The Connecticut Light and Power Company

CL&P

a subsidiary of Northeast Utilities

1992 Annual Report

Directors

Robert G. Abair
Vice President and Chief Administrative Officer
Western Massachusetts Electric Company

Robert E. Busch
Executive Vice President and Chief Financial Officer

John P. Cagnetta
Senior Vice President

William B. Ellis
Chairman and Chief Executive Officer

Bernard M. Fox
President and Chief Operating Officer

John B. Keane
Vice President and General Counsel—Corporate

Frank R. Locke
President and Chief Operating Officer
Public Service Company of New Hampshire

Hugh C. MacKenzie
Senior Vice President

John F. Opeka
Executive Vice President

Officers

William B. Ellis
Chairman and Chief Executive Officer

Bernard M. Fox
President and Chief Operating Officer

Robert E. Busch
Executive Vice President and Chief Financial Officer

John F. Opeka
Executive Vice President

John P. Cagnetta
Senior Vice President

Hugh C. MacKenzie
Senior Vice President

C. Thayer Browne[1]
Vice President and Treasurer

Ronald G. Chevalier
Vice President

Eric A. DeBarba
Vice President

Tod O. Dixon
Vice President

Cheryl W. Grisé
Vice President

Barry Ilberman
Vice President

John B. Keane[2]
Vice President and General Counsel—Corporate

Francis L. Kinney
Vice President

Keith R. Marvin
Vice President

John W. Noyes
Vice President and Controller

Wayne D. Romberg
Vice President

Frank P. Sabatino
Vice President

C. Frederick Sears
Vice President

Robert P. Wax
Vice President, Secretary and General Counsel

Roger C. Zaklukiewicz
Vice President

Richard R. Carella
Regional Vice President–Eastern

Lesley C. Gerould
Regional Vice President–Western

Alfred R. Rogers
Regional Vice President–Central

Joseph F. Deegan
Assistant Controller

Patricia R. McLaughlin
Assistant Controller

John J. Roman
Assistant Controller

Theresa H. Allsop
Assistant Secretary

Mark A. Joyse
Assistant Secretary

Robert C. Aronson
Assistant Treasurer

Bruce F. Garelick
Assistant Treasurer

1. Mr. Browne has resigned as Vice President and Treasurer effective May 1, 1993, at which time he will serve as Vice President—Investment Management.

2. Mr. Keane has resigned as Vice President and General Counsel—Corporate effective May 1, 1993, at which time he will serve as Vice President and Treasurer.

February 28, 1993

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March, 1993

TO OUR PREFERRED STOCKHOLDERS:

The financial statements and statistical data contained in this report reflect the financial position, results of operations and statements of cash flow of The Connecticut Light and Power Company (CL&P) for 1992. The 1992 Annual Report of Northeast Utilities, which provides information regarding the entire Northeast Utilities system, including CL&P, also has been mailed to all CL&P preferred stockholders.

In 1992 operating revenues increased to $2.32 billion from $2.28 billion in 1991. Net income before preferred dividends decreased to $206.7 million in 1992 from $240.8 million in 1991, primarily as a result of increased costs associated with nuclear operations and lower revenues from sales to other utilities. These increases were partially offset by lower interest charges associated with refunding high-coupon debt and continued cost management in non-nuclear operating expenses.

On December 11, 1992, CL&P filed with the Department of Public Utility Control (DPUC) a request for rate relief. As an alternative to the traditional one-year increase, CL&P filed a multi-year rate plan which was subsequently updated on February 17, 1993. CL&P's updated rate plan would increase customer bills by a total of approximately $343 million over a three-year period, resulting in average annual increases of approximately 5 percent. Under the present DPUC schedule, new rates would become effective on July 1, 1993, with subsequent increases on July 1, 1994 and July 1, 1995. The DPUC is expected to issue a final decision on the request in June 1993.

A more comprehensive discussion for each of these items is contained within this report.

Sincerely,

Bernard M. Fox
President and Chief
Operating Officer

William B. Ellis
Chairman and Chief
Executive Officer

The Connecticut Light and Power Company

BALANCE SHEETS

At December 31,	1992	1991
	(Thousands of Dollars)	
Assets		
Utility Plant, at original cost:		
Electric	$5,822,783	$5,661,105
Less: Accumulated provision for depreciation	1,827,024	1,724,673
	3,995,759	3,936,432
Construction work in progress	110,081	131,600
Nuclear fuel, net	167,816	193,564
Total net utility plant	4,273,656	4,261,596
Other Property and Investments:		
Nuclear decommissioning trusts, at cost	121,888	89,707
Investments in regional nuclear generating companies and subsidiary companies, at equity	53,717	53,623
Other, at cost	14,198	14,236
	189,803	157,566
Current Assets:		
Cash and special deposits (Note 12)	11,208	4,691
Receivables, less accumulated provision for uncollectible accounts of $8,358,000 in 1992 and $9,560,000 in 1991	231,614	216,177
Receivables from affiliated companies	4,804	19,926
Accrued utility revenues	92,366	92,926
Fuel, materials, and supplies, at average cost	72,199	73,495
Recoverable energy costs, net – current portion (Note 1)	77,002	9,853
Prepayments and other	32,771	30,367
	521,964	447,435
Deferred Charges:		
Deferred costs – nuclear plants (Note 1)	199,914	222,720
Unrecovered contract obligation – YAEC (Note 2)	98,559	–
Deferred conservation and load-management costs	87,487	55,498
Recoverable energy costs, net (Note 1)	82,423	127,164
Deferred DOE assessment (Note 1)	41,730	–
Unamortized debt expense	10,497	11,254
Amortizable property investment	8,720	11,211
Other	68,053	43,997
	597,383	471,844
Total Assets	$5,582,806	$5,338,441

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

The Connecticut Light and Power Company

BALANCE SHEETS

At December 31,	1992	1991
	(Thousands of Dollars)	
Capitalization and Liabilities		
Capitalization:		
Common stock – $10 par value. Authorized 24,500,000 shares; outstanding 12,222,930 shares in 1992 and 1991	$ 122,229	$ 122,229
Capital surplus, paid in	634,851	637,202
Retained earnings	748,817	738,993
Total common stockholder's equity	1,505,897	1,498,424
Cumulative preferred stock –		
$50 par value – authorized 9,000,000 shares; outstanding 5,123,925 shares in 1992 and 5,461,737 in 1991		
$25 par value – authorized 8,000,000 shares; outstanding 7,000,000 shares in 1992 and 1991		
Not subject to mandatory redemption (Note 5)	231,196	306,195
Subject to mandatory redemption (Note 6)	197,500	139,392
Long-term debt (Note 7)	1,930,832	1,967,360
Total capitalization	3,865,425	3,911,371
Obligations Under Capital Leases	136,800	156,754
Current Liabilities:		
Notes payable to banks	96,500	53,500
Notes payable to affiliated company	–	137,000
Commercial paper	109,240	–
Long-term debt and preferred stock – current portion	159,604	58,408
Obligations under capital leases – current portion	60,604	52,170
Accounts payable	108,797	108,103
Accounts payable to affiliated companies	55,808	74,569
Accrued taxes	118,132	102,786
Accrued interest	32,829	34,580
Other	17,185	27,383
	758,699	648,501
Deferred Credits:		
Accumulated deferred income taxes	475,355	425,266
Accumulated deferred investment tax credits	165,710	171,939
Deferred contract obligation – YAEC (Note 2)	98,559	–
Deferred DOE obligation (Note 1)	41,730	–
Other	40,528	24,610
	821,882	621,815
Commitments and Contingencies (Note 10)		
Total Capitalization and Liabilities	$5,582,806	$5,338,441

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

The Connecticut Light and Power Company

STATEMENTS OF INCOME

For the Years Ended December 31,	1992	1991	1990
	(Thousands of Dollars)		
Operating Revenues	$2,316,451	$2,275,737	$2,170,087
Operating Expenses:			
Operation –			
Fuel, purchased and net interchange power	598,287	559,131	572,836
Other	605,675	614,440	563,747
Maintenance	197,460	184,727	191,923
Depreciation	209,884	198,597	168,885
Amortization of regulatory assets, net	73,456	55,693	50,864
Federal and state income taxes (Note 8)	172,236	173,102	138,940
Taxes other than income taxes	171,642	166,212	162,251
Total operating expenses	2,028,640	1,951,902	1,849,446
Operating Income	287,811	323,835	320,641
Other Income:			
Allowance for other funds used during construction	1,718	1,807	3,431
Deferred nuclear plants return – other funds	35,396	36,714	33,646
Equity in earnings of regional nuclear generating companies	8,014	8,021	8,130
Write–off of plant costs	–	–	(19,388)
Other, net	5,246	7,419	10,509
Income taxes – credit	11,171	13,004	34,174
Other income, net	61,545	66,965	70,502
Income before interest charges	349,356	390,800	391,143
Interest Charges:			
Interest on long–term debt	151,314	166,256	180,188
Other interest	9,338	6,997	9,207
Allowance for borrowed funds used during construction	(5,133)	(5,455)	(5,729)
Deferred nuclear plants return – borrowed funds, net of income taxes	(12,877)	(17,816)	(17,306)
Interest charges, net	142,642	149,982	166,360
Net Income	$ 206,714	$ 240,818	$ 224,783

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

The Connecticut Light and Power Company

STATEMENTS OF CASH FLOWS

For the Years Ended December 31,	1992	1991	1990
		(Thousands of Dollars)	
Cash Flows From Operations:			
Net income	$ 206,714	$ 240,818	$ 224,783
Adjusted for the following:			
Depreciation and amortization of leased property	270,102	239,685	257,136
Deferred income taxes and investment tax credits, net	72,138	107,599	31,923
Deferred nuclear plants return, net of amortization	10,071	(3,529)	(5,157)
Deferred energy costs, net of amortization	(22,408)	(119,629)	15,034
Deferred conservation and load-management, net of amortization	(31,989)	(47,402)	(5,196)
Net change in deferred charges and other noncash items	(59,063)	13,327	21,684
Changes in working capital:			
Receivables and accrued utility revenues	245	(36,882)	21,107
Fuel, materials, and supplies	1,296	24,735	(13,421)
Accounts payable	(18,067)	52,029	4,925
Accrued taxes	15,344	(42,228)	3,262
Other working capital (excludes cash)	6,259	12,462	(16,945)
Net cash flows from operations	450,642	440,985	539,137
Cash Flows Used For Financing Activities:			
Long-term debt	491,000	-	-
Preferred stock	75,000	-	-
Financing expenses	(9,825)	-	(310)
Increase in obligations under capital leases	30,948	25,212	88,884
Net increase in short-term debt	15,240	106,385	57,665
Reacquisitions and retirements of long-term debt	(431,232)	(85,877)	(56,205)
Reacquisitions and retirements of preferred stock	(91,891)	(5,000)	(5,000)
Repayment of capital lease obligations	(41,220)	(50,065)	(85,700)
Cash dividends on preferred stock	(31,977)	(34,541)	(35,358)
Cash dividends on common stock	(164,277)	(172,587)	(179,921)
Net cash flows used for financing activities	(158,234)	(214,473)	(235,945)
Investment Activities:			
Investments in plant (including capital leases):			
Electric and other utility plant	(227,819)	(190,977)	(217,845)
Nuclear fuel	(27,609)	(18,144)	(71,625)
Less: Allowance for other funds used during construction	(1,718)	(1,807)	(3,431)
Net cash flows used for investments in plant	(253,710)	(207,314)	(286,039)
Other investment activities, net	(32,181)	(18,334)	(16,552)
Net cash flows used for investments	(285,891)	(225,648)	(302,591)
Net Increase in Cash for the Period	6,517	864	601
Cash and special deposits-beginning of period	4,691	3,827	3,226
Cash and special deposits-end of period	$ 11,208	$ 4,691	$ 3,827
Supplemental Cash Flow Information:			
Cash paid during the year for:			
Interest, net of amounts capitalized during construction	$ 143,957	$ 162,760	$ 169,662
Income taxes	$ 95,199	$ 82,884	$ 87,450

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

The Connecticut Light and Power Company

STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

	Common Stock	Capital Surplus, Paid In	Retained Earnings (a)	Total
		(Thousands of Dollars)		
Balance at Janaury 1, 1990	$ 122,229	$ 635,151	$ 695,799	$ 1,453,179
Net income for 1990			224,783	224,783
Cash dividends on preferred stock			(35,358)	(35,358)
Cash dividends on common stock			(179,921)	(179,921)
Capital stock expenses, net		1,024		1,024
Balance at December 31, 1990	122,229	636,175	705,303	1,463,707
Net income for 1991			240,818	240,818
Cash dividends on preferred stock			(34,541)	(34,541)
Cash dividends on common stock			(172,587)	(172,587)
Capital stock expenses, net		1,027		1,027
Balance at December 31, 1991	122,229	637,202	738,993	1,498,424
Net income for 1992			206,714	206,714
Cash dividends on preferred stock			(31,977)	(31,977)
Cash dividends on common stock			(164,277)	(164,277)
Loss on the retirement of preferred stock			(636)	(636)
Capital stock expenses, net		(2,351)		(2,351)
Balance at December 31, 1992	$ 122,229	$ 634,851	$ 748,817	$ 1,505,897

(a) The Company has dividend restrictions imposed by its long-term debt agreements. At December 31, 1992, these restrictions totaled approximately $540.0 million.

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Connecticut Light and Power Company (CL&P or the Company), Western Massachusetts Electric Company (WMECO), Holyoke Water Power Company (HWP), and Public Service Company of New Hampshire (PSNH) are the operating subsidiaries comprising the Northeast Utilities system (the system) and are wholly owned by Northeast Utilities (NU).

Other wholly owned subsidiaries of NU provide substantial support services to the system. Northeast Utilities Service Company (NUSCO) supplies centralized accounting, administrative, data processing, engineering, financial, legal, operational, planning, purchasing, and other services to the system companies. Northeast Nuclear Energy Company (NNECO) acts as agent for system companies in operating the Millstone nuclear generating facilities. Commencing June 29, 1992, North Atlantic Energy Service Corporation (NAESCO) began acting as agent for CL&P and North Atlantic Energy Corporation in operating the Seabrook 1 nuclear facility.

All transactions among affiliated companies are on a recovery of cost basis which may include amounts representing a return on equity, and are subject to approval by various federal and state regulatory agencies.

Accounting Reclassifications

Certain amounts in the accompanying financial statements of CL&P for the year ended December 31, 1991 and December 31, 1990 have been reclassified to conform with the December 31, 1992 presentation.

Public Utility Regulation

NU is registered with the Securities and Exchange Commission (SEC) as a holding company under the Public Utility Holding Company Act of 1935 (1935 Act), and it and its subsidiaries, including the Company, are subject to the provisions of the 1935 Act. Arrangements among the system companies, outside agencies, and other utilities covering interconnections, interchange of electric power, and sales of utility property are subject to regulation by the Federal Energy Regulatory Commission (FERC) and/or the SEC. The Company is subject to further regulation for rates and other matters by the FERC and the Connecticut Department of Public Utility Control (DPUC), and follows the accounting policies prescribed by the commissions.

Revenues

Utility revenues are based on authorized rates applied to each customer's use of electricity. Rates can be increased only through a formal proceeding before the appropriate regulatory commission. At the end of each accounting period, CL&P accrues an estimate for the amount of energy delivered but unbilled.

Accounting Release 14

On November 25, 1991, the FERC issued Accounting Release 14 (AR-14) limiting the application of the purchased power account to the cost of energy and capacity purchases and net settlements on barter transactions. CL&P adopted AR-14, on a prospective basis, January 1, 1992.

Spent Nuclear Fuel Disposal Costs

Under the Nuclear Waste Policy Act of 1982, CL&P must pay the United States Department of Energy (DOE) for the disposal of spent nuclear fuel and high-level radioactive waste. Fees for nuclear fuel burned on or after April 7, 1983 are paid to the DOE on a quarterly basis. For nuclear fuel used to generate electricity prior to April 7, 1983 (prior period fuel), payment may be made anytime prior to the first delivery of spent fuel to the DOE. At December 31, 1992, fees due to the DOE for the disposal of prior period fuel were approximately \$132.0 million, including interest costs of \$65.5 million. As of December 31, 1992, approximately \$119.4 million had been collected through rates.

Under the Energy Policy Act of 1992 (Energy Act), CL&P will be assessed for its proportionate share of the costs of the decontamination and decommissioning of uranium enrichment plants operated by the DOE (D&D assessment). The Energy Act imposes an overall cap of \$2.25 billion on the obligation of the commercial power industry and limits the annual special assessment to \$150 million each year over a 15-year period. The Energy Act also requires that regulators treat D&D assessments as a reasonable and necessary cost of fuel, to be fully recovered in rates, like any other fuel cost. The cap and annual recovery amounts will be adjusted annually for inflation. The D&D assessment will be allocated among utilities based upon services purchased in prior years. At December 31, 1992, CL&P's share of these estimated costs was approximately \$41.7 million. Management expects that CL&P will be allowed to recover these costs. Accordingly, the Company has recognized these costs as a regulatory asset, with a corresponding obligation, on its Balance Sheets.

Investments and Jointly Owned Electric Utility Plant
Regional Nuclear Generating Companies: CL&P owns common stock of four regional nuclear generating companies (Yankee companies). The Yankee companies, with the Company's ownership interests, are:

Connecticut Yankee Atomic Power Company (CY)	34.5%
Yankee Atomic Electric Company (YAEC)	24.5
Maine Yankee Atomic Power Company (MY)	12.0
Vermont Yankee Nuclear Power Corporation (VY)	9.5

CL&P's investments in the Yankee companies are accounted for on the equity basis. The electricity produced by these facilities is committed to the participants substantially on the basis of their ownership interests and is billed pursuant to contractual agreements.

The 173 megawatt (MW) YAEC nuclear power plant was shut down permanently on February 26, 1992. For more information on the Yankee companies, see Note 2, *Nuclear Decommissioning*.

Millstone 1: CL&P has an 81 percent joint-ownership interest in Millstone 1, a 660 MW nuclear generating unit. As of December 31, 1992, plant-in-service and the accumulated provision for depreciation included approximately \$326.9 million and \$120.2 million, respectively, for CL&P's share of Millstone 1. CL&P's share of Millstone 1 operating expenses is included in the corresponding operating expenses on the accompanying Statements of Income.

Millstone 2: CL&P has an 81 percent joint-ownership interest in Millstone 2, a 875 MW nuclear generating unit. As of December 31, 1992, plant-in-service and the accumulated provision for depreciation included approximately \$660.9 million and \$135.9 million, respectively, for CL&P's share of Millstone 2. CL&P's share of Millstone 2 operating expenses is included in the corresponding operating expenses on the accompanying Statements of Income.

Millstone 3: CL&P has a 52.93 percent joint-ownership interest in Millstone 3, a 1,149 MW nuclear generating unit. As of December 31, 1992, plant-in-service and the accumulated provision for depreciation included approximately $1.9 billion and $323.4 million, respectively, for the Company's proportionate share of Millstone 3. CL&P's share of Millstone 3 expenses is included in the corresponding operating expenses on the accompanying Statements of Income.

Seabrook: CL&P has a 4.06 percent joint-ownership interest in Seabrook 1, a 1,150 MW nuclear generating unit. As of December 31, 1992, plant-in-service and the accumulated provision for depreciation included approximately $173.4 million and $12.0 million, respectively, for CL&P's share of Seabrook 1. CL&P's share of Seabrook 1 expenses is included in the corresponding operating expenses on the accompanying Statements of Income.

Depreciation
The provision for depreciation is calculated using the straight-line method based on estimated remaining lives of depreciable utility plant-in-service, adjusted for salvage value and removal costs as approved by the appropriate regulatory agency. Except for major facilities, depreciation factors are applied to the average plant-in-service during the period. Major facilities are depreciated from the time they are placed in service. When plant is retired from service, the original cost of plant, including costs of removal, less salvage, is charged to the accumulated provision for depreciation. For nuclear production plants, the costs of removal, less salvage, that have been funded through external decommissioning trusts will be charged to those trusts. See Note 2, *Nuclear Decommissioning*, for additional information.

The depreciation rates for the several classes of electric plant-in-service are equivalent to a composite rate of 3.7 percent in 1992, 3.5 percent in 1991, and 3.4 percent in 1990.

Income Taxes
The tax effect of timing differences (differences between the periods in which transactions affect income in the financial statements and the periods in which they affect the determination of income subject to tax) is accounted for in accordance with the ratemaking treatment of the applicable regulatory commissions. See Note 8 for the components of income tax expense.

CL&P has not provided deferred income taxes for certain timing differences during periods when the DPUC did not permit the recovery of such income taxes through rates charged to customers. The cumulative net amount of income tax timing differences for which deferred taxes have not been provided was approximately $800 million at December 31, 1992. As allowed under current regulatory practices, deferred taxes not previously provided are being collected in customers' rates as such taxes become payable.

In February 1992, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* (SFAS 109). SFAS 109 supersedes previously issued income tax accounting standards and is effective beginning January 1, 1993. When SFAS 109 is adopted, it will increase assets and liabilities by approximately $1.1 billion but will not have a material effect on net income.

Allowance for Funds Used During Construction (AFUDC)
AFUDC, a noncash cost calculated in accordance with FERC guidelines, represents the estimated cost of capital funds used to finance CL&P's construction program. These costs, which are one component of the total capitalized cost of construction, are not recognized as part of the rate base for ratemaking

purposes until facilities are placed in service. The effective AFUDC rates under the gross-of-income tax method for 1992, 1991, and 1990 were 5.5 percent, 7.9 percent, and 9.8 percent, respectively.

Energy Adjustment Clauses
Retail electric rates include a fuel adjustment clause (FAC) under which fossil-fuel prices above or below base-rate levels are charged or credited to customers. Administrative proceedings are required each month to approve the FAC charges or credits proposed for the following month. Monthly FAC rates are also subject to retroactive review and appropriate adjustment by the DPUC each quarter after public hearings.

Beginning in 1979, the DPUC approved the use of a generation utilization adjustment clause (GUAC), which levels the effect on fuel costs caused by variations from a specified composite nuclear generation capacity factor embedded in base rates. Generally, at the end of a 12-month period ending July 31 of each year, these net variations from the amounts included in base-rate cost levels are refunded to, or collected from, customers over the subsequent 11-month period beginning in September. Should the annual nuclear capacity factor fall below the 55 percent GUAC floor, CL&P would have to apply to the DPUC for permission to recover the additional fuel expense associated with nuclear performance below 55 percent.

For additional information see Note 10, *Commitments and Contingencies—Nuclear Performance*.

Phase-in Plans
As discussed below, CL&P is phasing into rates the recoverable parts of its investments in Millstone 3 and Seabrook 1. The plans are in compliance with Statement of Financial Accounting Standards No. 92, *Regulated Enterprises—Accounting for Phase-in Plans*.

As allowed by the DPUC, CL&P is phasing into rate base its allowed investment in Millstone 3. The DPUC has provided for full deferred earnings and carrying charges on the portion of CL&P's allowed investment in Millstone 3 not included in rate base. Through December 31, 1992, CL&P had placed into rate base $1.49 billion, or 85 percent, of its allowed investment in Millstone 3. The remaining $263.5 million, or 15 percent, is to be phased into rate base annually in three 5-percent steps beginning January 1, 1993. The amortization and recovery of deferrals through rates began January 1, 1988 and will end no later than December 31, 1995. As of December 31, 1992, $278.6 million of the deferred return, including carrying charges, has been recovered, and $178.5 million of the deferred return recorded to date, plus carrying charges, remains to be recovered.

As allowed by the DPUC, CL&P is phasing into rate base its allowed investment in Seabrook 1. The DPUC has provided for full deferred earnings and carrying charges on the portion of CL&P's allowed investment in Seabrook 1 not included in rate base. Through December 31, 1992, CL&P had placed into rate base $111.1 million, or two-thirds of its allowed investment in Seabrook 1. The remaining $55.6 million, or one-third, is to be phased into rate base in 1993. The amortization and recovery of deferrals through rates began September 1, 1991 and will end no later than August 31, 1996. As of December 31, 1992, $51.8 million of the deferred return, including carrying charges, has been recovered, and $21.4 million of the deferred return recorded to date, plus carrying charges, remains to be recovered.

2. NUCLEAR DECOMMISSIONING

The Company's 1992 decommissioning study concluded that complete and immediate dismantlement at retirement continues to be the most viable and economic method of decommissioning the three Millstone units. A 1991 Seabrook decommissioning study also confirmed that complete and immediate dismantlement at retirement is the most viable and economic method of decommissioning Seabrook 1. Decommissioning studies are reviewed and updated periodically to reflect changes in decommissioning requirements, technology, and inflation.

The estimated cost of decommissioning CL&P's ownership share of Millstone 1 and 2, in year-end 1992 dollars, is $293.5 million and $235.7 million, respectively. The estimated cost of decommissioning CL&P's ownership share of Millstone 3 and Seabrook 1, in year-end 1992 dollars, is $209.4 million and $14.3 million, respectively. Nuclear decommissioning costs are included in depreciation expense on the Statements of Income. Nuclear decommissioning, as a cost of removal, is included in the accumulated provision for depreciation on the Balance Sheets.

CL&P has established independent decommissioning trusts for its portion of the costs of decommissioning Millstone 1, 2, and 3. CL&P's portion of the cost of decommissioning Seabrook 1 is paid to an independent decommissioning financing fund managed by the state of New Hampshire.

As of December 31, 1992, CL&P has collected, through rates, $126.7 million, toward the future decommissioning costs of its share of the Millstone units, of which $98.5 million has been transferred to external decommissioning trusts. As of December 31, 1992, CL&P has paid approximately $559,000 into Seabrook 1's decommissioning financing fund. The decommissioning trusts and decommissioning financing fund are reported on the Balance Sheets, at cost, which approximates market.

CL&P, along with other New England utilities, has equity investments in the four Yankee companies. Each Yankee company owns a single nuclear generating unit. The estimated costs, in year-end 1992 dollars, of decommissioning CL&P's ownership share of CY, MY, and VY, are $110.1 million, $28.0 million, and $22.8 million, respectively. As discussed in the following paragraph, YAEC's owners voted to permanently shut down the YAEC unit on February 26, 1992. The decommissioning costs of the Yankee companies are recorded on their respective financial statements. Under the terms of their contracts with the Yankee companies, the shareholders-sponsors are responsible for their proportionate share of the operating costs of each unit, including decommissioning. The nuclear decommissioning costs of the Yankee companies are included as part of the cost of power.

YAEC has begun preparations for an orderly decommissioning of its nuclear facility. On June 1, 1992, YAEC filed a rate filing to obtain FERC authorization to collect the closing and decommissioning costs and to recover the remaining investment in the YAEC nuclear power plant, over the remaining period of the plant's Nuclear Regulatory Commission (NRC) operating license. YAEC, the FERC staff, and intervenors to the FERC proceeding have approved a settlement agreement for approximately $402.3 million that would resolve all outstanding issues. The settlement agreement is awaiting FERC approval. At December 31, 1992, CL&P's share of these estimated costs was approximately $98.6 million. Management expects that CL&P will continue to be allowed to recover such FERC-approved costs from its customers. Accordingly, CL&P has recognized these costs as a regulatory asset, with a corresponding obligation, on its Balance Sheets. CL&P has a 24.5 percent equity investment, approximating $5.9 million, in YAEC. CL&P has relied on YAEC for less than 1 percent of its system capacity.

3. LEASES

CL&P and WMECO have entered into the Niantic Bay Fuel Trust (NBFT) capital lease agreement to finance up to $530 million of nuclear fuel for Millstone 1 and 2 and their share of the nuclear fuel for Millstone 3. CL&P and WMECO make quarterly lease payments for the cost of nuclear fuel consumed in the reactors (based on a units-of-production method at rates which reflect estimated kilowatt-hours of energy provided) plus financing costs associated with the fuel in the reactors. Upon permanent discharge from the reactors, ownership of the nuclear fuel transfers to CL&P and WMECO.

CL&P has also entered into lease agreements, some of which are capital leases, for the use of substation equipment, data processing and office equipment, vehicles, nuclear control room simulators, and office space. The provisions of these lease agreements generally provide for renewal options. The following rental payments have been charged to operating expense:

Year	Capital Leases	Operating Leases
1992	$ 61,795,000	$26,919,000
1991	50,998,000	26,320,000
1990	103,636,000	26,990,000

Interest included in capital lease rental payments was $14,782,000 in 1992, $15,974,000 in 1991, and $18,450,000 in 1990.

Substantially all of the capital lease rental payments were made pursuant to the nuclear fuel lease agreement. Future minimum lease payments under the nuclear fuel capital lease cannot be reasonably estimated on an annual basis due to variations in the usage of nuclear fuel.

Future minimum rental payments, excluding annual nuclear fuel lease payments and executory costs, such as property taxes, state use taxes, insurance, and maintenance, under long-term noncancelable leases, as of December 31, 1992, are approximately:

Year	Capital Leases	Operating Leases
	(Thousands of Dollars)	
1993	$ 2,800	$ 21,300
1994	2,800	19,200
1995	2,800	17,700
1996	2,800	15,900
1997	2,800	11,700
After 1997	48,000	82,200
Future minimum lease payments	62,000	$168,000
Less amount representing interest	40,900	
Present value of future minimum lease payments for other than nuclear fuel	21,100	
Present value of future nuclear fuel lease payments	176,300	
Total	$197,400	

4. SHORT-TERM DEBT

NU, CL&P, WMECO, HWP, NNECO, and The Rocky River Realty Company (RRR) have established a revolving credit facility with a group of 19 banks. Under this facility, the participating companies may borrow up to an aggregate of $360 million. Individual borrowing limits are $175 million for NU, $360 million for CL&P, $75 million for WMECO, $8 million for HWP, $60 million for NNECO, and $15 million for RRR. The system companies may borrow funds on a short-term revolving basis using either fixed-rate loans or standby loans. Fixed rates are set using competitive bidding. Standby-loan rates are based upon several alternative variable rates. The system companies are obligated to pay a facility fee of .20 percent of each bank's total commitment under the three-year portion of the facility, representing 75 percent of the total facility, plus .135 percent of each bank's total commitment under the 364-day portion of the facility, representing 25 percent of the total facility. At December 31, 1992, there were no borrowings under the facility.

Certain subsidiaries of NU, including CL&P, are members of the Northeast Utilities System Money Pool (Pool). The Pool provides a more efficient use of the cash resources of the system, and reduces outside short-term borrowings. NUSCO administers the Pool as agent for the member companies. Short-term borrowing needs of the member companies are first met with available funds of other member companies, including funds borrowed by NU parent. NU parent may lend to the Pool but may not borrow. Investing and borrowing subsidiaries receive or pay interest based on the average daily Federal Funds rate. Funds may be withdrawn from or repaid to the Pool at any time without prior notice. However, borrowings based on loans from NU parent bear interest at NU parent's cost and must be repaid based upon the terms of NU parent's original borrowing.

The amount of short-term borrowings that may be incurred by the Company is subject to periodic approval by the SEC under the 1935 Act. In addition, the charter of CL&P contains provisions restricting the amount of short-term borrowings. Under the SEC and/or charter restrictions, as of January 1, 1993, the Company was authorized to incur short-term borrowings up to a maximum of $375 million.

5. PREFERRED STOCK NOT SUBJECT TO MANDATORY REDEMPTION

Details of preferred stock not subject to mandatory redemption are:

Description	December 31, 1992 Redemption Price	Shares Outstanding December 31, 1992	December 31, 1992	December 31, 1991	December 31, 1990
			(Thousands of Dollars)		
$1.90 Series of 1947	$52.50	163,912	$ 8,196	$ 8,196	$ 8,196
$2.00 Series of 1947	54.00	336,088	16,804	16,804	16,804
$2.04 Series of 1949	52.00	100,000	5,000	5,000	5,000
$2.06 Series E of 1954	51.00	200,000	10,000	10,000	10,000
$2.09 Series F of 1955	51.00	100,000	5,000	5,000	5,000
$2.20 Series of 1949	52.50	200,000	10,000	10,000	10,000
$3.24 Series G of 1968	51.84	300,000	15,000	15,000	15,000
$3.80 Series J of 1971	52.10	400,000	20,000	20,000	20,000
$4.48 Series H of 1970	52.21	300,000	15,000	15,000	15,000
$4.48 Series I of 1970	52.32	400,000	20,000	20,000	20,000
$4.56 Series K of 1974	-	-	-	50,000	50,000
3.90% Series of 1949	50.50	160,000	8,000	8,000	8,000
4.50% Series of 1956	50.75	104,000	5,200	5,200	5,200
4.50% Series of 1963	50.50	160,000	8,000	8,000	8,000
4.96% Series of 1958	50.50	100,000	5,000	5,000	5,000
5.28% Series of 1967	51.43	200,000	10,000	10,000	10,000
6.56% Series of 1968	51.44	200,000	10,000	10,000	10,000
7.60% Series of 1971	51.61	199,925	9,996	9,996	9,996
9.36% Series of 1970	-	-	-	10,000	10,000
9.60% Series of 1974	-	-	-	14,999	14,999
1989 Adjustable Rate DARTS	25.00	2,000,000	50,000	50,000	50,000
Total preferred stock not subject to mandatory redemption			$231,196	$306,195	$306,195

All or any part of each outstanding series of preferred stock may be redeemed by the Company at any time at established redemption prices plus accrued dividends to the date of redemption.

6. PREFERRED STOCK SUBJECT TO MANDATORY REDEMPTION

Details of preferred stock subject to mandatory redemption are:

Description		December 31, 1992 Redemption Price*	Shares Outstanding December 31, 1992	December 31, 1992	1991	1990
				(Thousands of Dollars)		
$5.52	Series L of 1975	$ -	-	$ -	$ 1,926	$ 3,926
10.48%	Series of 1980	-	-	-	14,000	16,000
11.52%	Series of 1975	-	-	-	966	1,966
9.10%	Series of 1987	26.52	2,000,000	50,000	50,000	50,000
9.00%	Series of 1989	26.80	3,000,000	75,000	75,000	75,000
7.23%	Series of 1992	52.41	1,500,000	75,000	-	-
				200,000	141,892	146,892
Less preferred stock to be redeemed within one year				2,500	2,500	2,500
Total preferred stock subject to mandatory redemption				$197,500	$139,392	$144,392

*Redemption prices reduce in future years.

The following table details redemption and sinking fund activity for preferred stock subject to mandatory redemption:

Series		Minimum Annual Sinking-Fund Requirement	Maximum Annual Sinking-Fund Requirement	Shares Reacquired 1992	1991	1990
		(Thousands of Dollars)				
$5.52	Series L of 1975	$1,000	$2,000	38,524	40,000	40,000
10.48%	Series of 1980	1,000	2,000	280,000	40,000	40,000
11.52%	Series of 1975	500	1,000	19,318	20,008	20,000
9.10%	Series of 1987 (1)	2,500	5,000	-	-	-
9.00%	Series of 1989 (2)	3,750	7,500	-	-	-
7.23%	Series of 1992 (3)	3,750	7,500	-	-	-

(1) Sinking fund requirements commence June 1, 1993.
(2) Sinking fund requirements commence October 1, 1995.
(3) Sinking fund requirements commence September 1, 1998.

The minimum sinking-fund provisions of the series subject to mandatory redemption, for the years 1993 through 1997, aggregate approximately $2,500,000 in 1993 and 1994 and $6,250,000 in 1995 through

1997. All sinking-fund requirements for the preferred stock subject to mandatory redemption have been met.

In case of default on sinking-fund payments or the payment of dividends, no payments may be made on any junior stock by way of dividends or otherwise (other than in shares of junior stock) so long as the default continues. If the Company is in arrears in the payment of dividends on any outstanding shares of preferred stock, the Company would be prohibited from redemption or purchase of less than all of the preferred stock outstanding. All or part of each of the series named above may be redeemed by the Company at any time at established redemption prices plus accrued dividends to the date of redemption, subject to certain refunding limitations.

7. LONG-TERM DEBT

Details of long-term debt outstanding are:

	December 31, 1992	December 31, 1991
	(Thousands of Dollars)	
First Mortgage Bonds:		
4 1/4% Series, due 1993	$ 15,000	$ 15,000
8 1/2% Series PP, due 1993	125,000	125,000
9 3/4% Series 00 due 1994	-	95,000
4 1/2% Series, due 1994	12,000	12,000
10% Series NN, due 1995	-	74,324
8 7/8% Series LL, due 1996	-	100,000
5 5/8% Series, due 1997	20,000	20,000
9 1/8% Series MM, due 1997	-	75,000
6% Series S, due 1997	30,000	30,000
6 7/8% Series U, due 1998	40,000	40,000
7 1/8% Series, due 1998	25,000	25,000
6 1/2% Series T, due 1998	20,000	20,000
6 1/2% Series, due 1998	10,000	10,000
8 3/4% Series V, due 2000	40,000	40,000
8 7/8% Series W, due 2000	40,000	40,000
9 1/4% Series, due 2000	-	20,000
7 3/8% Series X, due 2001	30,000	30,000
7 5/8% Series, due 2001	30,000	30,000
7 1/2% Series, due 2002	35,000	35,000
7 5/8% Series Y, due 2002	50,000	50,000
7 5/8% Series Z, due 2003	50,000	50,000
7 1/2% Series, due 2003	40,000	40,000
8 3/4% Series AA, due 2004	65,000	65,000
9 1/4% Series, due 2004	30,000	30,000
8 7/8% Series DD, due 2007	45,000	45,000
9 1/4% Series EE, due 2008	40,000	40,000
9 3/8% Series, due 2008	40,000	40,000
9 3/4% Series QQ, due 2018	75,000	75,000
9 1/2% Series RR, due 2019	75,000	75,000
9 3/8% Series SS, due 2019	75,000	75,000
7 3/8% Series TT, due 2019	20,000	20,000
7 5/8% Series UU, due 1997	200,000	-
7 1/4% Series VV, due 1999	100,000	-
4 1/4% Series WW, due 1994	170,000	-
Total First Mortgage Bonds	1,547,000	1,441,324

	December 31, 1992	December 31, 1991
	(Thousands of Dollars)	
Intermediate Term Notes:		
8.925%, due 1992	-	50,000
Pollution Control Notes:		
5.90%, due 1998	6,197	6,845
6.50%, due 2007	16,000	16,000
Variable rate, due 2013-2022	350,100	340,100
Fees and interest due for spent fuel disposal costs	132,015	127,281
Other	41,493	46,753
Less amounts due within one year	157,104	55,908
Unamortized premium and discount, net	(4,869)	(5,035)
Long-term debt, net	$1,930,832	$1,967,360

Long-term debt maturities and cash sinking-fund requirements on debt outstanding at December 31, 1992 for the years 1993 through 1997 are approximately: $147,100,000, $190,000,000, $9,100,000, $10,400,000, and $261,900,000, respectively. In addition, there are annual 1 percent sinking- and improvement-fund requirements, currently amounting to $15,200,000 for the year 1993, $13,950,000 for 1994 and $12,250,000 for 1995, 1996, and 1997. Such sinking- and improvement-fund requirements may be satisfied by the deposit of cash or bonds or by certification of property additions.

All or any part of each outstanding series of first mortgage bonds may be redeemed by the Company at any time at established redemption prices plus accrued interest to the date of redemption, except certain series which are subject to certain refunding limitations during their respective initial five-year redemption periods.

Essentially all of the Company's utility plant is subject to the liens of its first mortgage bond indentures. As of December 31, 1992, the Company has secured $293.7 million of pollution control notes with second mortgage liens on Millstone 1, junior to the liens of its first mortgage bond indentures.

8. INCOME TAX EXPENSE

The components of the federal and state income tax provisions are:

For the Years Ended December 31,	1992	1991	1990
		(Thousands of Dollars)	
Current income taxes:			
Federal	$ 61,773	$ 33,717	$ 47,267
State	27,153	18,782	25,576
Total current	88,926	52,499	72,843
Deferred income taxes, net:			
Federal	60,788	88,554	44,774
State	11,833	26,430	5,661
Total deferred	72,621	114,984	50,435
Investment tax credits, net	(6,230)	(6,230)	(16,144)
Total income tax expense	$155,317	$161,253	$107,134
The components of total income tax expense are classified as follows:			
Income taxes charged to operating expenses	$172,236	$173,102	$138,940
Income taxes associated with the amortization of deferred nuclear plants return - borrowed funds	(15,157)	(12,263)	(10,665)
Income taxes associated with AFUDC and deferred nuclear plants return - borrowed funds	9,409	13,418	13,033
Other income taxes - credit	(11,171)	(13,004)	(34,174)
Total income tax expense	$155,317	$161,253	$107,134

NOTES TO FINANCIAL STATEMENTS

Deferred income taxes are comprised of the tax effects of timing differences as follows:

For the Years Ended December 31,	1992	1991	1990
		(Thousands of Dollars)	
Depreciation, excluding leased nuclear fuel	$ 50,471	$ 51,399	$ 44,729
Conservation and load management	13,506	22,594	4,803
Construction overheads	-	-	(9,240)
Depreciation on leased nuclear fuel, settlement credits, and disposal costs	(6,756)	(1,763)	2,263
Energy adjustment clauses	12,627	47,483	1,570
AFUDC and deferred nuclear plants return, net	(5,748)	1,155	2,369
Early retirement program	3,988	(9,718)	-
Pension accrual	885	(351)	4,498
Settlement, canceled independent power plants	7,251	-	-
Other	(3,603)	4,185	(557)
Deferred income taxes, net	$ 72,621	$114,984	$ 50,435

The effective income tax rate is computed by dividing total income tax expense by the sum of such taxes and income from continuing operations. The differences between the effective rate and the federal statutory income tax rate are:

For the Years Ended December 31,	1992	1991	1990
Federal statutory income tax rate	34.00%	34.00%	34.00%
Tax effect of differences:			
Depreciation differences	4.37	2.65	2.25
Deferred nuclear plants return - other funds	(3.32)	(3.10)	([illegible].45)
Amortization of nuclear plants return - other funds	4.01	3.21	3.45
Construction overheads	-	-	(2.89)
Investment tax credit amortization	(1.72)	(1.55)	(4.86)
State income taxes, net of federal benefit	7.11	7.46	6.26
Adjustment for prior years taxes	(.97)	(1.74)	(1.93)
Other, net	(.58)	(.82)	(.55)
Effective income tax rate	42.90%	40.11%	32.28%

9. POSTRETIREMENT BENEFITS

The Company participates in a uniform noncontributory defined benefit retirement plan covering all regular system employees. Benefits are based on years of service and employees' highest compensation during five consecutive years of employment. The Company's direct-allocated portion of the system's pension cost, part of which was charged to utility plant, approximated ($1.7) million in 1992, $10.8 million in 1991, and $1.6 million in 1990.

Currently, the Company funds annually an amount at least equal to that which will satisfy the requirements of the Employment Retirement Income Security Act and the Internal Revenue Code. Pension costs are determined using market-related values of pension assets. Pension assets are invested primarily in equity securities, bonds, and insurance contracts.

The components of net pension cost for the system (excluding PSNH and NAESCO) are:

For the Years Ended December 31,	1992	1991	1990
	(Thousands of Dollars)		
Service cost	$ 27,480	$ 48,738	$ 30,459
Interest cost	69,746	71,041	64,352
Return on plan assets	(77,232)	(198,437)	10,498
Net amortization	(16,266)	108,175	(94,034)
Net pension cost	$ 3,728	$ 29,517	$ 11,275

For calculating pension cost, the following assumptions were used:

For the Years Ended December 31,	1992	1991	1990
Discount rate	8.5%	9.0%	9.0%
Expected long-term rate of return	9.0	9.7	9.7
Compensation/progression rate	6.8	7.5	7.5

The following table represents the plan's funded status reconciled to the NU Consolidated Balance Sheets:

At December 31,	1992	1991
	(Thousands of Dollars)	
Accumulated benefit obligation, including $719,608,000 of vested benefits at December 31, 1992 and $585,419,000 of vested benefits at December 31, 1991	$ 764,432	$ 623,795
Projected benefit obligation	$1,055,295	$ 848,374
Less: Market value of plan assets	1,226,468	1,031,699
Market value in excess of projected benefit obligation	171,173	183,325
Unrecognized transition amount	(18,277)	(26,958)
Unrecognized prior service costs	8,658	7,323
Unrecognized net gain	(214,894)	(176,380)
Accrued pension liability	$ (53,340)	$ (12,690)

The following actuarial assumptions were used in calculating the plan's year-end funded status:

At December 31,	1992	1991
Discount rate	8.0%	8.5%
Compensation/progression rate	5.0	6.8

In addition to pension benefits, the Company currently has a practice of providing certain health care and life insurance benefits to retired employees. The direct cost of providing those benefits was approximately $8,791,000 in 1992, $7,525,000 in 1991, and $7,547,00 in 1990. The Company currently recognizes health care benefits primarily as paid and provides for life insurance benefits through premiums paid to an insurance company.

In December 1990, the FASB issued Statement of Financial Accounting Standards No. 106, *Employer's Accounting for Postretirement Benefits Other Than Pensions* (SFAS 106). This new standard requires that the expected cost of postretirement benefits, primarily health and life insurance benefits, must be charged to expense during the years that employees render service. This is a significant change from the Company's current policy of recognizing these costs as paid. Effective January 1, 1993, CL&P will adopt SFAS 106 on a prospective basis. CL&P anticipates that it will amortize its SFAS 106 prior service obligation of approximately $164 million over a 20-year period. The adoption of SFAS 106 will increase the direct cost of postretirement benefits by approximately $13 million in 1993. The accrual of the net SFAS 106 obligation is not expected to have a material impact on the financial position or on results of operations. CL&P has petitioned its regulators for recovery of these costs, including those related to prior service.

10. COMMITMENTS AND CONTINGENCIES

Construction Program

The construction program is subject to periodic review and revision. Actual construction expenditures may vary from estimates due to factors such as revised load estimates, inflation, revised nuclear safety regulations, delays, difficulties in the licensing process, the availability and cost of capital, and the granting of timely and adequate rate relief by regulatory commissions, as well as actions by other regulatory bodies.

CL&P currently forecasts construction expenditures (including AFUDC) of $853.3 million for the years 1993-1997, including $184.5 million for 1993. In addition, the Company estimates that nuclear fuel requirements, including nuclear fuel financed through the NBFT, will be $269.2 million for the years 1993-1997, including $46.1 million for 1993. See Note 3, *Leases* for additional information about the financing of nuclear fuel.

Nuclear Performance

CL&P has incurred approximately $88 million in replacement power costs associated with Millstone outages that occurred between October 1990 and February 1992. Recovery of prudently incurred replacement power costs is permitted, with limitations, through the FAC and GUAC.

Management believes that some portion of the remaining replacement power costs may be disallowed or subject to refund pending completion of regulatory reviews. However, management believes that its actions with respect to these outages have been prudent and does not expect the outcome of these reviews to have a material adverse impact on the Company's future results of operations.

See Note 1, *Summary of Significant Accounting Policies—Energy Adjustment Clauses*, and Management's Discussion and Analysis for additional information regarding nuclear performance and energy adjustment clauses.

Environmental Matters

CL&P is subject to regulation by federal, state, and local authorities with respect to air and water quality, handling and the disposal of toxic substances and hazardous and solid wastes, and the handling and use of chemical products. The cumulative long-term economic cost impact of increasingly stringent environmental requirements cannot be estimated. However, CL&P has an active environmental auditing program to detect and remedy noncompliance with environmental laws and regulations. CL&P may incur significant additional costs, greater than amounts included in cost of removal and other reserves, in connection with the generation, transmission, and distribution of electricity and the storage, transportation, and disposal of by-products and wastes. CL&P may also encounter significantly increased costs to remedy the environmental effects of prior waste handling and disposal practices.

CL&P has recorded a liability for what it believes is, based upon information currently available, the estimated environmental remediation costs for waste disposal sites for which it expects to bear legal liability. To date, these costs have not been material with respect to the earnings or financial position of the Company. In most cases, the extent of additional future environmental cleanup costs is not estimable due to factors such as the unknown magnitude of possible contamination, the possible effects of future legislation and regulation, the possible effects of technological changes related to future cleanup, and the difficulty of determining future liability, if any, for the cleanup of sites at which

CL&P has been informed that it may be determined to be legally liable by the United States Environmental Protection Agency, or the Connecticut Department of Environmental Protection. In addition, CL&P cannot estimate the potential liability for future claims that may be brought against it by private parties. However, considering known facts and existing laws and regulatory practices, management does not believe that such matters will have a material adverse effect on CL&P's financial position or future results of operations.

Changing environmental requirements could hinder the construction of new generating units, transmission and distribution lines, substations, and other facilities. Changing environmental requirements could also require extensive and costly modifications to CL&P's existing hydro, nuclear, and fossil-fuel generating units, and transmission and distribution systems, and could raise operating costs significantly. CL&P may also face significantly increased capital and operating costs for work centers, substations, and other facilities as a result of environmental regulations. However, CL&P believes that it is in substantial compliance with current environmental laws and regulations.

Hydro-Quebec
Along with other New England utilities, CL&P, PSNH, WMECO, and HWP entered into agreements to support transmission and terminal facilities to import electricity from the Hydro-Quebec system in Canada. The Company is obligated to pay, over a 30-year period, its proportionate share of the annual operation, maintenance, and capital costs of these facilities. CL&P's share of Hydro-Quebec costs are currently forecast to be $103.8 million for the years 1993-1997, including $22.1 million for 1993.

Nuclear Insurance Contingencies
The Price-Anderson Act currently limits public liability from a single incident at a nuclear power plant to $7.9 billion. The first $200 million of liability would be provided by purchasing the maximum amount of commercially available insurance. Additional coverage of up to a total of $7.3 billion would be provided by an assessment of $63 million per incident, levied on each of the 116 nuclear units that are currently subject to the Secondary Financial Protection Program in the United States, subject to a maximum assessment of $10 million per incident per nuclear unit in any year. In addition, if the sum of all public liability claims and legal costs arising from any nuclear incident exceeds the maximum amount of financial protection, each reactor operator can be assessed an additional 5 percent, up to $3.2 million, or $365.4 million in total, for all 116 nuclear units. The maximum assessment is to be adjusted at least every five years to reflect inflationary changes. Based on CL&P's ownership interests in Millstone 1, 2, and 3, and Seabrook 1, CL&P's maximum liability would be $144.9 million per incident. In addition, through CL&P's power purchase contracts with the four Yankee regional nuclear generating companies, CL&P would be responsible for up to an additional $53.3 million per incident. Payments for CL&P's ownership interest in nuclear generating facilities would be limited to a maximum of $29.9 million per incident per year.

Insurance has been purchased from Nuclear Electric Insurance Limited (NEIL) to cover: (1) certain extra costs incurred in obtaining replacement power during prolonged accidental outages with respect to CL&P's ownership interests in Millstone 1, 2, and 3, Seabrook 1, and CY; and (2) the cost of repair, replacement, or decontamination or premature decommissioning of utility property resulting from occurrences with respect to CL&P's ownership interests in Millstone 1, 2, and 3, Seabrook 1, CY, MY, and VY. All companies insured with NEIL are subject to retroactive assessments if losses exceed the accumulated funds available to NEIL. The maximum potential assessments against CL&P, with respect to losses arising during current policy years are approximately $8.5 million under the replacement power policies and $19.0 million under the property damage, decontamination, and decommissioning policies. Although CL&P has purchased the limits of coverage currently available from the conventional nuclear insurance pools, the cost of a nuclear incident could exceed available insurance proceeds.

Insurance has been purchased from American Nuclear Insurers/Mutual Atomic Energy Liability Underwriters, aggregating $200 million on an industry basis for coverage of worker claims. All companies insured under this coverage are subject to retrospective assessments of $3.2 million per reactor. The maximum potential assessments against CL&P with respect to losses arising during the current policy period are approximately $9.6 million.

Financing Arrangements for the Regional Nuclear Generating Companies
CL&P believes that the regional nuclear generating companies will require additional external financing in the next several years for construction expenditures, nuclear fuel, and other purposes. Although the ways in which each regional nuclear generating company will attempt to finance these expenditures have not been determined, CL&P expects that it may be asked to provide direct or indirect financial support for one or more of these companies.

EUA Power Corporation (EUAP)
CL&P could be affected by the ability of other Seabrook joint owners to fund their share of Seabrook costs. On February 28, 1991, EUAP filed a voluntary petition for protection under Chapter 11 of the United States Bankruptcy Code. EUAP's principal asset is its 12.13 percent joint ownership interest in Seabrook 1. On February 5, 1993, with SEC approval, EUAP redeemed all of its preferred and common stock from its parent company, terminating EUAP's status as a subsidiary of a public utility holding company and SEC jurisdiction under the 1935 Act. In addition, EUAP also formally changed its name to Great Bay Power Corporation (EUAP/GBP). A confirmation hearing on an amended plan of reorganization has been scheduled for the beginning of March 1993. If the Bankruptcy Court confirms the plan, it will still need to be approved by the NRC, New Hampshire Public Utility Commission, and FERC.

CL&P and The United Illuminating Company (UI, an unaffiliated company) previously agreed to make certain advances up to $22 million to cover shortfalls in the funding of EUAP/GBP's ownership interest in Seabrook 1. These advances were made under an agreement (1992 Agreement), which is scheduled to expire on February 28, 1994, that granted CL&P and UI a high priority lien on EUAP/GBP's ownership interest in Seabrook 1. As of February 28, 1993, there were no borrowings outstanding under the 1992 Agreement.

While funding under the 1992 Agreement remains available to EUAP/GBP on a month-to-month basis, in February 1993, CL&P and UI agreed, subject to the approval of the Bankruptcy Court and SEC, to enter into a substitute arrangement to make advances up to $20 million to EUAP/GBP for a period that will not exceed 360 days following the first advance. CL&Ps share of this new commitment is limited to 60 percent of the advances, or $12 million.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

In December 1991, the FASB issued Statement of Financial Accounting Standards No. 107, *Disclosures About Fair Values of Financial Instruments* (SFAS 107). SFAS 107 requires companies to disclose the estimated fair value of their financial instruments for which it is practicable to estimate fair value.

The following methods and assumptions were used to estimate the fair value of each of the following financial instruments:

Cash and special deposits: The carrying amount approximates fair value.

Nuclear decommissioning trusts: The carrying amount approximates fair value.

Preferred stock: The fair value of CL&P's fixed rate preferred stock is based upon the quoted market price for those issues or similar issues. Adjustable rate securities are assumed to have a fair value equal to their carrying value.

Long-term debt: The fair value of CL&P's fixed-rate long-term debt is based upon the quoted market price for those issues, or similar issues. Adjustable rate securities are assumed to have a fair value equal to their carrying value.

The carrying amount of CL&P's financial instruments, and the estimated fair value at December 31, 1992, is as follows:

	Carrying Amount	Fair Value
	(Thousands of Dollars)	
Preferred stock not subject to mandatory redemption	$ 231,196	$ 184,910
Preferred stock subject to mandatory redemption	$ 200,000	$ 208,750
Long-term debt—First Mortgage Bonds	$1,547,000	$1,594,643
Other long-term debt	$ 545,805	$ 545,805

The fair values shown above have been reported to meet the disclosure requirements of SFAS 107 and do not purport to represent the amounts that those obligations would be settled at.

12. CASH AND SPECIAL DEPOSITS

Cash and special deposits at December 31, 1992 include $10 million in special deposits that will be used to redeem $10 million of CL&P's Pollution Control Notes.

Report of Independent Public Accountants

To the Board of Directors
of The Connecticut Light and Power Company:

We have audited the balance sheets of The Connecticut Light and Power Company (a Connecticut corporation and a wholly owned subsidiary of Northeast Utilities) as of December 31, 1992 and 1991, and the related statements of income, common stockholder's equity and cash flows for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Connecticut Light and Power Company as of December 31, 1992 and 1991, and the results of its operations and cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN & CO.

Hartford, Connecticut
February 19, 1993

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This section contains management's assessment of The Connecticut Light and Power Company's (CL&P or the company) financial condition and the principal factors having an impact on the results of operations. The company is a wholly owned subsidiary of Northeast Utilities (NU). This discussion should be read in conjunction with the company's financial statements and footnotes.

FINANCIAL CONDITION

Overview

The company's net income decreased to $206.7 million in 1992 from $240.8 million in 1991. The decrease is primarily attributable to higher operating expenses and lower revenues from sales to other utilities, partially offset by the August 1991 retail rate decision and lower interest charges resulting from lower interest rates. Retail sales for 1992 remained essentially unchanged due to a weak New England economy and cooler summer weather.

The weakened New England economy continues to adversely affect the company's financial health. The current economic downturn has been felt more severely in the New England region served by the company than in many other parts of the United States. The recovery is expected to be later and considerably less robust in New England than for other regions of the United States. The company's most recent projection is that retail sales will increase only at a slightly less than 1 percent annual growth rate over the next two years.

Since 1990, when the 1,150-megawatt Seabrook plant began commercial operation at a time when the economic downturn had already begun, New England's electric generating capacity has substantially exceeded demand. The addition of new capacity in New England from the Hydro-Quebec Phase II interconnection and from qualifying cogeneration and small power production facilities that had been committed during the 1980s has increased the surplus capacity available in the region. As a result of the regional capacity surplus, which is expected to persist through 1995, the company experienced severely reduced revenues from the sale of surplus capacity to other utilities. The reduction in revenues from capacity sales has increased the revenues required to be recovered from retail customers putting upward pressure on the company's price of electricity.

The price of electricity in New England is high relative to electricity in many other areas of the United States. Relatively high state and local taxes, labor costs, and other costs of doing business in New England contribute, along with relatively high energy costs, to competitive disadvantages for many industrial and commercial customers of the company. These disadvantages have aggravated the pressures on business customers in the current weakened regional and national economic environment. Management has recognized that it needs to be responsive to its business customers, in particular, in dealing with the cost of electricity, and to recognize that many business customers have alternatives such as fuel switching, relocations, and self-generation.

Working independently, and in concert with the Connecticut Department of Economic Development, the company has taken aggressive actions to retain existing business customers and to attract business expansion to its service territories. These economic development activities frequently involve negotiated reductions in rates for fixed periods of times, as well as technical support and energy conservation services. Negotiated rates coupled with energy conservation services are designed to be flexible enough to attract and retain business, while minimizing lost contribution.

On June 5, 1992, NU acquired Public Service Company of New Hampshire (PSNH), the largest electric utility in New Hampshire. The acquisition of PSNH by NU provides an opportunity to achieve an overall reduction in costs for current and future ratepayers of the company. Specific areas for expected cost savings include a reduction in the operation and maintenance costs for the Seabrook nuclear power plant (Seabrook), the improved availability of PSNH's fossil steam generating facilities, the joint operation of the combined NU and PSNH systems, capacity cost benefits resulting from the diversity of peak loads between PSNH and the NU system, and a reduction in purchasing, administrative, and general costs. These cost reductions will better enable the company to maintain affordable electric service and also reduce the threat that its largest customers will seek alternative sources of electricity.

The company continues to pursue cost-management efforts while maintaining reliable service. Labor is the company's largest nonfuel operation and maintenance expense resource. An aggressive target of limiting overall growth in labor expenditures for 1993 to below the rate of inflation has been established. This will be accomplished while increasing labor costs committed to improving the performance of the nuclear units.

Because of the prevailing economic climate, the company's 1993 financial objectives continue to be very conservative. The principal focus in the short-term is to maintain financial ratios and earnings at their current levels. A favorable decision in the ongoing retail rate case and the company's continuing cost-management efforts should bolster the company's earnings in the long-run and enable the company to improve key financial indicators.

The company expects to adopt a change in the method of accounting for property tax expenses in the first quarter of 1993. Most municipalities in which the company operates, assess property values as of October 1. The company currently accrues property tax expense over the period October 1 through September 30 based on the lien date method. The company expects to change its method of accounting for municipal property taxes to recognize the expense from July 1 through June 30, to better match the payment and recognition of services provided by the municipalities. This one-time change is expected to increase earnings by approximately $45 million in 1993.

Rate Matters

There is an increasing amount of deferred charges reflected on the company's balance sheets. The unrecovered contract obligation for Yankee Atomic Electric Company and the United States Department of Energy deferred assessment added approximately $140.3 million in 1992. These items, when added to the balance of deferred costs of nuclear plants, recoverable energy costs, deferred conservation and load-management costs (C&LM), and amortizable property investment result in a significant amount of assets to be recovered in the future. The company is currently recovering some amounts of these deferred charges from customers, and management expects that substantially all of the deferred charges will be recovered in the future.

Other deferred charges includes $17.9 million the company paid in 1992 to the developers of the proposed Killingly Energy Limited Partnership and the Bio-Gen Project wood-to-energy plants, in return for the developers' agreements not to complete those projects and sell approximately 45 megawatts of high cost power from the two plants to the company. Based on legislation requiring the company to make these payments and the Department of Public Utility Control's

(DPUC) order approving the payments, the company expects to recover those payments, plus any interest charges, from customers as part of the company's current rate proceeding. This buy-out is expected to save customers approximately $150 million over the next twenty-five years.

The amount of deferred charges will increase when the company adopts Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes, in 1993. Under SFAS No. 109, the company will reflect as a regulatory asset and a deferred tax liability the cumulative amount of income taxes associated with timing differences for which deferred taxes have not been provided. When SFAS No. 109 is adopted it will increase both assets and liabilities by approximately $1.1 billion but will not have a material effect on net income. The company will also adopt SFAS No. 106, Accounting for Postretirement Benefits Other Than Pensions, in 1993, but it is not expected to have a material impact on financial condition or results of operations. The company has requested recovery of SFAS No. 106 costs in the pending rate proceeding.

See the *Notes to Financial Statements* for further details on deferred charges and accounting standards not yet adopted.

On February 17, 1993, President Clinton announced a proposed tax package that would include an increase in the corporate income tax rate from 34 percent to 36 percent and an energy tax. The company estimates that the increase in the corporate tax rate, which would be retroactive to January 1, 1993, would require an annual increase in revenues to be recovered from customers of approximately $20 million. The company estimates that the proposed energy tax would increase revenues to be recovered from customers by approximately $75 million when it is fully implemented in 1997. The energy tax, as proposed, would be phased-in evenly over three years beginning on July 1, 1994. Actual impacts on the company and on revenues to be recovered from customers could vary significantly depending on the final form any legislation would take and how rules for implementing and administering the tax would unfold.

On December 11, 1992, the company filed with the DPUC, a request for rate relief. As an alternative to the traditional one-year increase, the company filed a multiyear rate plan. The plan provides for approximately equal increases in electric bills over the next three years. To accomplish this, the multiyear plan would forego some earnings in 1993 in exchange for somewhat higher earnings in 1994 and 1995. In the event the DPUC was not prepared to consider the preferred multiyear rate plan, the company also filed on December 11, 1992, a traditional application to support amended rate schedules designed to increase the company's annual revenues by approximately $250 million, or 12.5 percent.

On March 12, 1993, the company filed updates to its traditional application. As updated, annual revenues would increase by approximately $279 million or 13.9 percent on May 1, 1993. On February 17, 1993, the company filed updates to its December 1992 application which revised the multiyear plan. As proposed by the updates and the revised plan, customer's bills would increase by 6.2 percent on May 1, 1993, 4.6 percent on May 1, 1994, and 4.6 percent on May 1, 1995. These increases would increase bills in aggregate by $343 million over the period.

The DPUC has indicated that it would consider a multiyear plan, but extended the date for new rates to be effective to July 1, 1993. Any subsequent increases under the multiyear plan would be effective annually thereafter. Hearings are scheduled in March and April 1993 with a decision expected in June 1993.

On September 30, 1992, the DPUC approved a new Conservation Adjustment Mechanism (CAM), which allows the company to recover C&LM costs to the extent not recovered through current rates.

The 1991 retail rate decision provided for recovery of C&LM costs over a ten-year period with a return on the unrecovered costs. The unrecovered C&LM costs at December 31, 1992 are $87.5 million.

On December 29, 1992, the company filed an application with the DPUC for approval of budgeted C&LM expenditures for 1993 of $47.5 million and a proposed CAM for 1993. The company has proposed a lower rate than currently in effect, reduction in the amortization period from ten to six years, and higher incentives. The current CAM will remain in effect until a new charge is approved.

The company has incurred approximately $88 million in replacement power costs associated with Millstone outages that occurred over the period October 1990 through February 1992. These outages are the subject of five ongoing prudence reviews being conducted by the DPUC. On December 15, 1992, the company notified the DPUC that it will not request recovery of $6.5 million in replacement power costs associated with an October 1991 Millstone 1 outage, and the DPUC has terminated its review of this outage. The outage was necessary to permit extensive training of the unit's nuclear operators. On December 30, 1992, the company received a decision in a second prudence review ordering a refund of $2.9 million in replacement power costs. Decisions on the remaining reviews are expected in 1993. Recovery of prudently incurred replacement power costs is permitted, with limitations, through the fossil-fuel adjustment clause (FAC) and generation utilization adjustment clause (GUAC).

Primarily as a result of these outages, the GUAC-nuclear capacity factor for the year ended July 31, 1992 was 46 percent resulting in a GUAC-deferral of $144 million. The company is currently recovering $96 million of this deferral over the 16-month period September 1992 through December 1993. This amount represents the replacement power costs, as calculated under the GUAC-deferral mechanism associated with a GUAC-nuclear capacity factor of 55 percent. The company is seeking recovery of the GUAC-deferred costs resulting from the GUAC-nuclear capacity factor being below 55 percent in its request for rate relief ($41.5 million after adjusting for the October 1991 Millstone 1 outage).

The DPUC has also opened a docket to review the 1992 outage at Millstone 2 to replace the steam generators and perform scheduled refueling and maintenance activities at the unit. The outage commenced on May 29, 1992, the steam generator replacement was completed in December 1992, and the unit returned to service on January 13, 1993.

Management believes some portion of the replacement power costs may be disallowed or subject to refund pending completion of the DPUC regulatory reviews. However, management believes that its actions with respect to these outages have been prudent and does not expect the outcome of the regulatory reviews to have a material adverse impact on the company's future earnings.

CL&P owns 34.5 percent of the common stock of Connecticut Yankee Atomic Power Company (CY), a regional nuclear generating company. During the 1987-1988 refueling outage, repairs were made to the CY unit's thermal shield. During an extended 1989-1990 refueling outage, the thermal shield was removed due to continued degradation. The DPUC authorized a review of these outages. On October 14, 1992, the DPUC disallowed CL&P's recovery of $3 million in replacement power costs and $230,000 of related operating and maintenance costs resulting from CY's 1989-1990 extended outage. CL&P has appealed the DPUC's decision.

Environmental Matters

The company devotes substantial resources to identify and then to meet the multitude of environmental requirements it faces. The company has active auditing programs addressing a variety of different regulatory requirements, including an environmental auditing program to detect and remedy noncompliance with environmental laws or regulations.

To date, the estimated environmental remediation costs for sites which the system companies expect to bear legal liability have not been material with respect to the earnings or financial position of the company. The extent of additional future environmental cleanup costs is not estimable due to factors such as the unknown magnitude of possible contamination, however, considering known facts and existing laws and practices, management does not expect these costs to have a material adverse impact on the company's financial position or future results of operations.

The company expects that the implementation of the 1990 Clean Air Act Amendments will require only modest emissions reductions because of the company's investment in nuclear energy in the 1970s and 1980s and a commitment to burning low sulfur fuels at its fossil-fired plants. This should serve as a competitive advantage, since many of the company's electric utility competitors will have significantly increased costs to meet this environmental standard.

For information regarding nuclear decommissioning, environmental matters, and other contingencies, see the *Notes to Financial Statements*.

Nuclear Performance

CL&P owns 81 percent of Millstone Units 1 and 2 and 52.933 percent of Millstone Unit 3. The performance of the three Millstone nuclear electric generating units was less than satisfactory in 1992 despite some improvement over 1991. The three units' composite capacity factor was only 55.2 percent in 1992, compared with 38.4 percent in 1991 and a 1992 national average of 69.7 percent. The low 1992 capacity factor was the result of the 1992 Millstone 2 steam generator replacement project and some unexpected technical and operating difficulties.

In an effort to improve its nuclear performance, NU management in 1992, undertook a Performance Enhancement Program (PEP). The PEP was developed in response to an intensive self-assessment which indicated that aggressive management actions were needed to address detailed action plans to improve performance. Forty-two action plans were devised to correct problems with work procedures, operations, and employee relations. Several of these plans were completed in 1992 and are now being tested. Additional plans will be implemented in 1993 and all will be in place by the end of 1997. The program was designed to ensure that the plants operate superbly with concern for safety, cost-effectiveness and efficiency.

As a result of PEP, NU has begun to add approximately 450 positions to its existing authorized nuclear staff and to increase its planned expenditures by about $35 million to $40 million annually over the next five years. NU expended approximately $12 million in 1992 for PEP. To offset this increase, NU has increased its cost-management efforts in other areas. NU management expects that total authorized personnel levels will continue to be reduced even with the additional employees in nuclear.

Liquidity and Capital Resources

Cash provided from operations increased $9.7 million in 1992, compared with the same period in 1991. Cash used for financing activities decreased $56.2 million in 1992, compared with the same period in 1991, primarily due to somewhat higher borrowings and lower common and preferred stock dividends. Cash used for investments increased $60.2 million in 1992 compared with the same period in 1991, primarily due to increases in investments in utility plant.

The only new money financing in 1992 was a sale of $100 million of seven-year 7.25 percent First Mortgage Bonds which were used to repay short-term debt. To take advantage of favorable market conditions during 1992, the company refinanced $370 million of First Mortgage Bonds, $75 million of preferred stock, and $21 million of pollution control bonds, in addition to restructuring of the company's various credit lines. An additional $12 million preferred stock redemption was done using short-term debt. It is estimated that the 1992 refinancings and restructuring will save the company approximately $15 million in 1993.

Under current forecasts, no new money financing is planned for 1993. This assumption is dependent in part on a favorable decision in the company's pending rate case. Required funding will be obtained from internally generated funds and nuclear fuel trust financings. The company intends, if market conditions permit, to continue to refinance a portion of its outstanding long-term debt and preferred stock at a lower effective cost.

Short-term borrowing needs of the company are first met with available funds of the other NU subsidiaries, including funds borrowed by NU, through the NU Money Pool. Certain subsidiaries of NU established the Money Pool to provide a more effective use of the cash resources of the NU system and to reduce outside short-term borrowings. Investing and borrowing subsidiaries receive or pay interest based on the average daily Federal Funds rate, except that borrowings based on loans from NU bear interest at NU's cost. Funds may be withdrawn or repaid to the Money Pool at any time without prior notice. At December 31, 1992, the company had no borrowings outstanding under the Money Pool.

The company's 1992 construction expenditures were $227.6 million. The company's most significant 1992 construction project was the replacement of the two Millstone 2 steam generators. The project cost approximately $198 million (including allowance for funds used during construction (AFUDC) but excluding the cost of replacement power).

The company's construction program expenditures, including AFUDC, for the period 1993 through 1997 are estimated to be approximately $853.3 million including $184.5 for 1993. The construction program's main focus is maintaining and upgrading the existing transmission and distribution system and nuclear and fossil-generating facilities. The company expects to spend 67 percent of its construction budget on transmission and distribution, 29 percent on generating stations, and the remaining 4 percent on computers, telephones, and general office facilities. The company does not foresee the need for new major generating facilities until the year 2007.

The company and Western Massachusetts Electric Company continue to utilize a nuclear fuel trust to finance nuclear fuel requirements for their shares of Millstone Units 1, 2, and 3. As of December 31, 1992, the company's portion of the trust's investment in nuclear fuel, net of the fourth quarter 1992 lease payment made on January 31, 1993, was $164.3 million. Nuclear fuel requirements for CL&P's share of Millstone Units 1, 2, and 3 of $262.0 million for the years 1993 through 1997, including $44.3 million, for 1993 are expected to be financed by the trust.

In addition to construction and nuclear fuel requirements, the company is obligated to meet $642.3 million of long-term debt and preferred stock maturities and cash sinking-fund requirements for the years 1993 through 1997 including $149.6 million for 1993.

In connection with NU's acquisition of PSNH, the DPUC imposed certain financial conditions on the company. The principal conditions provide for a DPUC review if the company's common equity falls to 36 percent or below, require DPUC approval for NU financings secured with CL&P stock or assets, and obligate NU to use best efforts to sell CL&P preferred or common stock to the public if NU cannot provide CL&P's need for equity capital. At December 31, 1992, the company's common equity ratio is 38.4 percent.

RESULTS OF OPERATIONS

Operating Revenues

Operating revenues increased $40.7 million from 1991 to 1992 and increased $105.7 million from 1990 to 1991. The components of the change in operating revenues for the past two years are provided in the table below.

Change in Operating Revenues

	Increase/(Decrease)	
	1992 vs. 1991	1991 vs. 1990
	(Millions of Dollars)	
Regulatory decisions	$72.7	$ 34.5
Fuel and purchased power cost recoveries	20.0	28.8
Sales and other revenues	(52.0)	42.4
Total revenue change	$40.7	$105.7

Revenues related to regulatory decisions increased in 1992, as compared to 1991, primarily because of the August 1991 DPUC retail rate decision. Fuel and purchased power cost recoveries increased due to higher energy costs. Sales and other revenues decreased primarily as a result of 1992 sales to other utilities that took place at lower prices per kilowatt-hour and the 1991 one-time reimbursement of costs.

Revenues related to regulatory decisions increased in 1991, as compared to 1990, primarily due to the August 1991 DPUC retail rate decision. Fuel cost recoveries increased primarily due to a higher level of outside energy purchases. Sales and other revenues increased primarily because of a one-time reimbursement under a settlement agreement associated with the reactivation of various units at two fossil generating facilities.

Fuel, Purchased and Net Interchange Power

Fuel, purchased and net interchange power increased $39.2 million in 1992, as compared to 1991, primarily due to the timing in the recovery of fuel expenses under the provisions of the company's fuel adjustment clauses, and previously deferred replacement power costs that are not recoverable as a result of prudence reviews in Connecticut.

Fuel, purchased and net interchange power decreased $13.7 million in 1991, as compared to 1990, primarily because of the matching of revenues and expenses under the provisions of the company's energy adjustment clauses, partially offset by a higher level of higher priced outside energy purchases in 1991.

Other Operation and Maintenance Expenses

Other operation and maintenance expenses increased $4.0 million in 1992, as compared to 1991, primarily due to higher 1992 costs associated with scheduled refueling and maintenance activities at nuclear and fossil units, pipe inspection activities at the Millstone units, and PEP activities, partially offset by 1991 costs associated with the voluntary early retirement programs and lower 1992 conservation expenses.

Other operation and maintenance expenses increased $43.5 million in 1991, as compared to 1990, primarily due to higher costs associated with voluntary early retirement programs and the commercial operation of the Phase II Hydro-Quebec project.

Depreciation Expenses

Depreciation expenses increased $11.3 million in 1992, as compared to 1991, primarily as a result of higher 1992 decommissioning levels, higher 1992 depreciable plant balances, and higher rates.

Depreciation expenses increased $29.7 million in 1991, as compared to 1990, primarily as a result of a regulatory decision that required the company to return, in 1990, excess deferred taxes associated with net-of-tax AFUDC and higher depreciable plant balances in 1991.

Amortization/Deferrals of Regulatory Assets, Net

Amortization/deferrals of regulatory assets, net increased $17.8 million in 1992, as compared to 1991, primarily because of higher amortization of Millstone 3 phase-in return and Seabrook deferred expenses.

Federal and State Income Taxes

Federal and state income taxes increased $55.3 million in 1991, as compared to 1990, primarily because of higher book net income before taxes and lower investment tax credit amortization, partially offset by an adjustment for concluded revenue agent reviews.

Taxes Other than Income Taxes

Taxes other than income taxes increased $5.4 million in 1992, as compared to 1991, and $4.0 million in 1991 as compared to 1990, primarily due to higher property taxes and higher Connecticut gross earnings taxes due to higher revenues.

Deferred Nuclear Plants Return

Deferred nuclear plants return decreased $6.3 million in 1992, as compared to 1991, primarily because of a decrease in Millstone 3 deferred return because additional Millstone 3 investment was phased into rates.

Write-Off of Plant Costs

Write-off of plant costs in 1990, which did not recur in 1991 or 1992, reflects the write-off of the company's investment in Seabrook as a result of a 1990 settlement agreement approved by the DPUC.

Interest Charges

Interest on long-term debt and other interest decreased $12.6 million in 1992, as compared to 1991, primarily because of lower average interest rates.

Interest on long-term debt and other interest decreased $16.1 million in 1991, as compared to 1990, primarily because of lower interest rates and lower capital requirements.

SELECTED FINANCIAL DATA

Years Ended December 31,	1992	1991	1990	1989	1988
			(Thousands of Dollars)		
Continuing Operations:					
Operating Revenues	$2,316,451	$2,275,737	$2,170,087	$2,069,559	$1,896,813
Operating Income	287,811	323,835	320,641	327,220	278,663
Net Income	206,714	240,818	224,783	207,875	221,544
Discontinued Gas Operations:					
Operating Revenues	-	-	-	124,229	200,243
Operating Income	-	-	-	12,563	21,790
Net Income	-	-	-	6,630	10,979
Cash Dividends on Common Stock	164,277	172,587	179,921	155,972	160,364
Total Assets	5,582,806	5,338,441	5,176,784	5,148,120	5,423,862
Long-Term Debt*	2,087,936	2,023,268	2,101,334	2,147,892	2,323,274
Preferred Stock Not Subject to Mandatory Redemption	231,196	306,195	306,195	306,195	256,195
Preferred Stock Subject to Mandatory Redemption*	200,000	141,892	146,892	151,892	81,832
Obligations Under Capital Leases*	197,404	208,924	233,919	252,652	310,137

*Includes portions due within one year.

STATEMENTS OF QUARTERLY FINANCIAL DATA (Unaudited)

	Quarter Ended			
1992	March 31	June 30	September 30	December 31
		(Thousands of Dollars)		
Operating Revenues	$633,933	$547,010	$554,635	$580,873
Operating Income	$ 90,840	$ 58,892	$ 75,438	$ 62,641
Net Income	$ 68,042	$ 40,615	$ 55,145	$ 42,912
1991				
Operating Revenues	$577,310	$528,429	$575,076	$594,922
Operating Income	$ 89,419	$ 78,080	$ 88,040	$ 68,296
Net Income	$ 66,490	$ 57,380	$ 67,778	$ 49,170

STATISTICS

	Gross Electric Utility Plant December 31, (Thousands of Dollars)	kWh Sales (Millions)	Average Annual Residential kWh Use	Electric Customers (Average)	Employees (December 31.)
1992	$6,100,680	25,809	8,501	1,075,425	3,028
1991	5,986,269	24,992	8,435	1,069,912	3,364
1990	5,881,499	25,039	8,434	1,064,695	3,517
1989	5,732,850	25,078	8,570	1,054,055	3,556
1988	5,624,464	24,138	8,525	1,036,593	4,022

The Connecticut Light and Power Company

First and Refunding Mortgage Bonds
Trustee and Interest Paying Agent
Bankers Trust Company, Corporate Trust and Agency Group
P.O. Box 318, Church Street Station, New York, New York 10015

*The First National Bank of Boston, Corporate Trust Department
P.O. Box 1897, Boston, Massachusetts 02105

**Shawmut Bank Connecticut, N.A. Bank, Corporate Trust Department
777 Main Street, Hartford, Connecticut 06115

Preferred Stock
Transfer Agent, Dividend Disbursing Agent and Registrar
Northeast Utilities Service Company Shareholder Services
P.O. Box 5006, Hartford, CT 06102-5006

1993 Dividend Payment Dates
5.28%, 9.00%
$3.24, $4.48 H and $4.48 I Series -
January 1, April 1, July 1, and October 1

4.50% (1956), 4.96%, 6.56%
$1.90, $2.00, $2.04, $2.06, $2.09, and $2.20 Series -
February 1, May 1, August 1, and November 1

3.90%, 4.50% (1963), 7.60%, 9.10%
$3.80 and 7.23% Series -
March 1, June 1, September 1, and December 1

DARTS ***
February 2, March 23, May 11, June 29,
August 17, October 5, and November 23

Address General Correspondence in Care of:

Northeast Utilities Service Company
Investor Relations Department
P.O. Box 270
Hartford, Connecticut 06141-0270
Tel. (203) 665-5000

General Office
Selden Street, Berlin, Connecticut 06037-1616

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*Trustee and interest paying agent (except as noted below) for first mortgage bonds issued under the indenture of The Hartford Electric Light Company. Effective at the close of business on June 30, 1982, The Hartford Electric Light Company was merged into The Connecticut Light and Power Company.

**Paying agent for the 4 1/4% 1963 Series and 4 1/2% 1964 Series.

***Transfer and Paying Agent:

Bankers Trust Company, Corporate Trust and Agency Group
P.O. Box 318, Church Street Station, New York, New York 10015

The data contained in this Annual Report is submitted for the sole purpose of providing information to present stockholders about the Company.

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