FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

NEW ENGLAND ELECTRIC SYSTEM
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SIC: **4911** Electric services

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 1995

OR

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

Commission File Number 1-3446

(LOGO) NEW ENGLAND ELECTRIC SYSTEM

(Exact name of registrant as specified in charter)

MASSACHUSETTS	04-1663060
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

25 Research Drive, Westborough, Massachusetts 01582
(Address of principal executive offices)

Registrant's telephone number, including area code
(508-389-2000)

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

Yes (X) No ( )

Common Shares, par value $1 per share, authorized and outstanding: 64,969,652 shares at March 31, 1995.

PART I FINANCIAL INFORMATION
Item 1. Financial Statements
- ----------------------------

<TABLE>

NEW ENGLAND ELECTRIC SYSTEM AND SUBSIDIARIES
Statements of Consolidated Income
Periods Ended March 31

(Unaudited)

<CAPTION>

<S>	Three Months 1995 <C>	Three Months 1994 <C>	Twelve Months 1995 <C>	Twelve Months 1994 <C>
	(In Thousands)			
Operating revenue	$558,316	$576,906	$2,224,439	$2,231,395
Operating expenses:				
Fuel for generation	48,959	62,464	207,451	226,928
Purchased electric energy	145,495	120,999	538,639	521,739
Other operation	112,077	109,729	497,089	473,235
Maintenance	41,129	32,691	169,911	143,921
Depreciation and amortization	71,993	78,669	294,447	296,051
Taxes, other than income taxes	35,315	35,315	125,840	122,620
Income taxes	29,963	45,177	113,043	132,808
Total operating expenses	484,931	485,044	1,946,420	1,917,302
Operating income	73,385	91,862	278,019	314,093
Other income:				
Allowance for equity funds used during construction	2,610	2,054	10,725	5,092
Equity in income of generating companies	2,552	2,628	9,682	10,556
Other income (expense) - net	552	(369)	(2,935)	(2,362)
Operating and other income	79,099	96,175	295,491	327,379
Interest:				
Interest on long-term debt	26,079	22,358	97,221	97,059
Other interest	4,586	1,645	14,239	9,819
Allowance for borrowed funds used during construction	(3,324)	(1,185)	(9,932)	(3,490)
Total interest	27,341	22,818	101,528	103,388
Income after interest	51,758	73,357	193,963	223,991
Preferred dividends of subsidiaries	2,172	2,180	8,690	10,122
Minority interests	1,924	1,904	7,458	7,959
Net income	$ 47,662	$ 69,273	$ 177,815	$ 205,910
Common shares	64,69,652	64,969,652	64,969,652	64,969,652
Net income per common share	$.73	$1.07	$2.74	$3.17
Dividends declared per share	$.575	$.56	$2.30	$2.24

The accompanying notes are an integral part of these financial statements.

</TABLE>

<TABLE>

NEW ENGLAND ELECTRIC SYSTEM AND SUBSIDIARIES

Consolidated Balance Sheets
(Unaudited)

<CAPTION>

ASSETS	March 31, 1995	December 31, 1994
	(In Thousands)	
<S>	<C>	<C>
Utility plant, at original cost	$4,976,825	$4,914,807
Less accumulated provisions for depreciation and amortization	1,644,639	1,610,378
	3,332,186	3,304,429
Net investment in Seabrook 1 under rate settlement	30,549	38,283
Construction work in progress	386,790	374,009
Net utility plant	3,749,525	3,716,721
Oil and gas properties, at full cost	1,252,921	1,248,343
Less accumulated provision for amortization	982,918	964,069
Net oil and gas properties	270,003	284,274
Investments:		
Nuclear power companies, at equity	46,459	46,349
Other subsidiaries, at equity	41,679	42,195
Other investments, at cost	51,689	50,895
Total investments	139,827	139,439
Current assets:		
Cash	4,732	3,047
Accounts receivable, less reserves of $16,794,000 and $15,095,000	268,667	295,627
Unbilled revenues	43,600	55,900
Fuel, materials, and supplies, at average cost	97,296	94,431
Prepaid and other current assets	72,836	76,718
Total current assets	487,131	525,723
Accrued Yankee Atomic costs	110,661	122,452
Deferred charges and other assets	311,355	296,232
	$5,068,502	$5,084,841

CAPITALIZATION AND LIABILITIES

Capitalization:		
Common share equity:		
Common shares, par value $1 per share:		
Authorized - 150,000,000 shares		
Outstanding - 64,969,652 shares	$ 64,970	$ 64,970
Paid-in capital	736,823	736,823
Retained earnings	789,350	779,045
Total common share equity	1,591,143	1,580,838
Minority interests in consolidated subsidiaries	53,029	55,066
Cumulative preferred stock of subsidiaries	147,016	147,016
Long-term debt	1,600,325	1,520,488

Total capitalization	3,391,513	3,303,408
Current liabilities:		
Long-term debt due within one year	37,520	65,920
Short-term debt	163,375	233,970
Accounts payable	134,241	168,937
Accrued taxes	41,173	11,002
Accrued interest	20,770	25,193
Dividends payable	38,631	37,154
Other current liabilities	99,178	93,251
Total current liabilities	534,888	635,427
Deferred federal and state income taxes	749,465	751,855
Unamortized investment tax credits	94,256	94,930
Accrued Yankee Atomic costs	110,661	122,452
Other reserves and deferred credits	187,719	176,769
	$5,068,502	$5,084,841

The accompanying notes are an integral part of these financial statements.
</TABLE>

<TABLE>

NEW ENGLAND ELECTRIC SYSTEM AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Quarters Ended March 31
(Unaudited)

<CAPTION>

<S>	1995 <C>	1994 <C>
	(In Thousands)	
Operating activities:		
Net income	$ 47,662	$ 69,273
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	73,721	79,814
Deferred income taxes and investment tax credits - net	(2,434)	(6,053)
Allowance for funds used during construction	(5,934)	(3,239)
Amortization of unbilled revenues	(2,052)	(8,000)
Minority interests	1,924	1,904
Decrease (increase) in accounts receivable, net and unbilled revenues	39,260	7,539
Decrease (increase) in fuel, materials, and supplies	(2,865)	(14,652)
Decrease (increase) in prepaid and other current assets	3,882	4,513
Increase (decrease) in accounts payable	(34,696)	(5,452)
Increase (decrease) in other current liabilities	33,727	37,550
Other, net	(7,687)	(7,338)
Net cash provided by operating activities	$ 144,508	$ 155,859
Investing activities:		
Plant expenditures, excluding allowance for funds used during construction	$ (79,556)	$(100,141)
Oil and gas exploration and development	(4,578)	(4,739)
Other investing activities	28	(5,267)
Net cash used in investing activities	$ (84,106)	$(110,147)

Financing activities:		
Dividends paid to minority interests	$ (1,983)	$ (2,171)
Dividends paid on NEES common shares	(37,859)	(38,285)
Short-term debt	(70,595)	(11,405)
Long-term debt - issues	88,000	15,000
Long-term debt - retirements	(36,280)	(7,280)
Net cash used in financing activities	$ (58,717)	$ (44,141)
Net increase in cash and cash equivalents	$ 1,685	$ 1,571
Cash and cash equivalents at beginning of period	3,047	2,876
Cash and cash equivalents at end of period	$ 4,732	$ 4,447
Supplementary information:		
Interest paid less amounts capitalized	$ 31,308	$ 25,703
Federal and state income taxes paid	$ (20,622)	$ 22,358

The accompanying notes are an integral part of these financial statements.
</TABLE>

<TABLE>
NEW ENGLAND ELECTRIC SYSTEM AND SUBSIDIARIES
Statements of Consolidated Retained Earnings
Periods Ended March 31
(Unaudited)
<CAPTION>

	Three Months		Twelve Months	
	1995	1994	1995	1994
	(In Thousands)			
<S>	<C>	<C>	<C>	<C>
Retained earnings at beginning of period	$779,045	$728,075	$ 760,965	$ 702,635
Net income	47,662	69,273	177,815	205,910
Dividends declared on common shares	(37,357)	(36,383)	(149,430)	(145,533)
Premium on redemption of preferred stock of subsidiaries				(2,047)
Retained earnings at end of period	$789,350	$760,965	$ 789,350	$ 760,965

Consolidated Electric Operating Statistics
Periods Ended March 31

	Three Months		Twelve Months	
	1995	1994	1995	1994
	(In Thousands of KWH)			
Generated at nuclear power plants	549,566	476,725	1,840,800	1,670,047
Generated at system thermal plants	2,403,608	3,270,716	10,109,993	11,635,355

Generated at system hydro plants	466,667	301,764	1,517,503	1,266,256
Generated at pumped storage plant	127,697	119,970	533,380	533,413
Less energy for pumping	176,964	166,068	734,248	731,619
Total generated	3,370,574	4,003,107	13,267,428	14,373,452
Nuclear entitlements	254,010	559,391	2,230,153	2,060,964
Purchased electric energy	2,552,064	2,055,210	9,178,214	8,017,925
Total generated and purchased	6,176,648	6,617,708	24,675,795	24,452,341
Less losses, company use, etc.	232,009	344,652	1,560,257	1,694,351
Total sales	5,944,639	6,273,056	23,115,538	22,757,990

The accompanying notes are an integral part of these financial statements.
</TABLE>

Note A - Hazardous Waste
- ------------------------

The Federal Comprehensive Environmental Response, Compensation and Liability Act, more commonly known as the "Superfund" law, imposes strict, joint and several liability, regardless of fault, for remediation of property contaminated with hazardous substances. A number of states, including Massachusetts, have enacted similar laws.

The electric utility industry typically utilizes and/or generates in its operations a range of potentially hazardous products and by-products. New England Electric System (NEES) subsidiaries currently have in place an environmental audit program intended to enhance compliance with existing federal, state, and local requirements regarding the handling of potentially hazardous products and by-products.

NEES and/or its subsidiaries have been named as a potentially responsible party (PRP) by either the U.S. Environmental Protection Agency (EPA) or the Massachusetts Department of Environmental Protection for 22 sites at which hazardous waste is alleged to have been disposed. Private parties have also contacted or initiated legal proceedings against NEES and certain subsidiaries regarding hazardous waste cleanup. The most prevalent types of hazardous waste sites with which NEES and its subsidiaries have been associated are manufactured gas locations. (Until the early 1970's, NEES was a combined electric and gas holding company system.) NEES is aware of approximately 40 such locations (including eight of the 22 locations for which NEES companies are PRPs) mostly located in Massachusetts. NEES and its subsidiaries are currently aware of other sites, and may in the future become aware of additional sites, that they may be held responsible for remediating.

NEES has been notified by the EPA that it is one of several PRPs for cleanup of the Pine Street Canal Superfund site in Burlington, Vermont, at which coal tar and other materials were deposited. Between 1931 and 1951, NEES and its predecessor owned all of the common stock of Green Mountain Power Corporation (GMP). Prior to, during, and after that time, gas was manufactured at the Pine Street Canal site by GMP. In 1989, NEES was one of 14 parties required to pay the EPA's past response costs related to this site. NEES remains a PRP for ongoing and future response costs. In November 1992, the EPA proposed a cleanup plan estimated by the EPA to cost $50 million. In June 1993, the EPA withdrew this cleanup plan in response to public concern about the plan and its cost. It

is uncertain at this time what the cost of any ultimate cleanup plan will be or what NEES's share of such cost will be.

In 1993, the Massachusetts Department of Public Utilities approved a rate agreement filed by Massachusetts Electric Company (Massachusetts Electric) that allows for remediation costs of former manufactured gas sites and certain other hazardous waste sites located in Massachusetts to be met from a non-rate recoverable interest-bearing fund of $30 million established on Massachusetts Electric's books. Rate recoverable contributions of $3 million, adjusted for inflation, are added to the fund annually in accordance with the agreement. Any shortfalls in the fund would be paid by Massachusetts Electric and be recovered through rates over seven years.

Predicting the potential costs to investigate and remediate hazardous waste sites continues to be difficult. There are also significant uncertainties as to the portion, if any, of the investigation and remediation costs of any particular hazardous waste site that may ultimately be borne by NEES or its subsidiaries. Where appropriate, the NEES companies intend to seek recovery from their insurers and from other PRPs, but it is uncertain whether and to what extent such efforts would be successful. At March 31, 1995, NEES had total reserves for environmental response costs of $45 million and a related regulatory asset of $14 million. NEES believes that hazardous waste liabilities for all sites of which it is aware, and which are not covered by a rate agreement, will not be material to its financial position.

Note B - Purchased Power Contract Dispute
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In October 1994, New England Power Company (NEP) was sued by Milford Power Limited Partnership (MPLP), a venture of Enron Corporation and Jones Capital that owns a 149 megawatt (MW) gas-fired power plant in Milford, Massachusetts. NEP purchases 56 percent of the power output of the facility under a long-term contract with MPLP. The suit alleges that NEP has engaged in a scheme to cause MPLP and its power plant to fail and has prevented MPLP from finding a long-term buyer for the remainder of the facility's output. The complaint includes allegations that NEP has violated the Federal Racketeer Influenced and Corrupt Organizations

Act, engaged in unfair or deceptive acts in trade or commerce, and breached contracts. MPLP also asserts that NEP deliberately misled regulatory bodies concerning the Manchester Street repowering project. MPLP seeks compensatory damages in an unspecified amount, as well as treble damages. NEP believes that the allegations of wrongdoing are without merit. NEP has filed counterclaims and crossclaims against MPLP, Enron Corporation, and Jones Capital, seeking monetary damages and termination of the purchased power contract.

MPLP also intervened in a recent NEP rate filing making similar allegations to those asserted in MPLP's lawsuit. MPLP also intervened in a recent Massachusetts Electric rate filing.

Note C - Maine Yankee Atomic Power Company

NEP has a 20 percent ownership interest in the Maine Yankee Atomic Power Company (Maine Yankee) which owns an 880 MW nuclear generating station in Wiscasset, Maine. Since January 1995, the station has been shut down for refueling and inspection. During the inspection, Maine Yankee detected substantial deterioration of its steam generator tubes. To correct the situation, Maine Yankee is considering the installation of welded sleeves (involving the insertion of a partial new tube inside the existing tube) on all of the steam generator tubes. Assuming Maine Yankee proceeds with sleeving, the station would be expected to return to service by approximately the end of 1995. Similar repairs have been undertaken at other nuclear plants in the United States and abroad, but not on the scale proposed at Maine Yankee. The cost of sleeving could total approximately $40 million (NEP's share of approximately $8 million would be charged to purchased power expense). A final decision regarding sleeving is not expected until late May 1995.

Note D - New Accounting Standard

In March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of (FAS 121), effective for fiscal year 1996. This

standard clarifies when and how to recognize an impairment of long-lived assets. In addition, FAS 121 requires that all regulatory assets be written off unless they continue to meet the criteria for initially recording such regulatory assets. In order to be initially recorded, a regulatory asset must have a high probability of future recovery. However, once written off, a regulatory asset can be restored if it again becomes probable of recovery. The impact of this standard will be driven by the facts and circumstances that exist when the standard is adopted and thereafter.

Note E

In the opinion of the Company, these statements reflect all adjustments (which include normal recurring adjustments) necessary for a fair statement of the results of its operations for the periods presented and should be considered in conjunction with the notes to the financial statements in NEES' 1994 Annual Report.

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

This section contains management's assessment of New England Electric System's (NEES) financial condition and the principal factors having an impact on the results of operations. This discussion should be read in conjunction with the consolidated financial statements and footnotes and the 1994 Annual Report on Form 10-K.

Earnings

Earnings for the first quarter of 1995 were $.73 per share compared with $1.07 per share earned in the first quarter of 1994. The table below details the principal reasons for the decline in consolidated earnings.

	Quarter ending March 31,
1994 earnings	$1.07
Decreased sales to ultimate customers	(.15)
Increased purchased power costs excluding fuel	(.10)
Increased cost of overhauls of wholly-owned generating units	(.08)
Other impacts on earnings	(.01)
1995 earnings	$ .73

Kilowatthour (KWH) sales to ultimate customers decreased 3.0 percent in the first quarter of 1995 compared with the same period last year, reflecting unusually mild weather conditions in the first quarter of 1995 (heating degree days were approximately 9 percent below normal). The increase in purchased power costs was primarily due to overhauls and refueling shutdowns of partially-owned nuclear power suppliers in the first quarter of 1995.

Maine Yankee Atomic Power Company

New England Power Company (NEP) has a 20 percent ownership interest in the Maine Yankee Atomic Power Company (Maine Yankee) which owns an 880 megawatt nuclear generating station in Wiscasset, Maine. Since January 1995, the station has been shut down for refueling and inspection. During the inspection, Maine Yankee detected substantial deterioration of its steam generator tubes. To correct the situation, Maine Yankee is considering the installation of welded sleeves (involving the insertion of a partial new tube inside the existing tube) on all of the steam generator tubes. Assuming Maine Yankee proceeds with sleeving, the station would be expected to return to service by approximately the end of 1995. Similar repairs have been undertaken at other nuclear plants in the United States and abroad, but not on the scale proposed at Maine Yankee. The cost of sleeving could total approximately $40 million (NEP's share of approximately $8 million

would be charged to purchased power expense). A final decision regarding sleeving is not expected until late May 1995.

Wholesale Rate Activity
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In February 1995, the Federal Energy Regulatory Commission (FERC) approved a rate agreement filed by New England Power Company (NEP). Under the agreement, which became effective January 1995, NEP's base rates are frozen until 1997. Before this rate agreement, NEP's rate structure contained two surcharges which were recovering the costs of a coal conversion project and a portion of NEP's investment in the Seabrook 1 nuclear unit (Seabrook 1). Under the rate agreement, these two surcharges, which were due to expire in mid-1995, have been rolled into base rates. The agreement also allows for full recovery of costs associated with the Manchester Street Station repowering project, which is scheduled for completion later this year. In addition, the agreement allows NEP to recover approximately $50 million of deferred costs associated with terminated purchased power contracts and postretirement benefits other than pensions (PBOPs) over seven years. The agreement also provides for full recovery of currently incurred PBOP costs commencing in 1995. The agreement further provides for the recovery over three years of $27 million of costs related to the dismantling of a retired generating station and the replacement of a turbine rotor at one of NEP's generating units.

The agreement also increases NEP's recovery of depreciation expenseby approximately $8 million annually to recognize costs that will be incurred upon the eventual dismantling of its Brayton Point and Salem Harbor generating plants. Under the agreement, approximately $15 million of the $38 million in Seabrook 1 costs due to be recovered in 1995 pursuant to a 1988 settlement agreement will be deferred and recovered in 1996.

The FERC's approval of this rate agreement applies to all of NEP's customers except the Town of Norwood, Massachusetts and the Milford Power Limited Partnership, who intervened in the rate case. A separate hearing will be conducted to determine the appropriate rate to charge these two parties, who together represent less than 2 percent of NEP's sales.

Retail Rate Activity
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On March 15, 1995, Massachusetts Electric Company (Massachusetts Electric) filed a request with the Massachusetts Department of Public Utilities (MDPU) to increase its base rates by $62 million, effective October 1, 1995. As an alternative to this proposed increase, Massachusetts Electric filed an incentive rate plan, which would increase rates by about $30 million, effective October 1, 1995. Under the proposed incentive rate plan, subsequent base rate adjustments could occur annually on May 1 and would be based on a comparison of Massachusetts Electric's rates to rates of all electric utilities in Massachusetts.

Massachusetts Electric also proposed a new discount program for large industrial customers in the manufacturing, computing, and biotech sectors that are willing to make a minimum annual usage commitment for a period of five years. The discounts, which Massachusetts Electric proposed to be recovered from all customers, would range from 5 percent to 12.5 percent of base rates depending on a customer's level of commitment. These discounts are in addition to the 5 percent service extension discounts (SEDs) that are currently available to large commercial and industrial customers that agree to provide three to five years notice before they purchase power from another supplier or generate any additional power themselves. Massachusetts Electric has proposed lowering the minimum average load threshold for the SED program from 500 kilowatts to 200 kilowatts. Massachusetts Electric expects an MDPU decision on its filing in late September 1995.

On March 1, 1995, The Narragansett Electric Company (Narragansett) filed a request with the Rhode Island Public Utilities Commission (RIPUC) to increase its base rates by $30.5 million to be effective December 1995. As part of its filing, Narragansett proposed a special rate discount of 8 percent of base rates, for manufacturing customers that agree to give Narragansett three to five years notice before they purchase power from another supplier or generate any additional power themselves. These discounts, which Narragansett proposed to be recovered from all customers, are in addition to the 5 percent base rate SEDs that became available to large commercial and industrial customers in May 1994. As an alternative to the December 1995 effective date, Narragansett had proposed to phase its requested rate increase in two steps--the first step in June 1995 ($13 million) and the second step in June 1996. In an open meeting on March 28, 1995, the RIPUC rejected the alternative phased proposal.

Operating Revenue

The following table summarizes the changes in operating revenue:

Increase (Decrease) in Operating Revenue

	First Quarter 1995 vs 1994 (In Millions)
Sales decline to ultimate customers	$(16)
General rate change/service extension discounts	5
Unbilled revenues recognized under rate agreements	(6)
Oil and gas sales	(5)
Other	3
	$(19)

KWH sales to ultimate customers decreased 3.0 percent in the first quarter of 1995 compared with the same period last year, reflecting unusually mild weather conditions in the first quarter of 1995. In view of the recent mild weather, the NEES companies forecast essentially flat KWH sales in 1995.

General rate change/service extension discounts includes $7 million resulting from the November 1994 expiration of Massachusetts Electric's temporary rate decrease partially offset by $2 million of increased discounts under the retail companies SED programs.

The amount shown for unbilled revenues recognized reflects Massachusetts Electric's completion of the amortization of $35 million over a 13 month period that ended December 31, 1994 partially offset by Narragansett's amortization of $14 million over a 21 month period ending December 31, 1995. Both of these amortizations were in accordance with rate agreements.

The reduction in oil and gas sales is primarily due to decreased gas production and prices.

Operating Expenses

The following table summarizes the changes in operating expenses during the period:

Increase (Decrease) in Total Operating Expenses

	First Quarter 1995 vs 1994 (In Millions)
Purchased energy excluding fuel	$ 11
Operation and maintenance expenses	11
Depreciation and amortization	(7)
Taxes	(15)
	$ -

The increase in purchased energy excluding fuel primarily results from increased costs associated with scheduled plant overhauls and refueling outages by partially-owned nuclear power suppliers. The increase also reflects amortization of previously deferred purchase power termination costs.

The increase in operation and maintenance expenses is primarily due to increased maintenance costs associated with overhauls of wholly-owned generating plants, in part to achieve compliance with the Clean Air Act, and recognition of currently incurred and previously deferred PBOP costs in accordance with NEP's 1995 rate agreement.

The decrease in depreciation and amortization expense is due to decreased amortization of the Seabrook 1 nuclear power plant in accordance with NEP's 1995 rate agreement and decreased oil and gas amortization due to decreased production. These decreases were partially offset by the effects of increased depreciation rates approved in NEP's 1995 rate agreement, increased charges associated with the dismantlement of a retired generating facility, and depreciation of new plant expenditures.

The decrease in taxes is primarily due to decreased income.
Collective bargaining agreements with the Brotherhood of Utility Workers of New England, Inc., the International Brotherhood of Electric Workers, and the Utility Workers Union of America, AFL-CIO expire in May 1995. Negotiation of new contracts with these unions is in progress.

Allowance For Funds Used During Construction (AFDC)

AFDC increased for the first quarter of 1995 due to increased construction work in progress, principally associated with the repowering of the Manchester Street Station, scheduled to commence operation in late 1995 (see "Liquidity and Capital Resources" section).

Interest Expense

The increase in interest expense is primarily due to increased long-term and short-term debt balances and higher interest rates in the first quarter of 1995.

Competitive Conditions

The electric utility business is being subjected to increasing competitive pressures, stemming from a combination of trends, including increasing electric rates, improved technologies, and new regulations and legislation intended to foster competition. See the Annual Report on Form 10-K for the year ended December 31, 1994.
On March 29, 1995, the FERC issued a notice of proposed rule-making in which it stated that recovery in rates of legitimate and verifiable stranded costs should be allowed and that direct assignment of stranded costs to departing customers is the appropriate method for recovery of costs stranded as the result of wholesale competition. Under the FERC policy proposal, costs stranded as a result of retail competition would be subject to state commission review if the state commission has the necessary statutory authority, and subject to FERC review if the state commission does not have such authority. A final decision is expected in late 1995 or early 1996.

In February 1995, the MDPU initiated a proceeding regarding the structure and regulation of the electric utility industry. Massachusetts Electric, along with a coalition of environmental and independent power producer groups, filed a set of principles which the coalition proposes to be the basis for restructuring. The proposed principles included provisions to allow gradually increased customer choice while allowing utilities to recover the cost of their past commitments, as well as provisions for protecting residential customers, encouraging renewable resources and energy conservation, and honoring contracts with independent power producers. Hearings are underway. Massachusetts Electric cannot predict what action the MDPU may take in this proceeding or when such action would take place. The RIPUC and the New Hampshire Public Utilities Commission have also begun considering industry restructuring issues, including the recovery of stranded costs.

New Accounting Standard

In March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of (FAS 121), effective for fiscal year 1996. This standard clarifies when and how to recognize an impairment of long-lived assets. In addition, FAS 121 requires that all regulatory

assets be written off unless they continue to meet the criteria for initially recording such regulatory assets. In order to be initially recorded, a regulatory asset must have a high probability of future recovery. However, once written off, a regulatory asset can be restored if it again becomes probable of recovery. The impact of this standard will be driven by the facts and circumstances that exist when the standard is adopted and thereafter.

Liquidity and Capital Resources

Plant expenditures in the first three months of 1995 amounted to $79 million for the utility subsidiaries, including $22 million related to the Manchester Street Station repowering project. The necessary funds were primarily provided by net cash from operating activities after the payment of dividends, and the proceeds of long-term debt issues.

The financing activities of NEES subsidiaries for the first three months of 1995 are summarized as follows:

	Issues	Retirements
	(In Millions)	
Long-term debt		
Massachusetts Electric	$48	$10
Narragansett	5	
New England Power	35	10
Granite State		2
Hydro-Transmission Companies		3
NEEI		11
	$88	$36

NEP refinanced $10 million of variable rate mortgage bonds in the first quarter of 1995. Interest rates on the other new long-term debt issues shown above ranged from 7.40 to 8.46 percent. NEP and the retail subsidiaries plan to issue $90 million of additional long-term debt by the end of 1995.

Net cash from operating activities provided all of the funds necessary for oil and gas expenditures for the first three months of 1995. New England Energy Incorporated's (NEEI) capitalized oil and gas exploration and development costs amounted to $5 million, including $3 million of capitalized interest costs. In April 1995, NEEI refinanced its previous credit agreement with a group of banks. The new agreement provides for borrowings of up to $225 million. The amount available will decrease annually through 2002. Collateral for the borrowings was unchanged.

At March 31, 1995, NEES and its consolidated subsidiaries had lines of credit and standby bond purchase facilities with banks totaling $663 million. These lines and facilities were used for liquidity support for $163 million of commercial paper borrowings and for $342 million of NEP mortgage bonds in tax-exempt commercial paper mode. Fees are paid on the lines and facilities in lieu of compensating balances.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information concerning Federal Energy Regulatory Commission approval of a rate agreement filed by New England Power Company (NEP), discussed in Part I of this report in Management's Discussion and Analysis of Financial Condition and Results of Operations, is incorporated herein by reference and made a part hereof.

Information concerning requests to increase rates filed by Massachusetts Electric Company with the Massachusetts Department of Public Utilities and The Narragansett Electric Company with the Rhode Island Public Utilities Commission, discussed in Part I of this report in Management's Discussion and Analysis of Financial Condition and Results of Operations, is incorporated herein by reference and made a part hereof.

Information concerning a lawsuit filed against NEP by Milford Power Limited Partnership on October 28, 1994, discussed in Note B of Notes to Unaudited Financial Statements, is incorporated herein by reference and made a part hereof.

Item 6. Exhibits and Reports on Form 8-K

The Company filed reports on Form 8-K dated January 2, 1995, February 8, 1995, March 1, 1995, and March 15, 1995, all containing Item 5, Other Events.

The Company is filing Financial Data Schedules.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report on Form 10-Q for the quarter ended March 31, 1995 to be signed on its behalf by the undersigned thereunto duly authorized.

NEW ENGLAND ELECTRIC SYSTEM

s/ Alfred D. Houston

Alfred D. Houston
Executive Vice President and
Chief Financial Officer

Date: May 10, 1995

The name "New England Electric System" means the trustee or trustees for the time being (as trustee or trustees but not personally) under an agreement and declaration of trust dated January 2, 1926, as amended, which is hereby referred to, and a copy of which as amended has been filed with the Secretary of the Commonwealth of Massachusetts. Any agreement, obligation or liability made, entered into or incurred by or on behalf of New England Electric System binds only its trust estate, and no shareholder, director, trustee, officer or agent thereof assumes or shall be held to any liability therefor.

Exhibit Index

Exhibit	Description	Page
27	Financial Data Schedule	Filed herewith

<TABLE> <S> <C>

<ARTICLE> UT
<LEGEND> THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AND RELATED CONSOLIDATED STATEMENTS OF INCOME, RETAINED EARNINGS AND CASH FLOWS OF NEW ENGLAND ELECTRIC SYSTEM, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>
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<FN>
<F1> Total deferred charges includes other assets and accrued Yankee Atomic costs.

<F2> Preferred stock reflects preferred stock of subsidiaries. Preferred stock dividends reflect preferred stock dividends of subsidiaries.
<F3> Short-term notes includes commercial paper obligations.
</FN>