization	4,389	927
Amortization of Nuclear Fuel	4,354	
Investment Tax Credit - Net	(134)	
Deferred Taxes	(2,869)	(8,776)
Allowance for Funds Used During Construction		(68)
Decommissioning Fund		10,000
Other - Net	(1,213)	5,820
Change in Operating Assets and Liabilities	11,023	(353)
Net Cash Provided From (Used In) Operating Activities	<u>5,337</u>	<u>(9,396)</u>
INVESTMENT IN PLANT:		
Construction Expenditures	(2,686)	(10,248)
Net Cash (Used in) Investment Activities	<u>(2,686)</u>	<u>(10,248)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Issuances:		
Preferred Stock		2,300
Financing Expenses	(458)	(49)
Net Increase in Short-Term Debt	1,170	17,195
Net Cash Provided From Financing Activities	<u>712</u>	<u>19,446</u>
Net Increase (Decrease) in Cash	<u>3,363</u>	<u>(198)</u>
Cash and Temporary Cash Investments at Beginning of Period	<u>16</u>	<u>208</u>
Cash and Temporary Cash Investments at End of Period	<u>\$ 3,379</u>	<u>\$ 10</u>
 Cash paid during the period for:		
Interest	\$ 316	\$ 24,465
Income Taxes (Refund)	\$ (2,200)	\$ (5,700)

See accompanying notes to condensed financial statements.

EUA POWER CORPORATION
NOTES TO CONDENSED FINANCIAL STATEMENTS

The accompanying Notes should be read in conjunction with the Notes to Financial Statements appearing in the EUA Power Corporation (EUA Power or the Company) 1990 Annual Report on Form 10-K and the March 31, 1991 EUA Power Form 10-Q.

Note A - In the opinion of the Company, the accompanying unaudited condensed financial statements present fairly the financial position of the Company as of June 30, 1991 and December 31, 1990, and the results of operations for the three and six months ended June 30, 1991 and cash flows for the six months ended June 30, 1991 and 1990.

On February 28, 1991, EUA Power filed a voluntary petition in the United States Bankruptcy Court for the District of New Hampshire (Bankruptcy Court) for protection under Chapter 11 of the Federal Bankruptcy Code (Bankruptcy Code). On March 29, 1991, EUA Power announced that it had provided an impairment reserve in 1990 against its investment in Seabrook Unit 1 (Unit 1). The Company restated its financial statements with respect to the amount of Allowance for Funds Used During Construction recorded during the first three quarters of 1990, reducing such amount to zero. (See Other matters under Note B - Commitments and Contingencies).

Note B - Commitments and Contingencies:

BANKRUPTCY PROCEEDING

As a result of its February 28, 1991 Chapter 11 filing, EUA Power is now operating its business as a debtor-in-possession and will endeavor to develop or support a plan of reorganization which would enable it to emerge from bankruptcy on a financially viable basis (although management of the Company cannot predict the timing or likelihood of developing such a plan). On July 2, 1991, the Bankruptcy Court terminated EUA Power's exclusivity period with respect to filing such plan. The officially appointed Bondholders Committee, representing the holders of the Series B Secured Notes and Series C Secured Notes has indicated that it may file a plan of reorganization which would convert the Series B and Series C Secured Notes into substantially all of the equity of the Company. EUA Power cannot predict whether such a plan, if filed, would be confirmed by the Bankruptcy Court.

Under Chapter 11, certain claims against EUA Power in existence prior to the filing of the petition for relief under the federal bankruptcy laws are stayed while EUA Power continues business operations as debtor-in-possession. These claims are reflected in the June 30, 1991, balance sheet as "liabilities subject to compromise." Additional claims (liabilities subject to compromise) may arise subsequent to the filing date resulting from rejection of executory contracts, including leases, and from the determination by the Bankruptcy Court (or agreed to by parties in interest) of allowed claims or contingencies and other disputed amounts. Enforcement of claims secured by certain of EUA Power's assets (secured claims) also are stayed, although the holders of such claims have the right to move the court for relief from the stay. Secured

Note B - Commitments and Contingencies -- (Continued)

claims are secured by an interest in certain Seabrook assets of EUA Power, principally realty and personalty.

EUA Power has advised the Bankruptcy Court that beginning September 1, 1991 it will not be able to meet its monthly payments representing its share of Seabrook costs. EUA Power has not determined whether it will be able to pay all or any part of its share of Seabrook August 1991 costs. EUA Power's ability to pay costs depends on whether it can sell its share of Seabrook's output at prices adequate to pay its cash costs or whether it can arrange for debtor-in-possession financing. On July 25, 1991, Unit 1 was shut down for a refueling period which is expected to last approximately 65 days. Since EUA Power will not generate any revenues during the refueling period, it does not expect to pay any of its share of Seabrook costs for the balance of the refueling period unless it is able to secure debtor-in-possession financing. EUA Power, certain Seabrook Joint Owners and representatives of the Official Committee representing holders of EUA Power's Secured Notes are attempting to arrange debtor-in-possession financing to enable EUA Power to fund working capital requirements and operating expenses including its obligations under the Seabrook Joint Ownership Agreement (JOA). Any financing facility might require the approval of the Securities and Exchange Commission (SEC) under the Public Utility Holding Company Act of 1935 (the Holding Company Act) and would be subject to the approval of the Bankruptcy Court. There is no assurance a satisfactory financing arrangement will be agreed upon and approved.

Since the Chapter 11 filing, through June 30, 1991, the Company recorded no reorganization expenses. For the same period, interest income on temporary cash investments amounted to approximately twenty-nine thousand dollars.

Since the Chapter 11 filing on February 28, 1991, EUA Power has not recorded interest expense. Additional contractual interest expense for the periods since the filing being reported herein would have amounted to approximately \$12.9 million and \$17.3 million, respectively, for the second quarter and six months ended June 30, 1991.

SEABROOK UNIT 1

Background:

EUA Power has a 12.1% ownership interest in the Seabrook Unit 1 (Unit 1) nuclear generating plant located in Seabrook, New Hampshire which commenced commercial operation on August 19, 1990. For the first six months of 1991, Unit 1 had operated on average at approximately 87.2% of its total capacity.

Licensing:

Still pending at December 31, 1990 before the United States Court of Appeals and the Nuclear Regulatory Commission (NRC) and its adjudicatory boards were a number of issues and appeals relating to operation of Unit 1, which, if adversely decided, could have impacted the continued

Note B - Commitments and Contingencies -- (Continued)

effectiveness of its operating license. On January 25, 1991, the Court of Appeals rejected a challenge to the NRC issuance of the full power operating license for Unit 1. The Massachusetts Attorney General has filed a petition for a writ of certiorari with the United States Supreme Court, asking the court to review the Court of Appeals decision. The NRC has filed a motion opposing Supreme Court review. The Supreme Court is expected to act on whether or not to review the decision in October of 1991.

In May, 1991, the Inspector General of the NRC and a Congressional oversight committee conducted an investigation of Unit 1 weld packages. The NRC questioned the quality of the radiographs of six welds. The Congressional oversight committee is also investigating whether the NRC had an adequate basis for issuing an operating license for Unit 1 and whether the NRC's oversight of Unit 1 has been adequate.

The final issue pending before an NRC adjudicatory board involves the adequacy of the Seabrook emergency response program. EUA Power cannot predict the course or outcome of any of these proceedings but does not believe that any is likely to have a permanent adverse impact on the Unit 1 operating license.

Uncertainties Regarding Nuclear Plants:

Seabrook Joint Owners are subject to the risk that one of their number may be unable or unwilling to finance its share of the project's costs, thus jeopardizing continued operation of the project. On February 28, 1991, EUA Power, a 12.1% owner of the Seabrook project, filed for protection under Chapter 11 of the Bankruptcy Code. On May 6, 1991, New Hampshire Electric Cooperative, Inc., a 2.2% owner of the Seabrook project, announced that it had filed for Chapter 11 bankruptcy protection. On May 17, 1991, the Public Service Company of New Hampshire, which has a 35.6% interest in Seabrook and which had filed for protection from its creditors under Chapter 11 in January 1988, emerged from bankruptcy. EUA Power cannot predict the ultimate outcome or effects of any of these bankruptcy proceedings.

Seabrook Joint Ownership Agreement:

EUA Power is required under the JOA to pay its share of Unit 1 expenditures including without limitation operations and maintenance expenses, construction and nuclear fuel expenditures and decommissioning costs, regardless of Unit 1's operations. Under certain circumstances, a failure by EUA Power to make its monthly payments under the JOA could adversely affect its entitlement in Unit 1. EUA Power has advised the Bankruptcy Court that beginning September 1, 1991 it will not be able to meet its monthly payments representing its share of Seabrook costs. EUA Power has not determined whether it will be able to pay all or any part of its share of Seabrook August 1991 costs. EUA Power's ability to pay costs depends on whether it can sell its share of Seabrook's output at prices adequate to pay its cash costs or whether it can arrange for debtor-in-possession financing. On July 25, 1991, Unit 1 was shut down for a refueling period which is expected to last approximately 65 days.

Since EUA Power will not generate any revenues during the refueling period, it does not expect to pay any of its share of Seabrook costs for the balance of the refueling period unless it is able to secure debtor-in-possession financing. The Company's ability to pay costs subsequent to this outage depends on its ability to sell its share of Seabrook's output at prices sufficient to cover its cash costs or its ability to secure debtor-in-possession financing. (See Bankruptcy Proceeding above).

SEABROOK UNIT 2

EUA Power also has a 12.1% Ownership interest in Seabrook Unit 2 (Unit 2). On November 6, 1986, the joint owners of Seabrook, recognizing that Unit 2 had been cancelled, voted to dispose of the Unit. Plans regarding disposition of Unit 2 are now under consideration, but have not been finalized and approved. EUA Power is unable, therefore, to estimate the costs for which it would be responsible in connection with the disposition of Unit 2. Monthly charges are required to be paid by EUA Power with respect to Unit 2 in order to preserve and protect its components and various warranties.

OTHER MATTERS

Accounting Changes:

In 1990, EUA Power adopted Financial Accounting Standard No. 96 (FAS 96) "Accounting for Income Taxes". As a result, accumulated deferred taxes include approximately \$6.8 million related to deferred taxes established at rates higher than the current statutory rate. EUA Power has deferred recognition of these amounts in income pending the outcome of signing long-term power sales contracts and the ultimate determination as to whether this amount will be refunded to customers.

On May 1, 1991 EUA Power announced that it would restate its financial statements with respect to the amount of Allowance for Funds Used During Construction (AFUDC) recorded in 1988 and 1989 in excess of the non-cash interest expense and all AFUDC recorded in the first three quarters of 1990. This action by EUA Power followed the receipt by Eastern Utilities Associates (EUA) of a letter from Coopers & Lybrand, the independent auditors for EUA and EUA Power, in which Coopers & Lybrand stated "We have concluded that the financial statements for the years ended December 31, 1988 and 1989 should be restated for the amount of AFUDC recorded in the income statement in excess of the non-cash interest expense and, accordingly, our previously issued opinions on such financial statements may no longer be relied upon." The financial statements included herein have been restated accordingly. As a result of such restatement, EUA Power deferred approximately \$73,390,000 of AFUDC-debt with respect to the periods in question.

SEC Review:

The SEC is conducting a review of EUA Power's Annual Report on Form 10-K for the year ended December 31, 1989 and subsequent Quarterly Reports on

Note B - Commitments and Contingencies -- (Continued)

Form 10-Q. The staff of the Division of Corporation Finance has raised certain questions principally regarding the accounting for the capitalized financing costs related to EUA Power's investment in Seabrook Unit 1 and the effect which recording such amounts had on reported earnings for 1990, 1989 and 1988. EUA Power has been advised that the matter has been transferred to SEC's Division of Enforcement and that they are conducting an informal review. EUA Power has responded to the inquiries of that division.

On May 15, 1991 EUA Power restated its financial statements with respect to the amount of AFUDC recorded in 1988 and 1989 in excess of the non-cash interest expense and all AFUDC recorded in the first three quarters of 1990 as a result of a letter received by EUA from Coopers & Lybrand, the independent auditor for EUA and EUA Power. Such restatement was intended to address several issues raised by the SEC. However, EUA Power cannot predict the outcome of the SEC's review. The SEC could require that EUA Power further restate its financial statements for the years ended December 31, 1990, 1989 or 1988 or for any quarterly period during such years. Management cannot predict whether such a further restatement, if any, would result in a material change to amounts reflected in its 1990 Balance Sheet or the cumulative reported income and losses for the three year period then ended.

EUA Power believes its restated financial statements have been prepared in accordance with generally accepted accounting principles and present fairly the financial position and results of operations of EUA Power.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operation

The financial statements for the first three quarters of 1990 have been restated from amounts previously reported relating to the amount of allowance for funds used during construction (AFUDC) recorded in the first three quarters of 1990.

Seabrook Unit 1 (Unit 1) commenced commercial operation on August 19, 1990, consequently there are no results of operations prior to this date. EUA Power reported a net loss, before preferred dividend requirement, of approximately \$2.9 million and \$10.2 million for second quarter and six months ended June 30, 1991, respectively, compared with a net loss of approximately \$8.5 million and \$16.9 million (as restated) for the same periods in 1990. The principal reason for the net loss in both periods of 1991 relates to short-term power sales of EUA Power's entitlement from Unit 1 at prices substantially below actual operations, maintenance and capital-related costs. Beginning February 28, 1991, the date EUA Power filed for protection under Chapter 11 of the Bankruptcy Code, EUA Power ceased to accrue interest on all its debt securities. The net loss for both periods of 1990 is primarily due to the accrual of interest expense on the 17-1/2% Series B Secured Notes due May 15, 1993 and the 17-1/2% Series C Secured Notes due November 15, 1992 (together, the Notes) and the deferral of AFUDC - Debt.

As a result of the Chapter 11 filing, EUA Power is now operating its business as a debtor-in-possession. EUA Power intends to continue its marketing efforts which have consisted of both direct negotiations with utilities and participation in generation bidding processes. EUA Power recognizes that the recent changes in the long-term power supply market, the continued deterioration of economic conditions in the Northeast and the new and untested bidding requirements for power contracts being implemented by various state utility commissions are affecting its ability to enter into long-term sales contracts.

Operating Revenues

Short-term sales for the second quarter and six months ended June 30, 1991 were approximately \$4.9 million and \$12.7, respectively, compared to none in 1990. For the second quarter and six months ended June 30, 1991 actual operations, maintenance, interest and capital-related costs, excluding interest expense since February 28, 1991, exceeded revenues from short-term power sales by approximately \$4.7 million and \$15.5 million, respectively, on a pre-tax basis. EUA Power continues to sell electricity at prices below cost. On July 25, 1991, Unit 1 was shut down for a 65 day scheduled refueling outage. During this period, EUA Power will record no revenues.

Operations Expense

Fuel Expense for the second quarter and six months ended June 30, 1991 was \$2.8 million and \$6.0 million, respectively, compared to none for the same periods in 1990 and represents EUA Power's amortization of fuel costs associated with Unit 1 generation during each respective period.

Other operation and maintenance expense for the second quarter and six months ended June 30, 1991 was \$4.9 million and \$9.6 million, respectively, an increase of \$4.5 million and \$8.9 million, respectively, over the same periods in 1990. The increase represents EUA Power's share of operating costs of Unit 1.

Depreciation

The Company began recording depreciation expense on its investment in Unit 1 as of August 19, 1990. For the second quarter and six months ended June 30, 1991, EUA Power recorded \$2.0 million and \$4.1 million, respectively, in depreciation. No depreciation expense was recorded for the six months ended June 30, 1990.

Interest Expense

Interest expense on long-term debt for the second quarter and six months ended June 30, 1991 decreased approximately \$12.1 million and \$16.3 million, respectively, as compared to the same periods of 1990. The decrease is the result of the cessation of accruing interest expense as of February 28, 1991 as a result of the Company's Chapter 11 filing offset somewhat by additional interest accrued from January 1, 1991 through February 28, 1991 on the Company's \$21 million of Solid Waste Disposal Facility Revenue Bonds (Revenue Bonds), issued on December 28, 1990.

Financial Condition and Liquidity

As a result of the bankruptcy filing, EUA Power is in default under the Indenture pursuant to which the Series B and Series C Secured Notes were issued and under the terms of the Revenue Bonds.

The cash resources of EUA Power are dependent upon the price at which it sells its share of electricity generated by Unit 1 and the operating capacity of Unit 1. At current market prices, the cash generated by such electricity sales is less than EUA Power's on-going cash requirements. EUA Power is required under the JOA to pay its share of Unit 1 expenditures including without limitation operations and maintenance expenses, construction and nuclear fuel expenditures and decommissioning costs, regardless of Unit 1's operations. Under certain circumstances, a failure by EUA Power to make its monthly payments under the JOA could adversely affect its entitlement in Unit 1. EUA Power has advised the Bankruptcy Court that beginning September 1, 1991 it will not be able to meet its monthly payments representing its share of Seabrook costs. EUA Power has not determined whether it will be able to pay all or any part of its share of Seabrook August 1991 costs. EUA Power's ability to pay costs depends on whether it can sell its share of Seabrook's output at prices adequate to pay its cash costs or whether it can arrange for debtor-in-possession financing. On July 25, 1991, Unit 1 was shut down for a refueling period which is expected to last approximately 65 days. Since EUA Power will not generate any revenues during the refueling period, it does not expect to pay any of its share of Seabrook costs for the balance of the refueling period unless it is able to secure debtor-in-possession financing. Any financing facility might require the approval of the Securities and Exchange Commission (SEC) under the Public Utility Holding Company Act of 1935 (the Holding Company Act) and would be subject to the approval of the Bankruptcy Court. There is no assurance a satisfactory financing arrangement will be agreed upon and approved.

The Company files consolidated Federal income tax returns together with EUA and other EUA affiliates. As a result of such consolidated filings, certain Federal income tax benefits available to the Company have reduced the Federal income tax obligations of EUA and such other EUA affiliates. Under a tax allocation agreement between EUA and its subsidiaries, the Company may receive cash payments from EUA and such EUA affiliates as compensation for the use of such tax benefits.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

See descriptions of Bankruptcy, Seabrook Licensing and SEC proceedings in Note B - Commitments and Contingencies - under PART I, Item 1, above.

Item 3. Defaults Upon Senior Securities

As a result of its Chapter 11 filing, EUA Power is in default under the terms of the Indenture dated November 15, 1986, as amended, pursuant to which EUA Power's Series B Secured Notes and Series C Secured Notes were issued and under the terms of the Loan and Trust Agreement and Letter of Credit and Reimbursement Agreement (LOC) dated December 1, 1990 and December 21, 1990, respectively, supporting \$21 million of Solid Waste Disposal Facility Revenue Bonds. The Notes

are solely the obligations of EUA Power and are not guaranteed by EUA or any other person. EUA Power's obligations under the LOC are guaranteed by EUA.

Item 5. Other Information

On May 2, 1991 EUA Power petitioned the Bankruptcy Court for the District of New Hampshire for an order authorizing the Company to expend funds for the purpose of amending its Registration Statement (the Registration Statement) under the Securities Act of 1933 (the 1933 Act) so as to keep current the Registration Statement for the benefit of certain holders of the Company's Notes, and the Contingent Interest Certificates (CICs). On May 24, 1991, the Bankruptcy Court refused to grant the order which EUA Power sought.

Since the Bankruptcy Court did not enter the order, the Notes and CICs may not be transferred under the Registration Statement, and the Company has instructed the State Street Bank and Trust Company (State Street), as transfer agent for the Notes and CICs to require before processing a transfer of Notes and CICs a satisfactory opinion of counsel to the effect that the transfer is exempt from the registration requirements of the 1933 Act. The Company is endeavoring to develop procedures so that Notes and CICs that are not restricted as to transfer under the 1933 Act may be traded with a minimum of formalities. The Company also understands that Depository Trust Company, (DTC), has placed restrictions on the Notes and CICs on its trading system and it is possible that the Company may request DTC, or DTC may determine, to transfer the Notes and CICs on its trading system to the appropriate DTC participants so that future transfers would be processed by State Street.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits - None

(b) Reports on Form 8-K

On May 1, 1991 EUA Power filed a current report on Form 8-K. The item reported was Item 5 (Other Events).

On May 29, 1991 EUA Power filed a current report on Form 8-K. The item reported was Item 5 (Other Events).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EUA Power Corporation

Date: August 13, 1991

Richard M. Burns
Richard M. Burns, Controller
(on behalf of the Registrant and
as Chief Accounting Officer)

SERVICE LIST 91-1

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Senate Finance Committee
Room 120 - State House
Concord, NH 03301

Rep. Elizabeth Hager
Chairman, Appropriations Comm.
Room 100 - State House
Concord, N.H. 03301

Georgie Thomas
State Treasurer
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Seabrook Town Office
Seabrook NH 03874

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