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Company

Annual  
Report  
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**Thomas J. Galligan, Jr.**  
*Chairman of the Board*

*The decade that began with the oil embargo of 1973-1974 was the most difficult in the 100 year history of the electric utility industry. Nowhere was the impact of successive oil price shocks felt more strongly than in oil-dependent New England. The rules of utility economics changed dramatically as demand declined and inflation and construction delays for the first time pushed the incremental price of new generating facilities higher and higher. It took a special person to deal with the new realities of energy economics and regulatory uncertainties. Thomas J. Galligan, Jr., is such a person. His tenure as president, chief executive officer and chairman spanned that period. He successfully guided the company through those difficulties and uncertainties to the position of strength it enjoys today. He made the tough decisions supported by his officers and directors. Today, the company, its customers and its shareholders are the beneficiaries, as this annual report underscores. The greater Boston area has also benefited*



*through Tom Galligan's leadership as a member of numerous business, charitable, professional and civic groups. He continues to provide insight, vision and direction to many of those organizations, including the company as chairman of the board. He is a man to whom many people in business, government and civic affairs turn for advice and guidance, and his past as well as future accomplishments will long be respected and admired.*

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Appearing on the cover is the generator of Mystic Unit 6 as seen during a 22-week overhaul that began in 1984. The 145-megawatt generator is 30 feet long and 4 feet in diameter. Mystic Unit 6 is the site of the first industry study on life extension of fossil-burning plants.

Financial Highlights	Years ended December 31,	1984	1983	% Change
	Operating Revenues (000)	\$1,316,668	\$1,069,285	+ 23.1%
	Balance for Common Stock (000)	\$74,811	\$53,575	+ 39.6%
	Common Shares Outstanding — Weighted Average (000)	15,436	14,902	+ 3.6%
	Common Stock Data:			
	Earnings Per Share	\$4.85	\$3.60	+ 34.7%
	Dividends Declared Per Share	\$3.12	\$2.91	+ 7.2%
	Payout Ratio	63%	80%	- 21.2%
	Book Value Per Share	\$33.61	\$32.21	+ 4.3%
	Return on Average Common Equity	14.69%	11.24%	+ 30.7%
	Fixed Charge Coverage (SEC)	3.02X	2.67X	+ 13.1%

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

*Boston Edison also supplies electricity to other utilities and municipal electric departments at wholesale for resale, and provides steam to approximately 310 customers in the City of Boston.*

*About 85 percent of the company's revenues are derived from retail electric sales, 10 percent from wholesale electric sales, 3 percent from steam sales and 2 percent from other sources.*

*Moot  
o/no Reid  
w/out  
Ror*







Dear Shareholder:

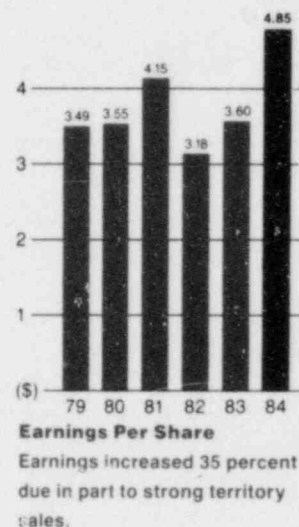
In writing to you for the first time as chief executive officer, I am fortunate to be able to present a portrait of a strong company operating in a dynamic, growing service territory. Throughout the following report the factors contributing to last year's 35 percent gain in earnings per share of common stock are detailed. As a shareholder, you no doubt appreciate the importance of our resurgent financial strength. In September the dividend was increased eight percent, three months earlier than had been traditional. The price of common stock went from 24<sup>7</sup>/<sub>8</sub> to 34<sup>5</sup>/<sub>8</sub> at year end and for the first time in more than a decade it exceeded book value.

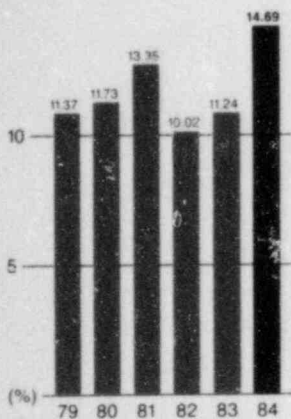
As part of our continuing emphasis on long-term quality of service, we undertook a substantial investment at the Pilgrim Nuclear Power Station that resulted in a successful program to recondition and replace many plant components. Also, plans to burn coal at an existing oil-fired plant, to import additional power from Canada and to add additional supplies of natural gas to the fuel mix advanced.

As the text summarizes 1984 performance in detail, I want to share with you here some of my thoughts on the far-reaching changes affecting the electric utility industry and your company. Those changes are important. They present us with new challenges. But more importantly they offer opportunities to further our commitment to reliable, safe and cost-effective service while adopting innovative approaches to future business development.

The regulatory and customer environment in which electric utilities operated in the 1970s and early 1980s was often marked by rapidly rising prices and public hostility. Under the leadership of Thomas J. Galligan, Jr., your company responded well, and when he retired as chief executive officer last May, the company had recovered from the difficulties of previous years.

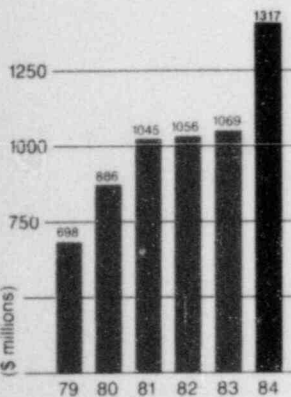
From left to right, Senior Vice President William D. Harrington, Executive Vice President Joseph P. Tyrrell, President and Chief Executive Officer Stephen J. Sweeney and Executive Vice President James M. Lydon.





#### Return On Equity

Return on equity grew 31 percent over 1983's level and the gap between actual and allowed returns narrowed to .56 percentage points.



#### Operating Revenues

Operating revenues increased by 23 percent because of sustained kilowatthour sales growth and a \$34.1 million retail rate increase.

We were able to maintain our commitment to provide high quality service. We are strengthening that traditional commitment through an open planning process, the consumer advisory panel, discussions between corporate officers and leaders of special interest groups and a variety of other ways, some of which are described in the following pages. As a result, the adversarial relations of the past have been replaced by open discussion and a high degree of cooperation between various interests in achieving common goals and addressing different viewpoints.

From the shareholder perspective, the role of public involvement bears note because of the important relationship between customer satisfaction and regulatory decision-making. Recent regulatory decisions in Massachusetts have underscored the fact that a utility that is responsive to its customers under a host of different circumstances is also responding to regulators. Knowing the needs and concerns of customers and regulators, and being responsive simply makes good business sense.

The rules under which we operate are changing. Fortunately, we are well-prepared for them. The Department of Public Utilities (DPU) last year ordered a major change in rate structure by substantially increasing peak prices and requiring time-of-use rates for large commercial customers. The DPU made it clear that it wants price strategies that send a signal to consumers on the true future cost of service. We concur in the importance of using price signals as part of a strategy to defer the need for new capacity. What is uncertain is the full effect of those signals on usage patterns.

In a separate decision the DPU stressed that a utility must look at all available options before deciding to build new capacity. It said that investment in new capacity can only be recovered if it is determined to be "used and useful" regardless of whether decisions to build were prudent in the first place. That decision clearly imposes new investment risks, but also the opportunity for greater rewards. There are uncertainties surrounding this recent decision, but our financial and organizational strengths put us in an unusually good position to identify and address those uncertainties.

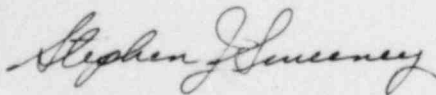


An important step in that direction was taken in the establishment of an energy supply and demand planning department. We have consolidated forecasting and planning groups to assure that all supply and demand options are thoroughly considered. In addition, we are developing a new business plan, one that will define the company for the coming years and give us the capability and flexibility to take advantage of the environment that is moving us into a more competitive future.

In the years ahead, we will be aggressive in exploring and developing options for meeting future energy needs. We will look for opportunities to participate in new projects where the potential for return is commensurate with the risk. We will continue to involve various publics in the planning process. We will meet with regulators and other interested parties on the meaning and implication of uncertain forecasts of future energy demand growth and new energy pricing strategies.

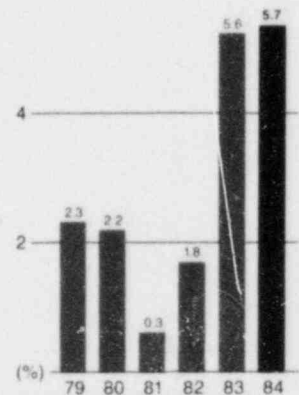
The traditional values that helped shape Boston Edison over the past 100 years will continue. This company is indeed fortunate to have Greater Boston with its dynamic service territory growth. I am personally fortunate to have an outstanding group of managers and employees and am confident that together we will be able to make and implement effective and timely decisions in this changing environment. Your management is proud of the accomplishments of 1984 and of the more than 4,000 employees who displayed their dedication and hard work throughout the year. We look forward to tomorrow.

*Sincerely,*



**Stephen J. Sweeney**  
*President and Chief Executive Officer*

February 15, 1985



**Territory Sales Growth**  
An improved economy contributed to a large increase in territory sales.

Nineteen-eighty-four was a very successful year for Boston Edison Company. Net income rose dramatically, due to sustained growth in kilowatt-hour sales and a \$34.1 million retail rate increase.

Earnings per common share increased from \$3.60 in 1983 to \$4.85. The quality of the company's earnings remains high; AFUDC (Allowance for Funds Used During Construction) as a percent of net earnings available for common shareholders was only 15 percent. The dividend/earnings payout ratio, a barometer of dividend coverage, improved and dropped below the industry average in 1984.

The common equity component of long-term capitalization reached the company's objective of 38 to 40 percent. Equity accounted for 39 percent of capital at the end of 1984 as compared to 37 percent in 1983. Return on equity rose markedly from 11.24 percent in 1983 to 14.69 in 1984. In addition, return on equity, excluding AFUDC, is well above industry averages, indicating a solid current return. This increase narrowed the gap between the actual return on equity and the company's 15.25 percent allowed return to only 0.56 percentage points. Reflecting this improvement, the stock price was the highest in 11 years, up 22 percent from 1983 to

A newly-enhanced budget and goal-setting process helps managers at all levels to integrate short and long-term planning with the overall direction of the company.





December 1984.

The company's internal cash generation, which was 107 percent of capital expenditures in 1983, declined to 69 percent in 1984 because of increased capital expenditures for improvements made at Pilgrim Station. ■

### Dividend Increased

In September, the board of directors increased the dividend on the company's common stock by 8 percent from \$3.00 per share to \$3.24 annually. The board's action, taken three months earlier than has been traditional, reflects the company's continuing commitment to its shareholders. Improvements in the company's earnings performance enabled the board to undertake the early dividend review. ■

### Bond Ratings Upgraded

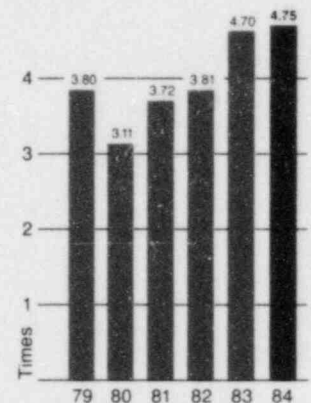
For the second year in a row, Boston Edison's bond ratings were increased. Moody's Investors Services raised its rating on the company's first mortgage bonds from A3 to A1 because of the strong internal cash generation position, and the positive regulatory trend in Massachusetts. In January 1985, Moody's assigned a rating of Prime-1 to the company's commercial paper. The rating is the highest investment grade assigned to a commercial paper issuer by Moody's.

Standard & Poor's Corporation raised the company's bond ratings from A to A+ and gave Boston Edison an A-1 commercial paper rating. The A-1 rating has the potential to reduce the company's short-term borrowing costs and increase short-term financial flexibility. Standard & Poor's anticipates that

the company's strong internal cash generation will continue to strengthen interest coverage, capital structure and earnings quality over the already improved present levels.

Fitch Investors Service, Inc. also upgraded its rating on first mortgage bonds from A- to A+ saying that the higher rating reflects the company's financial position and prospects for significant improvement in the years ahead.

The company has filed a shelf registration statement for the sale of \$75 million in First Mortgage Bonds, Series V. The proceeds will be used to finance capital additions. ■

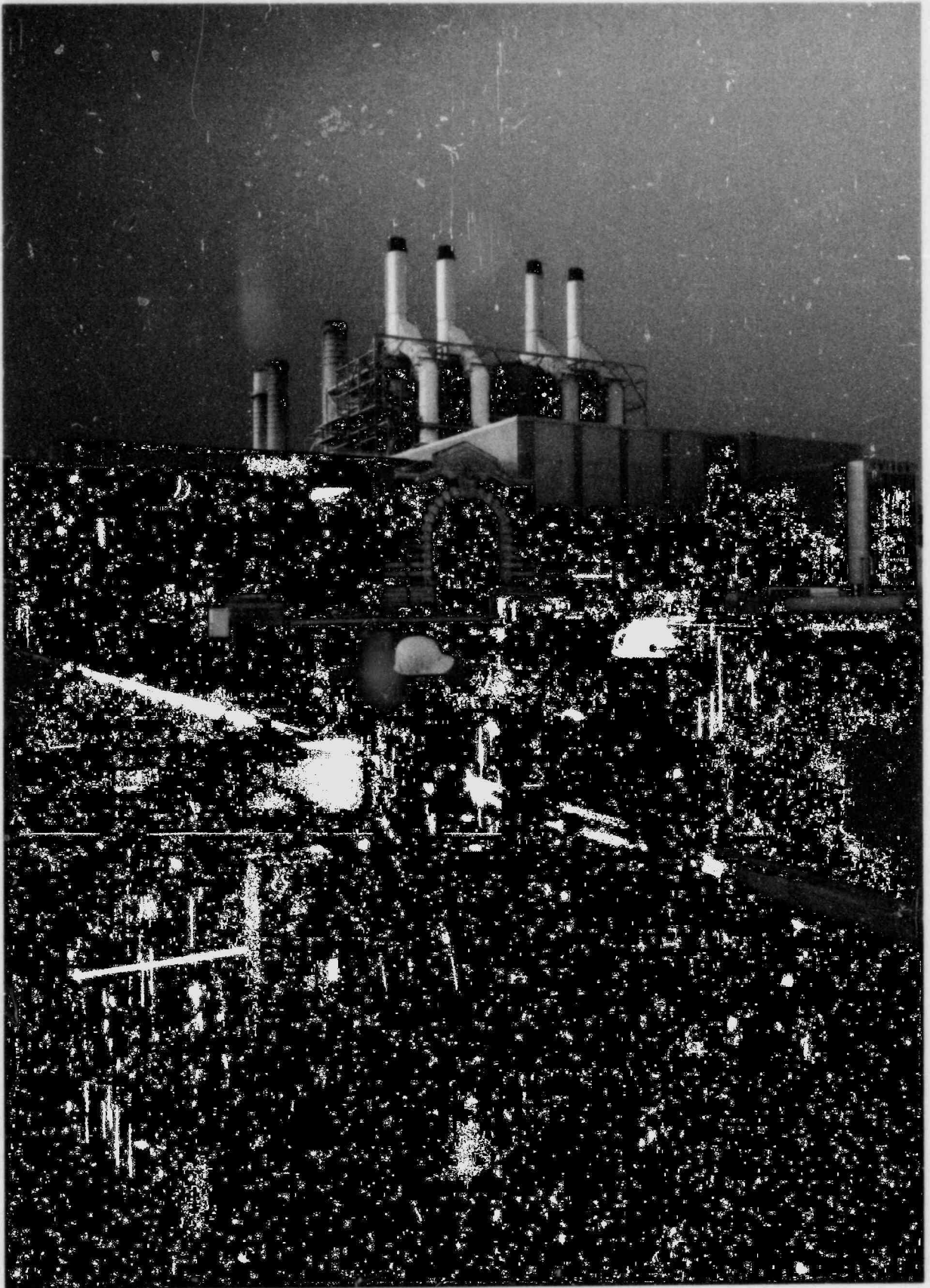


**Common Dividend Coverage**  
Common dividend coverage remains strong at a level exceeding twice the industry average.



*"Moody's raised its ratings on Boston Edison's first mortgage bonds from A3 to A1 in March 1984. Two factors influenced our decision: the company has significantly improved its financial condition, and it has no major construction projects under way until 1990. Looking ahead, Moody's believes that Boston Edison's financial position is likely to improve even more in the next five years."*  
**John T. Spellman**  
Assistant Vice President  
Moody's Investors Service

New Boston Units 1 and 2, located in the community of South Boston, are the site of Boston Edison's proposed coal conversion. The two units would displace 7 million barrels of oil a year with coal conversion.





The Massachusetts Department of Public Utilities (DPU) allowed the company to raise its retail rates by \$34.1 million beginning June 29, 1984 to reflect the company's increased cost of providing service. The company had requested a \$37.5 million rate increase. The rate order reduced allowed return on equity from 15.5 percent to 15.25 percent, a return comparable to returns allowed to other utilities nationally. The DPU also required major rate structure changes. These changes included higher summer surcharges for residential rates, a time-of-use rate for the company's largest commercial and industrial customers and further analyses of the cost-effectiveness of applying time-of-use rates to all other rate categories. The increases in peak period rates are consistent with Boston Edison's load management efforts to defer major capital commitments to build new capacity.

The company filed a two-step wholesale rate increase request of \$2.9 million with the Federal Energy Regulatory Commission (FERC) in September. The FERC allowed the first step of the increase, 75 percent, or approximately \$2.2 million, to be billed beginning in late November; the remaining amount was suspended until April 1985. The portion being billed is subject to refund, pending hearings and a final decision by the FERC.

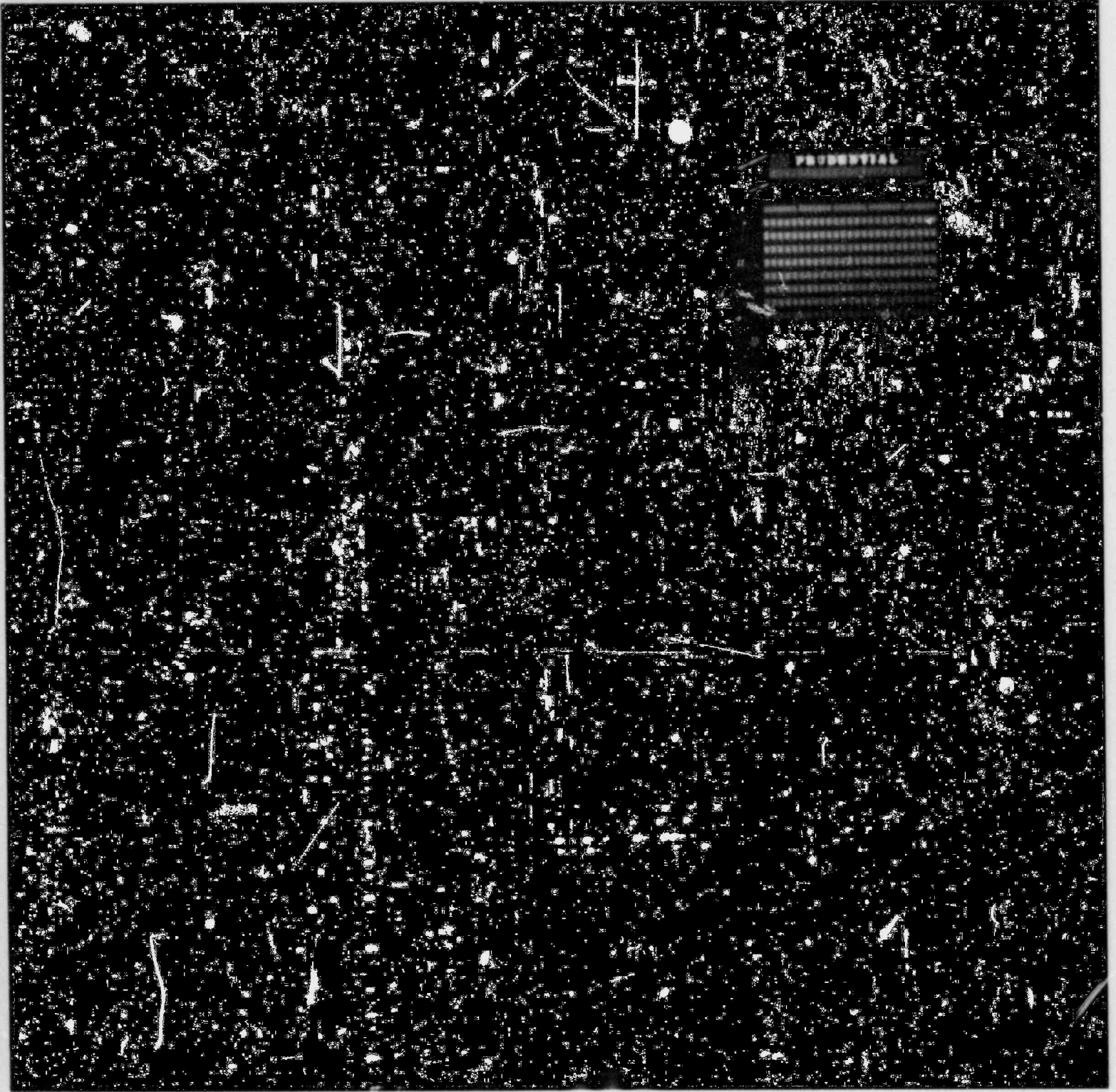
The company's fuel clause continues to be determined on a forecasted basis, adjusted for actual experience. This forward-looking ratemaking concept permits recovery of fuel and the fuel portion of all purchased power on a current basis. ■



*"Boston Edison's voluntary decision to use scrubbers in converting its New Boston power station from oil to coal use demonstrates the company's foresight and keen sensitivity to the public good. The conversion will result in a large reduction in sulfur emissions, while strengthening the Massachusetts economy by reducing the use of expensive foreign oil."*

*Anthony Cortese  
Former Commissioner  
Department of Environmental Quality  
Engineering  
Commonwealth of  
Massachusetts*

Boston's revitalized Back Bay is symbolic of the strong local economy that contributed to Boston Edison's performance in 1984.





In 1982, Boston Edison launched a flexible process for meeting the future energy needs of its customers. Called IMPACT 2000, the plan looks at supply and demand choices and outlines the options for the future. These elements are: fuel diversity, conservation, load management and public involvement. ■

**Fuel Diversity**

The oil embargoes of the 1970s made it clear that electric utilities should not depend on one source of fuel. Since that time, Boston Edison has actively followed a policy of diversifying its fuel mix.

As a short-term measure, gas will be burned in several units on an interruptible (i.e., as available) basis. Mystic Unit 7, the company's largest fossil unit, has burned gas for at least 7 months a year since 1982. Contracts have been signed to permit the 2 New Boston units to burn gas 7 months a year from 1985 through 1987. Net savings from burning gas during the next few years are estimated to be \$8-\$10 million a year at both Mystic and New Boston. All 3 units will retain the flexibility of burning more than one fuel in order to take advantage of future differences in price and availability.

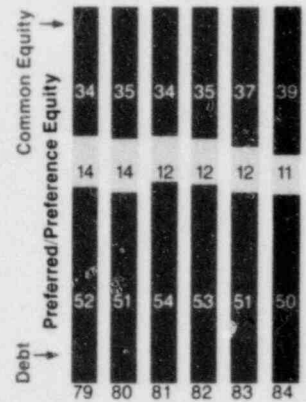
Significant progress was made in the company's plans for coal conversion. In the first such decision involving a coal conversion project of this magnitude, the company in 1984 voluntarily decided to add flue gas desulfurization systems, or scrubbers, to the conversion plans for New Boston Units 1 and 2 to reduce sulfur dioxide emissions. The decision followed extensive public

input on the proposed conversion. Also, the Final Environmental Impact Report on the proposed coal conversion at New Boston was approved by the Commonwealth of Massachusetts Executive Office of Environmental Affairs and all major environmental permits had been granted or proposed for approval. Legislation was recently enacted in Massachusetts that would allow the company, subject to approval of the Department of Public Utilities, to recover in retail rates over a period of up to 12 years the cost of conversion, including financing costs. The company plans to file its application for approval with the DPU. If satisfactory project financing arrangements can be obtained and if the DPU approves recovery of all costs of conversion, the company intends to proceed with this project.

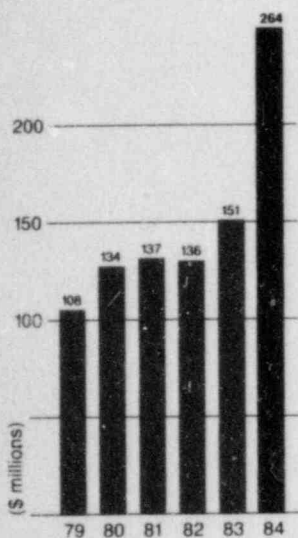
The company also decided in 1984 to put coal conversion plans for Mystic Units 4, 5 and 6 on hold because projected savings were less certain.

The conversion is estimated to cost \$620 million. Based on current fuel price forecasts, projected customer savings are approximately \$4 billion to the year 2010 over the cost of burning oil.

The New England Power Pool (NEPOOL) reached agreements with Hydro-Quebec to purchase up to 33 million megawatthours of hydroelectric energy over an 11-year period from the Canadian province of Quebec. This Phase I power will be transmitted starting in mid-1986 over a new 690 megawatt direct current interconnection now under construction. This arrangement is estimated to save the burning of 5 million barrels of oil a year for New England customers. Also, an agreement



**Capitalization**  
The company continues to strengthen its capital structure.



#### Construction Expenditures

Although the Company is not involved in a major construction program, capital spending increased primarily because of work at the Pilgrim Nuclear Power Station.

in principle was reached between NEPOOL and Hydro-Quebec for Phase II of the project. Under Phase II, Hydro-Quebec will provide New England utilities 7 million megawatthours of energy each year for a ten-year period that is anticipated to begin in 1990. Phase II is expected to save the burning of 12 million additional barrels of oil a year for New England customers. Boston Edison's share of the New England savings created by the Phase I and Phase II purchases is expected to be approximately 12 percent.

Under a contract signed in 1981 with the New Brunswick Electric Power Commission, Boston Edison continues to receive 100 megawatts of power annually from Point Lepreau Nuclear Power Plant. The agreement runs until 1988, with options to extend to 1991. Point Lepreau Unit 1 achieved a capacity factor of 89.6 percent during 1984. To complement the Point Lepreau purchase, the company is purchasing 100 megawatts from Bear Swamp Units 1 and 2, a pumped storage facility owned by New England Power Company. The company, as well as NEPOOL, has been discussing with the New Brunswick Electric Power Commission the purchase of power from a second Point Lepreau unit that is being considered for construction in the early 1990s.

The company is planning major transmission line construction because of increasing power purchases from Canada and growth in the downtown Boston area. In 1985, construction will begin on an underground 345,000-volt transmission line from Woburn to North Cambridge. The project is the first major transmission addition in the \$130

million expansion program, to be completed over the next several years.

The company is actively exploring other alternative fuels. During November, a coal-water mixture liquid fuel was burned for test purposes in Mystic Unit 4. Additional industry research and development of this fuel will be pursued in 1985.

The company is also committed to increasing its energy supply through cogenerators and small power producers, such as refuse-to-energy plants, and small hydroelectric plants. Boston Edison filed a 20-year contract with the DPU for a 10-megawatt purchase of power from a peat-fueled cogeneration facility located near Camden, Maine. Initial output from the facility is expected during spring 1986. The contract reflects the company's interest in buying power from small power producers and cogenerators to supplement its energy supply. ■

#### Conservation and Load Management

Through its conservation and load management programs, the company encourages customers to save electricity and to shift use to off-peak times. During 1985, Wrap-It Cap-It and other conservation programs that had helped conserve oil and gas in addition to electricity will be phased out in response to the DPU order of June 29, 1984. The company is directing new conservation programs at saving electricity as the principal source of energy. The company has filed a new conservation program in which a contractor will estimate how much electricity a customer can save with various conservation measures. The contractor will then

install the measures at its own expense and be reimbursed at marginal cost from the savings of electricity demonstrated. The company proposes to be the contractor in this program, with the pilot version expected to begin early in 1985. Time-of-use rates with higher charges during peak times will also play a key role in load management. These rates, now mandated for the largest commercial and industrial customers, will be extended to other customers where cost-justified.

The company has been actively exploring other conservation and load management possibilities such as forging energy partnerships that are unique within the utility industry. To involve potential users in designing programs, Boston Edison invited representatives of 7 consumer organizations to help develop a combined audit and conservation program for residential customers. The residential conservation focus group made recommendations including the formation of an independent organization called the Community Energy Partnership Inc. to implement them. The concept calls for a local program that will combine an energy audit with weatherization services in a one-step program. This plan will be submitted to the DPU and the Massachusetts Executive Office of Energy Resources for review in 1985. A similar group was also formed with representative commercial and industrial customers.

Boston Mayor Ray Flynn broke ground on a development project that Boston Edison is participating in and which is being sponsored by Symphony Area Renaissance, Inc. A 16-unit residential building located in a redevelop-



ment area of the city is being restored. Edison's part in the building's rehabilitation will include an innovative off-peak heating and cooling system, a special heat recovery system and a solar-assisted domestic water heating system. In conjunction with the Audubon Society, the company will also sponsor an educational program for architects and builders and encourage similar inner-city projects. ■

Company officials meet with leaders of consumer and public interest groups as an important part of long-range energy planning.

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#### Public Involvement

Planning for the future is being undertaken with input from customers, officials and others who would be affected.

The Consumer Advisory Panel is made up of 16 representatives of Boston Edison residential and commercial customers, as well as special interest groups such as low-income, the elderly and minorities. In existence for two years, the group has been meeting regularly. In 1984, the group presented to company management recommendations concerning collection procedures and customer bill-paying problems. The



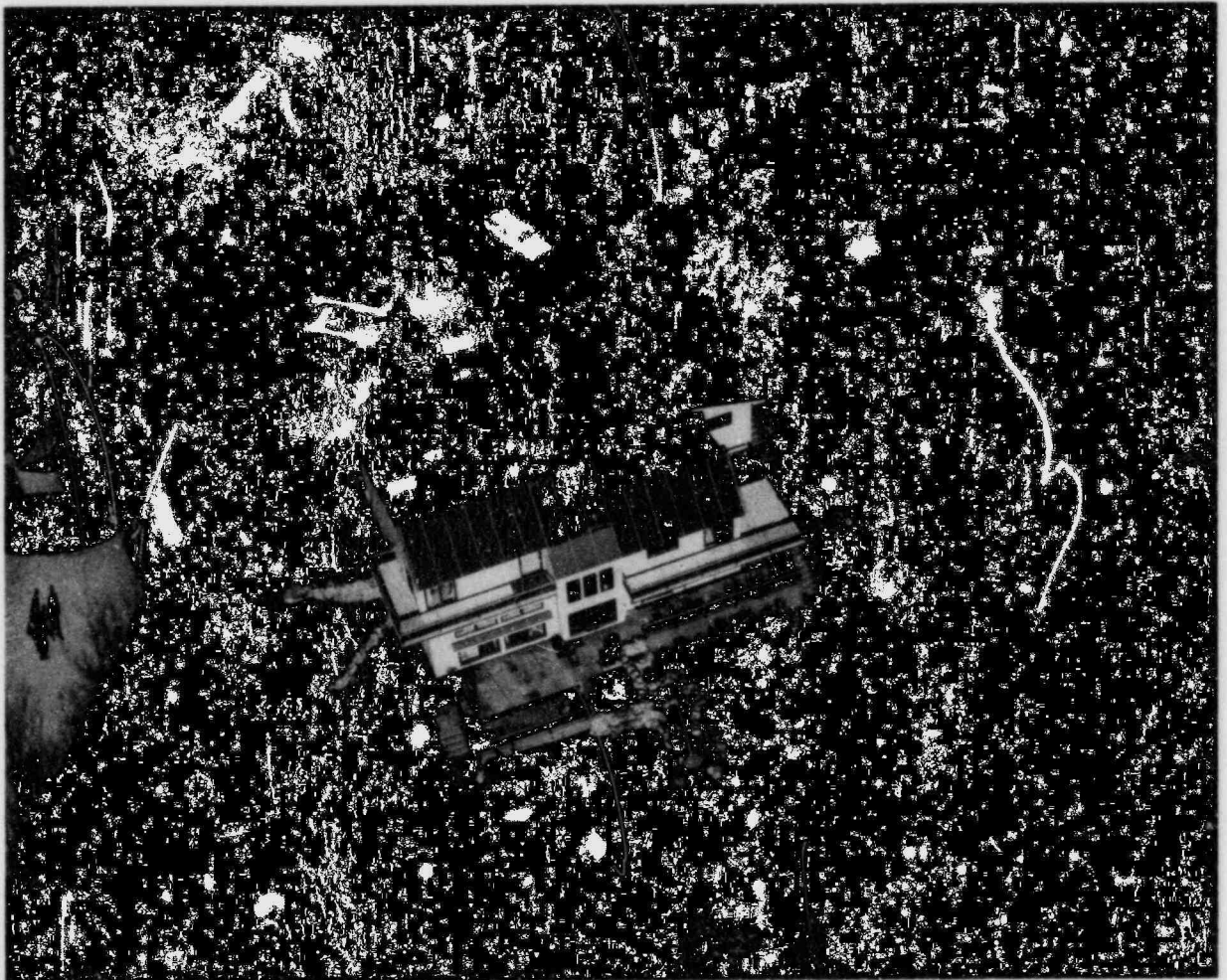
recommendations fell into three categories: financial assistance, service improvement and a pilot program to implement service-improvement strategies.

In September, the company brought together representatives of 7 consumer and public interest groups with government and company officials to participate in a day-long consumer/utility dialogue. The purpose of the dialogue was to discuss the cost of electricity and related issues in an informal, non-adversarial setting. No concrete

conclusions were reached, but the consensus was that the dialogue had been an important link in building stronger communications between the company and the consumer and that similar types of communication should continue.

The company encouraged public involvement of another type with its construction of the IMPACT 2000 House with its state-of-the-art energy-efficient features such as photovoltaic cells. Construction of the house was followed weekly on public television's *The All New This Old House*. Dedicated by Gover-

With its array of 24 photovoltaic roof panels, the IMPACT 2000 House is capable of generating more than 4 kilowatts of power. This energy feature and others attracted viewers nationwide when the house's construction was broadcast on public television's *The All New This Old House*. Over 13,000 visitors from 49 states and 24 foreign countries toured the house in 1984.



nor Michael S. Dukakis in June, the house was then opened for a year of public tours. After winning a Massachusetts Award for Energy Innovation, the company received special recognition (the highest award category) in the Department of Energy's National Awards for Energy Innovation. ■

### **Long-range Planning**

Uncertainties surrounding future demand for power and the utility industry's ability to license and build large generating units in a reasonable time frame place special demands on utility planners. In such a period of uncertainty, Boston Edison places a high priority on the integration of supply and demand planning.

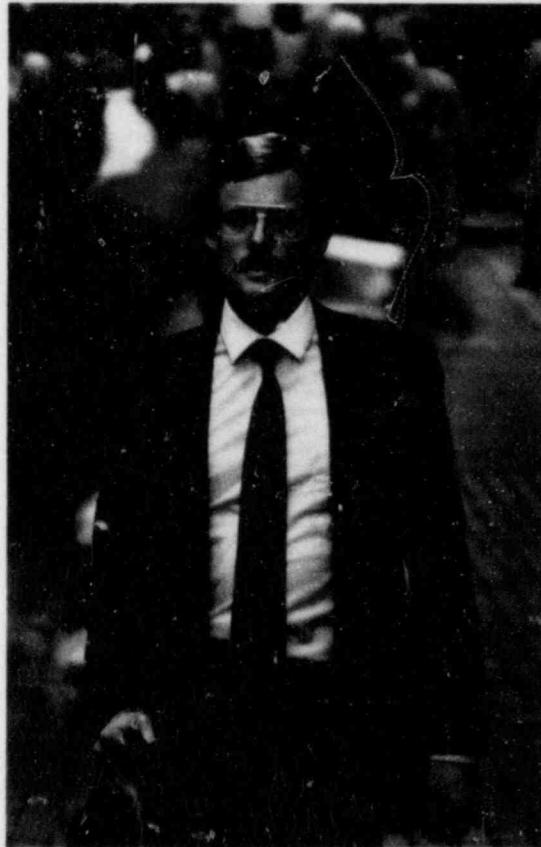
That need was underscored as usage hit an all-time peak, both for the company and the New England Power Pool in June. The company's new all-time peak was 2,387 megawatts, 6.9 percent above the 1983 summer peak. A new winter peak was set on January 21, 1985 of 2,143 megawatts, 6.5 percent above the 1983-84 winter peak.

A recent DPU directive has important implications for Massachusetts electric utilities considering construction or purchase of new capacity. By directing electric utilities to prove new plants or power contracts to be "used and useful" upon completion, rather than having been based on prudent judgment at the time of decision, the directive places the companies and their shareholders at a much greater risk for any investment in new capacity. The ground rules for implementation of the new DPU philosophy remain unclear at this time. While increasing risk they

may also present greater shareholder opportunity.

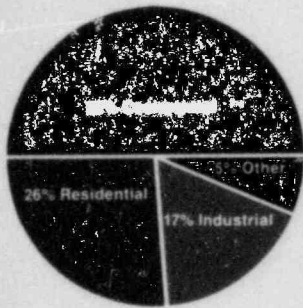
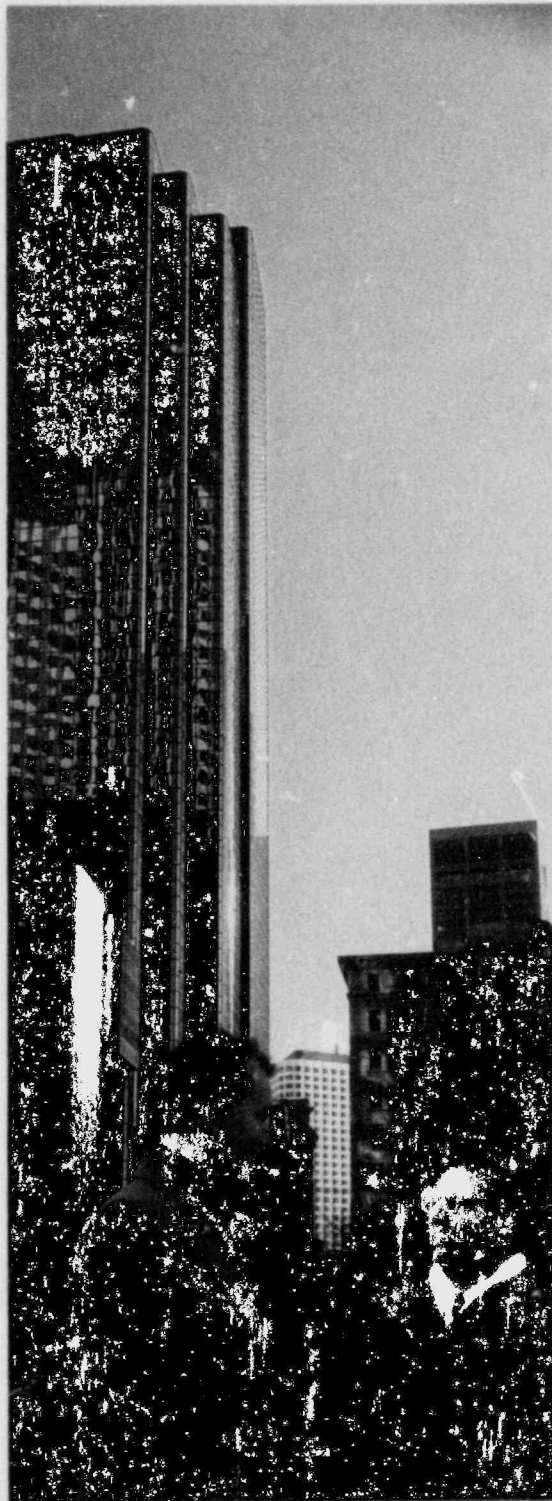
During the fourth quarter, a new Supply and Demand Planning Department was formed to facilitate long-term decision-making. Divisions of the company which dealt with forecasting, generation and demand side planning were combined into a single, integrated planning unit. The new department will assess the costs, risks involved and the availability of various supply and demand options.

The company is pursuing a broad range of conservation and load management programs as a means of controlling demand. ■



*"Boston Edison is taking a giant step forward: It is listening to consumers as an important part of its corporate decision-making process. Whether on how much electric capacity customers will demand in the future or the conversion of existing power plants to burn coal, the management is listening to consumer input before deciding. This exhibits critical sensitivity to making decisions that are responsible and in the long-term public interest."*

**Steve Ferrey**  
Staff Attorney  
National Consumer Law  
Center



In 1984, new residential construction (facing page, top photo) and buildings like Exchange Place contributed to the company's sales base. The new 1.3 million square foot building incorporates the front of the old Boston Stock Exchange Building. Exchange Place has an innovative energy system that uses 600,000 gallons of water storage capacity for efficient heating and cooling.

In 1984, sales showed an even stronger growth trend than in 1983, due in large part to the health of the Boston economy. Unemployment in the Greater Boston area was 4.1 percent for the year, continuing a trend of being considerably lower than other industrial metropolitan areas. Retail sales growth was 6.6 percent in 1984, up from 5.8 percent a year earlier. Territory sales totaled 11.1 million megawatthours. Sales in the commercial sector accounted for 52 percent, industrial sales 17 percent, residential sales 26 percent and other sales 5 percent. Both the service and manufacturing sectors are expected by many to maintain their competitive position with other cities in the years ahead. The building boom of the last several years continued in 1984 with the downtown construction of new office space, hotels and other commercial property, as well as expansion in the suburbs. ■

### Commercial Development

The Boston economy responded vigorously to the national economic recovery. Robust growth continues in the areas of financial services, high technology, health care and defense. In 1984, approximately 18.2 million square feet of new industrial and commercial space were added to the real estate base. Seventy-one percent, or approximately 13 million square feet, will be electrically heated. Of that amount, 50 percent will incorporate energy-efficient heat pumps in their heating and cooling systems. Among the new buildings that opened in 1984 were the 1,000-room Boston Marriott Hotel/Copley Place, the 1.2 million square-foot One Financial Center, located in Dewey Square and





the 765,000 square-foot Lafayette Place, all of which are electrically heated.

The first of three phases of the Massachusetts Technology Center at Bird Island Flats, next to Logan Airport, is scheduled for opening in 1985. This 1.2 million square-foot complex will provide space for high technology research and development, manufacturing, office and import-export enterprises. Opening is also planned for the 500,000 square-foot Four Seasons Hotel in 1985.

Plans were completed to expand the Hynes Auditorium, enlarging the city's primary convention facility from 300,000 to 800,000 square feet by late 1987, and on BOSCOM, a computer marketcenter on Commonwealth Pier, scheduled for completion in 1985. There were also several smaller Boston office buildings constructed or renovated, as well as suburban industrial and commercial expansions. The company has continued to encourage architects, builders and developers to incorporate energy conservation in new construc-

tion. Through energy-efficient building techniques, the company is seeking to minimize peak demand growth without inhibiting economic development. ■

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### Residential Market

New housing commitments were made for 7.3 million square feet, which included everything from subsidized apartments to luxury condominiums. More than 56 percent of this new housing will be electrically heated. Additionally, 1.8 million square feet of existing housing was converted to electric heat. Energy-efficient heat pumps accounted for about 50 percent of sales in the residential electric heating market for both new construction and conversions. ■



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*"Ten years ago, Massachusetts was considered the prototype of the mature industrial state with a bleak future; today, it is seen as a dynamic, prosperous center for high technology industries and a model for other states and even other countries. Boston Edison has benefited from the healthy Boston-area economy, with its growing high technology firms, financial services and educational and medical institutions."*

**Lynn E. Browne**  
Vice President and  
Economist  
Federal Reserve Bank  
of Boston

This substation steps down voltage before electricity travels to customers via distribution networks. The bucket truck displays the company's newly-approved fleet color.

**M**any steps were taken at Boston Edison during 1984 to assure the continuation of reliable service for customers.

The company continues to place

increasing emphasis on improving the efficiency of day-to-day operations and customer service with high technology applications. ■



## Information Systems

The Supervisory Control and Data Acquisition (SCADA) System became operational. The system enables dispatchers to monitor and control the electric system electronically from the System Control Center. The \$15 million SCADA system alerts dispatchers to any changes in the status of the electric system and provide alarms of trouble. During 1984, remote terminal units were installed at over 50 percent of the 71 substations to be connected to SCADA.

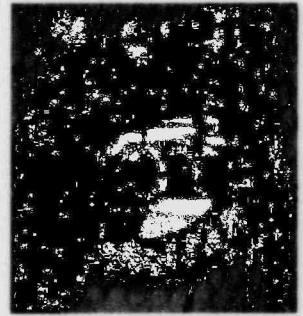
At Pilgrim Station in the first quarter of 1985, a \$1.5 million computer system, designed to minimize worker radiation exposure and enhance worker productivity will be installed. The Radiological Information Management System (RIMS) stores information obtained directly from radiation measuring equipment worn by workers. RIMS will track worker radiation exposure more effectively, reducing the amount of time required for record-keeping. As part of the company's overall effort to reduce worker radiation exposure, the system is expected to save \$5 to \$7 million over the next 5 years.

New computers were added to the control room at the New Boston Station to assist operators in monitoring the turbine and other plant operations. Company engineers have also been studying the effectiveness of a portable computerized system that can be used to predict malfunctions of rotating machinery in power stations.

Preliminary phases of the Materials Management Accounts Payable and Purchasing System were introduced during 1984. In development for two years, the system will simplify pur-

chasing transactions by centralizing various purchasing, stores and accounting data bases.

A customer meter-reading device known as an electronic data collector is also in development for 1985 introduction. Estimated to cost \$1.2 million, the hand-held computer is expected to save the company that amount in one year of use. The collector will allow employees to record the time and date of their readings for more accurate billing of customers. The computer will also be programmed with special notes to aid the employee in future readings. ■



With the company's newly-updated computer aided drafting (CAD) system (photo below) technicians can enlarge diagram details as small as this network connector inside a manhole (photo above). Drawings can be updated four times faster using the CAD system than by hand.







### Employee Achievements

Reliable service for Boston Edison customers would be impossible without a dedicated workforce. Nineteen eighty-four was a year of many accomplishments for Boston Edison employees.

A spring storm, the worst in at least 15 years for damage to wires and poles, hit the company's territory on March 29, leaving 150,000 customers without power. The company declared a major emergency and employees worked around-the-clock restoring service, taking 66,000 calls from customers, addressing the concerns of

municipal officials and answering media questions. One hundred twenty-one Edison line crews, joined by 150 crews from neighboring utilities, brought power back to all but a few customers by April 3. An earlier storm resulted in the worst flooding of the company's underground system in seven years. Service was restored to most of the 20,000 affected customers within 24 hours.

Employees' commitment to safe work habits paid off with impressive safety records. Through a variety of safety programs introduced over the past several years, the number of lost work day cases has been reduced at an average rate of 8 percent per year since 1974.

The Quality Circle Program, in its fourth year of operation, now involves 150 employees in 17 circles. In the program, employees meet weekly on a voluntary basis to discuss work-related issues. After investigation and analysis, they recommend solutions to management. Also during 1984, an advisory committee was formed with both management and union representation to guide the Quality Circle Program. ■

### System Performance

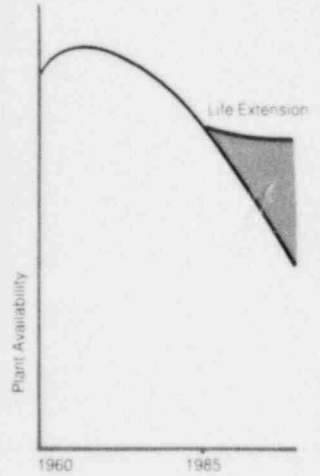
Company plants, both fossil and nuclear, were the site of major maintenance programs during 1984 that will produce savings by enhancing operating efficiency.

An extended outage took place at Pilgrim Nuclear Power Station during most of 1984 involving replacement of the plant's recirculation piping system, replacement of three feedwater heaters,

*"My job is important to Boston Edison and its thousands of customers. I take pride in doing the best I can and in the fact that I work in an industry and for a company that provides an essential service."*

**Lou Ann Ashburn**  
Substation Operator  
Boston Edison Company





At Mystic Station (facing page, top photo), Boston Edison is conducting a life extension study for the electric utility industry that is being partially funded by the Electric Power Research Institute (EPRI). Using the Mystic Unit 6 turbine (left) and other generating equipment, the company will test technical and economic guidelines for extending the life of 35-year-old generating units to 50 or more years. The graph above shows that with life extension, availability of a unit could be extended beyond expected retirement.

routine refueling and other related work. Over 2,700 tasks were performed, many that had been scheduled for later outages. The company's program for scheduling safety modifications was commended by the Institute of Nuclear Power Operations as a model of good practice for the industry. Work performed during the outage cost over \$165 million. The plant was, to a large degree, restored to its original condition and during the next twelve months its operation could save customers \$200 million in fuel costs.

In other significant events at Pilgrim Station, a 10-year contract was

signed for the purchase of enriched uranium from Urenco, a European consortium. Also, a 12,000 square foot waste compacting facility, designed by company engineers, went into use in 1984. The compactor will dramatically reduce the volume of low-level nuclear waste to be shipped from Pilgrim.

*Electric Light and Power* magazine recently ranked New Boston Station among the top 20 fossil generating plants in the country based on its heat rate which is measured in British thermal units per kilowatthour. The plant is expected to repeat that distinction with a heat rate of 9,522 British thermal units per kilowatthour for 1984. Fuel savings of more than \$62 million have resulted from improvements in the plant's heat rate since 1976.

The Electric Power Research Institute (EPRI) granted the company a \$480,000 contract to study the feasibility of life extension at Mystic Unit 6. Launched during a scheduled 22-week overhaul of the unit, the study will assess the economic benefit of preparing the 23-year-old plant for use until the target year 2010. Results of the study will also be applied to Mystic Units 4 and 5 and the company will supply the industry a set of generic guidelines for life extension evaluation. The program, the first of its kind in the United States, is seen as an important element in the company's overall supply and demand planning efforts.

Major improvements began on the Atlantic Avenue network, which provides power to the financial and waterfront area of the city. The network is being split to improve system reliability. Also, new communication devices

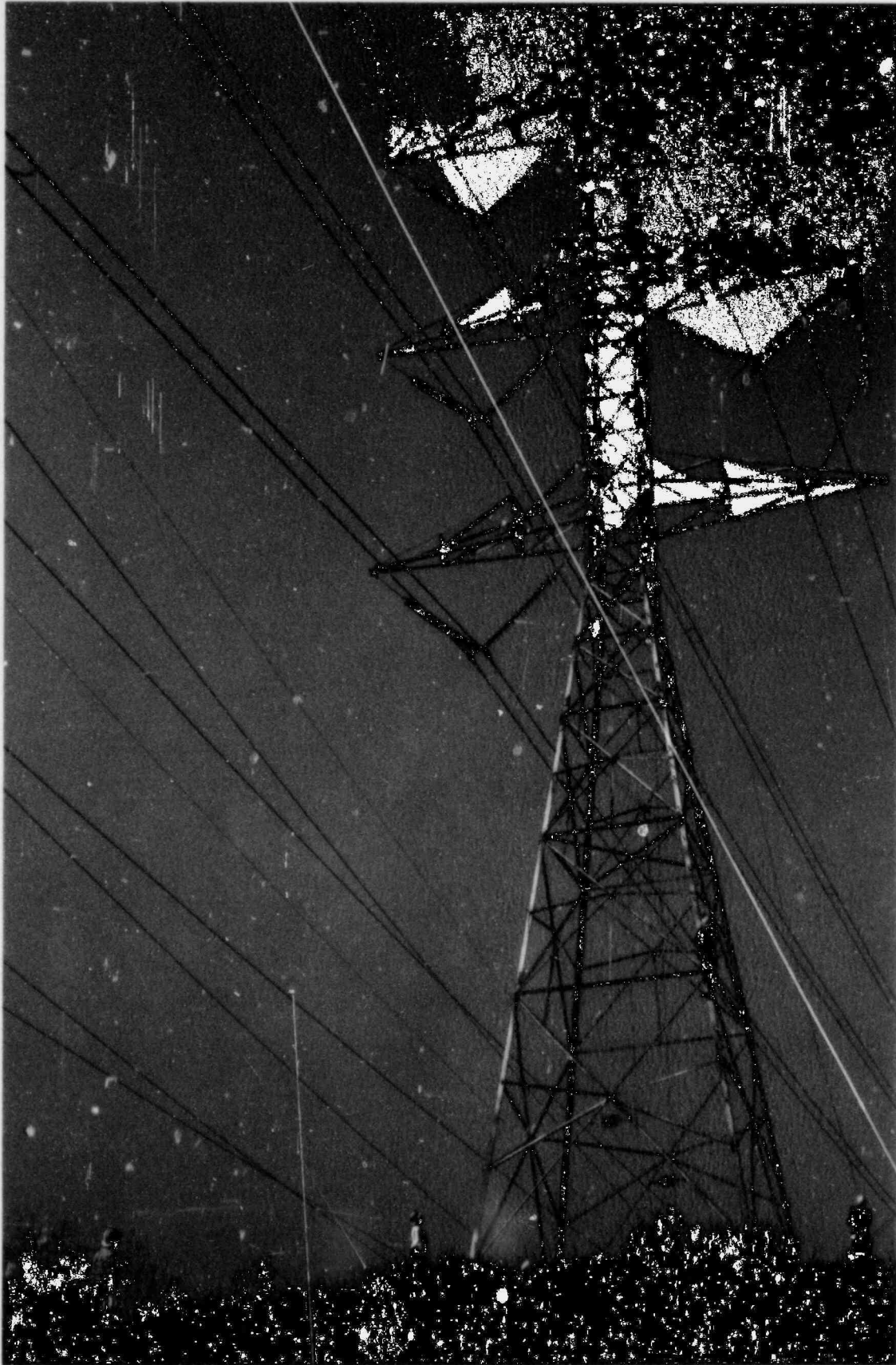
*"Some people called the March storm the worst in 15 years. More than 150,000 of Edison's customers lost power. My family's was out for 18 hours. But Edison crews, with help from other utilities, worked around the clock to get power back on. It makes you appreciate the value of electricity and the people who produce it. All I can say is 'thanks for the service.'"*

**Holly Jordan**

*Customer  
Boston Edison Company*







Emphasizing the company's commitment to dependable service, an overhead line school class uses hotsticks and special rigging for live maintenance on a 345,000-volt transmission tower.



This water level control panel at the Chiltonville Training Center simulates operating conditions at Pilgrim Station. In addition to an instrument and control laboratory, the new training center houses facilities for health physics, chemistry and electrical and mechanical maintenance.

are being installed in many parts of the network that will help monitor and predict network equipment deficiencies to reduce failures. The \$2.5 million project is scheduled to be finished by summer 1985.

A plan for the orderly retirement of the direct current distribution system has been filed with the DPU with a requested June 1, 1985 approval date. Retirement of the system, which at its peak supplied 75,000 customers and now only supplies partial service to about 1,000 customers, would take approximately 40 months. ■

*"Boston Edison has shown concern for the community of Plymouth in its operation of Pilgrim Nuclear Power Station. Employees at the station and Edison management have been sensitive to our needs and have made important contributions to the community."*

**William Nolan**  
Chairman  
Town of Plymouth Board  
of Selectmen



### Environmental Responsibility

In 1984, the company continued its efforts to ensure clean air, water and land in its operations.

Boston Edison has taken a leadership role in the industry by going beyond the Environmental Protection Agency's requirements concerning removal of PCBs (polychlorinated biphenyls). PCBs had been used in a fluid to cool and insulate electrical equipment. In a \$40 million project that will last five more years, the company will replace several thousand pieces of electrical equipment. Priority components of the program were completed in 1984.

Intensive training programs were conducted for public safety officials on the company's policies and programs for handling PCBs and electrical fires. Training was also held for employees who work around hazardous wastes. The programs presented proper techniques for handling, disposal and clean-up according to hazardous waste regulations and company policies.

A new oil/water separator system was completed to protect outdoor storage areas where oil-filled transformers and other equipment are stored at the Watertown Materials Management Center. The separator will ensure that accidental oil spills are prevented from entering nearby waterways through the drainage system.

As part of its ongoing commitment to environmental responsibility, the company upgraded Mystic Station's waste treatment facilities with state-of-the-art equipment. ■

**T**here were substantial changes in company organization during 1984 at the executive level.

In May, Thomas J. Galligan, Jr., retired as chief executive officer of the company. Mr. Galligan became president in 1967 and chief executive officer in 1970. Mr. Galligan's meritorious achievements have been chronicled on the inside front cover of this report. He continues as chairman of the board, a position he has held since 1979. Upon Mr. Galligan's retirement, the Board of Directors named President Stephen J. Sweeney chief executive officer.

Former U. S. Senator Paul E. Tsongas was elected to the Board of Directors in December, effective upon termination of his service as a United States senator. Senator Tsongas brings to the board expertise gained during a distinguished career as an elected public official and a long-standing interest and deep understanding of energy issues.

Joseph P. Healey, a director since 1960 and a former general counsel of the company, died on January 12, 1985. In addition to his successful business career, he had been widely respected for his many outstanding contributions to public service.

Ending distinguished service careers with Boston Edison were Vice Presidents Robert T. Parry, Ralph M. Kelmon and Benjamin H. Weiner.

Warren F. Roche was elected vice president of Human Resources effective July 1, and gained responsibility for Labor Relations in October. Also effective July 1, A. Lee Oxsen was named vice president of Nuclear Operations.

Vice President John R. Stevens

became responsible for the Energy Supply and Corporate Relations Organization in October.

Organizations throughout the company used a newly-enhanced budget and goal-setting process during 1984 to integrate short and long-term planning with the overall direction of the company. The Budget and Controls Group will help identify areas of the company for improvement. The group considers how the company can best utilize its resources and encourages managers to incorporate goals of improved efficiency into their own planning. ■



*"I hold Boston Edison stock for its secure dividend, which has been increased in six of the last seven years, and also its competitive yield. By attending annual meetings, reading reports to shareholders and newspaper coverage, I've followed the company's progress over the years. Its management has been impressive all along, and the new leadership gives me confidence for the future."*

**Willis Prouty**  
Shareholder  
Boston Edison Company



## Results of Operations

The Company received annualized retail rate increases (which include allowances for inflation) of \$34,100,000 and \$31,100,000 in June, 1984 and May, 1983, respectively.

For a detailed discussion of the effects of inflation and changing prices see supplementary information provided on pages 39 and 40.

### 1984 Versus 1983

Earnings per share of common stock for the year ended December 31, 1984, were \$4.85, an increase of \$1.25 over 1983.

The major event affecting 1984 operations was the shutdown of the Company's Pilgrim Nuclear Power Station for refueling, maintenance, modifications and replacement of recirculation piping. The station was on outage status for virtually all of 1984 whereas in 1983 it operated at 80% of capacity. The decreased availability of Pilgrim Nuclear Power Station caused an increase in system fuel and purchased power costs with like increases in fuel and purchased power adjustment revenues. Similarly, the decrease in sales for resale is primarily attributable to a sharp decline in sales of power from Pilgrim Nuclear Power Station.

Increases in maintenance and depreciation expense, and allowances for funds used during construction are, to a large extent, attributable to refueling, maintenance, modifications, and replacement of recirculation piping at Pilgrim Nuclear Power Station in 1984.

Total operating revenues increased \$247,383,000. Base electric revenues increased \$82,571,000 due to the following:

Rate increases	\$36,715,000
6.6% growth in retail kWh sales	<u>22,797,000</u>
Subtotal	59,512,000
Transfer of certain costs previously recovered as fuel revenues to base rates	<u>40,187,000</u>
Retail revenue increase	99,699,000
Sales for resale	<u>(17,128,000)</u>
Total increase	<u>\$82,571,000</u>

The Company recovers the majority of its fuel and purchased power costs through fuel and purchased power adjustment clauses; the balance of fuel and purchased power costs are recovered through base rates. Fuel and purchased power adjustment revenues and fuel and purchased power expenses increased \$153,519,000 and \$160,045,000, respectively from 1983. Pursuant to a retail rate order received in June, 1984, \$78,627,000 of annualized fuel and purchased

power related costs were transferred from the fuel clause to base rates. Other operating revenues increased \$10,511,000 primarily because of interest revenues associated with certain municipal accounts.

Other operating expenses increased \$65,641,000 primarily due to increases in labor costs, maintenance and depreciation expenses. The Allowance for Funds Used During Construction ("AFUDC") was up \$6,317,000 over 1983, primarily due to an increase in the level of construction work in progress.

Other interest increased \$6,162,000 due to an increase in the average outstanding loan balance and an increase in the Company's average borrowing rate. See Notes 6 and 7 of Notes to Schedules of Capital Stock and Indebtedness on page 34. The effective income tax rate for both 1984 and 1983 was 46.4%.

### 1983 Versus 1982

Earnings per share in 1983 and 1982 were \$3.60 and \$3.18, respectively, an increase of \$0.42. Total operating revenues increased \$13,018,000. Base electric revenues increased \$64,197,000 due to the following:

Rate increases	\$28,756,000
5.8% growth in retail kWh sales	<u>26,315,000</u>
Retail revenue increase	55,071,000
Sales for resale	<u>9,126,000</u>
Total increase	<u>\$64,197,000</u>

Fuel and purchased power adjustment revenues and fuel and purchased power expenses decreased \$46,640,000 and \$51,383,000, respectively, from 1982. In 1983, the Company's Pilgrim Nuclear Power Station operated at 80% of capacity, compared to 56% in 1982. The increased availability of the station in 1983, combined with a slight decline in fossil fuel prices permitted the Company to lower its system fuel costs and short-term purchases of power.

Other operating expenses increased \$32,213,000 from 1982 levels primarily due to increases in labor costs, employee benefits, and uncollectibles, coupled with a full year's amortization of the cost of the cancelled nuclear unit which began in May, 1982. See Note B of Notes to Financial Statements on page 35.

Total interest on nuclear fuel and related financing obligations and other interest declined sharply from the 1982 level primarily due to reductions in both the average amount outstanding and average borrowing rates. See Notes 6 and 7 of Notes to Schedules of Capital Stock and Indebtedness on page 34. The effective income tax rate for 1982 was 45.5%.

## Results of Operations

### Construction Program and Financing

The Company is continually studying various energy supply alternatives in order to reduce oil consumption, including potential coal conversion of existing Company facilities and the long-range availability to the Company of purchased energy options from Canadian facilities.

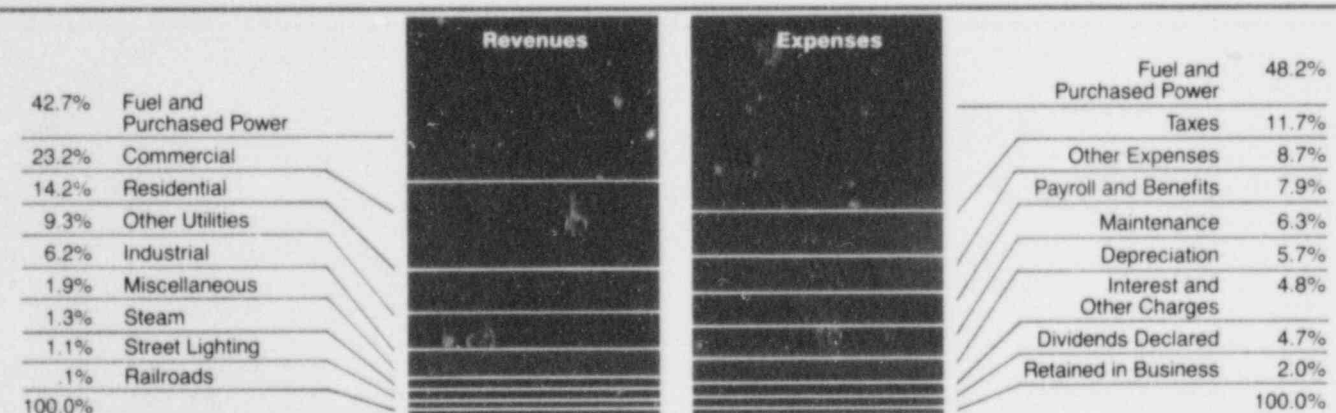
The Company has developed coal conversion plans for its New Boston Station at an estimated construction cost of about \$575,000,000, excluding allowance for funds used during construction. The units would also have the capability of burning either oil or natural gas. The conversion of both units would be completed in approximately three years. Legislation has recently been enacted in Massachusetts that would allow the Company, subject to approval of the Massachusetts Department of Public Utilities ("MDPU"), to recover in retail rates over a period of up to twelve years the reasonable and necessary costs for such conversion to coal, including financing costs. The Company intends to proceed with this coal conversion program if satisfactory project financing arrangements can be obtained and if the MDPU approves recovery of all costs of conversion.

The Company is currently installing \$8,000,000 of natural gas conversion equipment at its New Boston Station as part of its strategy to provide for both cost savings and fuel diversity; New Boston Station will then have the capability to burn either oil or natural gas. Additionally, the New England Power Pool (of which the Company is a participant) and Hydro-Quebec are currently negotiating an agreement (Phase II) under which participants will receive 7,000,000 megawatt-hours of electricity annually for ten years; completion of the construction of the necessary transmission facilities is now scheduled for 1990. The Company will receive approximately 12% of the power provided under this agreement. It is currently estimated that pursuant to this agreement, Hydro-Quebec would supply approximately 10% of New England's projected electrical energy in 1990.

The Company's construction program for the period 1985 to 1989 which is subject to continuing review and adjustment, is currently estimated to be approxi-

mately \$939,000,000 (including nuclear fuel, but excluding allowance for funds used during construction and potential coal conversion program costs). Funds generated internally are a major source of construction funding and represented 69%, 107%, and 84% of construction expenditures in 1984, 1983 and 1982, respectively. Construction expenditures in 1984 amounted to approximately \$264,000,000 of which 62% or \$165,000,000 were incurred at Pilgrim Nuclear Power Station. It is expected that a significant percentage of future construction requirements will be funded internally, provided that the Company's rate structure is adequate to cover increasing costs. It is anticipated that the balance of the Company's construction program and its long-term debt maturities and sinking fund requirements (the latter two items aggregating \$57,770,000 in the next five years) will be financed by the issuance of debt and equity securities. The Company anticipates financing its nuclear fuel requirements under its existing nuclear fuel financing agreements or similar arrangements.

In 1984, the Company's First Mortgage Bonds ratings were upgraded to A1 by Moody's Investors Services, to A+ by Standard & Poor's, and to A+ by Fitch Investors Service. The Company's preferred stock and preference stock ratings were both upgraded to BBB- by Fitch Investors Service. The Company's obligations pursuant to its nuclear fuel financing arrangements were also upgraded to A1 by Standard & Poor's. The Company's capitalization ratios improved to 50% debt, 11% preferred stock and 39% common equity, as compared to 1983 ratios of 51%, 12% and 37%, respectively. The Company continues to meet increases in working capital requirements, as well as the interim financing necessary for its current construction program, primarily through bank borrowings. In early 1985, the Company filed a shelf registration statement for \$75,000,000 of First Mortgage Bonds, the purpose of which will be to refinance existing short-term indebtedness which was incurred primarily for expenditures at Pilgrim Nuclear Power Station in 1984. See Notes 6 and 7 of Notes to Schedules of Capital Stock and Indebtedness on page 34.



## Statements of Income *(in thousands, except Earnings per Share)*

Years ended December 31,	1984	1983	1982
<b>Operating Revenues:</b>			
Electric	\$ 712,328	\$ 629,757	\$ 565,560
Steam	17,740	16,958	17,008
Fuel and purchased power adjustment	561,562	408,043	454,683
Other	25,038	14,527	19,016
Total Operating Revenues	<u>1,316,668</u>	<u>1,069,285</u>	<u>1,056,267</u>
<b>Operating Expenses:</b>			
Operation:			
Fuel	381,075	397,322	440,340
Net Purchased Power	253,529	77,237	86,057
	<u>634,604</u>	<u>474,559</u>	<u>526,397</u>
Other	194,561	183,674	151,461
Total Operation Expenses	829,165	658,233	677,858
Maintenance	82,622	62,085	54,878
Depreciation (Notes A and G)	74,821	63,592	53,866
Amortization of deferred cost of cancelled nuclear unit (Note B)	24,381	23,142	13,380
Taxes — property and other	76,981	73,053	74,173
Provisions for income taxes (Notes A and E):			
Current	10,816	10,135	14,060
Deferred	44,785	26,938	9,104
Investment tax credit — Net	21,289	21,996	26,923
Total Provision for Income Taxes	<u>76,890</u>	<u>59,069</u>	<u>50,087</u>
Total Operating Expenses	<u>1,164,860</u>	<u>939,174</u>	<u>924,242</u>
<b>Operating Income</b>	<b>151,808</b>	<b>130,111</b>	<b>132,025</b>
<b>Other Income:</b>			
Allowance for other funds used during construction (Note C)	8,403	4,756	4,781
Other — Net	1,544	3,233	1,140
<b>Operating and Other Income</b>	<b>161,755</b>	<b>138,100</b>	<b>137,946</b>
<b>Interest Charges:</b>			
Long-term debt	63,594	62,851	65,518
Nuclear fuel and related financing obligations	5,729	7,307	10,453
Other	9,668	3,506	8,081
Allowance for borrowed funds used during construction — credit (Note C)	<u>(6,085)</u>	<u>(3,415)</u>	<u>(6,486)</u>
Total	<u>72,906</u>	<u>70,249</u>	<u>77,566</u>
<b>Net Income</b>	<b>88,849</b>	<b>67,851</b>	<b>60,380</b>
Preferred dividends provided	5,512	5,512	5,512
Preference dividends provided	8,526	8,764	8,986
<b>Balance Available for Common Stock</b>	<b>\$ 74,811</b>	<b>\$ 53,575</b>	<b>\$ 45,882</b>
<b>Common Shares Outstanding</b> (weighted average)	<b>15,436</b>	<b>14,902</b>	<b>14,434</b>
<b>Earnings per Share of Common Stock</b>	<b>\$4.85</b>	<b>\$3.60</b>	<b>\$3.18</b>

The notes and schedules on pages 31 through 40 are an integral part of the financial statements. Management's Discussion and Analysis of Operations and Financial Condition is on pages 26 and 27.



## Statements of Sources of Construction Funds and Retained Earnings *(in thousands)*

Years ended December 31,	1984	1983	1982
<b>Statements of Sources of Construction Funds</b>			
Funds Generated Internally:			
Net Income	\$ 88,849	\$ 67,851	\$ 60,380
Add — Amounts charged (credited) not requiring funds currently:			
Depreciation and other amortization (Notes A and G)	73,532	63,852	55,958
Amortization of deferred cost of cancelled nuclear unit (Note B)	24,381	23,142	13,380
Deferred income taxes (Note E)	44,785	26,938	9,104
Amortization of nuclear fuel (Note A)	5,760	23,503	15,935
Investment tax credit, net (Note E)	21,289	21,996	26,923
Allowance for funds used during construction (Note C)	<u>(14,488)</u>	<u>(8,171)</u>	<u>(11,267)</u>
Total from operations	244,108	219,111	170,413
Less — Preferred dividends declared	5,512	5,512	5,512
Less — Preference dividends declared	8,526	8,804	9,005
Less — Common dividends declared	<u>48,413</u>	<u>43,547</u>	<u>40,883</u>
Funds Generated Internally	<u>181,657</u>	<u>161,248</u>	<u>115,013</u>
Funds Obtained from (Applied to) Outside Sources:			
Sales (Redemptions) of Securities:			
Sale of Common Stock	16,405	12,695	9,535
Redemption of Preference Stock	(1,898)	(2,100)	(1,759)
Increase in Long-term Debt Outstanding	15,000	80,622	3,310
Debt Retirements	(35,590)	(77,375)	(12,625)
Redemption of Secured Notes	(1,640)	(1,640)	(1,640)
Increase (decrease) in Notes Payable	144,000	(14,000)	(18,000)
Increase (decrease) in Nuclear Fuel & Related Financing Obligations, net	<u>-0-</u>	<u>(35,000)</u>	<u>35,000</u>
Funds Obtained from (Applied to) Outside Sources	<u>136,277</u>	<u>(36,798)</u>	<u>13,821</u>
Other Funds Provided (used):			
Deferred fuel costs	(10,946)	(3,789)	42,627
Working Capital and other changes	<u>(42,740)</u>	<u>30,623</u>	<u>(34,998)</u>
	<u>(53,686)</u>	<u>26,834</u>	<u>7,629</u>
Total Funds Provided	<u>\$264,248</u>	<u>\$151,284</u>	<u>\$136,463</u>
Construction Expenditures:			
Plant	\$247,662	\$123,343	\$130,075
Nuclear Fuel	16,586	27,941	6,388
Total Construction Expenditures	<u>\$264,248</u>	<u>\$151,284</u>	<u>\$136,463</u>
<b>Statements of Retained Earnings</b>			
Balance at beginning of year	\$162,472	\$152,484	\$147,504
Net Income	88,849	67,851	60,380
	<u>251,321</u>	<u>220,335</u>	<u>207,884</u>
Cash Dividends Declared:			
Preferred	5,512	5,512	5,512
Preference	8,526	8,804	9,005
Common	<u>48,413</u>	<u>43,547</u>	<u>40,883</u>
	<u>62,451</u>	<u>57,863</u>	<u>55,400</u>
Balance at end of year	<u>\$188,870</u>	<u>\$162,472</u>	<u>\$152,484</u>

The notes and schedules on pages 31 through 40 are an integral part of the financial statements.  
Management's Discussion and Analysis of Operations and Financial Condition is on pages 26 and 27.

## Balance Sheets *(in thousands)*

December 31,	1984	1983
<b>Assets</b>		
<b>Property, Plant and Equipment</b> , at original cost (Notes A, C, G and I)		
Utility plant in service:		
Electric plant	\$2,137,877	\$1,877,485
Steam Heating service plant	39,389	39,700
	<u>2,177,266</u>	<u>1,917,185</u>
Less: Accumulated depreciation	626,109	581,951
	<u>\$1,551,157</u>	<u>\$1,335,234</u>
Nuclear fuel	196,514	178,196
Less: Accumulated amortization	128,130	122,373
	<u>68,384</u>	<u>55,823</u>
Nonutility property	1,108	1,132
Construction work in progress	61,559	88,909
	<u>1,682,208</u>	<u>1,481,098</u>
<b>Investments in Nuclear Electric Companies</b> , at equity	10,809	10,416
<b>Nuclear Decommissioning Fund</b> (Note G)	2,831	1,030
<b>Current Assets:</b>		
Cash	3,832	2,294
Accounts receivable, net:		
Customers	169,148	159,535
Other	17,530	2,220
Materials & supplies, at average cost	66,938	57,261
Prepaid expenses & other current assets	5,050	3,434
	<u>262,498</u>	<u>224,744</u>
<b>Deferred Debits:</b>		
Deferred cost of cancelled nuclear unit (Note B)	217,098	241,478
Other (Notes A and G)	71,020	36,659
	<u>288,118</u>	<u>278,137</u>
	<u>\$2,246,464</u>	<u>\$1,995,425</u>
<b>Capitalization and Liabilities</b> (see accompanying schedules of capital stock and indebtedness)		
<b>Common Stock Equity</b>	\$ 530,602	\$ 487,799
<b>Cumulative Preferred Stock</b>	83,000	83,000
<b>Cumulative Preference Stock</b>		
Non-Mandatory Redeemable Series	38,287	38,287
Redeemable Series	35,264	37,162
<b>Long-Term Debt</b>	674,125	674,895
<b>Nuclear Fuel and Related Financing Obligations</b>	50,000	50,000
<b>Current Liabilities:</b> (Note D)		
Long-term debt due within one year	\$ 15,770	\$ 37,230
Notes payable	181,000	37,000
Accounts payable	84,202	59,282
Property and other taxes accrued (Note E)	2,806	4,120
Interest accrued	10,568	9,902
Dividends payable	14,132	12,736
Other current liabilities	13,153	14,644
	<u>321,631</u>	<u>174,914</u>
<b>Deferred Credits:</b>		
Accumulated deferred income taxes (Note E)	387,118	338,213
Accumulated deferred investment tax credits (Note E)	90,984	74,703
Nuclear Decommissioning Reserve (Note G)	5,663	1,906
Other (Note G)	29,790	34,546
	<u>513,555</u>	<u>449,368</u>
	<u>\$2,246,464</u>	<u>\$1,995,425</u>

The notes and schedules on pages 31 through 40 are an integral part of the financial statements.  
Management's Discussion and Analysis of Operations and Financial Condition is on pages 26 and 27.

**Schedule of Capital Stock** (Dollars in thousands, except per share amounts)

December 31,	1984	1983
<b>Common Stock Equity,</b>		
<b>Common Stock</b>		
Par value \$10 per share (Note 1):		
Authorized 21,534,500 shares;		
Issued and Outstanding 15,747,689 and 15,146,284 shares	\$157,477	\$151,463
<b>Premium on Common Stock</b>	<b>183,850</b>	<b>173,459</b>
<b>Retained Earnings</b>	<b>188,870</b>	<b>162,472</b>
<b>Surplus Invested in Plant</b>	<b>405</b>	<b>405</b>
Total Common Stock Equity	<u><u>\$530,602</u></u>	<u><u>\$487,799</u></u>
<b>Cumulative Preferred Stock,</b>		
Par value \$100 per share, authorized, issued and outstanding (Note 2):		
	December 31, 1984	
Series	Per Share Redemption Price	Shares
4.25%	\$103.625	180,000
4.78%	\$102.80	250,000
8.88%	\$104.00	400,000
Total Cumulative Preferred Stock		
		\$ 18,000
		25,000
		40,000
		<u><u>\$ 83,000</u></u>
		<u><u>\$ 83,000</u></u>
<b>Cumulative Preference Stock,</b>		
Par value \$1 per share, 8,000,000 authorized; issued and outstanding:		
Non-Mandatory Redeemable Series (Note 3):		
\$1.46 Series — 2,675,000 shares	\$ 2,675	\$ 2,675
Premium on \$1.46 Series	<u>35,612</u>	<u>35,612</u>
Total Non-Mandatory Redeemable Preference Stock	<u><u>\$ 38,287</u></u>	<u><u>\$ 38,287</u></u>
Redeemable Series (Note 4):		
\$1.175 Series 3,807,500 and 4,000,000 shares	3,808	\$ 4,000
Premium on \$1.175 Series	<u>31,456</u>	<u>33,162</u>
Total Redeemable Preference Stock	<u><u>\$ 35,264</u></u>	<u><u>\$ 37,162</u></u>

The notes on pages 33 through 34 are an integral part of this schedule.



## Schedule of Indebtedness *(in thousands)*

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

			December 31,	
Series	Interest Rate (%)	Maturity	1984	1983
E	3	Aug. 1, 1984	\$ -0-	\$ 18,000
F	4 $\frac{1}{8}$	June 1, 1987	25,000	25,000
H	4 $\frac{1}{4}$	June 1, 1992	15,000	15,000
I	4 $\frac{1}{4}$	Nov. 1, 1995	25,000	25,000
J	6 $\frac{1}{8}$	June 1, 1997	40,000	40,000
K	6 $\frac{1}{8}$	Nov. 1, 1998	50,000	50,000
L	9	Dec. 1, 1999	50,000	50,000
M	9 $\frac{1}{8}$	July 1, 2000	60,000	60,000
N	8 $\frac{1}{8}$	May 15, 2001	75,000	75,000
S	Variable	Jan. 15, 2002	25,000	25,000
Q	9 $\frac{1}{4}$	Dec. 15, 2003	90,250	92,625
R	10.95	Oct. 31, 2004	73,125	75,000
P	9 $\frac{1}{4}$	Apr. 15, 2007	60,000	60,000
T	12 $\frac{1}{4}$	Apr. 15, 2013	75,000	75,000
U	10 $\frac{1}{4}$	Apr. 1, 2014	15,000	-0-
Total First Mortgage Bonds			<u>\$678,375</u>	<u>\$685,625</u>
<b>Other Long-Term Debt:</b>				
Secured Notes, due November 15, 1985, with interest at 11 $\frac{1}{4}$ %			\$ 11,520	\$ 13,160
Collateralized Pollution Control Revenue				
Bonds (net), 8 $\frac{1}{8}$ percent, due May 1, 1984			-0-	13,340
Total Long-term Debt			<u>689,895</u>	<u>712,125</u>
Less: Long-term Debt Due Within One Year			<u>15,770</u>	<u>37,230</u>
Long-Term Debt — Net			<u>\$674,125</u>	<u>\$674,895</u>
<b>Other Debt:</b>				
Nuclear Fuel and Related Financing Obligations (Note 6)			<u>\$ 50,000</u>	<u>\$ 50,000</u>
Notes Payable:				
Bank Loans (Note 7)			\$146,000	\$ 37,000
Commercial Paper (Note 6)			35,000	-0-
Total			<u>\$181,000</u>	<u>\$ 37,000</u>

The notes on pages 33 through 34 are an integral part of this schedule.

## Notes to Schedules of Capital Stock and Indebtedness

### 1. Common Stock

Since December 31, 1981, the Company has issued shares of Common Stock, \$10 par value, as follows:

	Number of Shares (b)	Total Par Value	Premium on Common Stock
Balance December 31, 1981	14,218,986	\$142,189,860	\$160,636,224
Dividend Reinvestment Plan	446,227	4,462,270	5,072,496
Balance December 31, 1982	14,665,213	146,652,130	165,708,720
Dividend Reinvestment Plan	439,620	4,396,200	7,036,199
Employee Stock Ownership Plan	41,451	414,510	713,476
Balance December 31, 1983	15,146,284	151,462,840	173,458,395
Dividend Reinvestment Plan (a)	511,989	5,119,890	8,714,133
Employee Stock Ownership Plan (a)	89,416	894,160	1,677,668
Balance December 31, 1984	15,747,689	\$157,476,890	\$183,850,196

a. The remaining authorized common shares reserved for future issuance are: Dividend Reinvestment Plan 696,816 shares; Employee Stock Ownership Plan 89,995 shares.

b. At the Annual Meeting held April 19, 1983, shareholders voted to amend the Articles of Organization to increase the authorized capital stock of the Company by 4,000,000 additional shares of \$10 par value common stock.

### 2. Cumulative Preferred Stock

There were no changes during 1982, 1983, or 1984 in cumulative preferred stock. Upon involuntary liquidation of the Company, holders will be entitled to \$100 per share.

### 3. Cumulative Non-Mandatory Redeemable Preference Stock

There were no changes during 1982, 1983, or 1984 in the \$1.46 Series of preference stock. The redemption price at December 31, 1984 is \$16.022 per share. (See Note 4-b.)

### 4. Cumulative Redeemable Preference Stock

Series	Number of Shares	Total Par Value	Premium on Preference Stock
\$1.175 (issued March 19, 1975) (a) (b) (c)			
Balance December 31, 1981	4,400,000	\$4,400,000	\$36,652,000
Redemptions	193,200	193,200	1,565,723
Balance December 31, 1982	4,206,800	4,206,800	35,086,277
Redemptions	206,800	206,800	1,924,471
Balance December 31, 1983	4,000,000	4,000,000	33,161,806
Redemptions	192,500	192,500	1,705,896
Balance December 31, 1984	3,807,500	\$3,807,500	\$31,455,910

a. The Company may under certain market conditions be required to invite tenders of and purchase 200,000 shares annually at a price not to exceed \$10 per share plus dividends accrued; alternatively, the Company may purchase such shares in the open market.

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

c. The redemption price at December 31, 1984 is \$11.175 per share.

**5. Long-Term Debt**

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

The aggregate principal amounts of long-term debt including sinking fund requirements due in the five years 1985 through 1989 are \$15,770,000, \$4,250,000, \$29,250,000, \$4,250,000, and \$4,250,000, respectively.

The Company's Series S Bonds bore interest at 15.0% per annum for the period January 15, 1984 to January 15, 1985 and the rate will be adjusted each year thereafter subject to certain limits to 127% of the monthly average yields to maturity for actively traded marketable U.S. Treasury fixed interest securities, adjusted to constant maturities of ten years. The interest rate for the period January 15, 1985 to January 15, 1986 will be 14.60%.

In April, 1984, the Massachusetts Industrial Finance Agency issued \$15,000,000, 10 1/4% Collateralized Pollution Control Revenue Refunding Bonds (Boston Edison Company Project) due April 1, 2014. The proceeds of the above issue were used to refund a like amount of bonds that matured on May 1, 1984. In order to evidence the Company's obligation to repay the loan made to it by the Agency, the Company delivered to the Trustee, as assignee of the Agency, its \$15,000,000 First Mortgage Bonds, Series U, 10 1/4% due April 1, 2014.

**6. Nuclear Fuel and Related Financing Obligations**

The Company has credit agreements with two major banks pursuant to which a wholly-owned financing subsidiary of the Company may issue not in excess of \$85,000,000 principal amount of commercial paper supported by irrevocable letters of credit issued by the banks. The proceeds of such issues are loaned to the Company or applied to repay maturing commercial paper. The agreements also permit the Company to make revolving credit borrowings from the banks provided that the amount of such borrowings and the commercial paper outstanding do not exceed \$85,000,000 in the aggregate. The agreements which are subject to automatic one year extensions unless the applicable bank gives three years notice of termination, are currently scheduled to expire on June 30, 1988 (\$35,000,000), and November 30, 1988 (\$50,000,000). In December, 1984, the Company borrowed \$35,000,000, under such arrangements, which will be refinanced with the proceeds from the planned issuance of \$75,000,000 of First Mortgage Bonds in early 1985. The effective rate of interest on the commercial paper outstanding at December 31, 1984 was 9.51% including commitment and support fees. The Company's obligations under these financing agreements are collateralized by a security interest in certain nuclear fuel. These security interests are subordinate to the lien of the indenture securing the Company's First Mortgage Bonds.

**7. Bank Loans**

To provide financing flexibility, at December 31, 1984 the Company had credit arrangements aggregating approximately \$150,000,000. These arrangements provide for borrowings at or below the prime interest rate and require commitment fees to be paid on the unused lines of credit. Commitment fees for the years ended December 31, 1984, 1983, and 1982 totalled \$195,000, \$463,000 and \$495,000, respectively.

Information regarding short-term bank loan borrowings is as follows:

(thousands of dollars)	1984	1983	1982
Maximum Short-Term Bank Loan Borrowings	\$146,000	\$75,000	\$174,000
Daily Weighted Average Amount Outstanding	73,884	12,696	44,145
Weighted Average Interest Rates, Excluding Commitment Fees:			
On Balance Outstanding at Year End	9.52%	10.65%	10.68%
During the Year (Daily)	10.93%	9.73%	13.87%



**A. Summary of Significant Accounting Policies**

The Company is subject to regulation by various agencies. Because of the effect in regulated businesses of the rate-making process, differences may arise in the application of generally accepted accounting principles between regulated and nonregulated businesses. Such differences are related principally to the time at which various items enter into the determination of net income in accordance with the principle of matching costs and revenues. (Accounting policies are also described in Notes C, E and F.)

**1. Principles of Consolidation**

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

**2. Depreciation and Amortization**

Physical property is depreciated on a straight-line basis at approximately 3.54% annually. At the time of retirement of property units, their cost and the cost of removal are charged to and salvage is credited to accumulated depreciation. In 1983, the Company changed from the whole life to the remaining life method of computing depreciation; such change was approved by the Massachusetts Department of Public Utilities ("MDPU") in the Company's May, 1983 retail rate order. The effect of the change on the accompanying financial statements is not material.

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

The cost of nuclear fuel is amortized to fuel expense based on the quantity of energy produced for the generation of electricity. Nuclear fuel expense also includes a provision for the costs associated with the ultimate disposal of 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 G.)

**3. Forecasted Fuel Clause**

The Company's retail fuel and purchased power adjustment clause permits all fuel costs and the fuel portion of purchased power costs to be billed to customers monthly utilizing a forecasted rate. The difference between actual and estimated cost is included in deferred debits on the accompanying balance sheet pending adjustments of subsequent rates. The non-fuel portion of certain purchased power costs are recovered through base rates. The MDPU 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 does not anticipate any billing reductions.

**B. Cancelled Nuclear Unit**

The Company is amortizing the cost of the cancelled

Pilgrim 2 nuclear unit over approximately eleven and one-half years pursuant to retail rate orders of the MDPU. Such costs include certain financial carrying costs that will be reviewed and may be increased or decreased from time to time by the MDPU. The remaining recovery period is approximately nine years.

**C. Allowance for Funds Used During Construction**

In accordance with regulatory accounting, the Company capitalizes as part of construction costs certain general and administrative costs and an allowance for funds used during construction (AFUDC). AFUDC represents the estimated cost of borrowed and equity funds used to finance the Company's construction program. This cost is not an item of current cash income, but is recovered over the service life of plant in the form of increased revenue collected as a result of higher depreciation expense. AFUDC rates for the years 1984, 1983, and 1982 were 11.3%, 11.3% and 12.6% respectively.

**D. Commitments and Contingencies**

**1. Capital Commitments**

At December 31, 1984, estimated contractual obligations for plant, nuclear fuel, and equipment were approximately \$146,112,000.

**2. Lease Commitments**

At December 31, 1984 and 1983, 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). Commencing in 1984, the 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, 1984, 1983 and 1982 and the effect on expenses for each of those years would not have been material.

Estimated minimum rental commitments under noncancellable leases for years subsequent to 1984 are as follows:

(in thousands)	Total
1985	\$ 16,711
1986	16,560
1987	15,550
1988	15,283
1989	14,712
Years Thereafter	135,701

A portion of the aforementioned rentals will be capitalized as part of construction costs in the future. Information with respect to rentals capitalized from 1982 through 1984 is as follows:

(in thousands)	Rent Expense	Capitalized as Part of Construction Costs
1984	\$13,351	\$3,600
1983	12,300	3,400
1982	11,700	3,300

## Notes to Financial Statements

### 3. Nuclear Insurance

The Company is a member of Nuclear Electric Insurance Limited; the Company may be assessed additional premiums under its nuclear facility decontamination liability and excess property insurance, and extra expense insurance if the insurers' losses exceed financial resources other than the retrospective premiums. As of December 31, 1984 the highest amount which could be assessed for losses during the current policy year was \$15,394,000. 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.

Under certain circumstances, in the event of nuclear incidents at facilities covered under the Price-Anderson liability provisions of the Atomic Energy Act of 1954, as amended (due to expire August 1, 1987), the Company could be assessed up to \$5,000,000 per incident but not more than \$10,000,000 in a calendar year.

### E. Income Taxes

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

(in thousands)	1984	1983	1982
Cancelled nuclear unit (Note B)	<b>\$(8,997)</b>	\$(8,540)	\$ 7,905
Excess tax depreciation over book depreciation	<b>24,527</b>	15,335	13,559
Deferred fuel expense	<b>4,708</b>	1,629	(18,340)
Debt portion of allowance for funds used during construction	<b>2,617</b>	547	1,730
Other indirect construction costs	<b>1,727</b>	1,603	1,429
Massachusetts corporate franchise tax	<b>6,494</b>	4,116	(146)
Pre-April 7, 1983 Spent Nuclear Fuel Disposal Costs	<b>(2,469)</b>	15,223	-0-
Deferred Nuclear Outage Expense	<b>8,438</b>	(2,027)	(1,106)
Extraordinary Storm Losses	<b>1,742</b>	-0-	-0-
Nuclear Safety Evaluation Costs	<b>1,688</b>	-0-	-0-
Other	<b>4,310</b>	(948)	4,073
	<b><u>\$44,785</u></b>	<u>\$26,938</u>	<u>\$ 9,104</u>

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:

	1984	1983	1982
Statutory rate	<b>46%</b>	46%	46%
Allowance for other funds used during construction	<b>(2.3)</b>	(2.5)	(2.0)
Massachusetts corporate franchise tax	<b>4.0</b>	4.1	3.8
Other	<b>(1.3)</b>	(1.2)	(2.3)
Effective Rate	<b><u>46.4%</u></b>	<u>46.4%</u>	<u>45.5%</u>

Federal income tax returns through 1979 have been examined and closed.

### F. Pensions

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

(in thousands)	1984	1983	1982
Total Accrued	<b>\$7,126</b>	\$6,831	\$6,458
Added to Construction Costs	<b>1,618</b>	1,571	1,485

The Company's policy is to fund pension costs accrued using the aggregate cost method. The actuarial present value of accumulated plan benefits at the annual actuarial valuation dates were as follows:

(in thousands)	January 1, 1984	January 1, 1983
Actuarial Present Value of Accumulated Plan Benefits:		
Vested	<b>\$142,700</b>	\$133,800
Nonvested	<b>7,900</b>	7,100
Total	<b><u>\$150,600</u></b>	<u>\$140,900</u>

A nine percent annual rate of return was assumed in determining the actuarial present value of accumulated plan benefits for both 1984 and 1983.

The Company's basis for determining pension expense and funding of the plan considers the actuarial present value of accumulated plan benefits earned to date, as well as benefits to be earned in the future. At January 1, 1984 and 1983, the pension plan had net assets available for plan benefits of \$194,000,000 and \$173,000,000, respectively, which represent full funding of the actuarial present value of accumulated plan benefits and partial funding of the benefits to be earned in the future (which at January 1, 1984 were estimated to be \$141,200,000).

**G. Estimated Future Costs Related to Ultimate Disposal of Spent Nuclear Fuel and Generating Plants**

The Company has the capability to expand its spent nuclear fuel storage facility at Pilgrim Nuclear Power Station to include sufficient capacity for spent nuclear fuel through approximately the year 1992; however, pursuant to the Nuclear Waste Policy Act of 1982, the United States Department of Energy ("DOE") will be responsible for the ultimate disposal of spent nuclear fuel. The Company estimates that it will be required to pay the DOE approximately \$40,587,000 for disposal of nuclear fuel depleted through April 7, 1983. Such amount is reflected in the accompanying financial

statements. Depreciation expense includes a provision for the decommissioning of Pilgrim Nuclear Power Station at the end of its useful life; such funds collected are restricted in their use pursuant to retail rate orders.

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 A2.)

**H. Selected Financial Statistics Supplementary Financial Information (Unaudited)**

(In Thousands of Dollars Except Earnings Per Share)	Operating Revenues	Operating Income	Net Income	Balance Available for Common Stock	Earnings Per Share of Common Stock*
<b>Quarterly Financial Data</b>					
1984					
First Quarter	\$322,925	\$36,475	\$20,898	\$17,377	\$1.14
Second Quarter	300,436	31,744	15,615	12,089	0.79
Third Quarter	369,916	52,038	35,940	32,448	2.09
Fourth Quarter	323,391	31,551	16,396	12,897	0.82
1983					
First Quarter	\$261,657	\$32,981	\$17,747	\$14,168	\$0.96
Second Quarter	233,157	30,925	16,262	12,663	0.85
Third Quarter	293,839	42,314	23,929	20,352	1.36
Fourth Quarter	280,632	23,891	9,913	6,392	0.42

\*Based upon quarterly weighted average number of common shares outstanding

**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 1984 and 1983 and the dividends declared per share during each of those quarters:

	1984			1983		
	High	Low	Dividends	High	Low	Dividends
First Quarter	28½	24¾	.75	28¼	25	.72
Second Quarter	27¼	25	.75	28¼	26½	.72
Third Quarter	30¾	26	.81	28¾	26¾	.72
Fourth Quarter	35½	29¼	.81	29½	26¼	.75



**I. Information Regarding Jointly-Owned Electric Plant and Long-Term Purchased Power Contracts**

**1. Jointly-Owned Electric Plant**

The Company is a joint owner of W. F. Wyman Unit #4, which was constructed by Central Maine Power Company and commenced operations in 1979; included in the accompanying balance sheets is the Company's proportionate share (5.888%) of plant in service of \$12,054,000 for both 1984 and 1983 and accumulated depreciation of \$2,545,000 and \$2,116,000 for 1984 and 1983, 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:

Generating Unit	Contract Expiration Date	Units of Capacity Purchased		(In Thousands) 1984 Proportionate Share		
		%	MW	Minimum Debt Service	Interest Portion of Minimum Debt Service	Company Share-of-Debt Outstanding Through Cont. Exp. Date
Canal Unit #1	2001(a)	25.0	142	\$712	\$398	\$ 2,965
Connecticut Yankee Atomic	1998	9.5	55	1,307	918	6,315(b)
Yankee Atomic Point Lepreau/Bear Swamp	1991	9.5	17	499	259	1,989(c)
	1988/ 1990(d)	(e)	200	28,100	22,268	23,326(f)
				<u>\$30,618</u>	<u>\$23,843</u>	<u>\$34,595</u>

Total fixed and variable costs for these contracts for the years ended December 31, 1984, 1983, and 1982 were \$100,615,000, \$84,056,000 and \$55,328,000, respectively. The variable component represents fuel costs which are included in net purchased power on the Statements of Income.

The aggregate principal amounts of these future unconditional purchase obligations due in the five years 1985 through 1989 are \$40,441,000, \$40,782,000, \$40,710,000, \$42,292,000, and \$10,915,000, respectively. The aggregate present value of such obligations is \$131,726,000.

- (a) Represents 4.42% of the Company's installed net capability; the remaining units aggregate 9.02%.
- (b) Of this amount the Company has guaranteed \$4,384,000.
- (c) In addition, the Company has guaranteed \$3,325,000 for two revolving credit lines.
- (d) The Point Lepreau contract may be extended by the Company for three additional twelve month periods.
- (e) The Company has purchased 15.625% (100 MW) of Point Lepreau's capacity and 17.1% (100 MW) of Bear Swamp's capacity.
- (f) These contracts do not extend for the life of the unit; however, the amount represents the estimated debt payments through the contract expiration dates.

The Company also has several transmission contracts which relate to these purchased power contracts; however, the effect of such contracts on the accompanying financial statements is not material.

**Report of Independent Certified Public Accountants**

**To the Stockholders and Directors of Boston Edison Company**

We have examined the balance sheets of Boston Edison Company at December 31, 1984 and 1983 and the related statements of income, retained earnings and sources of construction funds for each of the three years in the period ended December 31, 1984. Our examinations were made in accordance with generally accepted auditing standards, and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Boston Edison Company at December 31, 1984 and 1983 and the results of its operations and sources of construction funds for each of the three years in the period ended December 31, 1984 in conformity with generally accepted accounting principles applied on a consistent basis.

*Coopers & Lybrand*

Boston, Massachusetts  
January 24, 1985

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

The following supplementary information is supplied in accordance with the requirements of the Statement of Financial Accounting Standards No. 33, as amended, for the purpose of providing certain information about the effect of changing prices. It should be viewed as an estimate of the approximate effect of inflation, rather than as a precise measure. The Company suggests that this information be viewed with caution as, in the Company's opinion, the information presented does not properly depict the effects of inflation.

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

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

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

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

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

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

**Statement of Income from Continuing Operations Adjusted for Changing Prices (Unaudited)**

For the Year Ended December 31, 1984	Conventional Historic Cost	Current Cost Average 1984 Dollars
Revenues	\$1,316,668	\$1,316,668
Expenses:		
Operation and maintenance excluding nuclear fuel amortization	906,027	906,027
Nuclear fuel amortization	5,760	5,771
Depreciation	74,821	153,859
Amortization of deferred cost of cancelled nuclear unit	24,381	24,381
Taxes — property and other	76,981	76,981
Income Taxes	76,890	76,890
Interest Charges	72,906	72,906
Other Income	(9,947)	(9,947)
Total Expenses	<u>1,227,819</u>	<u>1,306,868</u>
Income from operations excluding adjustments to net recoverable amount	<u>\$ 88,849</u>	<u>\$ 9,800</u>
Increase in specific prices (current cost) of plant held during the year*		\$ 205,135
Adjustment to net recoverable amount		(63,597)
Effect of increase in general price level		<u>(125,448)</u>
Net		16,090
Gain from decline in purchasing power of net amounts owed		<u>37,925</u>
Total		<u>\$ 54,015</u>

\* At December 31, 1984, current cost of property, plant and equipment net of accumulated depreciation was \$3,348,735 while historical cost or net cost recoverable through depreciation was \$1,703,971 excluding recovery of spent nuclear fuel disposal costs of \$21,764, which is considered to be a monetary item.

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

(In thousands, except per share amounts and Consumer Price Index (CPI), of average 1984 dollars)

Years Ended December 31,	1984	1983*	1982*	1981*	1980*
Operating revenues	<b>\$1,316,668</b>	\$1,114,779	\$1,136,226	\$1,193,780	\$1,116,732
<b>Current Cost Information</b>					
Income (loss) from continuing operations (excluding adjustment to net recoverable cost)	<b>\$ 9,800</b>	\$ (14,132)	\$ (7,244)	\$ 7,835	\$ 2,264
Loss per common share (after dividend require- ments on preferred stock)	<b>\$ (0.27)</b>	\$ (1.95)	\$ (1.58)	\$ (0.64)	\$ (1.22)
Excess (deficiency) of increase in current cost of electric plant held during the year over changes in the general price level	<b>\$ 79,687</b>	\$ 62,818	\$ 21,390	\$ (135,842)	\$ (104,356)
Adjustment to net recoverable cost	<b>\$ (63,597)</b>	\$ (27,245)	\$ (12,886)	\$ 62,489	\$ (20,506)
Net assets at year-end at net recoverable cost	<b>\$ 641,225</b>	\$ 623,308	\$ 619,798	\$ 636,252	\$ 667,216
<b>General Information</b>					
Gain from decline in purchasing power of net amounts owed	<b>\$ 37,925</b>	\$ 28,830	\$ 66,130	\$ 90,263	\$ 127,171
Cash dividends declared per common share	<b>\$ 3.12</b>	\$ 3.03	\$ 3.03	\$ 3.19	\$ 3.44
Market price per common share at year-end	<b>\$ 34.625</b>	\$ 29.58	\$ 27.96	\$ 25.13	\$ 27.11
Average (estimated) CPI	<b>311.2</b>	298.5	289.3	272.4	246.8

\*Restated to average 1984 Constant Dollars



## Selected Operating Statistics

	1984	1983	1982	1981	1980	1979
<b>Capability (NEPEX Net Claimed)</b>						
Winter Maximum-MW):						
New Boston Station	760	760	760	760	760	760
Pilgrim Nuclear						
Power Station	670	670	670	670	670	670
Mystic Station	1,030	1,016	1,025	1,046	1,046	1,046
L Street Station	23	23	23	23	48	48
W.F. Wyman Unit #4	36	36	36	36	36	36
Gas Turbines	264	264	237	267	267	267
Total	2,783	2,769	2,751	2,802	2,827	2,827
Contract Purchases	432	436	323	539	309	314
Contract Sales	(263)	(322)	(382)	(590)	(337)	(243)
<b>Net Capability at Year-end</b>	<b>2,952</b>	<b>2,883</b>	<b>2,692</b>	<b>2,751</b>	<b>2,799</b>	<b>2,898</b>
<b>Net Capability at Peak</b>	<b>2,861</b>	<b>2,844</b>	<b>2,603</b>	<b>2,753</b>	<b>2,888</b>	<b>2,815</b>
<b>Capability Responsibility to NEPOOL at Peak</b>	<b>2,684</b>	<b>2,468</b>	<b>2,436</b>	<b>2,480</b>	<b>2,460</b>	<b>2,411</b>
<b>Edison Territory Hourly Peak-MW</b>	<b>2,387</b>	<b>2,233</b>	<b>2,181</b>	<b>2,077</b>	<b>2,100</b>	<b>2,002</b>
<b>Edison Territory Load Factor</b>	<b>57.6%</b>	<b>59.0%</b>	<b>56.8%</b>	<b>58.5%</b>	<b>57.8%</b>	<b>59.7%</b>
<b>Generating Station</b>						
Economy BTU per Net kWh Generated	10,234	10,217	10,112	10,170	10,095	10,171
<b>Average Cost of Fuel (Company) — Cents per Million BTU:</b>						
Fossil	447.61	426.02	442.12	507.52	417.37	313.11
Nuclear	—	48.27	47.18	40.77	38.98	27.57
Composite	—	285.10	325.71	358.66	321.34	202.60
<b>Capability (Net kW):</b>						
Fossil	77%	77%	79%	79%	80%	80%
Nuclear	23%	23%	21%	21%	20%	20%
<b>Generation (System kWh):</b>						
Fossil	88%	61%	73%	70%	78%	65%
Nuclear	12%	39%	27%	30%	22%	35%
<b>Utility Plant In Service (000):</b>						
Additions (gross)	\$ 250,569	\$ 131,263	\$ 140,209	\$ 143,316	\$ 150,454	\$ 105,761
Retirements	17,916	16,262	23,130	11,119	9,699	12,219
Accumulated						
Depreciation	626,109	581,951	533,762	493,087	451,578	403,737
Amount of						
Depreciable Plant	2,130,619	1,873,270	1,762,337	1,669,411	1,615,846	1,514,123
Utility Plant						
In Service	2,239,933	2,007,226	1,892,775	1,781,060	1,909,038	1,770,038
Per Average Customer (dollars)	3,769	3,432	3,282	3,127	3,400	3,194
Per Average Employee (dollars)	531,924	498,938	492,397	453,311	488,319	459,870
Per \$1 Base Operating Revenue (dollars)	2.97	3.04	3.15	3.11	3.77	3.84
<b>Electric Plant in Service per Edison Territory Hourly Peak (dollars per kW)</b>	<b>896</b>	<b>841</b>	<b>806</b>	<b>800</b>	<b>768</b>	<b>752</b>
<b>Number of Employees at Year-end</b>	<b>4,252</b>	<b>4,115</b>	<b>3,874</b>	<b>3,876</b>	<b>3,954</b>	<b>3,874</b>

## Selected Sales Statistics

	1984	1983	1982	1981	1980	1979
<b>Electric Energy:</b> (kWh in thousands)						
<b>Sources:</b>						
Net system output:						
Generated	7,777,441	12,774,656	11,344,914	11,124,788	12,357,687	12,758,756
Purchased	2,999,560	1,793,484	1,562,753	1,294,664	1,535,889	1,642,064
Interchange	1,946,469	(584,985)	44,263	482,323	(1,091,794)	(1,293,915)
<b>Total</b>	<b>12,723,470</b>	<b>13,983,155</b>	<b>12,951,930</b>	<b>12,901,775</b>	<b>12,801,782</b>	<b>13,106,905</b>
<b>Disposition:</b>						
Sales						
Commercial	5,724,941	5,280,963	4,931,918	4,798,108	4,654,964	4,549,642
Residential	2,890,242	2,777,653	2,647,217	2,594,708	2,651,979	2,597,364
Industrial	1,868,664	1,737,999	1,650,793	1,694,869	1,771,784	1,758,163
Street Lighting	134,905	137,136	136,762	136,541	130,809	125,166
Railroads	27,524	55,729	79,444	60,562	55,397	33,484
<b>Total Retail</b>	<b>10,646,276</b>	<b>9,989,480</b>	<b>9,446,134</b>	<b>9,284,788</b>	<b>9,264,933</b>	<b>9,063,819</b>
Sales for Resale —						
Total Requirements	447,686	508,153	494,182	482,154	471,443	459,871
<b>Edison Territory Total</b>	<b>11,093,962</b>	<b>10,497,633</b>	<b>9,940,316</b>	<b>9,766,942</b>	<b>9,736,376</b>	<b>9,523,690</b>
Sales for Resale —						
Partial Requirements	644,873	2,431,197	2,089,938	2,257,000	2,132,352	2,631,798
<b>Total — Edison System</b>	<b>11,738,835</b>	<b>12,928,830</b>	<b>12,030,254</b>	<b>12,023,942</b>	<b>11,868,728</b>	<b>12,155,488</b>
Miscellaneous Usage:						
Company	124,173	100,262	112,206	108,930	121,236	114,427
Transmission	287,030	314,583	264,290	255,609	313,356	357,573
Distribution	573,432	639,480	545,180	513,294	498,462	479,417
<b>Total</b>	<b>12,723,470</b>	<b>13,983,155</b>	<b>12,951,930</b>	<b>12,901,775</b>	<b>12,801,782</b>	<b>13,106,905</b>
<b>Kilowatthours — Annual</b>						
<b>Growth Percent:</b>						
Commercial	8.4	7.1	2.8	3.1	2.3	2.7
Residential	4.1	4.9	2.0	(2.2)	2.1	1.5
Industrial	7.5	5.3	(2.6)	(4.3)	0.8	1.7
Street Lighting	(1.6)	0.3	0.2	4.4	4.5	3.6
Railroads	(50.6)	(29.9)	31.1	9.3	65.4	57.2
<b>Total Retail</b>	<b>6.6</b>	<b>5.8</b>	<b>1.7</b>	<b>0.2</b>	<b>2.2</b>	<b>2.3</b>
Sales for Resale —						
Total Requirements	(11.9)	2.8	2.5	2.3	2.5	1.5
<b>Edison Territory Total</b>	<b>5.7</b>	<b>5.6</b>	<b>1.8</b>	<b>0.3</b>	<b>2.2</b>	<b>2.3</b>
Sales for Resale —						
Partial Requirements	(73.5)	16.3	(7.4)	5.9	(19.0)	13.6
<b>Total — Edison System</b>	<b>(9.2)</b>	<b>7.5</b>	<b>0.1</b>	<b>1.3</b>	<b>(2.4)</b>	<b>4.5</b>
<b>Territory Sales by Class: (%)</b>						
Commercial	52	50	50	49	48	48
Residential	26	27	27	27	27	27
Industrial	17	17	17	17	18	18
Other	5	6	6	7	7	7
<b>Sales Statistics:</b>						
Residential Averages:						
Annual kWh Use	5,551	5,407	5,224	5,190	5,378	5,340
Revenue per kWh	11.48¢	9.39¢	9.64¢	9.54¢	8.05¢	6.39¢
Annual Bill	\$636.96	\$507.75	\$503.59	\$495.12	\$432.76	\$341.13
Customer:						
Meters at Year-end	629,377	623,020	615,341	610,764	602,636	596,523
Average Number	594,343	584,773	576,754	569,511	562,076	554,105

## Selected Financial Statistics

	1984	1983	1982	1981	1980	1979
<b>Operating Revenues (000)</b>	<b>\$1,316,668</b>	\$1,069,285	\$1,056,267	\$1,044,941	\$885,634	\$697,668
<b>Balance for Common Shares (000)</b>	<b>\$74,811</b>	\$53,575	\$45,882	\$58,462	\$48,879	\$43,267
<b>Earnings Per Common Share</b>	<b>\$4.85</b>	\$3.60	\$3.18	\$4.15	\$3.55	\$3.49
<b>Dividends Declared Per Common Share</b>	<b>\$3.12</b>	\$2.91	\$2.82	\$2.80	\$2.74	\$2.51
<b>Payout Ratio (Common)</b>	<b>63%</b>	80%	88%	67%	77%	72%
<b>Book Value Per Common Share</b>	<b>\$33.61</b>	\$32.21	\$31.71	\$31.68	\$30.52	\$29.93
<b>Cash Flow Per Common Share</b>	<b>\$14.17</b>	\$13.90	\$10.80	\$10.42	\$8.54	\$9.69
<b>Return on Average Common Equity</b>	<b>14.69%</b>	11.24%	10.02%	13.35%	11.73%	11.37%
<b>Year-End Common Dividend Yield</b>	<b>9.36%</b>	10.57%	11.08%	12.72%	13.02%	12.36%
<b>Fixed Charge Coverage (SEC)</b>	<b>3.02x</b>	2.67x	2.28x	2.25x	2.28x	2.52x
<b>Capitalization:</b>						
Long-Term Debt	<b>50%</b>	51%	53%	54%	51%	52%
Preferred and Preference Equity	<b>11%</b>	12%	12%	12%	14%	14%
Common Equity	<b>39%</b>	37%	35%	34%	35%	34%
<b>Long-Term Debt (000)</b>	<b>\$674,125</b>	\$674,895	\$706,503	\$704,833	\$619,440	\$621,080
<b>Cumulative Preference Stock, Redeemable (000)</b>	<b>\$35,264</b>	\$37,162	\$39,235	\$40,965	\$44,514	\$46,488
<b>Total Assets (000)</b>	<b>\$2,246,464</b>	\$1,995,425	\$1,929,940	\$1,918,013	\$1,782,909	\$1,659,268
<b>Funds Generated Internally (000)</b>	<b>\$181,657</b>	\$161,248	\$115,013	\$107,170	\$79,696	\$88,505
<b>Construction Expenditures (000)</b>	<b>\$264,248</b>	\$151,284	\$136,463	\$136,735	\$134,249	\$107,967
<b>Percent Internal Generation Stockholders (Common) at Year-end</b>	<b>69%</b>	107%	84%	78%	59%	82%
<b>Common Shares Outstanding: (Wtd. Ave.) (Year-end)</b>	<b>53,570</b>	56,950	58,853	59,478	61,533	61,564
<b>Common Stock Price</b>						
— High	<b>15,435,659</b>	14,902,418	14,434,415	14,073,823	13,763,062	12,389,065
— Low	<b>15,747,689</b>	15,146,284	14,665,213	14,218,986	13,927,582	13,626,439
— Year-end	<b>35½</b>	29½	26⅞	24½	24½	24¼
<b>Year-end (Common) Market Value (000)</b>	<b>24¾</b>	25	20	19½	18¾	19¾
<b>Trading Volume (Common Shares)</b>	<b>34%</b>	28¾	26	22	21½	22
<b>Market/Book Value (Year-end)</b>	<b>\$545,264</b>	\$429,776	\$381,296	\$312,818	\$299,443	\$299,782
<b>Price/Earnings Ratio (Year-end)</b>	<b>8,175,300</b>	4,344,600	3,750,400	2,738,900	2,643,000	2,485,000
<b>Market/Book Value (Year-end)</b>	<b>1.03</b>	.88	.82	.69	.70	.73
<b>Price/Earnings Ratio (Year-end)</b>	<b>7.1</b>	7.9	8.2	5.3	6.1	6.3



The Dividend Reinvestment and Common Stock Purchase Plan is available to common, preferred and preference shareholders. Under the plan, common shareholders may have their dividends reinvested in common stock at 95 percent of current market prices. Preferred and preference shareholders may have their dividends invested in common stock at current market prices. All participants may invest optional cash contributions, up to a maximum of \$5,000 per quarter, which will be invested at the current market price. Participants do not pay fees or commissions.

The Economic Recovery Tax Act of 1981 makes certain tax benefits available — beginning January 1, 1982, and ending December 31, 1985 — to individual stockholders who reinvest their dividends under the Plan. Each individual stockholder may elect to exclude from income for federal income tax purposes up to \$750 each year (\$1,500 on a joint return) of dividends reinvested under the Plan. This election is made on the stockholders' federal income tax return for the taxable year in which the dividends would otherwise be includable in income.

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

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

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

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

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

**Annual Meeting**

The Annual Meeting of Stockholders of the company will be held on April 16, 1985, at 11:00 a.m. A copy of the President's Remarks will be sent on request.

**Company Contact**

Diane M. Kinch, Clerk of the Corporation

**General Offices**

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

**Stock Listings**

New York and Boston stock exchanges

**Stock Symbol**

BSE

**Dividend Payment Dates**

Common and Preferred

1st of February, May, August, November  
Preference

1st of March, June, September, December

**Tax Status of 1984 Dividends**

Dividends paid on Boston Edison common, preferred and preference stock in 1984 are 100 percent taxable as dividend income for federal income tax purposes. Participants in the reinvestment plan should also refer to the "Dividend Reinvestment Plan" section of this report for tax treatment of reinvested dividends.

**Dividend Reinvestment Plan Agent**

The First National Bank of Boston

**Stock Transfer Agent and Registrar of Stock**

The First National Bank of Boston

**SEC Form 10-K**

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

**Inquiries Concerning Stock**

If you have questions concerning your dividend payments, taxpayer identification number, change of address, consolidation of accounts, stock certificates, transfer of ownership and other stock account matters, please contact the Stock Transfer Agent at the following address:

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

## Officers

**Thomas J. Galligan, Jr.**, *Chairman of the Board*  
**Stephen J. Sweeney**, *President and Chief Executive Officer*  
**Joseph P. Tyrrell**, *Executive Vice President*  
**James M. Lydon**, *Executive Vice President*  
**William D. Harrington**, *Senior Vice President*  
**Eleanor T. Daly**, *Vice President and Assistant to the Chief Executive Officer*  
**Victor H. Kazanjian**, *Vice President and General Counsel*  
**J. Edward Howard**, *Vice President — Nuclear Engineering and Quality Assurance*  
**David J. O'Connor, Jr.**, *Vice President — Customer and Corporate Information Services*  
**C. Bruce Damrell**, *Vice President — Engineering and Distribution*  
**Craig D. Pepper**, *Vice President — Commercial*  
**John R. Stevens**, *Vice President — Energy Supply and Corporate Relations*  
**Cameron H. Daley**, *Vice President — Steam and Electric Operations*  
**Richard J. Coughlin**, *Vice President — Procurement, Stores and Service*  
**Thomas J. May**, *Vice President and Treasurer*  
**Marc S. Alpert**, *Vice President — Rates*  
**A. Lee Oxsen**, *Vice President — Nuclear Operations*  
**Warren F. Roche**, *Vice President — Human Resources and Labor Relations*  
**Diane M. Kinch**, *Clerk of the Corporation*  
**Timothy J. Heffernan**, *Assistant Treasurer*  
**Walter E. Skowronski**, *Assistant Treasurer*  
**Barbara M. Donahue**, *Assistant Clerk of the Corporation*  
**Robert J. Weafer, Jr.**, *Controller*

## Directors

**Helene R. Cahners** (Mrs. Norman L. Cahners), *Trustee*  
**Thomas G. Dignan, Jr.**, *Attorney-at-Law, Partner, Ropes & Gray*  
**Frank L. Farwell**, *Honorary Chairman of the Board, Liberty Mutual Insurance Company*  
**Thomas J. Galligan, Jr.**, *Chairman of the Board, Boston Edison Company*  
**Kenneth I. Guscott**, *President, Ken Guscott Associates (management consultants)*  
**Nelson S. Gifford**, *President, Dennison Manufacturing Company (manufacturers of paper products and systems)*  
**Joseph P. Healey**, *Former Chairman of the Board and Chief Executive Officer, Refrigerated Food Express, Inc.*  
**Richard D. Hill**, *Former Chairman of the Board and Chief Executive Officer, Bank of Boston Corporation (bank holding company)*  
**James M. Lydon**, *Executive Vice President, Boston Edison Company*  
**William D. Manly**, *Executive Vice President,\* Cabot Corporation (energy, engineered products and performance chemicals)*  
**Bernard J. O'Keefe**, *Chairman of the Board, EG&G, Inc. (technological services)*  
**Herbert Roth, Jr.**, *Chairman and Chief Executive Officer, LFE Corporation (manufacturer of equipment and systems for traffic and industrial process control)*  
**Stephen J. Sweeney**, *President and Chief Executive Officer, Boston Edison Company*  
**Joseph P. Tyrrell**, *Executive Vice President, Boston Edison Company*  
**Paul E. Tsongas**, *Attorney-at-Law, Partner, Foley, Hoag and Elliot*  
Member of Executive Committee  
Member of Audit Committee  
Member of Executive Personnel Committee  
Member of Nuclear Operations Review Committee  
Director as of January 2, 1985  
Died January 12, 1985  
As of January 1, 1985

**Boston  
Edison  
Company**

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**100  
100  
100**