New Hampshire
Yankee

NYN-90184

October 12, 1990

United States Nuclear Regulatory Commission
Washington, DC 20555

Attention: Document Control Desk

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

Subject: Guarantees of Payments of Deferred Premiums

Gentlemen:

Pursuant to 10 CFR 140.21, New Hampshire Yankee (NHY), on behalf of the licensees named in the above referenced operating license, provides herewith, the evidence listed below to demonstrate the collective ability of the licensees to meet their obligation for payment of deferred premiums:

a) Annual Report for 1989 (containing certified financial statements) for the following:

- Public Service Company of New Hampshire
- The United Illuminating Company
- Eastern Utilities Associates (for subsidiaries Montaup Electric Company and EUA Power Corporation)
- Massachusetts Municipal Wholesale Electric Company
- Northeast Utilities (for subsidiary Connecticut Light and Power Company)
- Commonwealth Energy System (for subsidiary Canal Electric Company)
- New England Electric System (for subsidiary New England Power Company)
- Taunton Municipal Lighting Plant
- Hudson Light and Power Department

b) 1989 Report to the Rural Electrification Administration for the following:

- New Hampshire Electric Cooperative, Inc.
- Vermont Electric Generation and Transmission Cooperative, Inc.

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New Hampshire Yankee Division of Public Service Company of New Hampshire
P.O. Box 300 • Seabrook, NH 03874 • Telephone (603) 474-9521

In addition, the Agreement of Joint Ownership, Construction and Operation of New Hampshire Nuclear Units, dated as of May 1, 1973 as amended, and specifically the provisions of Paragraph 10.1, thereof as amended by the Eighteenth Amendment thereto, dated as of March 14, 1986, is incorporated by reference.

The enclosed annual reports are also submitted pursuant to 10 CFR 50.71(b).

Should you have any questions regarding this matter, please contact Mr. James M. Peschel, Regulatory Compliance Manager at (603) 474-9521, extension 3772.

Very truly yours,

Ted C. Feigenbaum

Ted C. Feigenbaum
President and
Chief Executive Officer

TCF/JES:dma

Enclosure(s)

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

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

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
TAUNTON MUNICIPAL LIGHTING PLANT
December 31, 1989 and 1988

Grant Thornton

Accountants and
Management Consultants

The U.S. Member Firm of
Grant Thornton International

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
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FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
TAUNTON MUNICIPAL LIGHTING PLANT
December 31, 1989 and 1988

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Report of Independent Certified Public Accountants

Municipal Light Commission
of the City of Taunton
Taunton, Massachusetts

We have audited the accompanying balance sheets of Taunton Municipal Lighting Plant (a department of the City of Taunton) as of December 31, 1989 and 1988, and the related statements of earnings, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Plant'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 our audits provide a reasonable basis for our opinion.

As discussed in note F, Taunton Municipal Lighting Plant records pension expense based on a formula determined by the City, whereas generally accepted accounting principles require the use of actuarial methods in determining annual pension expense. The effect on the financial statements of not using actuarial methods has not been determined. In addition, certain disclosures required by the Governmental Accounting Standards Board relating to pensions have been omitted.

In our opinion, except for the effect on the financial statements of the accounting policy discussed in the preceding paragraph, the financial statements referred to above, present fairly in all material respects, the financial position of Taunton Municipal Lighting Plant as of December 31, 1989 and 1988, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Grant Thornton

Boston, Massachusetts
February 26, 1990

Taunton Municipal Lighting Plant

BALANCE SHEETS

December 31,

ASSETS

	1989	1988
UTILITY PLANT - AT COST		
Plant in service	$71,319,992	$68,991,569
Less accumulated depreciation (note A2)	40,020,296	37,382,310
Net utility plant in service	31,299,696	31,609,259
Construction work in progress (note E)	5,994,802	4,945,376
Total utility plant	37,294,498	36,554,635
DEPRECIATION FUND (notes A2 and B)	11,503,660	8,075,611
SICK LEAVE TRUST FUND (note A5)	1,828,268	1,585,139
DEFERRED DEBIT		
Advance to Quebec Hydro Project (note E)	369,546	707,644
CURRENT ASSETS		
Cash (note B)	2,935,719	5,241,23
Customer deposits (note B)		
Interest fund	27,098	42,15
Principal fund	304,063	314,28
Accounts receivable, less allowance for doubtful accounts of $540,446 and $491,245, respectively	4,408,697	3,664,59
Materials and supplies inventory (note A4)	1,906,305	1,545,349
Prepaid expenses	275,517	168,949
Total current assets	9,857,399	10,976,564
	$60,853,371	$57,899,593

The accompanying notes are an integral part of these statements.

RETAINED EARNINGS AND LIABILITIES

	1989	1988
Retained earnings		
Appropriated retained earnings		
Loans repayment	$13,512,000	$12,992,000
Construction repayment	32,434	32,434
	13,544,434	13,024,434
Unappropriated retained earnings	22,454,740	19,576,383
Total retained earnings	35,999,174	32,600,817
LONG-TERM DEBT (note C)		
Bonds payable	19,093,941	19,662,294
CURRENT LIABILITIES		
Accounts payable	2,220,080	2,327,400
Customer deposits	304,063	314,288
Current maturities of long-term debt (note C)	565,000	520,000
Accrued liabilities		
Compensated absences	1,870,752	1,693,577
Interest	659,032	674,632
Payroll	141,329	106,585
Total current liabilities	5,760,256	5,636,482
COMMITMENTS AND CONTINGENCIES (notes E and F)		
	$60,853,371	$57,899,593

Taunton Municipal Lighting Plant

STATEMENTS OF EARNINGS

Year ended December 31,

	1989	1988
Operating revenues		
Sales of electricity		
Commercial and industrial	$18,657,504	$18,264,082
Residential	12,019,172	11,167,550
Sales for resale (note E)	8,446,884	7,213,090
Municipal	1,336,882	1,514,498
	40,460,442	38,159,220
Other operating revenues	123,029	113,394
Total operating revenues	40,583,471	38,272,614
Operating expenses		
Power production	24,595,480	22,787,384
Transmission and distribution	1,648,732	1,504,564
Customer accounting	1,021,427	1,018,135
Administrative and general (notes A3 and A5)	4,068,403	4,221,823
Depreciation (note A2)	2,723,623	2,609,217
Total operating expenses	34,057,665	32,141,123
Earnings from operations	6,525,806	6,131,491
Other expense (income)		
Interest expense on bonds	1,548,426	1,585,306
Other expense	3,136	12,641
Interest income (note B)	(614,113)	(289,892)
Total other expense	937,449	1,308,055
Net earnings before provision for payment in lieu of taxes	5,588,357	4,823,436
Provision for payment to the City of Taunton in lieu of taxes (note D)	2,190,000	1,770,000
NET EARNINGS	$ 3,398,357	$ 3,053,436

The accompanying notes are an integral part of these statements.

Taunton Municipal Lighting Plant

STATEMENTS OF RETAINED EARNINGS

Year ended December 31, 1989 and 1988

	Appropriated Retained Earnings		Unappropriated
	Loans Repayment	Construction Repayment	Retained Earnings
Balance at December 31, 1987	$12,512,000	$32,434	$17,002,947
Transfer from unappropriated retained earnings for bond payments	480,000		(480,000)
Net earnings			3,053,436
Balance at December 31, 1988	12,992,000	32,434	19,576,383
Transfer from unappropriated retained earnings for bond payments	$ 520,000		$ (520,000)
Net earnings			3,398,357
Balance at December 31, 1989	$13,512,000	$32,434	$22,454,740

The accompanying notes are an integral part of these statements.

Taunton Municipal Lighting Plant

STATEMENTS OF CASH FLOWS

Year ended December 31,

	1989	1988
Increase (Decrease) in Cash		
Cash flows from operating activities:		
Net earnings	$ 3,398,357	$ 3,053,436
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation of plant assets	2,723,623	2,609,217
Amortization of bond premium	(3,353)	(3,354)
Change in assets and liabilities:		
Customer deposit funds	25,284	(16,916)
Accounts receivable	(744,107)	632,661
Inventory	(360,956)	(116,350)
Prepaid expenses	(106,568)	146,456
Accounts payable	(107,320)	471,056
Customer deposits	(10,225)	21,850
Accrued compensated absences	177,175	230,057
Accrued interest	(15,600)	(14,200)
Accrued payroll	34,744	36,775
Net cash provided by operating activities	5,011,054	7,050,688
Cash flows from investing activities:		
Additions to utility plant in service	(3,463,486)	(2,615,764)
Increase in Sick Leave Trust Fund	(243,129)	(233,139)
Advance from (to) Quebec Hydro Project	338,098	(707,644)
Net cash used in investing activities	(3,368,517)	(3,556,547)
Cash flows from financing activities:		
Payment of bond payable	(520,000)	(480,000)
Net increase in cash	1,122,537	3,014,141
Cash at beginning of year	13,316,842	10,302,701
Cash at end of year	$14,439,379	$13,316,842
Cash at end of year is reflected on the balance sheet as follows:		
Depreciation fund	$11,503,660	$ 8,075,611
Cash	2,935,719	5,241,231
	$14,439,379	$13,316,842

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for interest	$ 1,564,026	$ 1,599,506

The accompanying notes are an integral part of these statements.

Taunton Municipal Lighting Plant

NOTES TO FINANCIAL STATEMENTS

December 31, 1989 and 1988

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of Taunton Municipal Lighting Plant's (the "Plant") significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Rates

Rates charged by the Plant are not subject to the approval of regulatory agencies. Pursuant to state laws, rates must be such that the resulting net earnings before payment to the City, less bond payments and interest income, do not exceed 8% of the cost of utility plant. The Plant's earnings, less bond payments, amounted to 6.2% and 6.0% of utility plant in 1989 and 1988, respectively.

2. Depreciation

Pursuant to the Department of Public Utilities regulations, depreciation is calculated as a percentage of depreciable property at January 1. Depreciation is computed at 4% of the cost of depreciable property.

Depreciation fund cash is used in accordance with state laws for replacements and additions to the electric plant in service.

3. Pension Plan

Substantially all employees of the Plant are covered by a contributory pension plan administered by the City of Taunton in conformity with State Retirement Board requirements (see note F).

4. Inventory

Materials and supplies inventory is carried at cost, principally on the average cost method.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Sick Leave Trust

The Plant established a Sick Leave Trust ("Trust") in 1982 for the financing of future sick leave payments. It is the Plant's intention that the Trust be funded to the extent of the Plant's sick leave liability, at which time the Trust will make all sick leave liability payments required under current Plant policies. The assets of the Trust are shown in the financial statements of the Plant to provide a more meaningful presentation, as the assets of the Trust are for the sole benefit of the Plant. The assets of the Trust, shown at cost, which approximates market, are invested in money market funds, treasury notes, mutual funds which invest in government securities, common stock and a corporate bond. Net investment income for the Trust of approximately $91,000 and $108,000 in 1989 and 1988, respectively, is reflected in the earnings statement as an offset to compensated absence expense, as these funds are restricted and can only be used for the payment of sick leave benefits.

NOTE B - CASH

The Plant's cash is deposited with the City of Taunton Treasurer who commingles it with other city funds. The City invests the cash and credits the Plant each year with interest earned on certain of the cash deposits.

Cash deposited with the City of Taunton consists of the following at December 31,

	1989	1988
Non-interest earning pooled funds including restricted customer deposits of $186,161 and $203,697, respectively	$ 6,677,478	$ 9,374,975
7.875% to 9.25% certificates of deposit	8,085,314	4,290,564
Savings accounts	7,748	7,748
	$14,770,540	$13,673,287

Taunton Municipal Lighting Plant

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 1989 and 1988

NOTE B - CASH - Continued

	1989	1988
Cash at December 31, is reflected on the balance sheets as follows:		
Depreciation fund	$11,503,660	$ 8,075,611
Cash	2,935,719	5,241,231
Customer deposit interest fund	27,098	42,157
Customer deposit principal fund	304,063	314,288
	$14,770,540	$13,673,287

NOTE C - LONG-TERM DEBT

Long-term debt at December 31, is comprised of the following:

	1989	1988
Electric loan, Act of 1969 Interest rate - various rates from 7.3% to 8% dated February 1, 1976. Interest payable February 1 and August 1. Due serially from February 1, 1977 to February 1, 2006	$19,605,000	$20,125,000
Unamortized premium	53,941	57,294
	19,658,941	20,182,294
Less current maturities	565,000	520,000
Total long-term debt	$19,093,941	$19,662,294

Aggregate maturities of long-term debt at December 31, 1989, are as follows:

1990	$ 565,000
1991	610,000
1992	660,000
1993	715,000
1994	775,000
1995 - and thereafter	16,280,000
Bond premium	53,941
	$19,658,941

NOTE D - CONTRIBUTION TO THE CITY OF TAUNTON IN LIEU OF TAXES

The Plant voluntarily contributed $2,190,000 and $1,770,000 in 1989 and 1988, respectively, to the City of Taunton in lieu of taxes. All contributions to the City are voted by the Municipal Light Commission.

NOTE E - COMMITMENTS AND CONTINGENCIES

Interconnection Agreement

The City of Taunton, acting by vote of its Municipal Lighting Plant Commission, entered into an agreement with Montaup Electric Company ("Montaup"), dated July 31, 1970, as amended, concerning interconnection of electrical operations, purchase and sale of kilowatt capacity, and construction by Taunton of a generating unit of approximately 110 megawatt capability. The agreement, originally for the twelve (12) years following the commencement of operations of Unit No. 9 on December 1, 1975, was amended and the term extended to October 31, 1988. Under the current informal interconnection agreement, the City agrees to exchange with Montaup Electric Company fifteen (15) megawatts of Unit No. 9 capacity for ten (10) megawatts of capacity from the Canal No. 2 generating unit, 50% of which is owned by Montaup. Since the expiration of this agreement, the Plant and Montaup have continued this arrangement without a formal agreement in place. The plant credited to sales for resale $1,241,807 and $2,908,872 of capacity and energy charges billed to Montaup Electric Company in 1989 and 1988, respectively, for its share of power under the interconnection agreement.

Joint Ownership

The Plant is a 0.10034% joint owner of the Seabrook Units 1 and 2, a nuclear generating station located in Seabrook, New Hampshire. Seabrook Unit 2 has been cancelled by the joint owners, and the Plant wrote-off its investment in the Unit during 1987. The Plant's investment in Seabrook Unit 1 at December 31, 1989 and 1988 was approximately $3,850,000 and $3,700,000, respectively, which is included in construction work in progress. The Plant is not capitalizing interest costs on Seabrook Unit 1. Seabrook Unit 1 is currently complete and awaiting regulatory approval for licensing before it can begin commercial operation.

NOTE E - COMMITMENTS AND CONTINGENCIES - Continued

It cannot be estimated when or if, Unit 1 will be put into commercial operation due to licensing problems. The Plant's latest estimates put its share of the cost for maintenance at approximately $100,000 for 1990.

In addition, Public Service Company of New Hampshire, the lead participant in the Seabrook project, is operating under Chapter 11 Bankruptcy. The Plant is unable to predict whether this also will have any effect on the ultimate commercial operation of the Unit. No allowance for possible loss in the Plant's investment in Seabrook I has been reflected in the financial statements.

Hydro-Quebec Agreement

The Plant has entered into an agreement with the Massachusetts Municipal Wholesale Electric Company and other New England Utilities to support the operation of a transmission line to permit the interchange of electricity between such utilities and Hydro-Quebec Electric Corporation. In connection with this agreement, the Plant had advanced, in 1988, approximately $800,000 toward development of the project. In February of 1989, approximately $450,000 of this advance was returned after the project had obtained financing. Additionally, the Plant is providing support for the project of approximately $100,000 per year.

NOTE F - PENSION PLANS

The Plant contributes to the City of Taunton Employees' Retirement System ("System"), a public employee retirement system that acts as the investment and administrative agent for the City. All Plant full-time employees participate in the System.

Instituted in 1937, the System is a member of the Massachusetts Contributory System and is governed by Massachusetts General Laws Chapter 32. Membership in the System is mandatory, immediately upon the commencement of employment for all permanent, full-time employees.

NOTE F - PENSION PLANS - Continued

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification. Members joining the System after January 1, 1979 are subject to a cap of $30,000 on the level of compensation upon which their benefits are calculated.

Members of the System become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining twenty years of service. The system also provides for early retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was on the City's payroll on January 1, 1978, (3) voluntarily left City employment on or after that date, and (4) left accumulated annuity deductions in the fund. Active members contribute either 5, 7 or 8% of their gross regular compensation depending on the date upon which their membership began.

The System also provides death and disability benefits.

The amount referred to in the next paragraph as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the System on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the System.

The System does not make a separate measurement of assets and the pension benefit obligation for the Plant. The pension benefit obligation at January 1, 1989, for the System as a whole, determined through an actuarial valuation performed as of that date, was $64,486,000. The System's net assets available for benefits on that date (valued at market) were $23,376,000, leaving an unfunded pension benefit obligation of $38,110,000.

The Plant's share of the unfunded pension benefit obligation has not been determined.

NOTE F - PENSION PLANS - Continued

The System's funding policy for the participating entities is not actuarially determined. The participating entities are required to contribute each fiscal year an amount approximating the pension benefits (less certain interest credits) expected to be paid during the year ("pay-as-you-go" method). This amount is determined in advance by the Public Employees Retirement Administration (PERA) and is based in part on the previous year's benefit payout. No actuarial information is used in determining this amount. The Commonwealth of Massachusetts currently reimburses the System on a quarterly basis for the portion of benefit payments owing to cost-of-living increases granted after the implementation of Proposition 2-1/2.

The effect on the accompanying financial statements of the departure from generally accepted accounting principles referred to in the previous paragraph has not been determined.

Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the City of Taunton's general purpose financial statements.

In addition, the Plant has a separate Employees Retirement Trust for the financing of future pension payments. The Retirement Trust had net assets of $8,689,806 and $6,925,143 at December 31, 1989 and 1988, respectively. The Plant had pension expense of $1,526,387 and $1,488,126 in 1989 and 1988, which includes contributions to the Retirement Trust of $350,000 for both 1989 and 1988.

SUPPLEMENTAL INFORMATION

Report of Independent Certified Public Accountants on Supplemental Information

Taunton Municipal Lighting Plant

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole of Taunton Municipal Lighting Plant for the year ended December 31, 1989, which are presented in the preceding section of this report. The supplemental information presented hereinafter is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effect on the schedule of operating expenses of not determining pension expenses by using actuarial methods as explained in the third paragraph of our report on page 3 and as discussed in note F to the basic financial statements, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Grant Thornton

Boston, Massachusetts
February 26, 1990

Taunton Municipal Lighting Plant

UTILITY PLANT

For the year ended December 31, 1989

	Balance January 1, 1989	Additions
Station production plant		
Land and land rights	$ 524,080	$ 185,787
Structures and improvements	7,062,509	274,994
Boiler plant equipment	16,049,378	178,455
Turbo generator units	14,303,330	59,668
Accessory electric group	2,595,814	
Miscellaneous power plant equipment	514,767	5,173
Total steam production plant	41,049,878	704,077
Other production plant		
Fuel holders and accessories	512,234	3,904
Generators	83,407	
Accessory electric group	407,598	
Total other production plant	1,003,239	3,904
Transmission plant		
Land and land rights	218,577	
Clearing land right of way	35,022	
Structures and improvements	133,392	
Station equipment	2,380,487	
Towers and fixtures	908,333	
Poles and fixtures	2,114,814	
Overhead conductor device	1,213,241	10,714
Underground conduit electric	3,104	
Underground conductor electric	6,113	
Total transmission plant	7,013,083	10,714
Distribution plant		
Land and land rights	153,668	
Structures and improvements	661,917	1,657
Station equipment	2,312,940	17,874
Storage battery equipment	428	
Poles, towers and fixtures	2,654,624	250,611
Overhead conduit and device	2,900,354	363,530
Underground conduit	1,793,468	10,781
Underground conductor and development	1,789,128	110,030
Line transformers	2,296,216	276,123
Services	461,263	84,440
Meters	1,403,296	93,785
Station light and signal systems	1,137,473	58,484
In service	72,125	9,989
Total distribution plant	17,636,900	1,277,304

Transfers/ Retirements	Balance December 31, 1989	Accumulated Depreciation December 31, 1989	Net Book Value December 31, 1989
$	$ 709,867	$	$ 709,867
	7,337,503	4,769,280	2,568,223
	16,227,833	10,108,869	6,118,964
	14,362,998	7,841,143	6,521,855
	2,595,814	2,212,874	382,940
	519,940	244,829	275,111
	41,753,955	25,176,995	16,576,960
	516,138	258,417	257,721
	83,407	42,425	40,982
	407,598	205,242	202,356
	1,007,143	506,084	501,059
	218,577		218,577
	35,022		35,022
	133,392	57,992	75,400
	2,380,487	1,027,512	1,352,975
	908,333	436,975	471,358
	2,114,814	279,609	1,835,205
	1,223,955	201,533	1,022,422
	3,104	1,402	1,702
	6,113	2,404	3,709
	7,023,797	2,007,427	5,016,370
	153,668		153,668
	663,574	123,385	540,189
	2,330,814	1,858,933	471,881
	428	32	396
	2,905,235	2,233,379	671,856
	3,263,884	1,450,177	1,813,707
	1,804,249	1,407,174	397,075
	1,899,158	1,277,662	621,496
	2,572,339	1,107,855	1,464,484
	545,703	155,485	390,218
	1,497,081	996,361	500,720
	1,195,957	540,813	655,144
	82,114	3,014	79,100
	18,914,204	11,154,270	7,759,934

Taunton Municipal Lighting Plant

UTILITY PLANT - CONTINUED

For the year ended December 31, 1989

	Balance January 1, 1989	Additions
General plant		
Land and land rights	$ 37,835	
Structures and improvements	842,732	$ 14,117
Office furniture and equipment	306,986	41,940
Transportation equipment	922,862	336,728
Stores equipment	7,116	2,102
Tools, shop and garage equipment	21,305	5,134
Laboratory equipment	15,204	
Power operated equipment	27,271	66
Communication equipment	97,655	12,002
Miscellaneous equipment	74,489	2,926
Total general plant	2,353,455	415,015
Less contribution in aid of construction	(64,986)	
Total utility plant in service	68,991,569	2,411,014
Construction work in progress	4,945,376	3,855,030
	$73,936,945	$6,266,044

Transfers/ Retirements	Balance December 31, 1989	Accumulated Depreciation December 31, 1989	Net Book Value December 31, 1989
	$ 37,835		$ 37,835
	856,849	$ 343,494	513,355
	348,926	131,942	216,984
$ (82,591)	1,176,999	571,708	605,291
	9,218	2,117	7,101
	26,439	13,932	12,507
	15,204	14,486	718
	27,337	22,806	4,531
	109,657	48,794	60,863
	77,415	26,241	51,174
(82,591)	2,685,879	1,175,520	1,510,359
	(64,986)		(64,986)
(82,591)	71,319,992	40,020,296	31,299,696
(2,805,604)	5,994,802		5,994,802
$ (2,888,195)	$77,314,794	$40,020,296	$37,294,498

Taunton Municipal Lighting Plant

OPERATING EXPENSES

For the year ended December 31, 1989

POWER PRODUCTION	
Operation	$
Supervision and engineering	437,673
Fuel	11,703,103
Labor and expenses	1,498,916
	13,639,692
Maintenance	
Supervision and engineering	254,027
Structures	124,629
Boiler plant	1,258,875
Electric plant	705,252
Miscellaneous	87,655
	2,430,438
Purchased power	8,525,350
Total power production	24,595,480
TRANSMISSION AND DISTRIBUTION	
Operation	
Supervision and engineering	93,661
Labor	11,281
Supplies and expenses	14,584
Meter expenses	112,073
Customer installation	13,233
Miscellaneous	359,728
	604,560
Maintenance	
Supervision and engineering	195,454
Lines - electric	613,739
Street lighting and signal systems	79,188
Meters	9,611
Structures and equipment	3,843
Line transformers	41,680
Station equipment	81,229
Miscellaneous	19,428
	1,044,172
Total transmission and distribution	1,648,732
Forward	26,244,212

Taunton Municipal Lighting Plant

OPERATING EXPENSES - CONTINUED

Year ended December 31, 1989

Brought forward	$26,244,212
CUSTOMER ACCOUNTING	
Meter reading labor and expenses	142,137
Accounting and collecting expenses	692,640
Uncollectible accounts	72,000
Advertising expense	114,650
Total customer accounting	1,021,427
ADMINISTRATIVE AND GENERAL	
Operation	
Administrative and general salaries	463,017
Office supplies and expenses	196,940
Outside services employed	165,566
Property insurance	167,528
Injuries and damages	316,008
Employee pensions and benefits	2,294,779
Miscellaneous general expenses	174,399
Transportation expenses	155,001
Regulatory commission expense	4,740
	3,937,978
Maintenance	
General plant	130,425
Total administrative and general	4,068,403
DEPRECIATION	2,723,623
	$34,057,665

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[√] Annual Report Pursuant To Section 13 or 15(d) Of The Securities Exchange Act Of 1934
For the fiscal year ended December 31, 1989

[ ] Transition Report Pursuant To Section 13 or 15(d) Of The Securities Exchange Act Of 1934
For the transition period from ____________ to ____________

Commission File Number 1-6392

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

(Exact name of registrant as specified in charter)

NEW HAMPSHIRE	**02-0181050**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
1000 ELM STREET, MANCHESTER, NEW HAMPSHIRE	**03105**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: 603-669-4000

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $5 Par Value	New York and Pacific Stock Exchanges
Warrants to Purchase Common Stock	Pacific Stock Exchange
Preferred Stock, $25 Par Value, 11% Dividend Series	New York Stock Exchange
Sinking Fund Preferred Stock, $25 Par Value, 11.24% Dividend Series	New York Stock Exchange
Sinking Fund Preferred Stock, $25 Par Value, 15% Dividend Series	New York Stock Exchange
Sinking Fund Preferred Stock, $25 Par Value, 17% Dividend Series	New York Stock Exchange
Sinking Fund Preferred Stock, $25 Par Value, 15.44% Dividend Series	New York Stock Exchange
Sinking Fund Preferred Stock, $25 Par Value, 13% Dividend Series	New York Stock Exchange
Sinking Fund Preferred Stock, $25 Par Value, 13.80% Dividend Series	New York Stock Exchange
General and Refunding Mortgage Bonds, Series B 12% due 1999	New York Stock Exchange
General and Refunding Mortgage Bonds, Series C 14 1/2% due 2000	New York Stock Exchange
General and Refunding Mortgage Bonds, Series I 11% due 1994	New York Stock Exchange
Deferred Interest Third Mortgage Bonds, Series A 13 3/4% due 1996	New York Stock Exchange
15 3/4% Debentures due 1988	New York Stock Exchange
14 3/8% Debentures due 1991	New York Stock Exchange
15% Debentures due 2003	New York Stock Exchange
17 1/2% Debentures due 2004	New York Stock Exchange

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

Title of Class

Preferred Stock, $100 Par Value, 3.35% Dividend Series
Preferred Stock, $100 Par Value, 4.50% Dividend Series
Convertible Preferred Stock, $100 Par Value, 5.50% Dividend Series
Preferred Stock, $100 Par Value, 7.92% Dividend Series
Sinking Fund Preferred Stock, $100 Par Value, 7.64% Dividend Series
Sinking Fund Preferred Stock, $100 Par Value, 9.00% Dividend Series

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

Yes √. No___.

The aggregate market value of the shares of Common Stock, $5 par value, of the Company held by non-affiliates of the Company was $158,013,660 on March 31, 1990.

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

Class	Outstanding at March 31, 1990
Common Stock, $5 Par Value	**42,154,548 Shares**

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
1989 FORM 10-K ANNUAL REPORT

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PART I

PART I

Item 1. BUSINESS

Introduction

Public Service Company of New Hampshire (the "Company") is the largest electric utility in New Hampshire, operating a single integrated system which supplies electricity to approximately three quarters of the State's population. It distributes and sells electricity at retail in approximately 200 cities and towns, including Manchester, Nashua, Portsmouth, Berlin, Keene, Laconia, Dover and Rochester. It also sells electricity at wholesale to five other utilities and municipalities. The Company was incorporated in 1926 under the laws of the State of New Hampshire.

The Company's Bankruptcy

The Filing. On January 28, 1988, the Company filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code.

The financial difficulties that led to the Company's bankruptcy were attributable to a combination of several factors: the magnitude of the Company's investment in the Seabrook Nuclear Generating Station Unit 1 ("Seabrook"), which represents more than half of the book value of the Company's assets on its financial statements; the delay in obtaining approval of the operation of Seabrook from the Nuclear Regulatory Commission ("NRC"); and the prohibition under New Hampshire law of the realization by the Company of any cash income from or return on that investment until Seabrook provides service to customers (the so-called anti-CWIP statute). In January 1988 the New Hampshire Supreme Court upheld the anti-CWIP statute and prevented the New Hampshire Public Utilities Commission ("NHPUC") from considering the Company's request for emergency rates, which were an essential element of the Company's efforts to achieve a financial restructuring outside of Chapter 11.

The Conduct of the Chapter 11 Case. Since the filing of the petition for reorganization under Chapter 11, the Company has continued normal operations as a debtor-in-possession under the protection and subject to the jurisdiction of the Bankruptcy Court, and subject to approval by that Court of transactions not in the ordinary course.

Two official committees represent the interests of the Company's unsecured creditors including debenture holders and trade creditors (the "Unsecured Creditors Committee") and the Company's equity security holders, including Preferred and Common stockholders and Warrant holders (the "Equity Committee") in the reorganization case. The Bankruptcy Court granted the State of New Hampshire ("State") full party in interest status in the case. The State has actively represented the interests of ratepayers in the case and particularly in negotiations toward a reorganization plan.

The Plan of Reorganization

The goal of a Chapter 11 reorganization case is a reorganization plan which resolves all claims against and equity interests in the reorganizing company. Since shortly after the filing of the Chapter 11 case, the Company engaged in negotiations with the State, the two Committees, and others to develop a plan that is supported by all of the major parties in the case. During the same period, others have attempted to do the same, including Northeast Utilities ("NU"), New England Electric System, and The United Illuminating Company, all of which sought to acquire or merge with the Company under a reorganization plan. On December 13, 1989, the Company announced its support for a plan (the "Plan") proposed by NU and also supported by the two Committees, the majority in amount of holders of the Company's Third Mortgage Bonds (and obligations secured by those bonds), and the State. NU is a registered public utility holding company with operations in Connecticut and Massachusetts. On April 20, 1990 the Bankruptcy Court confirmed the Plan. (See "Confirmation of the Plan", below).

The Rate Plan. The Plan is based on an agreement (the "Rate Plan") regarding rates and power supply between Northeast Utilities Service Company ("NUSCO"), an NU subsidiary, on behalf of NU, and the Governor and the Attorney General of the State of New Hampshire, on behalf of the State. The New Hampshire legislature approved the Rate Plan on December 14, 1989, subject to NHPUC review. The Rate Plan, which permits a departure from the anti-CWIP statute, provides for seven annual 5.5% increases in the Company's retail rates, commencing January 1, 1990. The first increase has already been implemented, and the amounts collected are currently being held in escrow, subject to final approval and effectiveness of the merger described below, except as to amounts to be collected from the later of final approval or July 1, 1990 through the Effective Date of the Plan, discussed below. The effectiveness of the Rate Plan is contingent upon NHPUC approval. The Rate Plan will be effective for Reorganized PSNH even if the merger with NU is not consummated.

The Plan. The Plan provides for the acquisition of the Company by NU in either a one-step or two-step transaction, depending on when certain regulatory approvals for the acquisition are obtained, and the distribution of approximately $2.3 billion in cash and securities on the date (the "Effective Date") the Plan becomes effective and the Company emerges from reorganization as Reorganized PSNH. The Effective Date deadline specified in the Plan is August 1, 1990, but the Plan permits the deadline to be extended by the agreement of NU and the two Committees.

There are certain conditions to the Effective Date, including certain tax rulings, allowance in the reorganization case of not more than $900 million in unsecured claims against the Company, and certain regulatory approvals. The regulatory approvals required for the Plan to become effective include the NHPUC's approval of the Rate Plan and the issuance of securities of Reorganized PSNH, the approval (or waiver of jurisdiction by) the Connecticut Department of Public Utility Control with respect to securities issuance, and the approvals of certain transitional management arrangements, discussed below, by the Federal Energy Regulatory Commission ("FERC") and the United States Securities and Exchange Commission ("SEC"). The Company believes that these conditions can be met by the August 1 deadline or shortly thereafter. The FERC and the SEC have already approved the transitional management arrangement, and the NHPUC has set a hearing schedule that would result in its rendering a decision by early to midsummer 1990.

The Acquisition of the Company by NU. The Plan provides for NU's ultimate acquisition of the Company through the Company's merger with a wholly-owned subsidiary of NU that is to be formed solely for the purpose of effectuating the acquisition. At the time of the merger (or as soon thereafter as practicable) the Company's interest in Seabrook will be transferred to a newly-formed subsidiary of NU, North Atlantic Energy Company ("NAEC"), whose sole asset will be the Company's Seabrook interest. NAEC will enter into a contract with Reorganized PSNH under which Reorganized PSNH will purchase the entire output of NAEC's interest in Seabrook for the life of the Seabrook license. Another NU subsidiary would be appointed as operator of Seabrook if required approvals of the Seabrook Joint Owners and the NRC are received.

These transactions require regulatory approvals of the FERC, the SEC, the NRC, and the public utility commissions of New Hampshire and Connecticut, and perhaps of Maine and Vermont, where the Company owns certain properties. Filings for approvals of the FERC and the SEC were made by NU in January 1990. Some sixty intervenors, including many New England utilities and all of the regulatory commissions and certain other officials of the New England states, have appeared in the FERC proceeding and have raised various issues in those proceedings, including certain antitrust and anticompetitive issues. A lesser number of intervenors, some of whom are also intervenors in the FERC proceedings, have appeared in the SEC proceedings and raised issues similar in large part to those raised before FERC.

If all regulatory approvals for NU's acquisition of the Company are obtained by the Effective Date, then the acquisition will occur on the Effective Date (the one-step transaction). Otherwise, the Company will emerge from reorganization as a stand-alone company, subject to a contractual obligation to be acquired by NU (the two-step transaction) upon the satisfaction of certain conditions. In the two-step transaction, holders of unsecured claims and of shares of the Company's existing Preferred and Common Stock will receive shares of Common Stock of Reorganized PSNH. When the acquisition ultimately occurs, holders of shares of Common Stock of Reorganized PSNH will receive not less than $20 per share, in cash, and NU will acquire all shares of Reorganized PSNH's Common Stock. Based upon the current schedule in the FERC proceeding, it appears that the acquisition of the Company will be accomplished as a two-step transaction.

Distribution to Creditors and Shareholders Under the Plan. Under the Plan, all holders of secured claims (other than two existing issues of pollution control revenue bonds in the amounts of $100 million and $112.5 million, which may be assumed and reinstated by Reorganized PSNH under the Plan) will receive cash in the full amount of their claims for principal, interest, and interest on interest. Holders of unsecured claims will receive cash and, if the acquisition is a two-step transaction, shares of Common Stock of Reorganized PSNH. Holders of shares of existing Preferred and Common Stock of the Company will receive notes that are contingent on Seabrook's achieving certain licensing and operational milestones and either cash and warrants to purchase shares of NU Common Stock, if the acquisition is a one-step transaction, or shares of Common Stock of Reorganized PSNH and certificates entitling the holder to receive warrants to purchase shares of NU Common Stock when (and if) the acquisition by NU occurs, if the acquisition is a two-step transaction. Holders of the

Company's outstanding Warrants (and any claims arising with respect to such Warrants) will receive in the aggregate $1.3 million in cash. The total amount of cash and face amount of securities (including the contingent notes) to be distributed to creditors and equity holders under the Plan is approximately $2.3 billion.

Confirmation of the Plan. On January 3, 1990, the Bankruptcy Court formally approved a disclosure statement for the Plan, ordered the Plan, the disclosure statement, and ballots for the Plan transmitted to all of the Company's creditors and equity security holders, and set April 4, 1990 as the date for commencing hearings on confirmation of the Plan. On April 20, 1990, following six days of hearings, the Bankruptcy Court entered orders overruling all objections to confirmation, finding all conditions to confirmation set forth either in the Bankruptcy Code or in the Plan satisfied, and confirming the Plan (the "Confirmation Order").

Transitional Board of Directors and Management. The Confirmation Order provides, consistent with the provisions of the Plan itself, that upon confirmation, all of the directors of the Company are deemed to have resigned, without further action by any person or entity, effective at 8:00 a.m. on April 30, 1990. A new, seven-member board will take office then. Three members were appointed by the Equity Committee, three members by the Unsecured Creditors Committee and one member was jointly appointed by both Committees. Each of the Creditors Committee appointees are also members of the Creditors Committee; each of the Equity Committee appointees are also members of the Equity Committee. No current directors or officers are among the new Board appointees. The new Board will serve until the acquisition is consummated. The new directors, their current affiliations, and their sources of appointment are:

Name	Affiliation	Appointed by
Joseph P. Tyrrell (Chairman)	Former Officer of Boston Edison	Joint Committee
James K. Arthur	Certified Reporting Co.	Equity Committee
Douglas A. Barry	Monarch Life Insurance Co.	Equity Committee
Nowell A. Blake	Mutual Benefit Life Insurance Co.	Equity Committee
Stephen Davis	IBJ Schroder Bank & Trust Company	Creditors Committee
James D. Neidhart	Equitable Capital Management Corp.	Creditors Committee
Anthony Ben Walsh	Private Investor	Creditors Committee

In addition, a separate order of the Bankruptcy Court, entered April 13, 1990, provides, consistent with the provisions of the Plan itself, and subject to FERC and SEC approvals (which have already been obtained), that a Management Services Agreement (the "MSA") between the Company and NUSCO will take effect at 8:00 a.m. on April 30, 1990, under which the Company will be managed by NUSCO from then until the acquisition is completed or is terminated, whichever occurs first. The Plan provides that the Chief Executive Officer and each Senior Vice President of the Company will be deemed to have resigned, without further action by any person or entity, 60 days after April 30, 1990, or sooner, at the option of the Company on 30 days notice at any time after confirmation, but in no event later than the acquisition date. The Plan, the Confirmation Order and the MSA contemplate that the new seven-member board will select the officers of the Company to serve until the acquisition. The Chief Executive Officer and each Senior Vice President have tendered their resignations as officers, effective 8:00 a.m. on April 30, 1990. NUSCO advised the Bankruptcy Court during the confirmation hearings that the new Chief Executive Officer of the Company would be Leon E. Maglathin, Jr., a retired executive of Western Massachusetts Electric Co. (an NU subsidiary) and that the new Secretary/Treasurer would be Bruce W. Wiggett, who is currently Comptroller of the Company. These new officers, however, have not yet been appointed by the new board.

In view of the total change in control of the Company, its Board, and its management on April 30, 1990, there can be no assurance that any of the Company's existing policies or practices or any aspect of its business operations will remain unchanged on or after April 30, 1990.

Risks. There can be no assurance that any of the regulatory approvals required for the Effective Date of the Plan or for the acquisition will be obtained within the deadlines established in the Plan. Opposition to the Rate Plan and to the acquisition has already been filed by intervenors in the regulatory proceedings for approval of the Rate Plan and the acquisition. Unless all Effective Date conditions are satisfied, including financing arrangements reasonably satisfactory to NU, and all necessary regulatory approvals are obtained, the Plan will not become effective. Even if the Plan does become effective, if the requisite approvals for the acquisition by NU are not obtained, the acquisition will not occur.

If the Plan does not become effective, it will be necessary for the Company to seek to achieve another reorganization plan. The Company cannot reasonably predict whether or when it will be possible to achieve such a plan or what the terms of any such plan might be. If the Plan becomes effective but the acquisition is not consummated, Reorganized PSNH would be operated as a stand-alone company under the applicable provisions of the Rate Plan.

Speculative Nature of the Company's Securities

Equity Interests. In view of the uncertainty over effectiveness of the Plan and the consummation of the acquisition contemplated under the Plan and over the outcome of the Chapter 11 reorganization case if the Plan and the acquisition were not consummated, the value of the Company's outstanding equity securities is highly speculative. The Company ceased paying dividends on its Common and Preferred Stock in 1984. The Plan, or any other reorganization plan confirmed in the Chapter 11 case, will result in substantial alteration or elimination of some or all of the current rights of the holders of shares of Common and Preferred Stock. The dilution in equity interests that will be suffered by holders of shares of the Company's Common and Preferred Stock in any reorganization, including under the Plan, is likely to be extensive.

Unsecured Indebtedness. The Company has not paid interest on its unsecured indebtedness since October 1987 and does not anticipate that it will resume interest payments before emergence from reorganization. Upon emergence, it is likely that the rights of holders of unsecured claims will be substantially altered, and the holders will likely receive cash and other securities in satisfaction of their claims. If the Effective Date of the Plan does not occur, the Company cannot predict what form or amount of distribution the holders of unsecured claims will receive in the reorganization.

Secured Indebtedness. Cash flow concerns could result in the suspension of the payment of interest on some or all of the Company's secured indebtedness. If the Effective Date of the Plan does not occur, the Company cannot predict what form or amount of distribution the holders of secured claims will receive in the reorganization. (See "cash flow concerns" below).

Cash Flow Concerns

Upon the filing of the Chapter 11 case, the Company ceased making interest and principal payments on all of its indebtedness. The Company resumed interest payments on its First Mortgage Bonds and its General and Refunding Mortgage Bonds (and indebtedness secured by such bonds) in the spring of 1988 and has kept interest payments on those Bonds current since then. By not paying interest on its other indebtedness and by not reducing the principal on any of its indebtedness, the Company has generated sufficient funds internally to satisfy its cash requirements. Assuming continued non-payment of such debt service, continued growth (about 1.65% annually) in the Company's level of sales, the continuance of the Company's present rate structure, availability of the Company's $37.5 million short-term credit, and that there are no material additions to the Company's projected operating and capital expenditures, the Company estimates that it can satisfy its cash requirements through 1990.

Nevertheless, the Company could encounter cash flow problems during the Chapter 11 case if the Effective Date is delayed substantially beyond its current deadline. The Company's construction expenditures for 1990-1994 are estimated at approximately $404 million, but could be significantly increased if the Company is required by environmental laws to make additional expenditures, particularly in response to legislation regarding acid rain. The Plan requires that the Company recommence semi-annual payments of interest on its Third Mortgage Bonds and indebtedness secured by its Third Mortgage Bonds as of August 1, 1990, if the Effective Date has not then occurred. The semi-annual amount of such payments is approximately $21 million. It is doubtful that the Company could make such payments for an extended period. Because of the financial constraints under which the Company has been operating for the last several years, operating budgets and capital expenditures have been reduced to the point that, should any additional cash flow savings be required in the future to accommodate additional expenditures, the Company might be required to cease paying interest on some or all existing indebtedness or suffer reductions in the quality of utility service provided by the Company.

Seabrook Nuclear Plant

The Company is the principal owner of Seabrook, a nuclear-fueled steam electric generating plant located in Seabrook, New Hampshire. At December 31, 1989 the Company's investment in Seabrook represents more than half of the book value of the Company's total assets on its financial statements.

Operating License. On March 1, 1990 the NRC ordered that a license for the full-power operation of Seabrook be issued, but granted additional time for intervenor groups to seek review of the decision. The Massachusetts Attorney General's Office, joined by two other long time intervenors in the licensing proceedings, asked the U.S. Circuit Court of Appeals for the District of Columbia to stay issuance of the Seabrook full-power license. On March 14, 1990 that Court refused to block the issuance of the license, and on March 15 the license was issued.

Following receipt of the full-power license, a 2-3 month start up testing and power ascension program of the Seabrook plant has begun. This program involves a series of tests and reviews, including heat up of the reactor coolant system, reactor start-up, testing at various power ascension levels, numerous staged self assessment reviews, and NRC review and public hearing after attainment of 50% power level and production of electricity. Electric generation on a regular, consistent basis would begin upon completion of the start up and power ascension program, probably during the summer, assuming no unusual problems are encountered during the power ascension program.

Other Seabrook Participants. Various other New England utilities (the "Joint Owners") participate in the ownership of Seabrook under a Joint Ownership Agreement. The ownership interests in Seabrook are as follows:

Public Service Company of New Hampshire	35.56942%
The United Illuminating Company	17.50000
EUA Power Corporation*	12.13240
Massachusetts Municipal Wholesale Electric Co.	11.59340
New England Power Company	9.95766
The Connecticut Light and Power Company	4.05985
Canal Electric Company	3.52317
Montaup Electric Company*	2.89989
New Hampshire Electric Cooperative, Inc.	2.17391
Vermont Electric Gen. and Trans. Coop., Inc.	0.41259
Taunton Municipal Lighting Plant	0.10034
Hudson Light and Power Department	0.07737
	100.00000%

*Both these companies are subsidiaries of Eastern Utilities Associates.

In 1989, the Company recognized $50.8 million of expenditures associated with the Seabrook Comprehensive Settlement. Under the settlement, the Company agreed to pay to or on behalf of one of the Joint Owners, the Massachusetts Municipal Wholesale Electric Company ("MMWEC"), its share of pre-operational funding commitments for Seabrook. MMWEC covenanted not to sue the Company for any alleged claims against the Company associated with Seabrook. MMWEC also agreed to a termination of an agreement under which the Company might have been required, upon operation of Seabrook, to purchase a share of MMWEC's Seabrook capacity and energy for a period of ten years at a cost substantially in excess of current market price. All Joint Owners and former Joint Owners, other than the New Hampshire Electric Cooperative ("NHEC"), Hudson Light and Power Department and Vermont Electric Generating and Transmission Cooperative, Inc., representing approximately 2.5% of the ownership interests in Seabrook, also granted the Company covenants not to sue on any claims, in exchange for cash payments or offsets to certain former Joint Owners and certain other considerations. See Notes 2 and 3 of Notes to Financial Statements.

Since February 1986, the Vermont Electric Generation and Transmission Cooperative, Inc., has discontinued payment of its share of Seabrook costs, as well as its payments as a member of MMWEC. Certain Joint Owners, including the Company, have since then been providing funds against future payments due from the Vermont Cooperative to assure that funds are available to meet its ownership share of Seabrook costs, and it is anticipated that these arrangements will continue.

NHEC, a 2.17391% owner of Seabrook, acquired its interest in Seabrook from the Company pursuant to a series of letter agreements. Pursuant to these agreements, NHEC and the Company entered into an agreement (the "NHEC Buyback Contract") under which NHEC has the right to sell to the Company, over a ten-year period, up to 250 megawatt-years of Seabrook capacity and energy entitlement at NHEC's "full cost". NHEC's "full cost" is priced substantially in excess of its current market price. The Company has sought to renegotiate the buyback arrangements. NHEC and NU have agreed to renegotiate various issues including termination of the NHEC Buyback Contract.

Change in Seabrook Plant Accounting. In 1987, the Company determined that, when Seabrook became operational, political and competitive pressures would not permit the Company to recover the full recorded cost of its investment in accordance with traditional utility ratemaking practices. Accordingly, the Company changed its method of accounting for its investment in Seabrook to eliminate AFUDC from capitalized costs and to recognize capitalized interest and associated income tax effects. This change in method of accounting effectively restated the cost basis of Seabrook to eliminate the previously assumed effects of regulation.

The Company ceased capitalizing Seabrook costs effective December 31, 1987. Accordingly, a loss of $212.0 million was recognized in 1987 associated with the estimated remaining costs to be incurred prior to a previously assumed operating date of January 1, 1990. In 1989 the Company revised its assumed operating date to May 1, 1990 and recorded an additional loss of $23 million to reflect the anticipated delay. $92.8 million and $109.5 million was charged to the reserve during 1989 and 1988, respectively, including $36.0 million and $47.5 million of capitalized interest associated with the Seabrook investment.

Seabrook Impairment. At December 31, 1989 the Company recognized an impairment loss of $260 million on its Seabrook assets. Management of the Company concluded that it was appropriate to recognize an impairment loss calculated as the difference between the book value of the Company's Seabrook assets at December 31, 1989 and the value assigned to the Seabrook assets and the regulatory assets allowed under the Rate Plan. See Item 7. ''Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations''.

Decommissioning. Pursuant to a statute enacted in 1982, a New Hampshire State Nuclear Decommissioning Finance Committee (the ''NDF Committee'') was established to determine the requirements for and methods of funding the costs associated with the decommissioning of nuclear generating facilities following commencement of operation. The NHPUC is authorized to permit the utilities owning an interest in the facilities and subject to its jurisdiction to recover from their customers on a per-kilowatt-hour basis the amounts paid into the fund for such purpose over a period of years. In February 1990, the Company filed a technical statement to set forth the computation and tariff provisions that the Company proposes to use to implement the nuclear decommissioning charge. The NDF Committee and the Joint Owners have agreed to fund decommissioning costs by placing the recovery in a trust fund administered by a New Hampshire banking institution.

Insurance. The Federal Price-Anderson Act, as amended by the Price-Anderson Amendments Act of 1987, provides, among other things, that the liability for damages resulting from a nuclear incident would not exceed the greater of $560 million or the amount of financial protection required of the licensee (presently about $7.8 billion). Under the Price-Anderson Act, prior to operation of a nuclear reactor, a licensee is required to insure against this exposure by purchasing the maximum amount of liability insurance available from private sources (currently $160 million) and to maintain the insurance available under a mandatory industry-wide retrospective rating program. Under the latter program, each owner of an operating nuclear facility (of which there are presently 115) may be assessed a retrospective premium of up to a limit of $63 million (which shall be adjusted for inflation at least every five years) for each reactor owned in the event of any one nuclear incident occurring at any reactor in the United States, with a maximum assessment of $10 million per year per reactor owned. Such owner may also be assessed additional retrospective premiums with respect to insurance purchased to cover property damage and decontamination costs resulting from certain events, but in no case will such additional premiums exceed 5% of the above-referenced retrospective premium. With respect to operating nuclear facilities of which it is a part owner, the Company would be obligated to pay its proportionate share of any such assessment.

The Company's Service Area

During 1989 the service area of the Company experienced slower economic growth in comparison to previous years. Consequently, the Company experienced a smaller, 3.3%, increase in prime sales (sales of electricity exclusive of unit or capacity power supply contracts) for 1989 versus an increase in prime sales of 5.7% in 1988. Prime sales for 1987 decreased 2.8% reflecting the loss, effective October 1, 1986, of two of the Company's wholesale customers, which previously accounted for 12% of the Company's total annual prime sales and approximately 8% of its total annual revenues from prime sales. Continued growth in megawatt-hour (''MWH'') sales will be dependent on continued economic growth in New Hampshire, weather, the competition from other energy sources and suppliers, and the price of electricity.

Construction Program

The Company has substantial capital requirements to satisfy if it is to provide adequate service to its growing service area. The Company's construction program for the five-year period 1990-1994, exclusive of expenditures for Seabrook, is currently estimated to be approximately $287,900,000. The Company's share of Seabrook related pre-operational start-up testing and power ascension expenditures and of other capital expenditures once full-power operation has been achieved are estimated for the period to aggregate $116,200,000, based on Seabrook's assumed operational date for financial forecast purposes of May 1, 1990. The Company anticipates that its obligation to pay up to $30 million of MMWEC's share of Seabrook related pre-operational expenditures under the Seabrook Comprehensive Settlement, which have been made from internally generated funds, will be completed in April 1990, at which time MMWEC is obligated to resume such payments. Certain Joint Owners have under consideration means to resolve the eventuality that MMWEC is unable on a temporary basis to resume payments. Set forth below are the Company's estimated expenditures in these categories for each of the years in the 1990-1994 period, assuming for these purposes a Seabrook operational date of May 1, 1990:

	Non-Seabrook Plant	Seabrook Plant	Company Total	Seabrook Comprehensive Settlement
1990	$ 56,800,000	$ 31,800,000	$ 88,600,000	$ 9,800,000
1991	60,300,000	21,000,000	81,300,000	2,000,000
1992	51,300,000	19,600,000	70,900,000	2,000,000
1993	60,400,000	23,000,000	83,400,000	2,000,000
1994	59,100,000	20,800,000	79,900,000	2,000,000
Total	$287,900,000	$116,200,000	$404,100,000	$17,800,000

It is possible that substantial additional expenditures may be required to meet regulatory and environmental requirements at Seabrook and the Company's other generating facilities. See "Regulation - Air Quality Control" below.

New England Power Pool

Most utilities in New England, including the Company, are members of the New England Power Pool ("NEPOOL") pursuant to an agreement (the "NEPOOL Agreement") which has been in effect since 1971. The NEPOOL Agreement provides for joint planning and coordinated construction, operation and maintenance of generation and transmission facilities and also incorporates generating capacity reserve obligations and provisions regarding the use of major transmission lines and payment for such use.

Substantially all planning, operational scheduling and dispatching of electric generating capacity for New England is done on a regional basis under the NEPOOL Agreement. At the time of the 1989-1990 NEPOOL winter peak, the New England utilities had about 23,407 megawatts ("MW") of installed capacity and purchases to meet a peak of about 17,922 MW.

The Company's capability responsibility under the NEPOOL Agreement involves carrying an allocated share of a New England capacity requirement which is determined for each period based on certain regional reliability criteria. Prior to Seabrook's operation, the Company's own generating facilities and participation in certain jointly-owned generating facilities are not adequate to meet its capability responsibility without additional short-term capacity purchases. Consequently, the Company is required to purchase capacity and energy from other utility and non-utility sources. With Seabrook, it is expected that the Company's capacity would be sufficient to meet its own load and its NEPOOL Agreement obligations until the early 1990's.

NEPOOL, on behalf of its participating members including the Company, has entered into an Interconnection Agreement with Hydro-Quebec, a Canadian utility operating in the Province of Quebec, which provides for construction of an interconnection between the electrical systems of New England and Quebec. The first phase of this 450 kilovolt direct current interconnection was placed in service on October 1, 1986. Those parties have also entered into an Energy Contract and an Energy Banking Agreement; the former obligates Hydro-Quebec to offer NEPOOL participants up to 33 million MWH of surplus energy during an eleven-year term commencing September 1, 1986, and the latter provides for energy transfers between the two systems. NEPOOL has also entered into agreements for firm energy purchases from Hydro-Quebec of 7 million MWH per year for a ten-year period starting in 1990. While major licenses and approvals have been received and overall project engineering and construction has begun, the currently scheduled September 1, 1990 operation date does not appear achievable. It is not certain when operation will in fact commence.

Fuel Supply

For 1989, the Company's firm net output was derived 35.2% from oil, 32.0% from coal, 13.5% from nuclear, 4.5% from hydro and 14.8% from other sources.

Oil. The Company utilizes fuel oil primarily from domestic sources for much of its power generation. As shown in the table below, purchases of fuel oil are subject to significant pricing fluctuations. On August 1, 1989, the Company contracted with a single supplier to meet its requirements until December 31, 1990, but retained some ability to make spot oil purchases. The average fuel oil storage capacity for the Company's oil-burning units in 1989 was approximately 28 days. Inventory levels vary substantially based upon how often the units are called upon to run, what load they are required to maintain, and frequency of fuel oil deliveries which are made to assure adequate supply. Fuel oil is stored in a common tank farm for the Schiller and Newington stations. On December 31, 1989, a 21-day supply was on hand.

Coal. The Company has a supply agreement which covers up to 70% of Merrimack Station's coal requirements until January 31, 1991. In addition, the Company has a supply agreement with another coal supplier for twelve months ending March 31, 1990 and purchases the remainder of its coal supply in the spot market. Merrimack Station consumes approximately 1,000,000 tons of coal per year. On December 31, 1989, a 68-day supply was on hand.

For the first six months of 1989, Schiller Units 4, 5 and 6, the Company's existing dual fuel (coal and oil) fired units, utilized oil as the primary fuel. During 1989, the Company has burned a variety of test coals in the units. The Company has solicited bids and continues to analyze these bids for price and availability and expects to sign more than one supply agreement for coal in 1990 and the following years. Since the three Schiller units are capable of burning both coal and fuel oil, the units are dispatched on the most economical fuel in accordance with the provision of the NEPOOL Agreement. On December 31, 1989, a 62-day supply of coal was on hand for the Schiller units.

The Company's approximate average costs of oil and coal for 1985 through 1989 were as follows:

	Oil Per Barrel	Oil Per Million BTU	Coal Per Ton	Coal Per Million BTU
1985...........	$25.20	$3.91	$58.13	$2.15
1986...........	13.49	2.10	59.18	2.15
1987...........	17.16	2.65	55.32	2.05
1988...........	12.52	1.93	50.95	1.92
1989...........	14.67	2.26	46.74	1.76

Nuclear. The Joint Owners have contracted for the nuclear fuel cycle materials and services required to commence operation of Seabrook and to meet its requirements through twelve full months of operation and at least two subsequent annual reloads. Contracts for segments of the nuclear fuel cycle will be required subsequently, and their availability, prices and terms cannot be predicted.

As required by the Nuclear Waste Policy Act of 1982, the Joint Owners entered into a contract with the United States Department of Energy ("DOE") for the transport and disposal of Seabrook spent fuel at a national nuclear waste repository. Under the Act, a national repository for nuclear waste at Yucca Mountain, Nevada was anticipated to be in operation by 2003. The DOE recently extended the earliest possible operation date to 2010 citing refusals by the state of Nevada to issue environmental permits to commence site studies at Yucca Mountain. Because of contingencies in the Act, the Company cannot predict whether the federal government will be able to provide interim storage or permanent disposal repositories for spent fuel and/or high level radioactive waste materials. Seabrook will have enough on-site storage to accommodate all spent fuel accumulated for at least ten years after commencing operation.

The Company has been advised by the companies operating the other nuclear generating stations in which the Company has an interest that they have contracted for certain segments of the nuclear fuel cycle through various dates. The Company has further been advised that these operating nuclear generating stations have or will have storage capacity to meet the spent fuel storage needs of the units through various dates into the late 1990's.

Joint Projects

The Company is, through stock ownership, part owner with other New England electric utilities of four nuclear generating companies. The Company owns a 7% interest in Yankee Atomic Electric Company, a 5% interest in Connecticut Yankee Atomic Power Company, a 5% interest in Maine Yankee Atomic Power Company and a 4% interest in Vermont Yankee Nuclear Power Corporation, each of which owns an operating nuclear generating plant with present net capabilities of 173 MW, 591 MW, 865 MW and 520 MW, respectively. The stockholders of each of the four nuclear generating companies are entitled to the output of the plant in proportion to their respective ownership shares and are obligated to pay for such output their proportionate shares of the generating company's operating expenses and returns on invested capital. They are also obligated to pay, when called upon by the individual generating company, their proportionate shares of such generating company's capital requirements not provided from outside financing.

In addition to the joint ownership of Seabrook which entitles the Company to 409.05 MW of Seabrook capacity and related energy upon its operation (see "Seabrook Nuclear Plant" above), the Company is participating on a tenancy-in-common basis with other New England utilities in the ownership of Millstone Unit 3 in Connecticut. The Company's ownership interest of 2.8475% entitles it to 32.9 MW of that unit's capacity. The Company also owns a small interest in Unit No. 4 of the Wyman Plant, located in the State of Maine and jointly-owned with other utilities.

Competition

Large rate increases to allow a recovery of, and return on, all of the Company's investment in Seabrook could erode the Company's competitive position in its service area. If the Company's rates increase greatly, other sources of supply might become available at costs less expensive than the Company's power, and a number of the Company's large customers may use such other sources rather than purchase the Company's power. Additionally, the higher the rate increases, the greater the likelihood that certain municipalities would consider the feasibility of acquiring the Company's distribution facilities located within the municipality, and operating them as a municipal electric department.

In 1989 the Company hired outside economic consultants, Bower Rohr & Associates, which completed a study that indicated that a one-time nominal rate increase that averages 31% and varies among customer classes with annual increases thereafter at the rate of inflation is affordable, that is, both bearable and feasible. The Bower Rohr & Associates study was in part based upon a review and assessment of related studies done by Company personnel and other consultants, which reached similar conclusions.

The studies included examinations of the price elasticity of demand for electric energy, the price and availability of alternative sources of energy, the possibility of industrial customer relocation or use of cogeneration facilities, and the extent to which higher electric rates might result in the establishment of municipal electric departments to serve their residents directly. Also considered were the effects that higher electric rates might have on the economic and social well-being of customers.

The conclusions reached in the studies were that while there would be some social and economic effects and some loss of sales to the Company from the increases under review, the higher rates would not cause undue social disruption or economic hardship, or significant shrinkage in size of the Company as an energy provider. The level of rate increases considered by these studies is substantially higher than the increases under the Rate Plan.

Small Power Producers. In 1978, the New Hampshire Legislature enacted the Limited Electrical Energy Producers Act ("LEEPA") to provide for small scale and diversified sources of supplemental power. Shortly thereafter, the United States Congress enacted a similar statute, entitled the Public Utility Regulatory Policies Act ("PURPA") which, among other things, required the FERC to promulgate rules to encourage the development of alternate energy resources by requiring electric utilities to purchase electric energy from qualifying facilities at just, reasonable and non-discriminatory rates.

Under LEEPA and PURPA and the regulations issued thereunder, an electric utility must purchase the entire electrical outputs of power from qualifying facilities ("Small Power Producers") located within its franchise area at the utility's avoided cost. In July 1984, acting pursuant to its authority under LEEPA and PURPA, the NHPUC established the long-term rates at which the Company was required to purchase power from Small Power Producers. Since issuing its 1984 Order, the NHPUC has on three occasions either updated the rates or changed the methodology for determining the rates at which the Company must purchase power from Small Power Producers. These rate updates had no effect on the high long-term rates approved previously by the NHPUC. Because the Company's actual and projected avoided costs have declined substantially in recent years, due largely to a reduction in fossil fuel costs, the price that the Company pays for power it purchases under NHPUC long-term rate orders and pivately negotiated contracts is, therefore, well in excess of its avoided costs.

After numerous requests by the Company, the NHPUC issued an order in April, 1988 which laid the groundwork for institution of a new policy encouraging a return to privately-negotiated arrangements between the Company and Small Power Producers. As a result, the Company released in July, 1989 its first Request for Power Supply Proposals seeking to obtain 50 megawatts of economic and reliable power from small and independent power producers, cogenerators, other non-utility and utility sources. Proposals were received in December 1989 and on February 5, 1990 the respondents were notified that, although the impending acquisition of the Company by NU raises significant issues as to further need for and cost of power, the Company intends to proceed with its evaluation of proposals. The respondents were then asked to signify whether they desired to have the proposal evaluated further, in light of a potential termination of the process.

As of December 31, 1989, the Company was purchasing the entire generation (198 megawatts) from 75 existing Small Power Producers. During 1989, the Company spent over $121 million for 1,132,000 megawatt hours of power from these facilities. Also, approximately 63 megawatts of load is being offset by 25 customers of the Company who have installed generation units primarily to meet their internal needs but may sell excess power at short-term rates on a when available basis. Although numerous additional projects have been discussed with the Company, most of these were preliminary in nature and will most likely not be developed.

Under the Plan, NU will undertake its best efforts to renegotiate existing power purchase arrangements between the Company and thirteen of the largest Small Power Producers currently operating under the Small Power Producer rate orders. The State has agreed to support NU in these efforts. NU does not seek rejection under the bankruptcy laws of any of the arrangements currently in place with the Small Power Producers.

Regulation

General. During the pendency of bankruptcy proceedings the Company and its properties and operations are subject to the jurisdiction of the Bankruptcy Court.

Subject to the foregoing, the Company, as to retail rates, securities issues, and various other matters, is subject to the regulatory authority of the NHPUC. The Connecticut Department of Public Utility Control has limited jurisdiction over the Company based on the Company's ownership as a tenant-in-common of a portion of Millstone Unit 3, (see "Joint Projects" above). Based upon the Company's ownership of generating and transmission facilities in Maine and transmission facilities in Vermont, the Company is subject to limited regulatory jurisdiction in those states. The Company is also subject, as to some phases of its business, including accounts, certain rates, and licensing of its hydroelectric generating plants, to the jurisdiction of the FERC under the Federal Power Act. The various nuclear generating units in which the Company has an ownership interest are subject in their construction and operation to the broad regulatory jurisdiction of the NRC under the Atomic Energy Act of 1954, particularly in regard to public health, safety, environmental and antitrust matters.

Environmental Matters. The Company is subject to regulation with regard to air and water quality and other environmental considerations by various federal, state and local authorities. The Company cannot forecast the effect of all such regulations upon its generating, transmission and other facilities, or its operations.

The application of federal, state and local standards to protect the environment, including but not limited to those hereinafter described, involves or may involve review, certification or issuance of permits by various federal, state and local authorities. Such standards, particularly in regard to emissions into the air and water, thermal mixing zones and water temperature variations, may halt, limit or prevent operations, or require substantial investments in new equipment, at existing generating plants. They may also require substantial investments which are not included in the estimated construction expenditures set forth under "Construction Program" above.

Air Quality Control. Pursuant to the Federal Clean Air Act of 1970, as amended, the State of New Hampshire acting through the New Hampshire Department of Environmental Services - Air Resources Division ("ARD") has adopted regulations containing standards limiting emissions of particulates, sulfur oxides and nitrogen oxides which are generally designed to achieve and maintain federal primary ambient air quality standards. The Company believes that its fossil fuel generating units are being operated in compliance with ARD's regulations.

Pursuant to the 1977 amendments to the Clean Air Act, ARD has proposed lists showing those areas of New Hampshire which had attained or failed to attain national ambient air quality standards, and revised the state implementation plan, which the Environmental Protection Agency ("EPA") has accepted. It does not appear that the revised state implementation plan will require the Company either to modify operations at any of its fossil fuel generating plants or to expend funds for additional air pollution control equipment unless the current State plans for attainment in non-attainment areas prove to be inadequate.

The New Hampshire Acid Rain Control Act requires significant reductions in sulfur dioxide emissions from all major sources, beginning January 1, 1991. A low sulfur coal test program is currently being conducted at Merrimack Station to determine the availability of coals that would enable the Company to meet the requirements of this Act without the installation of air pollution control equipment. It appears that such coals are available. In the event that they are not, the Company will have to install air pollution control equipment or take action to effect compliance. The capital cost of such equipment is estimated to be approximately $165 million after 1990 but before 1995. None of such cost is included in the construction expenditures set forth under "Construction Program" above. The installation of such equipment would increase operating costs and reduce the net capability of the units.

Permits issued by ARD to operate the two coal-fired units at Merrimack Station contain limits on the opacity of smokestack discharges and on particulate emissions. The Company is currently operating Merrimack Unit 1 in conformance with an interim compliance schedule as revised and approved by ARD to reflect the impact of the Acid Rain Control Act referred to above. In accordance with this schedule, the Company has installed new pollution control equipment on Merrimack Unit 1 for reduction of particulate emissions. This equipment became operational following the unit's November 1989 scheduled annual outage. The Company is awaiting confirmation from ARD that the requirements in the compliance schedule have been met.

The Company's operating permit for Merrimack Unit 2 was reissued by ARD in 1987 containing several new conditions, one of which for the first time correlated particulate emission discharge measurements to violations of an opacity limit that is more stringent than required by ARD regulations. While the Company successfully appealed this condition on technical grounds, the stringent opacity limit continues to be used as an indicator of stack emissions. Future failures to meet the opacity limit may be used at the ARD's discretion to require additional EPA Method Five stack testing.

In December 1988 the ARD issued an administrative order which directed the Company to prepare and submit to ARD a compliance plan for certain boilers at Newington Station to assure that further violations of the opacity limits established by ARD's regulations and by the existing permit for the station do not occur. On March 16, 1989 the Company submitted a proposed compliance plan which detailed changes in boiler firing procedures, increased opacity monitoring audits and revised exceedence notification procedures. On August 7, 1989 the ARD accepted the revised compliance plan as adequate to satisfy the requirements of the administrative order and has reissued the permit to operate containing certain conditions which remain the subject of negotiations between the Company and the ARD.

Water Quality Control. The Company has received from the EPA, or from the Maine Department of Environmental Protection in the case of one generating station located in the State of Maine, all permits required under the Federal Water Pollution Control Act, as amended, for discharges of thermal and other effluents from its generating stations. Such permits have varying expiration dates and the Company has made and expects to make appropriate and timely applications for renewal. The Company is required to report periodically permit noncompliances.

On July 27, 1989, the New Hampshire Department of Enviromental Services ("DES") notified the Company as to certain concerns which DES had with respect to Merrimack Station's waste water handling system and requested the Company to address such concerns at the time of the reissuance of the station's discharge permit later in 1990. The Company believes that additional site work will be required at a cost of $300,000 in 1991 to isolate the wetlands from the station's waste water handling system. This construction cost is not included in the construction costs detailed in

"Construction Program" above.

The EPA's effluent limitations guidelines and standards for steam electric power plants impose rigorous limitations upon the industry. A United States Court of Appeals has remanded the guidelines and standards to the EPA for reconsideration. With the exception of occasional noncompliance noted above, the Company believes it is in compliance with all applicable guidelines and effluent limits specified in the Company's existing permits.

The Company has an ongoing requirement in the discharge permit for Merrimack Station to monitor the effect of the station's operation on the Merrimack River. The Company has thus far been able to show as required by the permit that Merrimack Station's present once-through cooling system does not interfere with resident fish in the affected portion of the Merrimack River. The permit requires that additional biological studies be performed by the Company at such times as significant numbers of migratory fish are restored to the Merrimack River for the purpose of showing as required by the permit that the present cooling system does not interfere with migratory fish.

Resource Conservation and Recovery Act. Pursuant to the Resource Conservation and Recovery Act of 1976, as amended, the EPA has issued regulations relative to the generation, transportation and disposal of certain wastes as well as underground storage tanks. In addition, the DES - Waste Management Division has similar regulations which have received final approval from the EPA. The Company has reviewed the application of these regulations to its operations and believes it is in compliance with the EPA and New Hampshire regulations applicable to its operations.

Toxic Substances Control Act. Pursuant to the Toxic Substances Control Act of 1977, the EPA has issued regulations regarding the manner in which polychlorinated biphenyls ("PCB") are to be handled, including those found in certain types of transformers and capacitors. The Company has reviewed the applicability of these regulations to its operations and has established programs to meet the compliance schedules. The required phase-out of PCB capacitors was completed prior to the October 1, 1988 deadline. The Company believes that it will be able to meet the EPA regulations and compliance deadline of October 1, 1990 with respect to PCB transformers located in or near commercial buildings.

Comprehensive Environmental Response, Compensation, and Liability Act. Pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") of 1980, as amended, the Company is required to identify sites from which releases of hazardous substances into the environment might occur or have occurred, to report releases (including spills) of hazardous substances, and to participate in the cleanup of such sites or releases. The Superfund Amendments and Reauthorization Act of 1986 significantly expands CERCLA, including an emergency planning and Community Right-To-Know program. The Company has reviewed the application of these regulations to its operations and has achieved and maintained compliance. The Company has been notified that it is a potential responsible party under CERCLA at four sites in New Hampshire and under Massachusetts law for a site in Lowell, Massachusetts. Investigations conducted by the Company currently indicate that the Company's exposure to possible liability for clean up at any of these sites would most likely not be significant. The Company understands that the EPA has one of the New Hampshire sites under more detailed review and that upon reciept of additional information from the EPA a further review of the potential of Company liability will be undertaken.

Other Environmental Expenditures. The operation of Seabrook, including compliance with environmental considerations, is also subject to regulation by the NRC and the EPA. The Company believes that all required permits have been obtained and are in full force and effect pending commencement of full-power operation. At December 31, 1989, the Company's share of expenditures for environmental protection facilities at Seabrook amounted to approximately $158 million, the major portion of which was for facilities to reduce the thermal effect of the discharge of the Seabrook condenser cooling system.

Employees, Salaries and Wages

As of December 31, 1989 the Company had approximately 2,750 employees, of whom 882 were employed by NHY. Due to budgetary constraints, limitations have been instituted on the hiring of additional employees.

Approximately six hundred of the Company's employees (none of whom are employed by NHY) are represented by two unions with which the Company has contracts expiring on May 31, 1991. Contract negotiations with both unions were completed in May 1989 and the new contract went into effect June 1, 1989. The new agreement calls for a 4.5% and 5.0%

wage increase over the two-year life of the agreement, with no major changes to working conditions. Salary increases are granted on a comparable basis to non-union employees.

NU and the Company have agreed upon and the Bankruptcy Court has approved a program which provides that for all employees, other than (i) senior officers, (ii) those employees, including certain officers, covered by the Company's Special Severance Pay Plan, (see Item 11. "Executive Compensation - Special Severance Pay Plan"), (iii) employees of NHY, or (iv) employees covered by a collective bargaining agreement, there shall be no layoffs, salary or benefit reductions, involuntary transfers or relocations or involuntary terminations (other than for cause) for a period of 18 months after confirmation of the Plan. Involuntary termination (other than for cause) within 12 months thereafter may only occur after 60 days notice and will entitle the terminated employee to severance pay in an amount based upon salary grade, current salary level, and length of service with certain minimum payments depending upon salary grade and a maximum of three months of continued health insurance benefits.

Wholesale Customers

NHEC, which has a 2.17391% ownership interest in Seabrook, currently purchases, as a wholesale customer, most of its electricity from the Company and is subject to regulation by the NHPUC as a public utility. In addition to sales to NHEC, the Company sells power at wholesale to four other municipal and electric utilities. For the year ended December 31, 1989, sales of power to the Company's wholesale customers accounted for approximately 9.4% of the Company's total prime sales and 6.3% of the Company's total revenues from prime sales; almost all of these sales are to NHEC. With Seabrook becoming operational, the amount of power purchased by NHEC from the Company and the revenues derived therefrom are not expected to increase and may decrease in the future.

Seasonal Nature of Business

Although the number of kilowatt-hours of electricity sold by the Company in its territory has historically been somewhat less in the spring and fall than during the winter and summer, the Company's electric revenues and operating income are dependent on a variety of other factors which are not necessarily seasonal, including contract sales of system and unit power to other electric companies, changes in the Company's rates and charges, the extent and nature of transactions involving NEPOOL and general economic conditions.

Item 2. PROPERTIES

The electric properties of the Company form a single integrated system including transmission facilities which are part of the New England-wide transmission grid. The generation and transmission systems of the major New England utilities, including the Company, are operated as if they were a single system. The Company has 1,220 MW of its own generating capacity and 99 MW from its participations in the four nuclear generating companies. The Company also has various contracts for purchased capacity. In January 1989, the Company experienced its maximum one-hour prime peak load of 1,441 net MW. See Item 1. Business "New England Power Pool".

The Company has a two-unit coal-fired 479 MW electric generating station (Merrimack Station), from one unit of which the Company has agreed to sell to another utility 100 MW on a single-unit basis through April 1998, one oil-fired 422 MW electric generating station (Newington Station) and Schiller Station (179 MW), three units of which have the capability of burning either oil or coal and one oil-fired unit. In addition to its 409 MW interest in Seabrook, the Company also has other generating units with an aggregate effective capability of 239.4 MW as follows: hydroelectric (68 MW), combustion turbine (116 MW), diesel (3 MW), its share (19.5 MW) of Wyman Unit 4, a 620 MW oil-fired generating plant jointly-owned with other utilities and located in the State of Maine, and its share (32.9 MW) of Millstone Unit 3, a 1,150 MW nuclear-fueled steam-electric generating plant jointly-owned with other utilities and located in the State of Connecticut.

On December 31, 1989 the Company had approximately 1,788 pole-miles of transmission lines, 11,092 pole-miles of distribution lines, and 217 transmission and distribution substations having an aggregate capacity of 5,726,083 KVA.

The Company owns office buildings in Manchester and Portsmouth, New Hampshire. It rents space in an office building in Manchester for its principal offices under a 30-year lease expiring in 2002. Annual base rentals under this lease are approximately $1.5 million subject to annual escalation. In 1989 the Company paid approximately $2.3 million. The Company also owns other structures used as service buildings, storehouses and garages, and leases space for offices and other purposes at various locations in its service area.

The real and tangible properties of the Company (excluding fuel) are presently subject to the lien of the indenture for the First Mortgage Bonds and the indenture for the General and Refunding Mortgage Bonds. In addition, substantially all of the Company's real and tangible property located in New Hampshire is presently subject to the lien of the indenture for the Third Mortgage Bonds. Upon effectiveness of the Plan, it is expected that these liens will be discharged and will be replaced by other liens securing the first mortgage bonds and other debt to be issued by Reorganized PSNH. The principal properties of the Company are held by it in fee and are free from other encumbrances, subject to minor exceptions which do not substantially impair the usefulness to the Company of such properties. The transmission and distribution facilities of the Company are with minor exceptions either located on land owned in fee or pursuant to easements, or with respect to those in or over public highways or public waters are so located pursuant to adequate statutory or regulatory authority, subject to minor defects, which do not, however, threaten to impair the right of the Company to maintain and operate its poles, wires and conduits.

Item 3. LEGAL PROCEEDINGS

The Company is operating its business as a debtor-in-possession under the jurisdiction of the Bankruptcy Court as described above under Item 1. Business. Consequently, the Company is required to seek Bankruptcy Court approval for many business decisions and transactions involving the Company, and the Company's requests for such approval have frequently been contested by one or both of the Committees or other parties in the Chapter 11 case, including the State of New Hampshire.

Rates

New Hampshire Public Utilities Commission. On January 11, 1989, the NHPUC issued an order of notice which opened a docket to investigate the reasonableness of the rates charged by the Company, based on information that the Company was earning an overall rate of return of 16.67% on its non-Seabrook rate base. The currently authorized rate of return is 14.94%. On February 16, 1989 the Bankruptcy Court preliminarily enjoined against the NHPUC from proceeding with this rate case. The Court's order does not preclude the NHPUC from conducting its routine regulatory oversight and supervision of the Company, including matters relating to the fixing of energy cost recovery charges or the investigation of specific components of the Company's rates based upon external events that may affect rates. Since then, the parties have agreed to postpone proceedings on a permanent injunction. The preliminary injunction remains in effect, but was relaxed to allow NU to pursue the Rate Plan before the NHPUC.

In May 1989, the Company submitted, in response to an earlier order of the NHPUC, its Integrated Least Cost Resource Plan, one component of which was a solicitation for an additional 50 MW to be supplied by either utility or non-utility sources. Proposals were received in December 1989 in response to the Company's request for proposals. In February 1990 the respondents were notified that, although the impending acquisition of the Company by NU raises significant issues as to further need for and cost of power, the Company intends to proceed with its evaluation of proposals. In its October 1989 order accepting the Company's Integrated Least Cost Resource Plan, the NHPUC ordered, among other things, that the Company's long term avoided costs estimates be approved for 1989 as filed and should serve as the basis for the Company's negotiations with qualified facilities and that the Company participate in a collaborative process on a demand side management program design and related policy issues.

On November 20, 1989, the Company filed with the NHPUC to increase its Energy Cost Recovery Mechanism ("ECRM") rate. The ECRM rate is normally adjusted semi-annually in January and July and includes estimates for fuel and purchased power costs for the subsequent six month period and reconciles and adjusts for the over- or under-recovery for the prior six month period. On December 18, 1989 the Governor of the State of New Hampshire signed RSA Chapter 362-C ordering the NHPUC to initiate a 5.5% temporary rate increase to the base rates of the Company to be held in escrow during a six month period in which the NHPUC would examine the Rate Plan entered into between the Governor and the Attorney General, on behalf of the State, and NU. On December 21, 1989 the parties to Docket DR 89-219 (the NHPUC docket opened pursuant to RSA Chapter 362-C) entered into an agreement for the calculation of ECRM. On December 28, 1989 the Commission ordered the establishment of a temporary energy cost recovery mechanism (consistent with the rate established for the previous six month period) and a grand reconciliation for the period July 1, 1989 through June 30, 1990 on or after July 1, 1990. For the six months ended December 31, 1989 the Company's under-recovery was approximately $13.7 million.

PURPA requires state utility regulatory commissions to make determinations with respect to certain issues of utility regulation. Accordingly, the Company is at various times subject to continuing PURPA related activity as administered by the NHPUC with regard to rate design, rate structure, conservation and load management.

Federal Energy Regulatory Commission. In February 1987 the Company received a final audit report for the years 1982 - 1984 from the FERC in which the FERC audit staff made contested adjustments which included requiring refunds of certain spent nuclear fuel disposal costs and the expensing of cancellation charges on a nuclear fuel contract which were previously capitalized. FERC consolidated its hearing on these issues with that of Montaup Electric Company, which was in hearings with the FERC addressing similar issues. The Company subsequently resolved the spent nuclear fuel disposal costs issue. On January 18, 1989, the Administrative Law Judge issued a decision which resolved the remaining issues, including cancellation charges on the nuclear fuel contract which required the Company to reclassify the amounts in question from the nuclear fuel accounts to a deferred asset account. The Company has complied by making the required adjustment. See Note 3 of Notes to Financial Statements.

On January 30, 1989 the Company filed a new non-firm transmission tariff which increased the rates contained in the previous tariff. On March 31, 1989 FERC accepted the tariff for filing and permitted it to become effective on May 2, 1989 without providing for refunds or ordering a hearing. Several utilities filed applications for rehearing requesting that a hearing be ordered and that the increase in tariff rates be suspended or made effective subject to refund pending the outcome of the hearing. While FERC did grant a rehearing for the purpose of considering the applications, on September 28, 1989 it issued an order denying all appeals.

Securities Litigation Against the Company. Various class actions have been filed in the United States District Court for the District of New Hampshire against the Company and certain present and former officers and directors, independent accountants, outside counsel, and various underwriters of the Company's securities. These actions assert securities law violations in connection with alleged misrepresentations and omissions relating to Seabrook, including the estimated cost and completion date thereof, in the Company's prospectuses and other disclosure documents. Each action is alleged to be brought on behalf of a class of purchasers of the Company's securities consisting of those who purchased through a particular public offering, through the Company's dividend reinvestment and common stock purchase plan or on the open market during various periods from October 29, 1981 through March 1, 1984. The suits sought unspecified damages and rescission. After consolidating the suits the District Court dismissed certain fraud and misrepresentation claims and certified only three of the eight potential classes of stockholders for which certification was sought. On January 14, 1988, the Court reaffirmed that order, but directed the parties to proceed with class notice and discovery. These actions were stayed as to the Company by the automatic stay in the Chapter 11 case. On agreement of all parties, neither discovery on the part of the remaining plaintiffs nor class notice commenced. On January 17, 1990 all parties to the various class actions filed in the District Court a proposed settlement of the actions. The settlement is subject to the approval of the District Court and the notice to the classes of purchasers on whose behalf the actions were brought required by the terms of the settlement has been given. Under the terms of the proposed settlement, contributions to the gross settlement fund of $5.3 million are made by or on behalf of all defendants other than the Company. The Company contributes nothing to the settlement fund and is released from all claims which were or might have been asserted by all class members in connection with purchases of the Company's securities during the period October 29, 1981 through March 1, 1984. The contribution to the gross settlement fund on behalf of the defendant directors and officers consists of proceeds from a directors and officers liability insurance policy purchased by the Company in 1983. The Company has determined that the defendant directors and officers are entitled to indemnification under the Company's by-laws and applicable New Hampshire law for certain costs of their defense in the various class actions. The indemnified defense costs were advanced to the defendant directors and officers by the Company prior to its entry into bankruptcy proceedings in January 1988. The pre-bankruptcy defense costs of the Company and the defendant directors and officers totaled approximately $1.3 million; the Company estimates that at least one-half of that amount is allocable to its own defense. On February 22, 1990 the Bankruptcy Court approved the Company's indemnification of such defense costs of the defendant directors and officers and approved the Company's participation in the proposed settlement. The District Court has scheduled a hearing to determine whether the proposed settlement is fair, reasonable, adequate and in the best interest of the classes of purchasers' on whose behalf the actions were brought for May 7, 1990.

In December 1987, Spear, Leeds & Kellogg, a New York partnership engaged in securities, option and commodity trading, filed an action against the Company and certain of its present and former directors and officers in the U.S. District Court for the Southern District of New York, *Spear, Leeds & Kellogg v. Public Service Company of New Hampshire, et al.*. Elliott Associates, L.P., a Delaware limited partnership engaged in trading securities, subsequently joined the suit as an additional plaintiff. The plaintiffs asserted various securities law and fraud claims against all defendants. Plaintiffs also alleged breach of contract against the Company only. All of the plaintiffs' claims purportedly arose out of the suspension by the Company of the exercise rights under the Company's outstanding warrants (the "Warrants") to purchase shares of Common Stock issued in connection with the initial offering of the Company's 17-1/2% Debentures due 2004 (the "17-1/2% Debentures"). Plaintiffs sought damages of an unspecified amount. Plaintiffs also sought punitive damages, costs and attorneys fees. Both plaintiffs had also filed proofs of claim in the Chapter 11 case on substantially the same allegations as made in the complaint. In December 1988, the District Court denied a motion by defendants, other than the Company, for dismissal of the complaint as amended and their alternate motion for summary judgment. The District Court ordered the parties, other than the Company, to conclude discovery by February 10, 1989 and to be prepared for a trial in March 1989. This action was stayed as to the Company by the automatic stay in the Chapter 11 case.

On March 31, 1989, the Bankruptcy Court approved a stipulation of settlement reached earlier among the plaintiffs, the Company, and the defendants other than the Company (the "Individual Defendants"). Under the settlement, the plaintiffs agreed to dismiss all claims which they might have asserted in connection with the purchase, transfer, or sale of 17-1/2% Debentures, Warrants, or shares of Common Stock between May 1, 1986, and the date of the Stipulation of Settlement and to withdraw their related claims in the reorganization case; the Individual Defendants agreed to pay $975,000, which was held in escrow until the settlement became final and was provided by the insurance company providing directors and officers insurance for the applicable period; and the Company agreed to cause the issuance of shares of Common Stock of the Company to all holders of Warrants who tendered round lots of 200 Warrants and $1,000 face amount of the 17-1/2% Debentures during the period May 1, 1989, through September 15, 1989. The issuance of shares of Common Stock under the settlement was subject to certain conditions and exceptions, including the earlier referenced approval by the Bankruptcy Court. The Bankruptcy Court's approval of the settlement was contingent upon the District Court entering an order that the terms and conditions of the issuance of the shares of Common Stock of the Company were fair and that the exchange and issuance contemplated by the settlement are within the exemption provided in Section 3(a)(10) of the 1933 Act, 15 U.S.C. section 77c(a)(1982). That order was entered on April 24, 1989. The settlement became final on September 15, 1989, the action was dismissed and the suspension of the Warrant exercise right previously in effect was reinstated. Through September 15, 1989 (the last day on which Warrants could be exercised under the settlement) 4,952,800 shares of the Company's Common Stock were issued in exchange for $24,764,000 principal amount of the 17-1/2% Debentures (which were cancelled after surrender) and 4,952,800 Warrants, leaving 13,420,199 Warrants outstanding.

On March 1, 1990 an action was commenced in United States District Court for the District of New Hampshire captioned *Dominick Zaccoli v. Robert J. Harrison, et al.*, (No. C-90-100-L). The action is brought individually and as a purported class action on behalf of all others similarly situated against the same present and former directors and officers named in the Spear, Leeds suit described above. The Company is not named as a defendant. The complaint alleges claims under Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, under certain provisions of the New Hampshire Blue Sky laws (RSA 421-B), and under common law. The allegations of the complaint are substantially the same as the allegations in the Spear, Leeds action. The complaint seeks damages in an unspecified amount and costs and attorney's fees.

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

There was no matter submitted to a vote of the Company's security holders during the fourth quarter of fiscal 1989.

Item 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

Information is set forth below as to the names and ages of the executive officers of the Company, their positions as officers of the Company both current and for the past five years, their length of service with the Company, and in the case of Messrs. Edwards and Feigenbaum, a brief explanation of their respective prior five years' business positions and responsibilities.

Name	Position	Age and (Years of Service)
John C. Duffett	Chairman, President and Chief Executive Officer since February 1990; President and Chief Executive Officer (1988-1990); Executive Vice President and Chief Operating Officer (1986-1988); Senior Vice President (1982-1986)	62(36)
George Branscombe	Senior Vice President - Finance and Treasurer since November 9, 1989; Vice President and Treasurer (1985-1989); Treasurer (1982-1985)	42(10)
D. Pierre G. Cameron, Jr.	Senior Vice President and General Counsel since October 1988; Vice President and General Counsel (1980-1988)	55 (9)
John P. Edwards	Senior Vice President - Customer Affairs since October 1988; Vice President for Public Affairs (1985-1988); Vice President - Corporate Communications, Public Service Company of Indiana, Inc., Plainfield, Indiana (1982-1985)	47 (4)
Ralph S. Johnson	Senior Vice President since October 1988; Vice President (1985-1988); Director of Power Planning/Supply (1984-1985)	46(21)
Ted C. Feigenbaum	Chief Nuclear Production Officer since January 11, 1990; Senior Vice President - New Hampshire Yankee Division (1989-1990); Executive Assistant to Senior Vice President - Nuclear Energy (1986-1987); Project Engineer, Ebasco Services, Inc., New York, New York (1978-1986) (1)	39 (4)
William T. Frain, Jr.	Vice President (2)	48(25)
Earl G. Legacy	Vice President since April 1988; Director of General Engineering (1983-1988)	57(30)
James L. Nevins	Vice President (2)	55(21)
Robert A. Parks	Vice President (2)	44(21)
Frederick R. Plett	Assistant to the President since January 1990; Assistant Vice President (1988-1990); Assistant to the President (1985-1988); Director - Corporate Strategic Planning (1982-1985)	43(22)

Name	Position	Age and (Years of Service)
John J. Lampron	Assistant Vice President (2)	45(18)
Bruce W. Wiggett	Comptroller since April 1988; Assistant Comptroller (1981-1988)	43(15)
Russell A. Winslow	Secretary (2)	55(28)

(1) As Project Engineer for Ebasco Services Incorporated, Mr. Feigenbaum had various construction and operation responsibilities on utility power projects, including the construction and operation phases of the St. Lucie Plant of Florida Power & Light Company.

(2) Has held same position for at least five years.

PART II

Item 5. MARKET FOR THE COMPANY'S COMMON EQUITY AND RELATED SECURITY HOLDER MATTERS

Shares of the Company's Common Stock are traded on the New York and Pacific Stock Exchanges. The high and low sales prices during 1989 and 1988 on the New York Stock Exchange were as follows:

	1989		1988	
	High	Low	High	Low
First Quarter	6 1/8	3 5/8	3 3/4	3 1/8
Second Quarter	4 5/8	3 3/4	4 1/2	3
Third Quarter	4 1/2	3 7/8	4 3/4	3 7/8
Fourth Quarter	4	2 3/4	6	4 1/4

Since April 1984 the Company has omitted dividends on shares of its Common and Preferred Stocks.

Subject to the prior right to dividends on shares of the Company's Preferred Stock, $100 par value, and on shares of its Preferred Stock, $25 par value, and to the limitations set forth in this and the next succeeding paragraph, shares of Common Stock are entitled to dividends when and if declared by the Board of Directors out of any remaining funds legally available therefor. As a result of the omission of quarterly dividends payable on shares of the Company's Preferred Stock, and the failure of the Company to make sinking fund payments on certain series of the Company's Sinking Fund Preferred Stock, no dividends may be paid on shares of the Company's Common Stock. Such dividends may not be resumed until the Company has made the sinking fund payments and paid the dividend arrearage on shares of its Preferred Stock. In addition, the NHPUC has issued an order that directed the Company not to pay dividends on shares of its Common and Preferred Stock until authorized to do so by further NHPUC order.

The Company anticipates that no such payments will be made during the Chapter 11 case, and believes that any reorganization plan in the Chapter 11 case will substantially alter or eliminate the rights of the holders of shares of Preferred and Common Stock. See Item 1. "Business - Speculative Nature of the Company's Securities - Equity Interests".

Item 6. SELECTED FINANCIAL DATA

	1989	1988	1987	1986	1985
	(Thousands of Dollars Except Per Share Amounts and Ratios)				
Operating Revenues	$ 619,388	$ 603,485	$ 549,108	$ 505,190	$ 519,740
Fuel and Purchased Power Expense	289,855	267,769	221,142	217,644	247,809
Operating Income	88,443	104,543	98,148	83,888	81,173
Total AFUDC	1,409	1,740	2,291	194,275	175,799
Capitalized Interest	36,029	[illegible]7,479	169,068	-	-
Losses on Generating Projects	(336,472)	-	(241,452)	(348,521)	-
Income (Loss) Before Cumulative Effect of Change in Seabrook Plant Accounting (1)	(203,237)	55,273	(87,036)	(198,365)	154,742
Per Share:					
Earnings (Loss) Before Cumulative Effect of Change in Seabrook Plant Accounting	(5.07)	1.14	(3.44)	(6.44)	2.50
Ratio of Earnings to Fixed Charges	(1.83)	1.88	.30	.20	2.03
Shares of Common and Common Stock Equivalents Outstanding (Average)	40,089	48,134	37,194	37,194	[illegible]8,128
Unfinished Construction (2)	$1,530,500	$1,806,[illegible]4	$1,813,369	$1,874,289	$1,989,164
Total Assets	2,447,[illegible]21	2,703,788	[illegible]623,605	2,70[illegible],844	2,662,384
Long-Term Debt (3)	-		[illegible]88	1,[illegible]/2,585	1,089,922
Debt and Accrued Interest in Default (3)	-	-	[illegible]8	-	-
Liabilities Subject to Settlement Upon Reorganization (3)	1,691,115	1,675,250	-	-	-
Preferred Stock with Mandatory Redemption Requirements (4)	420,613	420,613	417[illegible]98	380,389	272,840
Total Capitalization (5)	2,274,313	2,437,794	1,214,609	2,5[illegible]2,802	2,467,555

(1) See Notes 2 and 3 of Notes to Financial Statements.
(2) See Note 3 of Notes to Financial Statements.
(3) Subsequently reclassified to Liabilities Subject to Settlement Upon Reorganization. See Note 5 of Notes to Financial Statements.
(4) Includes cumulative Preferred Stock dividends in arrears. See Note (b) of Notes to Statements of Capitalization.
(5) Not including Debt and Accrued Interest in Default.

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

Capital Requirements and Liquidity

The Company's Bankruptcy

On January 28, 1988, the Company filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code. The financial difficulties that led to the Company's bankruptcy were attributable to a combination of several factors: the magnitude of the Company's investment in the Seabrook Nuclear Generating Station Unit 1 ("Seabrook"), which represents more than half of the book value of the Company's assets on its financial statements; the delay in obtaining approval of the operation of Seabrook from the Nuclear Regulatory Commission ("NRC"); and the prohibition under New Hampshire law of the realization by the Company of any cash income from or return on that investment until Seabrook provides service to customers (the so-called anti-CWIP statute). In January 1988 the New Hampshire Supreme Court upheld the anti-CWIP statute and prevented the New Hampshire Public Utilities Commission ("NHPUC") from considering the Company's request for emergency rates, which were an essential element of the Company's efforts to achieve a financial restructuring outside of Chapter 11.

Since the filing of the petition for reorganization under Chapter 11, the Company has continued normal operations as a debtor-in-possession under the protection and subject to the jurisdiction of the Bankruptcy Court, and subject to approval by that Court of transactions not in the ordinary course. Two official committees represent the interests of the Company's unsecured creditors including debenture holders and trade creditors (the "Unsecured Creditors Committee") and the Company's equity security holders, including Preferred and Common stockholders and Warrant holders (the "Equity Committee") in the reorganization case. The Bankruptcy Court granted the State of New Hampshire ("State") full party in interest status in the case. The State has actively represented the interests of ratepayers in the case and particularly in negotiations toward a reorganization plan.

The Plan of Reorganization

The goal of a Chapter 11 reorganization case is a reorganization plan which resolves all claims against and equity interests in the reorganizing company. Since shortly after the filing of the Chapter 11 case, the Company engaged in negotiations with the State, the two Committees, and others to develop a plan that is supported by all of the major parties in the case. During the same period, others have attempted to do the same, including Northeast Utilities ("NU"), New England Electric System, and The United Illuminating Company, all of which sought to acquire or merge with the Company under a reorganization plan. On December 13, 1989, the Company announced its support for a plan (the "Plan") proposed by NU and also supported by the two Committees,the majority in amount of holders of the Company's Third Mortgage Bonds (and obligations secured by those bonds), and the State. NU is a registered public utility holding company with operations in Connecticut and Massachusetts. On April 20, 1990 the Bankruptcy Court confirmed the Plan. (See "Confirmation of the Plan", below).

The Rate Plan. The Plan is based on an agreement (the "Rate Plan") regarding rates and power supply between Northeast Utilities Service Company ("NUSCO"), an NU subsidiary, on behalf of NU, and the Governor and the Attorney General of the State of New Hampshire, on behalf of the State. The New Hampshire legislature approved the Rate Plan on December 14, 1989, subject to NHPUC review. The Rate Plan, which permits a departure from the anti-CWIP statute, provides for seven annual 5.5% increases in the Company's retail rates, commencing January 1, 1990. The first increase has already been implemented, and the amounts collected are currently being held in escrow, subject to final approval and effectiveness of the merger described below, except as to amounts to be collected from the later of final approval or July 1, 1990 through the Effective Date of the Plan, discussed below. The effectiveness of the Rate Plan is contingent upon NHPUC approval. The Rate Plan will be effective for Reorganized PSNH even if the merger with NU is not consummated.

The Plan. The Plan provides for the acquisition of the Company by NU in either a one-step or two-step transaction, depending on when certain regulatory approvals for the acquisition are obtained, and the distribution of up to $2.3 billion in cash and securities on the date (the "Effective Date") the Plan becomes effective and the Company emerges from reorganization as Reorganized PSNH. The Effective Date deadline specified in the Plan is August 1, 1990, but the Plan permits the deadline to be extended by the agreement of NU and the two Committees.

There are certain conditions to the Effective Date, including certain tax rulings, allowance in the reorganization case of not more than $900 million in unsecured claims against the Company, and certain regulatory approvals. The regulatory approvals required for the Plan to become effective include the NHPUC's approval of the Rate Plan and the issuance of securities of Reorganized PSNH, the approval (or waiver of jurisdiction by) the Connecticut Department of Public Utility Control with respect to securities issuance, and the approvals of certain transitional management arrangements, discussed below, by the Federal Energy Regulatory Commission ("FERC") and the United States Securities and Exchange Commission ("SEC"). The Company believes that these conditions can be met by the August 1 deadline or shortly thereafter. The FERC and the SEC have already approved the transitional management arrangement, and the NHPUC has set a hearing schedule that would result in its rendering a decision by early to midsummer 1990.

The Acquisition of the Company by NU. The Plan provides for NU's ultimate acquisition of the Company through the Company's merger with a wholly-owned subsidiary of NU that is to be formed solely for the purpose of effectuating the acquisition. At the time of the merger (or as soon thereafter as practicable) the Company's interest in Seabrook will be transferred to a newly-formed subsidiary of NU, North Atlantic Energy Company ("NAEC"), whose sole asset will be the Company's Seabrook interest. NAEC will enter into a contract with reorganized PSNH under which Reorganized PSNH will purchase the entire output of NAEC's interest in Seabrook for the life of the Seabrook license. Another NU subsidiary would be appointed as operator of Seabrook if required approvals of the Seabrook Joint Owners and the NRC are received.

These transactions require regulatory approvals of the FERC, the SEC, the NRC, and the public utility commissions of New Hampshire and Connecticut, and perhaps of Maine and Vermont, where the Company owns certain properties. Filings for approvals of the FERC and the SEC were made by NU in January 1990. Some sixty intervenors, including many New England utilities and all of the regulatory commissions and certain other officials of the New England states, have appeared in the FERC proceeding and have raised various issues in those proceedings, including certain antitrust and anticompetitive issues. A lesser number of intervenors, some of whom are also intervenors in the FERC proceedings, have appeared in the SEC proceedings and raised issues similar in large part to those raised before FERC.

If all regulatory approvals for NU's acquisition of the Company are obtained by the Effective Date, then the acquisition will occur on the Effective Date (the one-step transaction). Otherwise, the Company will emerge from reorganization as a stand-alone company, subject to a contractual obligation to be acquired by NU (the two-step transaction) upon the satisfaction of certain conditions. In the two-step transaction, holders of unsecured claims and of shares of the Company's existing Preferred and Common Stock will receive shares of Common Stock of Reorganized PSNH. When the acquisition ultimately occurs, holders of shares of Common Stock of Reorganized PSNH will receive $20 per share, in cash, and NU will acquire all shares of Reorganized PSNH's Common Stock. Based upon the current schedule in the FERC proceeding, it appears likely that the acquisition of the Company will be accomplished as a two-step transaction.

Distribution to Creditors and Shareholders Under the Plan. Under the Plan, all holders of secured claims (other than two existing issues of pollution control revenue bonds in the amounts of $100 million and $112.5 million, which may be assumed and reinstated by Reorganized PSNH under the Plan) will receive cash in the full amount of their claims for principal, interest, and interest on interest. Holders of unsecured claims will receive cash and, if the acquisition is a two-step transaction, shares of Common Stock of Reorganized PSNH. Holders of shares of existing Preferred and Common Stock of the Company will receive notes that are contingent on Seabrook's achieving certain licensing and operational milestones and either cash and warrants to purchase shares of NU Common Stock, if the acquisition is a one-step transaction, or shares of Common Stock of Reorganized PSNH and certificates entitling the holder to receive warrants to purchase shares of NU Common Stock when (and if) the acquisition by NU occurs, if the acquisition is a two-step transaction. Holders of the Company's outstanding Warrants (and any claims arising with respect to such Warrants) will receive in the aggregate $1.3 million in cash. The total amount of cash and face amount of securities (including the contingent notes) to be distributed to creditors and equity holders under the Plan is approximately $2.3 billion.

Confirmation of the Plan. On January 3, 1990, the Bankruptcy Court formally approved a disclosure statement for the Plan, ordered the Plan, the disclosure statement, and ballots for the Plan transmitted to all of the Company's creditors and equity security holders, and set April 4, 1990 as the date for commencing hearings on confirmation of the Plan. On April 20, 1990, following six days of hearings, the Bankruptcy Court entered orders overruling all objections to confirmation, finding all conditions to confirmation set forth either in the Bankruptcy Code or in the Plan satisfied, and confirming the Plan (the "Confirmation Order").

Transitional Board of Directors and Management. The Confirmation Order provides, consistent with the provisions of the Plan itself, that upon confirmation, all of the directors of the Company are deemed to have resigned, without further action by any person or entity, effective at 8:00 a.m. on April 30, 1990. A new, seven-member board will take office then. Three members were appointed by the Equity Committee, three members by the Unsecured Creditors Committee and one member was jointly appointed by both Committees. Each of the Creditors Committee appointees are also members of the Creditors Committee; each of the Equity Committee appointees are also members of the Equity Committee. No current directors or officers are among the new Board appointees. The new Board will serve until the acquisition is consummated. The new directors, their current affiliations, and their sources of appointment are:

Name	Affiliation	Appointed by
Joseph P. Tyrrell (Chairman)	Former Officer of Boston Edison	Joint Committee
James K. Arthur	Certified Reporting Co.	Equity Committee
Douglas A. Barry	Monarch Life Insurance Co.	Equity Committee
Nowell A. Blake	Mutual Benefit Life Insurance Co.	Equity Committee
Stephen Davis	IBJ Schroder Bank & Trust Company	Creditors Committee
James D. Neidhart	Equitable Life Assurance Society	Creditors Committee
Anthony Ben Walsh	Private Investor	Creditors Committee

In addition, a separate order of the Bankruptcy Court, entered April 13, 1990, provides, consistent with the provisions of the Plan itself, and subject to FERC and SEC approvals (which have already been obtained), that a Management Services Agreement (the "MSA") between the Company and NUSCO will take effect at 8:00 a.m. on April 30, 1990, under which the Company will be managed by NUSCO from then until the acquisition is completed or is terminated, whichever occurs first. The Plan provides that the Chief Executive Officer and each Senior Vice President of the Company will be deemed to have resigned, without further action by any person or entity, 60 days after April 30, 1990, or sooner, at the option of the Company on 30 days notice at any time after confirmation, but in no event later than the acquisition date. The Plan, the Confirmation Order and the MSA contemplate that the new seven-member board will select the officers of the Company to serve until the acquisition. The Chief Executive Officer and each Senior Vice President have tendered their resignations as officers, effective 8:00 a.m. on April 30, 1990. NUSCO advised the Bankruptcy Court during the confirmation hearing that the new Chief Executive Officer of the Company would be Leon E. Maglathin, a retired executive of Western Massachusetts Electric Co. (an NU subsidiary) and that the new Secretary/Treasurer would be Bruce W. Wiggett, who is currently Comptroller of the Company. These new officers, however, have not yet been appointed by the new board.

In view of the total change in control of the Company, its Board, and its management on April 30, 1990, there can be no assurance that any of the Company's existing policies or practices or any aspect of its business operations will remain unchanged on or after April 30, 1990.

Risks. There can be no assurance that any of the regulatory approvals required for the Effective Date of the Plan or for the acquisition will be obtained within the deadlines established in the Plan. Opposition to the Rate Plan and to the acquisition has already been filed by intervenors in the regulatory proceedings for approval of the Rate Plan and the acquisition. Unless all Effective Date conditions are satisfied, including financing arrangements reasonably satisfactory to NU, and all necessary regulatory approvals are obtained, the Plan will not become effective. Even if the Plan does become effective, if the requisite approvals for the acquisition by NU are not obtained, the acquisition will not occur.

If the Plan does not become effective, it will be necessary for the Company to seek to achieve another reorganization plan. The Company cannot reasonably predict whether or when it will be possible to achieve such a plan or what the terms of any such plan might be. If the Plan becomes effective but the acquisition is not consummated, Reorganized PSNH would be operated as a stand-alone company under the applicable provisions of the Rate Plan.

Speculative Nature of the Company's Securities

Equity Interests. In view of the uncertainty over effectiveness of the Plan and the consummation of the acquisition contemplated under the Plan and over the outcome of the Chapter 11 reorganization case if the Plan and the acquisition were not consummated, the value of the Company's outstanding equity securities is highly speculative. The Company ceased paying dividends on its Common and Preferred Stock in 1984. The Plan, or any other reorganization plan confirmed in the Chapter 11 case, will result in substantial alteration or elimination of some or all of the current rights of the holders of shares of Common and Preferred Stock. The dilution in equity interests that will be suffered by holders of shares of the Company's Common and Preferred Stock in any reorganization, including under the Plan, is likely to be extensive.

Unsecured Indebtedness. The Company has not paid interest on its unsecured indebtedness since October 1987 and does not anticipate that it will resume interest payments before emergence from reorganization. Upon emergence, it is likely that the rights of holders of unsecured claims will be substantially altered, and the holders will likely receive cash and other securities in satisfaction of their claims. If the Effective Date of the Plan does not occur, the Company cannot predict what form or amount of distribution the holders of unsecured claims will receive in the reorganization.

Secured Indebtedness. Cash flow concerns could result in the suspension of the payment of interest on some or all of the Company's secured indebtedness. If the Effective Date of the Plan does not occur, the Company cannot predict what form or amount of distribution the holders of secured claims will receive in the reorganization (see "Cash Flow Concerns" below).

Cash Flow Concerns

Upon the filing of the Chapter 11 case, the Company ceased making interest and principal payments on all of its indebtedness. The Company resumed interest payments on its First Mortgage Bonds and its General and Refunding Mortgage Bonds (and indebtedness secured by such bonds) in the spring of 1988 and has kept interest payments on those Bonds current since then. By not paying interest on its other indebtedness and by not reducing the principal on any of its indebtedness, the Company has generated sufficient funds internally to satisfy its cash requirements. Assuming continued non-payment of such debt service, continued growth (about 1.65% annually) in the Company's level of sales, the continuance of the Company's present rate structure, availability of the Company's $37.5 million short-term credit, and that there are no material additions to the Company's projected operating and capital expenditures, the Company estimates that it can satisfy its cash requirements through 1990.

Nevertheless, the Company could encounter cash flow problems during the Chapter 11 case if the Effective Date is delayed substantially beyond its current deadline. The Company's construction expenditures for 1990-1994 are estimated at approximately $404 million, but could be significantly increased if the Company is required by environmental laws to make additional expenditures, particularly in response to legislation regarding acid rain. The Plan requires that the Company recommence semi-annual payments of interest on its Third Mortgage Bonds and indebtedness secured by its Third Mortgage Bonds as of August 1, 1990, if the Effective Date has not then occurred. The semi-annual amount of such payments is approximately $21 million. It is doubtful that the Company could make such payments for an extended period. Because of the financial constraints under which the Company has been operating for the last several years, operating budgets and capital expenditures have been reduced to the point that, should any additional cash flow savings be required in the future to accommodate additional expenditures, the Company might be required to cease paying interest on some or all existing indebtedness or suffer reductions in the quality of utility service provided by the Company.

Construction Program

The Company has substantial capital requirements to satisfy if it is to provide adequate service to its growing service area. The Company's construction program for the five-year period 1990-1994, exclusive of expenditures for Seabrook, is currently estimated to be approximately $287,900,000. The Company's share of Seabrook related pre-operational start-up testing and power ascension expenditures and of other capital expenditures once full-power operation has been achieved are estimated for the period to aggregate $116,200,000, based on Seabrook's assumed operational date for financial forecast purposes of May 1, 1990. The Company anticipates that its obligation to pay up to $30 million of MMWEC's share of Seabrook related pre-operational expenditures under the Seabrook Comprehensive Settlement, which have been made from internally generated funds, will be completed in April 1990, at which time MMWEC is obligated to resume such payments. Certain Joint Owners have under consideration the means to resolve the eventuality that MMWEC is unable on a temporary basis to resume payments. Set forth below are the Company's estimated expenditures in these categories for each of the years in the 1990-1994 period, assuming for these purposes a Seabrook operational date of May 1, 1990:

	Non-Seabrook Plant	Seabrook Plant	Company Total	Seabrook Comprehensive Settlement
1990	$ 56,800,000	$ 31,800,000	$ 88,600,000	$ 9,800,000
1991	60,300,000	21,000,000	81,300,000	2,000,000
1992	51,300,000	19,600,000	70,900,000	2,000,000
1993	60,400,000	23,000,000	83,400,000	2,000,000
1994	59,100,000	20,800,000	79,900,000	2,000,000
Total	$287,900,000	$116,200,000	$404,100,000	$17,800,000

It is possible that substantial additional expenditures may be required to meet regulatory and environmental requirements at Seabrook and the Company's other generating facilities. See "Regulation - Air Quality Control".

Results of Operations

Operating revenues increased 2.6% for the year ended December 31, 1989, 9.9% for 1988 and 8.7% in 1987. The increase for 1989 was due to a ~ 8% increase in the number of customers and a corresponding increase in megawatt-hour ("MWH") sales. The increase for 1988 was due to the growth in MWH sales of 7.1% and a small increase in the Company's energy cost recovery revenues resulting from higher fuel costs. The growth in 1988 MWH sales was primarily due to a 4.1% increase in the number of customers served with an increase in consumption per customer, due to weather related conditions. The increase for 1987 was due to base rate and energy cost recovery revenue increases as prime MWH sales decreased 2.8%.

Fuel and purchased power expense increased 8.2% for 1989, 21.1% for 1988 and 1.6% for 1987. The increases were the result of increased charges for those items from the Company's suppliers. Operating expenses, other than fuel and purchased power and taxes on income, increased 10.2% for 1989, remained unchanged for 1988, and increased 21.0% for 1987. The 1989 increase was due to an increase in bankruptcy related costs and certain expenditures which were postponed from 1988. The increase in 1987 resulted mainly from increases in the costs needed to support the growth in the number of customers served as well as increases in maintenance, depreciation, property taxes and insurance.

The Company had an overall provision for income tax recoveries of $65.7 million for 1989, a provision for income tax expense of $37.6 million for 1988, and recoveries of $72.9 million for 1987. Effective tax rates varied significantly from 1987 to 1988, (see Note 6 of Notes to Financial Statements). All of the amounts represent non-cash changes in accumulated deferred income taxes associated with financial statement provisions for losses on generating projects.

The Financial Accounting Standards Board has promulgated new income tax accounting rules which will require the Company to change from the deferred method to the liability method of accounting for income taxes. The liability method accounts for deferred income taxes by applying enacted statutory rates in effect at each balance sheet date to differences between the book basis and the tax basis of assets and liabilities. The Company currently plans to adopt, in 1992, this standard on a prospective basis. Upon adoption the Company expects that a regulatory asset, for the tax effects of temporary differences for which deferred taxes have not been provided because they will be recovered from customers in future years, and a related deferred income tax liability will be established. Since the Company expects, after reorganization, to apply SFAS No. 71, to the entire company, no material impact on the Company's financial position or results of operations is expected.

As of January 28, 1988, the date of the filing of the Company's Chapter 11 petition, the Company ceased accruing interest on its unsecured debt. As a result, for the years ended December 31, 1989 and 1988, interest on long-term debt and capitalized interest was approximately $139 million and $130 million, respectively, lower than they otherwise would have been. Interest on Long-Term Debt and Other Interest increased 7.1% for 1987. The increase reflects the issuance of additional debt totaling $100 million in May 1987.

The Company ceased capitalizing Seabrook costs effective December 31, 1987. Accordingly, a loss of $212.0 million was recognized in 1987 associated with the estimated remaining costs to be incurred prior to a previously assumed operating date of January 1, 1990. In 1989 the Company revised its assumed operating date to May 1, 1990 and recorded an additional loss of $23 million to reflect the anticipated delay. $92.8 million and $109.5 million was charged to the reserve during 1989 and 1988, respectively, including $36.0 million and $47.5 million of capitalized interest associated with the Seabrook investment.

In March 1989, the Company expensed $50.8 million associated with the Seabrook Comprehensive Settlement. Under the settlement, the Company agrees to assume MMWEC's share of Seabrook pre-operational expenditures and to pay certain other amounts, (see Notes 2 and 3 of Notes to Financial Statements).

The Plan is based on Reorganized PSNH distributing to creditors and equity security holders of the Company approximately $2.3 billion in value. The amount paid by Reorganized PSNH is supported by the Rate Plan which fixes the Seabrook cost recovery at $700 million, provides for the full recovery of the net historical costs of non-Seabrook assets (approximately $800 million) and, additionally, creates regulatory assets of approximately $800 million. Pursuant to the Rate Plan, Reorganized PSNH is permitted to recover the cost of these regulatory assets (with a return on the unrecovered balance) over periods of 7 to 20 years.

The Plan has been confirmed by the Bankruptcy Court. There is no assurance that the Effective Date of the Plan will occur. However, based on the Confirmation Order and the findings made by the Bankruptcy Court in conjunction therewith and progress to date in meeting other conditions to the Effective Date, management of the Company believes that the Effective Date will occur and the Company's creditors and equity security holders will receive approximately $2.3 billion in value on account of their claims against and interests in the Company.

Therefore, management of the Company concluded that it was appropriate to recognize an impairment loss of $260 million in its financial statements at December 31, 1989. The loss was calculated as the difference between the book value of the Company's Seabrook assets at December 31, 1989 and the value assigned to the Seabrook assets and the regulatory assets allowed under the Rate Plan.

The preferred dividend requirements were reduced in 1989 and 1988 by $41.0 million and $37.9 million, respectively, since the Company ceased accruing preferred dividends upon the filing of the Chapter 11 petition in January 1988. Had the Company not discontinued accruing preferred dividend requirements, earnings (loss) available for common stock and earnings (loss) per common and common equivalent share would have been $(244,211,000) and $(6.09) and $14,298,000 and $0.35 for 1989 and 1988, respectively.

Inflation continues to affect Company operations, since under existing regulatory practice the investment in utility plant has been recovered at historical cost but replaced, as necessary, at current cost. In the case of Seabrook, the rates necessary to fully recover accumulated inflation and carrying costs will be in excess of what the customers for that power pay, even under a rate agreement such as the Rate Plan. Thus something less than the historical cost of the Company's investment in Seabrook will be recovered. The effects of inflation on other expenses are generally recovered through energy cost recovery mechanisms. Under the Plan, rate increases for non-energy cost recovery will be limited, but are expected to provide certain base levels of earnings for Reorganized PSNH.

The results of operations discussed above are not necessarily indicative of future earnings. Continued growth in MWH sales will depend upon the the rate of economic growth in New Hampshire, weather, the competition from other energy sources and suppliers, and the price of electricity. The reorganization of the Company will have a significant impact on future interest expense and earnings levels and resulted in substantial decreases in the carrying value of the Seabrook asset.

In addition, the total change in control of the Company, its board of directors, and its management as of 8:00 a.m. on April 30, 1990 (see "Transitional Board of Directors and Management" above) may have a significant impact on the Company, its policies and practices, and its business operations.

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PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

STATEMENTS OF EARNINGS

	For the Year Ended December 31, 1989	1988	1987
	(Thousands of Dollars Except Per Share Amounts)		
Operating Revenues			
Residential	$ 241,762	$237,385	$ 214,227
Industrial	170,487	165,171	150,437
Other	207,139	200,929	184,444
Total Operating Revenues	619,388	603,485	549,108
Operating Expenses			
Operation			
Fuel	113,690	137,122	123,571
Purchased and Interchanged Power	176,165	130,647	97,571
Bankruptcy Related Expenses	14,672	9,801	-
Other Operating Expenses	98,377	86,766	97,180
Maintenance	41,425	39,147	37,236
Depreciation	34,045	32,690	31,396
Taxes on Income (Note 6)	23,168	33,492	35,601
Other Taxes, Principally Property Taxes	29,403	29,277	28,405
Total Operating Expenses	530,945	498,942	450,960
Operating Income	88,443	104,543	98,148
Other Income and Deductions			
Allowance for Equity Funds Used During Construction (Note 3)	454	598	1,183
Taxes on Income (Note 6)	88,863	(4,113)	108,478
Equity in Earnings of Affiliated Companies	1,609	1,308	1,423
Interest and Dividends	10,167	7,575	5,666
Losses on Generating Projects (Note 3)	(336,472)	-	(241,452)
Other - Net	42	607	(5,299)
Total Other Income and Deductions	(235,337)	5,975	(130,001)
Income (Loss) Before Interest Charges	(146,894)	110,518	(31,853)
Interest Charges			
Interest on Long-Term Debt (Note 5)	92,769	100,525	210,409
Other Interest	558	3,341	14,950
Capitalized Interest (Note 3)	(36,029)	(47,479)	(169,068)
Allowance for Borrowed Funds Used During Construction (Note 3)	(955)	(1,142)	(1,108)
Net Interest Charges	56,343	55,245	55,183
Income (Loss) Before Cumulative Effect of Change In Seabrook Plant Accounting	(203,237)	55,273	(87,036)
Cumulative Effect of Change In Seabrook Plant Accounting (Note 3)	-	-	(398,651)
Net Income (Loss)	(203,237)	55,273	(485,687)
Preferred Dividend Requirements (Note (b), Statements of Capitalization)	-	3,084	40,980
Earnings (Loss) Available for Common Stock	$(203,237)	$ 52,189	$(526,667)
Weighted Average Common and Common Equivalent Shares (000's)	40,089	48,134	37,194
Earnings (Loss) Per Common and Common Equivalent Share			
Before Cumulative Effect	$(5.07)	$1.14	$ (3.44)
Cumulative Effect of Change In Seabrook Plant Accounting (Note 3)	-	-	(10.72)
Net Income (Loss)	$(5.07)	$1.14	$(14.16)

See accompanying Notes to Financial Statements

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

BALANCE SHEETS
ASSETS

	December 31, 1989 Pro Forma (Note 1)	December 31, 1989 Actual	December 31, 1988 Actual
	(Thousands of Dollars)		
Utility Plant at Cost			
Electric Plant	$1,024,904	$1,024,904	$ 977,173
Less: Accumulated Provision for Depreciation	343,810	343,810	318,345
Regulatory Asset	836,540	-	-
	1,517,634	681,094	658,828
Unfinished Construction:			
Seabrook (Notes 2 and 3)	700,000	1,529,210	1,794,823
Other	1,290	1,290	11,871
Total Unfinished Construction	701,290	1,530,500	1,806,694
Net Utility Plant	2,218,924	2,211,594	2,465,522
Investments			
Nuclear Generating Companies	12,102	12,102	12,131
Real Estate Subsidiary	9,172	9,172	9,099
Other, at Cost	155	155	155
Total Investments	21,429	21,429	21,385
Current Assets			
Cash and Temporary Investments	-	44,138	94,830
Accounts Receivable (Net of Allowance of $1,581 in 1989 and $1,536 in 1988)	63,159	63,159	57,122
Unbilled Revenue	17,670	17,670	16,740
Fuel, Materials and Supplies, at Cost	37,922	37,922	26,448
Deferred Fuel Costs	13,738	13,738	-
Other	17,991	17,991	8,094
Total Current Assets	150,480	194,618	203,234
Other Assets			
Deferred Charges	7,700	14,911	12,682
Other	38,344	4,969	965
Total Other Assets	46,044	19,880	13,647
	$2,436,877	$2,447,521	$2,703,788

See accompanying Notes to Financial Statements

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

BALANCE SHEETS
CAPITALIZATION AND LIABILITIES

	December 31, 1989 Pro Forma (Note 1)	December 31, 1989 Actual	December 31, 1988 Actual
		(Thousands of Dollars)	
Capitalization (See separate statements)			
Common Stock Equity	$ 644,000	$ 113,998	$ 293,335
Preferred Stock			
With Mandatory Redemption Requirements	125,000	420,613	420,613
Without Mandatory Redemption Requirements		48,587	48,596
Long-Term Debt	1,533,838	-	-
Liabilities Subject to Settlement Upon Reorganization (Notes 5 and 7)	-	1,691,115	1,675,250
Total Capitalization	2,302,838	2,274,313	2,437,794
Current Liabilities			
Estimated Future Seabrook Expenditures (Note 3)	-	32,669	102,519
Accounts Payable	54,025	54,025	30,776
Seabrook Comprehensive Settlement (Notes 2 and 3)	-	7,844	-
Accrued Pension Costs	16,825	6,909	6,935
Accrued Interest	-	7,872	7,869
Estimated Cancellation Costs for Seabrook Unit 2	12,345	12,345	12,795
Other	14,095	14,095	18,421
Total Current Liabilities	97,290	135,759	179,315
Deferred Credits			
Accumulated Deferred Investment Tax Credits (Note 6)	16,669	16,669	17,243
Accumulated Deferred Taxes on Income (Note 6)	-	700	66,333
Deferred Seabrook Comprehensive Settlement (Notes 2 and 3)	16,000	16,000	-
Other	4,080	4,080	3,103
Total Deferred Credits	36,749	37,449	86,679
Commitments and Contingencies (Notes 1 and 2)	-	-	-
	$2,436,877	$2,447,521	$2,703,788

See accompanying Notes to Financial Statements

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

STATEMENTS OF CAPITALIZATION

					December 31, 1989	December 31, 1988
					(Thousands of Dollars)	
Common Stock Equity						
Common Stock - $5 Par Value (a)						
Authorized - 60,000,000 Shares						
Outstanding - 42,154,548 Shares in 1989 and 37,201,127 Shares in 1988					$210,773	$186,006
Other Paid-In Capital					435,420	436,287
Accumulated Deficit					(532,195)	(328,958)
Total Common Stock Equity					113,998	293,335
Cumulative Preferred Stock						
Par Value $100 Per Share - Authorized 1,350,000 Shares - Outstanding 614,270 Shares						
Par Value $25 Per Share - Authorized 14,000,000 Shares - Outstanding 10,400,000 Shares						
Dividend	**Par Value**	**Shares Outstanding**	**Call Price**			
With Mandatory Redemption Requirements (b) (c)						
7.64%	$100	120,000	$103.57		15,622	15,622
9.00	100	158,400	104.50		21,472	21,472
11.24	25	1,200,000	26.40		43,320	43,320
17.00	25	1,200,000	28.19		50,146	50,146
15.00	25	1,200,000	27.81		47,776	47,776
15.44	25	2,400,000	27.90		96,595	96,595
13.00	25	1,400,000	27.17		52,974	52,974
13.80	25	2,400,000	27.30		92,708	92,708
					420,613	420,613
Without Mandatory Redemption Requirements (b)						
3.35%	$100	102,000	$100.00		10,200	10,200
4.50	100	75,000	102.00		7,500	7,500
5.50(Convertible)	100	8,870	100.00		887	896
7.92	100	150,000	101.98		15,000	15,000
11.00	25	600,000	26.25		15,000	15,000
					48,587	48,596
Total Cumulative Preferred Stock - Net					$469,200	$469,209

See accompanying Notes to Financial Statements and to Statements of Capitalization

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

STATEMENTS OF CAPITALIZATION

			December 31, 1989	December 31, 1988
			(Thousands of Dollars)	
Long-Term Debt				
First Mortgage Bonds				
Series	Rate	Maturity		
M	4 5/8%	1992	$ 20,805	$ 20,805
N	6 1/8	1996	14,957	14,957
O	6 1/4	1997	13,381	13,381
P	7 1/8	1998	13,491	13,491
Q	9	2000	17,934	18,262
R	7 5/8	2002	18,381	18,381
S	9	2004	18,480	18,719
V	9 1/8	2006	14,156	14,296
W	10 1/8	1993	9,658*	9,658*
X	12	1999	9,126*	9,126*
Y	18	1989	24,135*	24,135*
Z	Variable	1991	10,080*	10,080*
			184,584	185,291
Less: First Mortgage Bonds(*) Pledged as Security for General and Refunding Mortgage Bonds			(52,999)	(52,999)
Total First Mortgage Bonds			131,585	132,292
General and Refunding Mortgage Bonds				
A	10 1/8%	1993	32,700	32,700
B	12	1999	60,000	60,000
C	14 1/2	2000	30,000	30,000
D	17	1990	23,000	23,000
E	18	1989	-	50,000
H	Variable	1991	-	112,500**
I	11	1994	50,000	-
J	Variable	2019	112,500**	-
Less: General and Refunding Mortgage Bonds (**) Pledged as Security for:				
Nuclear Fuel Obligation, Eurodollar Term Loan and Promissory Note due 1991			-	(112,500)
Pollution Control Revenue Bonds due 2019			(112,500)	-
Third Mortgage Bonds				
A	13 3/4%	1996	225,000	225,000
B	10 1/2	2016	100,000***	100,000***
Less: Third Mortgage Bonds (***) Pledged as Security for Pollution Control Revenue Bonds			(100,000)	(100,000)
Nuclear Fuel Obligation, due 1991			-	45,000
Eurodollar Term Loan, due 1991			-	45,000
Promissory Note, due 1991			-	22,500
Pollution Control Revenue Bonds				
	12 1/4-13 3/4%	1988-2003	20,000	20,000
	10 1/2	2016	100,000	100,000
	Variable	2019	112,500	-
Debentures				
	15 3/4%	1988	75,000	75,000
	14 3/8	1991	100,000	100,000
	15	2003	100,000	100,000
	17 1/2	2004	400,236	425,000
Promissory Note, due 1988			18,437	18,437
Total Long-Term Debt			1,478,458	1,503,929
Less: Unamortized Premium and Discount			(100,694)	(104,171)
			1,377,764	1,399,758
Amount Reclassified to Liabilities Subject to Settlement Upon Reorganization			1,377,764	1,399,758
Liabilities Subject to Settlement Upon Reorganization (Note 5)			1,691,115	1,675,250
Total Capitalization			$2,274,313	$2,437,794

See accompanying Notes to Financial Statements and to Statements of Capitalization

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

NOTES TO STATEMENTS OF CAPITALIZATION

(a) In 1984 the Company issued 18,375,000 warrants allowing the holders to purchase a share of Common Stock at an exercise price of $5.00 per share. The Warrants expire in 1991. Although the exercise of warrants was suspended in June of 1986, limited exercise of the Warrants, through the exchange of the Company's 17.5% Debentures due 2004, for common stock was allowed for a 120 day period in 1989. 13,420,199 Warrants remained outstanding at December 31, 1989. See Note 10 of Notes to Financial Statements.

(b) The Company ceased paying dividends on shares of its Common and Preferred Stock in 1984. Until the dividend arrearages with respect to shares of the Preferred Stock are cured, the holders thereof will continue to have the right to elect a majority of the Company's Board of Directors, a right which they have exercised since 1985. The Company ceased accruing dividends on all series of Preferred Stock on January 28, 1988, the date of the filing of the voluntary petition for protection under Chapter 11 of the United States Bankruptcy Code, resulting in a reduction of $41.0 million and $37.9 million in preferred dividend requirements for 1989 and 1988, respectively.

The Plan, and any other reorganization plan, confirmed in the Chapter 11 case will result in substantial alteration or elimination of some or all of the current rights of the holders of shares of Common Stock and Preferred Stock. The dilution in equity interests that will be suffered by holders of Common Stock and Preferred Stock in any reorganization, including under the Plan, is likely to be extensive. The table below indicates the amounts of dividends in arrears as of January 28, 1988 when the Company ceased accruing preferred dividends:

Dividend Rate	Shares	Per Share	Total
With Mandatory Redemption Requirements: (Classified in Preferred Stock)			
7.64%	120,000	$30.180	$ 3,621,606
9.00	158,400	35.552	5,631,503
11.24	1,200,000	11.100	13,320,306
17.00	1,200,000	16.789	20,146,371
15.00	1,200,000	14.813	17,776,210
15.44	2,400,000	15.248	36,595,290
13.00	1,400,000	12.838	17,973,723
13.80	2,400,000	13.628	32,708,227
			$147,773,236
Without Mandatory Redemption Requirements: (Classified in Retained Earnings)			
3.35%	102,000	$13.233	$ 1,349,806
4.50	75,000	17.776	1,333,216
5.50 (Convertible)	8,870	21.727	192,714
7.92	150,000	31.286	4,692,919
11.00	600,000	10.863	6,517,944
			$ 14,086,599

(c) The Company ceased making sinking fund payments on preferred stock with mandatory redemption requirements in 1984. Any amounts payable to holders of Preferred Stock are subject to settlement upon the confirmation of a reorganization plan.

See accompanying Notes to Financial Statements

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

STATEMENTS OF CASH FLOWS

	For the Year Ended December 31, 1989	1988	1987
	(Thousands of Dollars)		
Income (Loss) Before Cumulative Effect of Change in Seabrook Plant Accounting	$(203,237)	$ 55,273	$ (87,036)
Non-Cash Items Included in Income (Loss):			
Depreciation	34,045	32,690	31,396
Allowance for Equity Funds Used During Construction	(454)	(598)	(1,183)
Amortization of Debt Premium, Discount and Expense	1,438	1,758	7,666
Deferred Taxes and Investment Credit Adjustments	(66,207)	37,305	(69,591)
Losses on Generating Projects	336,472	-	241,452
Seabrook Comprehensive Settlement Payments	(26,144)	-	-
Gains on Sale of Properties	(258)	(1,124)	-
Changes in Operating Assets and Liabilities			
Current Assets Other Than Cash and Temporary Investments	(42,961)	(4,352)	(23,939)
Accounts Payable	24,215	35,667	(11,985)
Accrued Pension Costs	(591)	783	11,485
Accrued Interest	25,071	27,780	15,188
Other Current Liabilities	(4,776)	6,719	(1,940)
Deferred Charges	(4,810)	3,046	(17,051)
Other - Net	(4,916)	(1,937)	13,002
Net Cash Provided by Operating Activities	66,887	193,010	107,464
Cash Used in Investing Activities			
Capital Expenditures (Net of Allowance for Equity Funds Used During Construction)	(135,242)*	(143,076)*	(294,691)
Change in Accrued Interest - Investing Activities	16,369	24,450	46,836
Disposals of Property, Plant and Equipment	1,702	1,180	2,947
Net Cash Used in Investing Activities	(117,171)	(117,446)	(244,908)
Cash Provided by (Used in) Financing Activities			
Proceeds of Long-Term Debt	162,500	-	-
Redemptions of Long-Term Debt	(162,908)	(112)	(5,719)
Proceeds of Short-Term Debt	-	-	100,000
Net Cash Provided by (Used in) Financing Activities	(408)	(112)	94,281
Net Increase (Decrease) in Cash and Temporary Investments	(50,692)	75,452	(43,163)
Cash and Temporary Investments at Beginning of Year	94,830	19,378	62,541
Cash and Temporary Investments at End of Year	$ 44,138	$ 94,830	$ 19,378

* Includes $92.8 million and $109.5 million charged to Estimated Future Seabrook Expenditures liability in 1989 and 1988, respectively.

See accompanying Notes to Financial Statements

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

STATEMENTS OF CHANGES IN COMMON STOCK EQUITY
For The Three Years Ended December 31, 1989

	Shares	Amount at Par Value	Other Paid-In Capital	Retained Earnings (Deficit)	Total
		(Thousands of Dollars)			
Balance - December 31, 1986	37,193,896	$185,969	$436,218	$ 141,680	$ 763,867
Add (Deduct)					
Net Loss				(485,687)	(485,687)
Issuance of Common Stock	330	2	3		5
Dividend requirements for Preferred Stock with mandatory redemption requirements				(37,408)	(37,408)
Balance - December 31, 1987	37,194,226	$185,971	$436,221	$(381,415)	$ 240,777
Add (Deduct)					
Net Income				55,273	55,273
Issuance of Common Stock	6,901	35	66		101
Dividend requirements for Preferred Stock with mandatory redemption requirements (Note (b), Statements of Capitalization)				(2,816)	(2,816)
Balance - December 31, 1988	37,201,127	$186,006	$436,287	$(328,958)	$ 293,335
Add (Deduct)					
Net Loss				(203,237)	(203,237)
Issuance of Common Stock	4,953,421	24,767	(867)		23,900
Balance - December 31, 1989	42,154,548	$210,773	$435,420	$(532,195)	$ 113,998

See accompanying Notes to Financial Statements

1. The Company's Bankruptcy

The Filing. On January 28, 1988, the Company filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code.

The financial difficulties that led to the Company's bankruptcy were attributable to a combination of several factors: the magnitude of the Company's investment in the Seabrook Nuclear Generating Station Unit 1 ("Seabrook"), which represents more than half of the book value of the Company's assets on its financial statements; the delay in obtaining approval of the operation of Seabrook from the Nuclear Regulatory Commission ("NRC"); and the prohibition under New Hampshire law of the realization by the Company of any cash income from or return on that investment until Seabrook provides service to customers (the so-called anti-CWIP statute). In January 1988 the New Hampshire Supreme Court upheld the anti-CWIP statute and prevented the New Hampshire Public Utilities Commission ("NHPUC") from considering the Company's request for emergency rates, which were an essential element of the Company's efforts to achieve a financial restructuring outside of Chapter 11.

The Conduct of the Chapter 11 Case. Since the filing of the petition for reorganization under Chapter 11, the Company has continued normal operations as a debtor-in-possession under the protection and subject to the jurisdiction of the Bankruptcy Court, and subject to approval by that Court of transactions not in the ordinary course.

Two official committees represent the interests of the Company's unsecured creditors including debenture holders and trade creditors (the "Unsecured Creditors Committee") and the Company's equity security holders, including Preferred and Common stockholders and Warrant holders (the "Equity Committee") in the reorganization case. The Bankruptcy Court granted the State of New Hampshire ("State") full party in interest status in the case. The State has actively represented the interests of ratepayers in the case and particularly in negotiations toward a reorganization plan.

The Plan of Reorganization

The goal of a Chapter 11 reorganization case is a reorganization plan which resolves all claims against and equity interests in the reorganizing company. Since shortly after the filing of the Chapter 11 case, the Company engaged in negotiations with the State, the two Committees, and others to develop a plan that is supported by all of the major parties in the case. During the same period, others have attempted to do the same, including Northeast Utilities ("NU"), New England Electric System, and The United Illuminating Company, all of which sought to acquire or merge with the Company under a reorganization plan. On December 13, 1989, the Company announced its support for a plan (the "Plan") proposed by NU and also supported by the two Committees, the majority in amount of holders of the Company's Third Mortgage Bonds (and obligations secured by those bonds), and the State. NU is a registered public utility holding company with operations in Connecticut and Massachusetts. On April 20, 1990 the Bankruptcy Court confirmed the Plan. (See "Confirmation of the Plan", below).

The Rate Plan. The Plan is based on an agreement (the "Rate Plan") regarding rates and power supply between Northeast Utilities Service Company ("NUSCO"), an NU subsidiary, on behalf of NU, and the Governor and the Attorney General of the State of New Hampshire, on behalf of the State. The New Hampshire legislature approved the Rate Plan on December 14, 1989, subject to NHPUC review. The Rate Plan, which permits a departure from the anti-CWIP statute, provides for seven annual 5.5% increases in the Company's retail rates, commencing January 1, 1990. The first increase has already been implemented, and the amounts collected are currently being held in escrow, subject to final approval and effectiveness of the merger described below, except as to amounts to be collected from the later of final approval or July 1, 1990 through the Effective Date of the Plan, discussed below. The effectiveness of the Rate Plan is contingent upon NHPUC approval. The Rate Plan will be effective for Reorganized PSNH even if the merger with NU is not consummated.

The Plan. The Plan provides for the acquisition of the Company by NU in either a one-step or two-step transaction, depending on when certain regulatory approvals for the acquisition are obtained, and the distribution of up to $2.3 billion in cash and securities on the date (the "Effective Date") the Plan becomes effective and the Company emerges from reorganization as Reorganized PSNH. The Effective Date deadline specified in the Plan is August 1, 1990, but the Plan permits the deadline to be extended by the agreement of NU and the two Committees.

There are certain conditions to the Effective Date, including certain tax rulings, allowance in the reorganization case of not more than $900 million in unsecured claims against the Company, and certain regulatory approvals. The regulatory approvals required for the Plan to become effective include the NHPUC's approval of the Rate Plan and the issuance of securities of Reorganized PSNH, the approval (or waiver of jurisdiction by) the Connecticut Department of Public Utility Control with respect to securities issuance, and the approvals of certain transitional management arrangements, discussed below, by the Federal Energy Regulatory Commission ("FERC") and the United States Securities and Exchange Commission ("SEC"). The Company believes that these conditions can be met by the August 1 deadline or shortly thereafter. The FERC and the SEC have already approved the transitional management arrangement, and the NHPUC has set a hearing schedule that would result in its rendering a decision by early to midsummer 1990.

The Acquisition of the Company by NU. The Plan provides for NU's ultimate acquisition of the Company through the Company's merger with a wholly-owned subsidiary of NU that is to be formed solely for the purpose of effectuating the acquisition. At the time of the merger (or as soon thereafter as practicable) the Company's interest in Seabrook will be transferred to a newly-formed subsidiary of NU, North Atlantic Energy Company ("NAEC"), whose sole asset will be the Company's Seabrook interest. NAEC will enter into a contract with reorganized PSNH under which Reorganized PSNH will purchase the entire output of NAEC's interest in Seabrook for the life of the Seabrook license. Another NU subsidiary would be appointed as operator of Seabrook if required approvals of the Seabrook Joint Owners and the NRC are received.

These transactions require regulatory approvals of the FERC, the SEC, the NRC, and the public utility commissions of New Hampshire and Connecticut, and perhaps of Maine and Vermont, where the Company owns certain properties. Filings for approvals of the FERC and the SEC were made by NU in January 1990. Some sixty intervenors, including many New England utilities and all of the regulatory commissions and certain other officials of the New England states, have appeared in the FERC proceeding and have raised various issues in those proceedings, including certain antitrust and anticompetitive issues. A lesser number of intervenors, some of whom are also intervenors in the FERC proceedings, have appeared in the SEC proceedings and raised issues similar in large part to those raised before FERC.

If all regulatory approvals for NU's acquisition of the Company are obtained by the Effective Date, then the acquisition will occur on the Effective Date (the one-step transaction). Otherwise, the Company will emerge from reorganization as a stand-alone company, subject to a contractual obligation to be acquired by NU (the two-step transaction) upon the satisfaction of certain conditions. In the two-step transaction, holders of unsecured claims and of shares of the Company's existing Preferred and Common Stock will receive shares of Common Stock of Reorganized PSNH. When the acquisition ultimately occurs, holders of shares of Common Stock of Reorganized PSNH will receive not less than $20 per share, in cash, and NU will acquire all shares of Reorganized PSNH's Common Stock. Based upon the current schedule in the FERC proceeding, it appears likely that the acquisition of the Company will be accomplished as a two-step transaction.

Distribution to Creditors and Shareholders Under the Plan. Under the Plan, all holders of secured claims (other than two existing issues of pollution control revenue bonds in the amounts of $100 million and $112.5 million, which may be assumed and reinstated by Reorganized PSNH under the Plan) will receive cash in the full amount of their claims for principal, interest, and interest on interest. Holders of unsecured claims will receive cash and, if the acquisition is a two-step transaction, shares of Common Stock of Reorganized PSNH. Holders of shares of existing Preferred and Common Stock of the Company will receive notes that are contingent on Seabrook's achieving certain licensing and operational milestones and either cash and warrants to purchase shares of NU Common Stock, if the acquisition is a one-step transaction, or shares of Common Stock of Reorganized PSNH and certificates entitling the holder to receive warrants to purchase shares of NU Common Stock when (and if) the acquisition by NU occurs, if the acquisition is a two-step transaction. Holders of the Company's outstanding Warrants (and any claims arising with respect to such Warrants) will receive in the aggregate $1.3 million in cash. The total amount of cash and face amount of securities (including the contingent notes) to be distributed to creditors and equity holders under the Plan is approximately $2.3 billion.

Confirmation of the Plan. On January 3, 1990, the Bankruptcy Court formally approved a disclosure statement for the Plan, ordered the Plan, the disclosure statement, and ballots for the Plan transmitted to all of the Company's creditors and equity security holders, and set April 4, 1990 as the date for commencing hearings on confirmation of the Plan. On April 20, 1990, following six days of hearings, the Bankruptcy Court entered orders overruling all objections to confirmation, finding all conditions to confirmation set forth either in the Bankruptcy Code or in the Plan satisfied, and confirming the Plan (the "Confirmation Order").

Transitional Board of Directors and Management. The Confirmation Order provides, consistent with the provisions of the Plan itself, that upon confirmation, all of the directors of the Company are deemed to have resigned, without further action by any person or entity, effective at 8:00 a.m. on April 30, 1990. A new, seven-member board will take office then. Three members were appointed by the Equity Committee, three members by the Unsecured Creditors Committee and one member was jointly appointed by both Committees. Each of the Creditors Committee appointees are also members of the Creditors Committee; each of the Equity Committee appointees are also members of the Equity Committee. No current directors or officers are among the new Board appointees. The new Board will serve until the acquisition is consummated. The new directors, their current affiliations, and their sources of appointment are:

Name	Affiliation	Appointed by
Joseph P. Tyrrell (Chairman)	Former Officer of Boston Edison	Joint Committee
James K. Arthur	Certified Reporting Co.	Equity Committee
Douglas A. Barry	Monarch Life Insurance Co.	Equity Committee
Nowell A. Blake	Mutual Benefit Life Insurance Co.	Equity Committee
Stephen Davis	IBJ Schroder Bank & Trust Company	Creditors Committee
James D. Neidhart	Equitable Capital Management Co.	Creditors Committee
Anthony Ben Walsh	Private Investor	Creditors Committee

In addition, a separate order of the Bankruptcy Court, entered April 13, 1990, provides, consistent with the provisions of the Plan itself, and subject to FERC and SEC approvals (which have already been obtained), that a Management Services Agreement (the "MSA") between the Company and NUSCO will take effect at 8:00 a.m. on April 30, 1990, under which the Company will be managed by NUSCO from then until the acquisition is completed or is terminated, whichever occurs first. The Plan provides that the Chief Executive Officer and each Senior Vice President of the Company will be deemed to have resigned, without further action by any person or entity, 60 days after April 30, 1990, or sooner, at the option of the Company on 30 days notice at any time after confirmation, but in no event later than the acquisition date. The Plan, the Confirmation Order and the MSA contemplate that the new seven-member board will select the officers of the Company to serve until the acquisition. The Chief Executive Officer and each Senior Vice President have tendered their resignations as officers, effective 8:00 a.m. on April 30, 1990. NUSCO advised the Bankruptcy Court during the confirmation hearing that the new Chief Executive Officer of the Company would be Leon E. Maglathin, a retired executive of Western Massachusetts Electric Co. (an NU subsidiary) and that the new Secretary/Treasurer would be Bruce W. Wiggett, who is currently Comptroller of the Company. These new officers, however, have not yet been appointed by the new board.

In view of the total change in control of the Company, its Board, and its management on April 30, 1990, there can be no assurance that any of the Company's existing policies or practices or any aspect of its business operations will remain unchanged on or after April 30, 1990.

Risks. There can be no assurance that any of the regulatory approvals required for the Effective Date of the Plan or for the acquisition will be obtained within the deadlines established in the Plan. Opposition to the Rate Plan and to the acquisition has already been filed by intervenors in the regulatory proceedings for approval of the Rate Plan and the acquisition. Unless all Effective Date conditions are satisfied, including financing arrangements reasonably satisfactory to NU, and all necessary regulatory approvals are obtained, the Plan will not become effective. Even if the Plan does become effective, if the requisite approvals for the acquisition by NU are not obtained, the acquisition will not occur.

If the Plan does not become effective, it will be necessary for the Company to seek to achieve another reorganization plan. The Company cannot reasonably predict whether or when it will be possible to achieve such a plan or what the terms of any such plan might be. If the Plan becomes effective but the acquisition is not consummated, Reorganized PSNH would be operated as a stand-alone company under the applicable provisions of the Rate Plan.

Speculative Nature of the Company's Securities

Equity Interests. In view of the uncertainty over effectiveness of the Plan and the consummation of the acquisition contemplated under the Plan and over the outcome of the Chapter 11 reorganization case if the Plan and the acquisition were not consummated, the value of the Company's outstanding equity securities is highly speculative. The Company ceased paying dividends on its Common and Preferred Stock in 1984. The Plan, or any other reorganization plan confirmed in the Chapter 11 case, will result in substantial alteration or elimination of some or all of the current rights of the holders of shares of Common and Preferred Stock. The dilution in equity interests that will be suffered by holders of shares of the Company's Common and Preferred Stock in any reorganization, including under the Plan, is likely to be extensive.

Unsecured Indebtedness. The Company has not paid interest on its unsecured indebtedness since October 1987 and does not anticipate that it will resume interest payments before emergence from reorganization. Upon emergence, it is likely that the rights of holders of unsecured claims will be substantially altered, and the holders will likely receive cash and other securities in satisfaction of their claims. If the Effective Date of the Plan does not occur, the Company cannot predict what form or amount of distribution the holders of unsecured claims will receive in the reorganization.

Secured Indebtedness. Cash flow concerns could result in the suspension of the payment of interest on some or all of the Company's secured indebtedness. If the Effective Date of the Plan does not occur, the Company cannot predict what form or amount of distribution the holders of secured claims will receive in the reorganization. (See "Cash Flow Concerns").

Proforma Effects of Proposed Reorganization

The proposed plan of reorganization (the "Plan") and the underlying agreement regarding rates between Northeast Utilities ("NU") and the State of New Hampshire (the "Rate Plan") are assumed to be approved without modification by the Bankruptcy Court (which has already occured) and other necessary regulatory agencies. Absent such approval, it is expected that the Company would file a rate case with the New Hampshire Public Utilities Commission for Seabrook recovery and attempt to formulate a new plan of reorganization.

Conditions to the Effective Date of the Plan state that the aggregate petition date amount of general unsecured claims not exceed $900 million. There is no assurance that the aggregate amounts of the allowed claims in these classes will be less than $900 million, and if the aggregate amounts of allowed claims exceed that amount, the reorganization of the Company under the Plan will not occur unless the condition is waived by all parties to the Plan. The Plan and the related pro forma balance sheet assume $857.4 million in general unsecured claims. It is also assumed that all the contingencies relating to the Contingent Notes will be met, allowing the notes to be honored at their full face amount of $205 million.

The common stock of Reorganized PSNH is assumed to be owned by shareholders who prior to confirmation of the Plan owned less than 50% of the Company's Common Stock. Reorganized PSNH is assumed to emerge from the Company's reorganization as a party to an agreement of merger with NU. There is no assurance that the merger will be consummated. This pro forma balance sheet does not reflect that merger. If the reorganization contemplated by the Plan was consummated at December 31, 1989, the pro forma impact on the balance sheet would be as follows:

BALANCE SHEETS AT DECEMBER 31, 1989

	Actual	Reorganization Adjustments	Pro Forma Reorganized PSNH
		(Thousands of Dollars)	
ASSETS			
Utility Plant at Cost			
Electric Plant	$1,024,904	$ -	$1,024,904
Less: Accumulated Provision for Depreciation	343,810	-	343,810
Regulatory Asset	-	836,540 (a)	836,540
Unfinished Construction:			
Seabrook	1,529,210	(829,210) (b)	700,000
Other	1,290	-	1,290
Net Utility Plant	2,211,594	7,330	2,218,924
Investments	21,429		21,429
Current Assets			
Cash and Temporary Investments	44,138	(44,138) (c)	-
Accounts Receivable-Net	63,159		63,159
Other Current Assets-Net	87,321		87,321
Other Assets			
Deferred Charges	14,911	(7,211) (d)	7,700
Other	4,969	33,375 (e)	38,344
	$2,447,521	$ (10,644)	$2,436,877
CAPITALIZATION & LIABILITIES			
Capitalization			
Common Stock Equity			
Common Stock	$ 210,773	$ 433,227 (f)	$ 644,000
Other Paid In Capital	435,420	(435,420)	-
Retained Earnings	(532,195)	532,195	-
Total Common Stock Equity	113,998	530,002	644,000
Preferred Stock	469,200	(344,200) (f)	125,000
Liabilities Subject to Settlement Upon Reorganization	1,691,115	(1,691,115) (f)	-
Pollution Control Revenue Bonds	-	212,500 (g)	212,500
First Mortgage Bonds	-	612,500 (h)	612,500
Term Loans	-	503,838 (h)	503,838
Contingent Notes	-	205,000 (f)	205,000
Total Capitalization	2,274,313	28,525	2,302,838
Accounts Payable	54,025		54,025
Other Current Liabilities	81,734	(38,469) (i)	43,265
Deferred Credits			
Accumulated Deferred Investment Tax Credits	16,669		16,669
Accumulated Deferred Taxes on Income	700	(700) (j)	-
Other	20,080		20,080
	$2,447,521	$ (10,644)	$2,436,877

See Assumptions and Notes to Pro Forma Balance Sheet

Assumptions and Notes For Pro Forma Balance Sheet:

a. To record a regulatory asset allowed under the terms of the Rate Plan. The regulatory asset is calculated as the difference between the amounts paid by Reorganized PSNH to former creditors and equity security holders in excess of the non-Seabrook net assets of Reorganized PSNH and the value assigned to Seabrook. Reorganized PSNH will apply Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" for all assets. See Note 3.

b. To reduce Seabrook value to $700 million, the amount of recovery permitted in the Rate Plan. The Rate Plan includes a phase-in of the Seabrook value which will allow Reorganized PSNH to apply Statement of Financial Accounting Standards No. 92, "Regulated Enterprises - Accounting for Phase-In Plans". Taken as a whole, the effect of the Rate Plan is not detrimentally different than recovery of approximately $1.5 billion for Seabrook under traditional rate-making.

c. Cash is reduced to reflect estimated amounts to be paid to creditors ($10.7 million) and amounts paid for administrative costs and expenses of the Plan ($33.4 million).

d. Unamortized debt expense ($4.3 million) associated with debt issues repaid under the Plan is eliminated and nuclear fuel purchase contract termination charge ($2.9 million) is eliminated because recovery is not specifically provided for by the Rate Plan.

e. To reflect the cash reserved for payment of administrative costs and expenses of the Plan.

f. Holders of secured claims, other than those described in g., below, will receive cash in the full amount of their claims for principal, interest, and interest on interest. The existing unsecured debt will be paid in cash and shares of common stock of Reorganized PSNH, based on the principal amount outstanding less the original unamortized discount plus prepetition interest and $110.6 million in post-petition interest. Holders of shares of existing Preferred and Common Stock of the Company will receive notes that are contingent on Seabrook's achieving certain licensing and operational milestones, shares of common stock of Reorganized PSNH and certificates for warrants to purchase shares of NU common stock when (and if) the acquisition by NU occurs.

g. The two existing series of pollution control revenue bonds, totalling $212.5 million, are assumed to be reinstated by Reorganized PSNH.

h. To record the issuance of new debt securities issued to make the cash payments described in f., above.

i. Pre-petition accrued pension costs of approximately $9.9 million continue to be a liability of Reorganized PSNH. Approximately $7.9 million in post-petition accrued interest on the First Mortgage Bonds and General and Refunding Mortgage Bonds is eliminated due to settlement of these obligations upon reorganization. Since post-reorganization Seabrook capital expenditures are recoverable under the Rate Plan, Seabrook reserves for pre-operational expenditures of approximately $40.5 million, have been eliminated.

j. Based on net operating loss carryforwards expected to be available to Reorganized PSNH, no significant provisions for deferred income taxes are required as of December 31, 1989. At December 31, 1989 the Company had significant net operating loss ("NOL") carryforwards. See Note 6 "Income Taxes". Due to the effects of the reorganization, NOL usage may be limited so that some may expire unused. Additionally, the balance of NOL carryforwards may be reduced by as much as $155 million.

2. Commitments and Contingencies

The Company is the principal owner of Seabrook, a nuclear-fueled steam generating plant located in Seabrook, New Hampshire. At December 31, 1989 the Company's investment in Seabrook represents more than half of the book value of the Company's total assets on its financial statements.

On March 1, 1990 the NRC ordered that a license for the full-power operation of Seabrook be issued, but granted additional time for intervenor groups to seek review of the decision. The Massachusetts Attorney General's Office, joined by two other long time intervenors in the licensing proceedings, asked the U.S. Court of Appeals for the District of Columbia Circuit to stay issuance of the Seabrook full-power license. On March 14, 1990 that Court refused to block the issuance of the license, and on March 15 the license was issued.

Following receipt of the full-power license, a 2-3 month start up testing and power ascension program of the Seabrook Plant has begun. This program involves a series of tests and reviews, including heat up of the reactor coolant system, reactor start-up, testing at various power ascension levels, numerous staged self assessment reviews, and NRC review and public hearing after attainment of 50% power level and production of electricity. Electric generation on a regular, consistent basis would begin upon completion of the start up and power ascension program, probably during the summer assuming no unusual problems are encountered during the power ascension program.

In 1989, the Company recognized $50.8 million of expenditures associated with the Seabrook Comprehensive Settlement (see Note 3). Under the Seabrook Comprehensive Settlement, the Company agreed to pay to or on behalf of one of the Joint Owners, the Massachusetts Municipal Wholesale Electric Company ("MMWEC"), its share of pre-operational funding commitments for Seabrook. MMWEC covenanted not to sue the Company for any alleged claims against the Company associated with Seabrook. MMWEC also agreed to a termination of an agreement under which the Company might be required, upon operation of Seabrook, to purchase a share of MMWEC's Seabrook capacity and energy for a period of ten years at a cost substantially in excess of market price. Certain other Joint Owners, representing all but 2.5% of the ownership interests in Seabrook, also agreed to grant the Company covenants not to sue on any claims, in exchange for cash payments or offsets.

The Company has substantial capital requirements to satisfy if it is to provide adequate service to its growing service area. The Company's construction program for the five-year period 1990-1994, exclusive of expenditures for Seabrook, is currently estimated to be approximately $287,900,000. The Company's share of Seabrook related pre-operational start-up testing and power ascension expenditures and of other capital expenditures once full power operation has been achieved are estimated for the period to aggregate $116,200,000, based on Seabrook's assumed operational date for financial forecast purposes of May 1, 1990. The Company anticipates that its obligation to pay up to $30 million of MMWEC's share of Seabrook related pre-operational expenditures under the Seabrook Comprehensive Settlement, which have been made from internally generated funds, will be completed in April 1990, at which time MMWEC is obligated to resume such payments. Certain Joint Owners have under consideration means to resolve the eventuality that MMWEC is unable on a temporary basis to resume payments.

The New Hampshire Electric Cooperative ("NHEC"), a 2.17391% owner of Seabrook, acquired its interest from the Company pursuant to a series of letter agreements. Pursuant to these agreements, NHEC and the Company entered into an agreement (the "NHEC Buyback Contract") under which NHEC has the right to sell to the Company, over a ten-year period, up to 250 megawatt-years of Seabrook capacity and energy entitlement at NHEC's "full cost". NHEC's "full cost" is priced substantially in excess of its current market price. The Company has sought to renegotiate the buyback arrangements. NHEC and NU have agreed to renegotiate various issues including termination of the NHEC Buyback Contract.

Under the Limited Electrical Energy Producers Act ("LEEPA") and the Public Utility Regulatory Policies Act ("PURPA") and the regulations issued thereunder, an electric utility must purchase the entire electrical outputs of power from qualifying facilities ("Small Power Producers") located within its franchise area at the utility's avoided cost. In July

1984, acting pursuant to its authority under LEEPA and PURPA, the NHPUC established the long-term rates at which the Company was required to purchase power from Small Power Producers. Because the Company's actual and projected avoided costs have declined substantially in recent years, due largely to a reduction in fossil fuel costs, the price that the Company pays for most of the power it purchases under NHPUC long-term rate orders is, therefore, well in excess of its avoided costs.

Under the Plan, NU will undertake its best efforts to renegotiate the current arrangements between the Company and thirteen of the Small Power Producers currently operating under the Small Power Producer rate orders. The State has agreed to support NU in such efforts and its effort to have the NHPUC examine the rates currently paid by the Company to these thirteen Small Power Producers. NU does not seek rejection of any of the arrangements currently in place with the Small Power Producers.

3. Change in Seabrook Accounting and Losses on Generating Projects

The Company's financial difficulties are attributable to a combination of several factors including the magnitude of its investment in Seabrook and to the Company's inability to base its rates upon the cost of this project prior to its operation (currently assumed to be May 1, 1990 for financial planning purposes). In 1987 the Company determined that, when Seabrook became operational, political and competitive pressures would not permit the Company to recover the recorded cost of its investment in accordance with traditional utility ratemaking practices. Accordingly, the Company changed its method of accounting for its investment in Seabrook to eliminate AFUDC from capitalized costs and to recognize capitalized interest and associated income tax effects. This change in method of accounting effectively restated the cost basis of Seabrook to eliminate the previously assumed effects of regulation.

The Company ceased capitalizing Seabrook costs effective December 31, 1987. Accordingly, a loss of $212.0 million was recognized in 1987 associated with estimated remaining costs to be incurred prior to an assumed operating date of January 1, 1990. In 1989 the Company revised the assumed operating date to May 1, 1990 and recorded the estimated additional costs of $23 million associated with the delay. During 1989, $92.8 million was charged to the accrual; $109.5 million was charged in 1988. These charges included $36.0 million and $47.5 million of capitalized interest associated with the Seabrook investment during 1989 and 1988, respectively.

The Plan is based on Reorganized PSNH distributing to creditors and equity security holders of the Company approximately $2.3 billion in value. The amount paid by Reorganized PSNH is supported by the Rate Plan which fixes the Seabrook cost recovery at $700 million, provides for the full recovery of the net historical costs of non-Seabrook assets (approximately $800 million) and, additionally, creates regulatory assets of approximately $800 million. Pursuant to the Rate Plan, Reorganized PSNH is permitted to recover the cost of these regulatory assets (with a return on the unrecovered balance) over periods of 7 to 20 years.

The Plan has been confirmed by the Bankruptcy Court. There is no assurance that the Effective Date of the Plan will occur. However, based on the Confirmation Order and the findings made by the Bankruptcy Court in conjunction therewith and progresss to date in meeting other conditions to the Effective Date, management of the Company believes that the Effective Date will occur and the Company's creditors and equity security holders will receive approximately $2.3 billion in value on account of their claims against and interests in the Company. Therefore, management concluded that it was appropriate to recognize an impairment loss of $260 million in the Company's financial statements at December 31, 1989. The impairment loss was calculated as the difference between the book value of the Company's Seabrook assets at December 31, 1989 and the value assigned to the Seabrook assets and the regulatory assets allowed under the Rate Plan.

In 1987 the Company expensed $3.6 million of its investment in Millstone Unit 3 to resolve an issue with the NHPUC based on prudency audits completed for the Connecticut Department of Public Utility Control. The Company also expensed regulatory assets of $26.4 million primarily related to previously deferred rate case expenses and the cost of converting a generating facility to burn oil and coal.

As described in Note 2, in 1989 the Company entered into a Seabrook Comprehensive Settlement which, among other things, requires the Company to assume MMWEC's share of Seabrook pre-operational expenditures and to pay certain other amounts. In March 1989, the Company expensed $50.8 million to reflect the anticipated total cost of the settlement.

In 1989, the Company entered into a settlement agreement with FERC, regarding costs incurred to cancel nuclear fuel purchase contracts. In 1976, the Company purchased uranium fuel for Seabrook with a price to be the greater of a negotiated market price or a base price escalated according to government indices of costs, wages and prices. By 1980, the market price for uranium had fallen below the base price as escalated according to those indices. In February 1981, the Company along with all the Joint Owners agreed to terminate the uranium contracts. The settlement agreement between FERC and the Company required the Company to reverse the AFUDC on the terminated contracts.

A summary of losses on generating projects recorded in 1989 and 1987 is as follows:

	1989	1987
	(Thousands of Dollars)	
Seabrook Plant - Unit 1		
Estimated Future Expenditures	$ 23,010	$212,000
Impairment Loss	260,000	-
Millstone Unit 3	-	3,557
Regulatory Assets	-	26,363
Seabrook Comprehensive Settlement	50,765	-
Nuclear Fuel Contract Termination	2,697	-
Other	-	(468)
Total	$336,472	$241,452

4. Summary of Accounting Policies

Regulation. During the pendency of bankruptcy proceedings the Company and its properties are subject to the jurisdiction of the Bankruptcy Court. Subject to the foregoing, the Company is subject, as to rates, accounting and other matters, to the regulatory authority of the NHPUC, the FERC and, to a lesser extent, the public utilities commissions in other New England states where the Company owns property or does business.

Cash and Temporary Investments. For purposes of the Statements of Cash Flows, the Company considers all highly liquid investments purchased with a maturity of three months or less to be temporary investments.

Investments. The Company follows the equity method of accounting for its investments in nuclear generating companies and a wholly-owned real estate subsidiary. The Company owns four to seven percent of each of four New England nuclear generating companies and, pursuant to purchased power contracts, is entitled to its ownership percent of total plant output and is obligated to pay a similar share of operating expenses and returns on invested capital. Approximately 10.1%, 7.7% and 6.9%, of the Company's total energy requirements were furnished by these companies in 1989, 1988 and 1987, respectively.

Utility Plant. Provision for depreciation of utility plant is computed on a straight-line method at rates based on estimated service lives and salvage values of the several classes of property. The depreciation provisions were equivalent to overall effective rates of 3.55%, 3.55% and 3.56% of depreciable property for 1989, 1988 and 1987, respectively.

Maintenance and repairs of property are charged to maintenance expense. Replacements and betterments are charged to utility plant. At the time properties are retired, the cost of property retired plus costs of removal less salvage are charged to the accumulated provision for depreciation.

Operating Revenues. Revenues are based on billing rates, authorized by applicable regulatory commissions, which are applied to customers' consumption of electricity. These rates include estimates of the cost of energy incurred by the Company in the generation or purchase of electricity. To the extent that energy cost estimates differ from actual costs incurred, the differences are deferred and refunded or charged to customers through periodic rate adjustments. The Company records an estimate of revenue for service rendered but not billed.

Allowance for Funds Used During Construction ("AFUDC"). AFUDC is the estimated cost, during the period of construction, of funds invested in the construction program which is not recovered from customers through current revenues. Such allowance is not realized in cash currently but under the ratemaking process the amount of the allowance is expected to be recovered in cash over the service life of the plant in the form of increased revenue collected as a result of higher plant costs. In 1987 the Company changed its method of accounting for its investment in Seabrook to eliminate AFUDC from Seabrook's capitalized costs and to recognize capitalized interest and associated income tax effects.

Capitalized Interest. As described in Note 3, in 1987 the Company adjusted the cost basis of its investment in Seabrook to eliminate AFUDC and to substitute capitalized interest, which is the accounting treatment used by non-regulated enterprises. For 1989 and 1988 the portion of interest associated with the Seabrook plant was charged to the accrual for estimated future Seabrook expenditures. For 1987 total interest expense, less the estimated amount applicable to regulated operations, was allocated to Seabrook in the proportion that it represented of total costs of construction work in progress.

Earnings Per Common and Common Equivalent Share. Earnings per common and common equivalent share was calculated for 1988 by adjusting earnings available for common stock for the assumed interest income that would result from the investment of the proceeds from the assumed exercise of 18,372,999 common stock purchase warrants, at an exercise price of $5 per share, in excess of those proceeds used to repurchase 20% of the Company's outstanding shares of common stock, in treasury bills. The resulting earnings available for common stock was then divided by the weighted average number of shares of common stock outstanding and common stock assumed to be outstanding upon the exercise of warrants and assumed repurchases of common stock. For the years ended 1989 and 1987 the loss per common share was calculated by dividing earnings available for common stock by the weighted average number of shares of common stock outstanding.

If the Company had not discontinued accruing preferred dividend requirements, earnings (loss) available for common stock and earnings (loss) per common and common equivalent share would have been $(244,211,000) and $(6.09) and $14,298,000 and $0.35 for 1989 and 1988, respectively.

Ratio of Earnings to Fixed Charges. Earnings represent the aggregate of income (loss) before the cumulative effect of change in Seabrook plant accounting, less undistributed income of unconsolidated companies, plus provisions for federal and state taxes on income and fixed charges. Fixed charges represent interest, related amortization and the interest component of annual rentals.

5. Liabilities Subject to Settlement Upon Reorganization

The Company ceased paying interest and maturities on its unsecured debt in October 1987. On January 28, 1988, the date of the filing of the petition in bankruptcy, the Company ceased accruing interest on its unsecured debt and ceased paying interest and maturities, including sinking funds, on the remainder of its debt. The Bankruptcy Court has since granted a motion of the Company to permit, during the pendency of the bankruptcy case, payment of interest on the First Mortgage Bonds, the General and Refunding Mortgage Bonds and debt secured by any such bonds. Any reorganization plans for the Company will have to address the extent to which payment will be made on the Company's debentures, other unsecured debt, pre-petition trade payables and certain pre-petition accrued pension costs. Additional liabilities resulting from the rejection of leases and executory contracts during the bankruptcy or under the Plan may be recognized. Additional claims in excess of the amounts listed below and certain additional claims arising from matters not covered by the Seabrook

Comprehensive Settlement referred to in Note 2 have been filed. The Company intends to contest the validity of most, if not all, of such additional claims.

All pre-petition obligations of the Company are subject to settlement upon the adoption of a plan of reorganization. The following table lists the amounts of recorded liabilities which have been classified in noncurrent liabilities as liabilities subject to settlement upon reorganization. See Note 1 "The Plan of Reorganization - Distribution" for information about planned payments to pre-petition secured and unsecured creditors of the Company.

	1989	1988
	(Thousands of Dollars)	
Long-Term Debt	$1,478,458	$1,503,929
Unamortized Premium and Discount	(100,694)	(104,171)
Floating Rate Notes	100,000	100,000
Accrued Interest	183,737	145,696
Accounts Payable	19,698	19,315
Accrued Pension	9,916	10,481
	$1,691,115	$1,675,250

Interest on unsecured debt of $138,804,000 and $130,193,000 has not been recorded in the 1989 and 1988 financial statements, respectively.

6. Income Taxes

The components of Income Tax Expense (Benefit) are as follows:

	1989	1988	1987
		(Thousands of Dollars)	
Included in Operating Expenses			
Current-Federal	$ 16,139	$ 34,889	$ 25,342
-State	502	3,052	(1,314)
	16,641	37,941	24,028
Deferred-Federal	7,101	(3,875)	10,839
Investment Tax Credit Adjustments	(574)	(574)	734
	$ 23,168	$ 33,492	$ 35,601
Included in Other Income and Deductions			
Current-Federal	$(16,193)	$ (34,726)	$ (26,706)
Current-State	(386)	(2,915)	(608)
Deferred-Federal	(72,284)	41,754	(81,164)
	$(88,863)	$ 4,113	$(108,478)
Total Income Tax Expense (Benefit) -Federal	$(65,811)	$ 37,468	$ (70,955)
-State	116	137	(1,922)
	$(65,695)	$ 37,605	$ (72,877)

At December 31, 1989 the Company had, for regular tax purposes, a net operating loss ("NOL") carryforward of approximately $725 million expiring between the years 1999 and 2004, and an Alternative Minimum Tax NOL carryforward of $640 million expiring between the years 1999 and 2004. For financial statement purposes the NOL carryforward is approximately $65 million. Investment tax credits ("ITC") utilized are deferred and amortized to income over the lives of the related properties. At December 31, 1989 the Company had ITC carryforwards of $38.0 million which expire between the years 1994 and 2001. As described in Note 1, the Company has filed for protection under Chapter 11 of the United States Bankruptcy Code. A reorganization of the Company under Chapter 11 may limit the usage of net operating loss and investment tax credit carryforwards so that some may expire unused. The reorganization may also result in a reduction in the NOL carryforward.

The tax effect of differences between pretax income in the financial statements and income subject to tax, which are the result of timing differences, are accounted for as prescribed by and in accordance with the ratemaking policies of the NHPUC except for the Company's investment in Seabrook. Accordingly, provisions for deferred income taxes are recognized for all timing differences specified by the NHPUC and, as a result of the change in method of Seabrook plant accounting discussed in Note 3, for all timing differences associated with Seabrook. Taxes attributable to other timing differences are flowed through to net income as adjustments to income tax expense. As of December 31, 1989 the Company had not provided cumulative deferred taxes of approximately $21 million relating to various tax deductions which had been flowed through. The principal timing difference which has been flowed through is the excess of tax over book depreciation for assets placed in service before 1971. Provisions for deferred income taxes are summarized as follows:

	1989	1988	1987
		(Thousands of Dollars)	
Provision for Future Seabrook Expenditures	$ 4,447	$16,143	$(84,800)
Capitalized Interest	(530)	(78)	66,709
Normalized Timing Differences Relating to Plant	1,383	6,472	13,310
Deferred Fuel Costs	6,661	(3,807)	2,332
Losses on Generating Projects	(88,969)	-	-
Excess of Tax over Book Unused Net Operating Loss Carryforward	(29,791)	(26,424)	(51,201)
Rate Differential on Book Net Operating Loss Used	-	-	(9,131)
Seabrook Unsecured Interest	49,652	44,266	-
Seabrook Comprehensive Settlement	(8,107)	-	-
Other	71	1,307	(7,544)
	$(65,183)	$37,879	$(70,325)

The principal reasons for the differences between total income tax expense and the amount calculated by applying the federal income tax rate (34% for 1989 and 1988 and 40% for 1987) to income before income tax and the cumulative effect of change in Seabrook plant accounting are as follows:

	1989	1988	1987
		(Thousands of Dollars)	
Income (Loss) Before Income Tax and the Cumulative Effect of Change in Seabrook Plant Accounting	$(268,932)	$92,878	$(159,913)
Expected Tax Expense	$ (91,437)	$31,578	$ (63,965)
Increase (Reduction) in Taxes Resulting From			
AFUDC Equity	(154)	(203)	(473)
Net-of-Tax Method of Recording AFUDC	-	-	(443)
Difference Between Book and Tax Depreciation-Not Normalized	2,598	2,496	2,882
Other Deductions and Adjustments	2,179	3,734	(1,747)
Unused Book Net Operating Loss	21,687	-	-
Additional Book Net Operating Loss Carryback Benefit	-	-	(9,131)
Total Income Tax Expense (Benefit)	$ (65,695)	$37,605	$ (72,877)

The Financial Accounting Standards Board has promulgated new income tax accounting rules which will require the Company to change from the deferred method to the liability method of accounting for income taxes. The liability method accounts for deferred income taxes by applying enacted statutory rates in effect at each balance sheet date to differences between the book basis and the tax basis of assets and liabilities. The Company currently plans to adopt, in 1992, this standard on a prospective basis. Upon adoption the Company expects that a regulatory asset, for the tax effects of temporary differences for which deferred taxes have not been provided because they will be recovered from customers in future years, and a related deferred income tax liability will be established. Since the Company expects, after reorganization, to apply SFAS No. 71, to the entire company, (see Note 1 - Assumptions for Pro Forma Balance Sheet) no material impact on the Company's financial position or results of operations is expected.

7. Short-Term Borrowings

Short-term debt outstanding at December 31, 1987, other than those amounts classified as current through default, consisted of $100,000,000 principal amount of unsecured floating rate promissory notes due May 1, 1988. The Company reclassified these notes in 1988 as liabilities subject to settlement upon reorganization and ceased accruing interest thereon effective January 28, 1988. During 1989 the Company obtained a commitment for funds from a $37.5 million short-term credit agreement with a major financial institution. There was no short-term debt outstanding for the years ended December 31, 1989 and 1988. Information regarding short-term borrowings for the year ended December 31, 1987 is as follows:

	(Thousands of Dollars)
Maximum Short-Term Borrowings	$100,000
Average Amount Outstanding	$ 61,096
Average Interest Rate (Including Fees):	
At Year End	21.85%
During the Year	21.85%

8. Postemployment Benefits

Pension Plan. The Company has a defined non-contributory pension benefit plan covering substantially all of its employees. The benefits are based on years of service and the employee's compensation during the highest consecutive five years of earnings of the last ten years of employment. The Company's policy is to fund the minimum amount required. Costs were $8,240,000, $7,500,000 and $6,368,000 (excluding the cost of the early retirement program described below) in 1989, 1988, and 1987, respectively. Contributions are intended to provide for benefits attributed to service to date and for benefits expected to be earned in future years. The assets of the plan primarily include United States Government Bonds, other bonds which are of investment grade, and stocks of publicly traded companies.

Net pension cost includes the following components:

	1989	1988	1987
		(Thousands of Dollars)	
Service Cost for Benefits Earned During the Year	$ 6,195	$ 5,614	$ 5,244
Interest Cost on Projected Benefit Obligation	9,878	9,075	8,142
Actual Return on Plan Assets	3,012	(9,463)	(4,630)
Net Amortization and Deferral	(10,845)	2,274	(2,388)
Net Periodic Pension Cost	$ 8,240	$ 7,500	$ 6,368

The following table sets forth the plan's funded status:

	At December 31,		
	1989	1988	1987
	(Thousands of Dollars)		
Actuarial Present Value of Benefit Obligations:			
Accumulated Benefit Obligation, Including Vested Benefits of $95,826 at December 31, 1989 and $80,518 at December 31, 1988	$ 96,815	$ 83,585	$ 79,817
Additional Benefits Related to Future Compensation Levels	49,050	41,341	39,566
Projected Benefit Obligation for Service Rendered to Date	145,865	124,926	119,383
Assets Available for Benefits	99,244	99,840	90,249
Projected Benefit Obligation in Excess of Plan Assets	46,621	25,086	29,134
Unrecognized Net Transition Obligation	(8,010)	(8,411)	(8,812)
Unrecognized Prior Service Cost	(2,580)	-	-
Unrecognized Net Gain or (Loss) from Past Experience Different From that Assumed and Effects of Changes in Assumptions	(19,206)	741	(3,689)
Accrued Pension Costs	$ 16,825	$ 17,416	$ 16,633

The weighted-average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation was 8% and 6%, respectively, for 1989, 1988 and 1987. The assumed investment rate of return was 8.5% for 1989, 1988 and 1987.

In 1987 an early retirement incentive program was offered as part of the Company's cost cutting efforts. Employees who had attained age 55 and had completed twenty years of service by August 1, 1987 were eligible to elect to retire as of September 16, 1987. Employees electing to retire pursuant to the plan received an addition of five years to both age and length of service in determining pension benefits, and a temporary monthly supplement of $550. The cost of this program, $5,116,000, was recognized in 1987.

Health and Life Insurance. The Company provides certain health and life insurance benefits for employees. Substantially all of the Company's employees may become eligible to continue those benefits if they reach retirement age while working for the Company. Those benefits are provided or administered through insurance companies whose premiums or charges are based on the benefits paid during the year. The Company recognizes the cost of providing those benefits by expensing the annual insurance premiums, which were approximately $1,793,000, $1,765,000 and $1,260,000 for retired employees in 1989, 1988 and 1987, respectively.

9. Leases

Rentals charged to expense in 1989, 1988 and 1987 were $6,098,000, $4,826,000 and $4,814,000, respectively, including rentals to the wholly-owned real estate subsidiary of $1,211,000, $1,230,000 and $1,170,000 in 1989, 1988 and 1987, respectively. At December 31, 1989 estimated future minimum lease payments for non-cancellable operating leases were as follows:

1990	$ 7,761,000
1991	6,963,000
1992	5,917,000
1993	4,339,000
1994	3,878,000
Thereafter	20,184,000
	$49,042,000

10. Supplemental Cash Flow

Cash Payments for Interest and Income Taxes were as follows:

	Twelve Months Ended December 31,		
	1989	1988	1987
	(Thousands of Dollars)		
Total Interest	$49,593	$48,148	$154,020
Capitalized Interest	20,575	24,171	123,340
Interest (Net of Amount Capitalized)	$29,018	$23,977	$ 30,680
Income Taxes	$ 368	$ 107	$ 581

Supplemental Summary of Noncash Financing Activities:

Warrant Exercises

During 1989, the Company issued 4,952,800 shares of its Common Stock upon the exercise of warrants and the tender of the requisite principal amount of its 17 1/2% Debentures under the terms of a settlement agreement entered into between the Company and Spear, Leeds & Kellogg and Elliott Associates, L.P., which provided that all holders of warrants were permitted, during the period commencing May 1 and ending September 15, 1989, to tender subject to certain restrictions, Debentures for the issuance of 200 shares of the Company's Common Stock. At the end of the exercise period, the suspension of the right to exercise the Warrants, instituted in June 1986, was reinstated. The Warrants expire by their terms on October 15, 1991. The Warrants are cancelled under the Plan.

The Company's Common Equity, Liabilities Subject to Settlement Upon Reorganization and Accumulated Deferred Taxes on Income were affected by the warrant exercises as follows:

	(Thousands of Dollars)
Common Stock and Other Paid-In Capital	$ 23,891
17.5% Unsecured Debentures	(24,764)
Accrued Interest	(3,396)
Unamortized Discount	4,620
Unamortized Debt Expenses	98
	$(23,442)
Accumulated Deferred Taxes on Income	$ (449)

11. Unaudited Quarterly Information

The following quarterly information is unaudited, and, in the opinion of management, is a fair summary of results of operations for such periods. Variations in Operating Revenues and Operating Income between quarters reflect the seasonal nature of the Company's business.

	Three Months Ended							
	December 31,		September 30,		June 30,		March 31,	
	1989	1988	1989	1988	1989	1988	1989	1988
	(Thousands except Per Share amounts)							
Operating Revenues	$168,1[illegible]	$152,900	$154,352	$148,078	$132,812	$135,185	$164,113	$167,322
Operating Income	21,804	25,612	20,467	20,540	17,765	21,880	28,407	36,511
Losses on Generating Projects	(269,697)	-	-	-	(16,010)	-	(50,765)	-
Net Income (Loss)	(191,491)	13,199	8,772	10,726	(3,526)	9,749	(16,992)	21,599
Preferred Dividend Requirements	-	-	-	-	-	-	-	3,084
Earnings (Loss) Available for Common Stock	(191,491)	13,199	8,772	10,726	(3,526)	9,749	(16,992)	18,515
Weighted Average Common and Common Equivalent Shares	42,155	48,134	47,180	48,134	38,951	48,134	37,201	48,134
Earnings (Loss) Per Share	$ (4.54)	$ 0.29	$ 0.20	$ 0.24	$ (0.09)	$ 0.22	$ (0.46)	$ 0.40

See Note 3 for a discussion of the 1989 losses on generating projects.

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying balance sheets and statements of capitalization of Public Service Company of New Hampshire as of December 31, 1989 and 1988, and the related statements of earnings, cash flows and changes in common stock equity for each of the years in the three-year period ended December 31, 1989. In connection with our audits of the financial statements, we also have audited the financial statement schedules as listed in the index under Item 14. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial statement schedules are free of material misstatement. An audit 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 Public Service Company of New Hampshire at December 31, 1989 and 1988, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 1989, in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the financial statements, on January 28, 1988 the Company filed a voluntary petition for protection under Chapter 11 of the United States Bankruptcy Code. The Company is now operating its business as a debtor-in-possession. In December 1989, the Company announced its support for a proposed plan of reorganization (the Plan). The Plan has been voted upon by the Company's creditors and equity security holders and has been confirmed by the Bankruptcy Court. Consummation of the Plan is subject to many conditions including the receipt of certain tax rulings, the allowance by the Bankruptcy Court of not more than $900 million in unsecured claims against the Company, the approval of many regulatory authorities and the issuance of approximately $2.3 billion of debt and equity securities to finance the Plan. Based on confirmation of the Plan, the Company's 1989 financial statements include a provision for impairment of its Seabrook investment as described in Note 3. The financial statements do not include any other adjustments relating to the recoverability and classification of liabilities that might result from the consummation of the Plan, or that may result if an alternative plan is adopted.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. Additionally, we examined the pro forma adjustments reflecting the proposed reorganization of Public Service Company of New Hampshire described in Note 1 and the application of those adjustments to the historical amounts in the accompanying pro forma balance sheet of Reorganized PSNH (a new entity) as of December 31, 1989. Such pro forma adjustments are based upon current management's assumptions described in Note 1. Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary in the circumstances.

The objective of this pro forma financial information is to show what the significant effects on the historical financial information might have been had the Plan been consummated on December 31, 1989. However, the pro forma balance sheet is not necessarily indicative of the financial position that would have resulted if the Plan actually been consummated earlier.

In our opinion, management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the Plan described in Note 1, the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma balance sheet of Reorganized PSNH as of December 31, 1989 reflects the proper application of those adjustments to the historical balance sheet of the Company as of December 31, 1989.

KPMG PEAT MARWICK

Boston, Massachusetts
March 2, 1990, except as to the pro forma balance sheet
and Notes 1 and 3 which are as of April 20, 1990.

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

Not Applicable.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Listed below are the names of each Director of the Registrant, the principal occupation, business experience and other directorships, if any, of each, the positions of each with the Registrant if other than Director, the age of each, the year in which each became a Director and the number of shares of stock beneficially owned by each:

Name, age, and year first elected a Director		Shares Beneficially Owned March 1, 1990 (1)(2)(3) Common Stock	Preferred Stock
Harvey F. Brush (69 years) 1989	Senior Executive Consultant, Bechtel Group, Inc., a construction and engineering firm, San Francisco, Ca., since January 1, 1987. Advisory Director, Bechtel Group, Inc., January 1986 to December 1986. Director, Bechtel Group, Inc., January 1985 to December 1985. Executive Vice President and Director, Bechtel Group, Inc., 1980 to December 1984. Also a Director of Wheeling-Pittsburgh Steel Corporation, Wheeling, W.Va.	1,000	400
Hilary P. Cleveland (62 years) 1984	Commissioner, International Joint Commission United States/Canada, Washington, D.C., since March 7, 1990. Also Associate Professor in the Department of Social Sciences, Colby-Sawyer College, New London, N.H. Also a Trustee of the New Hampshire Historical Society, Concord, N.H., a former Director of the National Advisory Council on Continuing Education, Washington, D.C., and an Incorporator of the Mary Hitchcock Hospital, Hanover, N.H.	200	
George A. Dorr, Jr. (73 years) 1954	President and a Director of Dorr Fabrics, Inc., a textile retail store, Newport, N.H. Also a Director of Roymal Coatings and Chemical Company, Inc., Newport, N.H.	1,000	400
John C. Duffett (62 years) 1984	Chairman, President and Chief Executive Officer of the Company since February 1, 1990. President and Chief Executive Officer of the Company from 1988 to 1990. Executive Vice President and Chief Operating Officer from 1986 to 1988. Senior Vice President from 1982 to 1986. Also Vice President and a Director of New Hampshire Business Development Corp., Concord, N.H., and a Director of Yankee Atomic Electric Company, Bolton, Mass., Connecticut Yankee Atomic Power Company, Hartford, Conn., Maine Yankee Atomic Power Company, Augusta, Me., Vermont Yankee Nuclear Power Corporation, Rutland, Vt., and Manchester Associates, Inc., Manchester, N.H., and an Incorporator of Catholic Medical Center, Manchester, N.H. (4)	1,404	200

Name, age, and year first elected a Director		Shares Beneficially Owned March 1, 1990 (1)(2)(3) Common Stock	Preferred Stock
Philip S. Dunlap (71 years) 1982	President, Treasurer and a Director of New Hampshire Real Estate Investment Corp. (formerly N.H. Automatic Equipment Corp.), a real estate development and management firm, Concord, N.H. since April 1, 1988. Vice President and Treasurer of Northern Railroad, Nashua, N.H. from January, 1985, to March, 1988. Also a Trustee of the S.H. Dunlap Realty Trust, Concord, N.H., a Director of First Capital Bank, Concord, N.H., Globe Manufacturing Company, Pittsfield, N.H., and Atlantic Distributors, Portland, Me. (4)	418	
Fred B. Roedel (57 years) 1986	President, Director and Founder of Chalet Susse International, Inc., parent company of Susse Chalet Motor Lodges & Inns, Wilton, N.H., a chain of overnight accommodation facilities. Also a Director of New Hampshire Savings Bank Corp., Concord, N.H., Chairman and a Director of New Hampshire Savings Bank South, Nashua, N.H., and a Trustee of Daniel Webster College, Nashua, N.H.	1,000	1,000
Philip B. Ryan (47 years) 1983	Vice President of The Bigelow Company Incorporated, a management consulting firm, Manchester, N.H. Also Acting Chief Executive Officer and a Director of Health Northeast, Inc., Manchester, N.H., since October 1, 1989. Also a Director of Amoskeag Bank, Manchester, N.H., Amoskeag Bankshares, Manchester, N.H., Elkin Coffee, Bow, N.H., Adage, Inc., West Chester, Pa., and a Trustee of the Derryfield School, Manchester, N.H.	115	
William J. Scharffenberger (69 years) 1985	Chairman of the Board and Chief Executive Officer and a Director of Wheeling-Pittsburgh Steel Corporation, a manufacturer of steel and steel products, Wheeling, W. Va., since May 1, 1989. Chairman of the Company from September 1988 to January 1990. President and Chief Executive Officer and a Director of Wheeling-Pittsburgh Steel Corporation from May 1987 to May 1989. Fixed Income Securities Department, Bear Stearns & Co., Inc., an investment and brokerage firm, New York, N.Y., from October, 1986 to April, 1987. Retired from May, 1985 to October, 1986. President and Chief Executive Officer and a Director of Saxon Industries, Inc., a distributor and converter of paper and paper-related products, New York, N.Y., from May, 1982 to April, 1985. Also a Director of Alco Standard Corporation, Valley Forge, Pa., and Allegheny International, Inc., Pittsburgh, Pa.	200	200
John T. Schiffman (49 years) 1983	Partner of Smith, Batchelder & Rugg, a firm of certified public accountants, Lebanon, N.H. Also a former Director of Business & Industry Association of New Hampshire, Concord, N.H., and an Incorporator of Mary Hitchcock Hospital, Hanover, N.H.	200	20
William M. Scranton (69 years) 1971	Management Consultant, Keene, N.H. Also President and a Director of New Hampshire Business Development Corp., Concord, N.H., and a Director of Summa Four, Inc., Manchester, N.H., and a member of the Advisory Board of Kearsarge Ventures, L.P., Manchester, N.H.	1,324	110

Name, age, and year first elected a Director		Shares Beneficially Owned March 1, 1990 (1)(2)(3) Common Stock	Preferred Stock
Edward M. Shapiro (56 years) 1983	Education Consultant since January, 1987. President of New Hampshire College, Manchester, N.H., for fifteen years prior to January, 1987. Trustee of the Elliot Hospital, Manchester, N.H., member of the Advisory Board of Citizen's Scholarship Foundation of America, Inc., Saint Peter, Minn., past President of N.H. College and University Council, and past Chairman of Association of Colleges and Schools, Washington, D.C.	1,991	100
William C. Tallman (69 years) 1965	Retired since June, 1984. Chairman of the Company from 1980 to 1984. Also a Director of Amoskeag Industries, Inc., Manchester, N.H. and Vice President, Development and a Trustee of the New Hampshire Symphony Orchestra, Inc., Manchester, N.H., and a Trustee of the Young Men's Christian Association, Manchester, N.H.	4,593	
Hugh C. Tuttle (68 years) 1970	Treasurer and a Director of Tuttle Market Gardens, Inc., a farm operator, Dover, N.H. Also a Director of Great Bay Bankshares, Inc., Dover, N.H.	1,000	

(1) No Director's ownership constitutes as much as 5/100ths of 1% of the outstanding shares of either Common Stock or Preferred Stock.

(2) Includes full (but not partial) shares of Common Stock held for the account of a Director if a participant in the Company's Dividend Reinvestment and Common Stock Purchase Plan.

(3) All shares of Preferred Stock owned by Directors are $25 par value except those shares owned by William M. Scranton, which are $100 par value.

(4) Philip S. Dunlap, a Director of the Company, and John C. Duffett, a Chairman, President and Chief Executive Officer of the Company, are brothers-in-law.

Reference should be made to the information furnished in "Item 4A. Executive Officers of the Registrant" for information concerning the executive officers of the Company.

Item 11. EXECUTIVE COMPENSATION

All remuneration of each of the five most highly compensated executive officers of the Company for services in all capacities to the Company and its subsidiaries for the fiscal year ended December 31, 1989, whose remuneration exceeded $60,000 and of all executive officers of the Company as a group is as follows:

Cash Compensation Table

(A) Name of Individual or number in group	(B) Capacities in which served	(C) Cash and cash-equivalent forms of remuneration (1) (2)
John C. Duffett	Chairman, President and Chief Executive Officer	$ 238,343
Charles E. Bayless	Senior Vice President and Chief Financial Officer(3)	168,592
D. Pierre G. Cameron, Jr.	Senior Vice President and General Counsel	139,140
John P. Edwards	Senior Vice President - Customer Affairs	133,990
Ted C. Feigenbaum	Chief Nuclear Production Officer	116,045 (4)
All Executive Officers as a Group (20 Persons)		$1,977,369 (5)

(1) Includes amounts deferred by all executive officers as a group, including all officers listed in the cash compensation table, pursuant to the Deferred Income Plan.

(2) Except for two officers of the Company's New Hampshire Yankee Division, who received the value of personal use of a Company vehicle, no executive officer received cash or cash-equivalent remuneration other than salaries and cost of certain insurance premiums under group plans available generally to all employees.

(3) Mr. Bayless has resigned his position as Senior Vice President and Chief Financial Officer of the Company effective December 1, 1989, and his employment agreement, dated September 13, 1989, has been terminated.

(4) Mr. Feigenbaum is an officer of the New Hampshire Yankee Division. The Company is responsible for 35.6% of the amount of Mr. Feigenbaum's compensation, with the remaining 64.4% reimbursed by the other Joint Owners of Seabrook Station.

(5) Includes salary and severance pay, paid to an officer of the New Hampshire Yankee Division who resigned July 1, 1989.

Employment Agreements

The Company has entered into separate employment agreements with Messrs. Duffett, Cameron and Edwards and with Mr. George Branscombe, Senior Vice President-Finance and Treasurer and Mr. Ralph S. Johnson, Senior Vice President, each with an initial three-year term commencing September 13, 1989, subject to automatic renewal terms of two years unless terminated by action of the Company's Board of Directors. For Messrs. Duffett, Cameron and Edwards, these agreements supersede earlier employment agreements. Each agreement provides that each named officer shall be employed by the Company in his then current capacity and shall be entitled to receive an annual base salary of not less than $250,016 for Mr. Duffett, $144,456 for Mr. Cameron, $140,660 for Mr. Edwards, $125,060 for Mr. Branscombe, and $118,456 ($128,752 as adjusted) for Mr. Johnson, subject to certain minimum annual adjustments during each year of the initial or renewal term of the agreement. By order issued January 3, 1990 the Bankruptcy Court has approved the employment agreements.

Should the Company default in any of its obligations under the employment agreements, including the payment of salary at the prescribed levels and continuation of duties currently performed, each officer shall be entitled, at his option, to receive a single sum severance payment equal to such officer's then effective annual salary multiplied by the number of years remaining in the initial or any renewal term of the agreement. In the event of a change in control or a negotiated termination of employment as a part of any reorganization plan of the Company, as each term is defined in the agreements, each officer shall, if the Company shall thereafter default in its obligations under the agreement, be entitled to terminate his employment agreement and thereafter to receive in a lump sum severance payment an amount equal to (i) two times his then effective annual salary and (ii) an amount equal to his accumulated unused vacation time and the payment of certain medical and life insurance premiums for a two-year period. Pursuant to these provisions, an aggregate of approximately $1,865,000 as severance payments would be payable to Messrs. Duffett, Cameron, Edwards, Branscombe and Johnson upon termination of their employment under the terms of their employment agreements.

Pension Plan

The Pension Plan of Public Service Company of New Hampshire ("Pension Plan") is a trusteed, non-contributory service annuity plan which was established by the Company to provide pension benefits to its employees and is applicable to all employees, including officers, meeting a minimum period of service requirement. Annuities are paid from the trust fund under the Pension Plan and are determined under formulas applicable to all employees regardless of position, the amounts depending on length of service and earnings prior to retirement.

Prior to the changes mandated by the 1986 Tax Reform Act, the Pension Plan provided pension benefits which were currently accrued pursuant to the following formula: 60% of the annual average January 1 base salary in the highest paid five consecutive years out of the last ten years preceding retirement (such base salary in any given year being exclusive of salary amounts elected to be deferred in that year under the Company's former Deferred Compensation Plan for Directors and Officers), offset by 50% of the estimated Primary Social Security Benefits, prorated for those employees who have not attained age 62 and completed 30 years of service. Effective January 1, 1989, pension benefits are calculated as follows: 1.35% of final average earnings plus .60% of the excess of final average earnings over 150% of Covered Compensation for each year of service up to 30 years. The final average earnings computation is the average of the last five years of gross earnings. Covered Compensation is the 35-year average of the yearly Social Security FICA Wage Bases ending with the year of retirement.

The following table illustrates the amount of annual pension benefit under the Pension Plan to an employee in specified average salary and years-of-service classifications. Such benefit amounts have been calculated as though each employee selected a straight life annuity and retired on December 31, 1989, at age 65.

Average of the Last Five Years Earnings	Estimated Maximum Annual Retirement Benefits (A) Service Years				
	15	20	25	30	35 (B)
$ 75,000	$19,647	$26,196	$32,745	$39,294	$39,294
100,000	26,960	35,946	44,933	53,919	53,919
125,000	34,272	45,696	57,120	68,544	68,544
150,000	41,585	55,446	69,308	83,169	83,169
200,000	56,210	74,946	93,683	98,064	98,064
250,000 (C)	56,210	74,946	93,683	98,064	98,064
300,000 (C)	56,210	74,946	93,683	98,064	98,064

(A) Maximum Benefit currently payable pursuant to Section 415(b) of Internal Revenue Code is $98,064.
(B) Benefit payable for 35 years of service equal to benefit for 30 years of service.
(C) Maximum benefit payable is the amount of benefit for average earnings of not more than $200,000 as determined pursuant to Section 401 (17) of the Internal Revenue Code.

The estimated credited years of service for the individuals named in the Cash Compensation Table (except for Mr. Bayless who has resigned), assuming retirement as of December 31, 1989, are as follows: J. C. Duffett: 35 years; and D.P.G. Cameron, Jr.: 9 years. Mr. Edwards and Mr. Feigenbaum will accrue 5 years credited service in June 1990 and January 1991, respectively.

Excess Benefit Plan

On January 3, 1990 the Bankruptcy Court approved the Company's Excess Benefit Plan earlier adopted by the Company's Board of Directors in September 1989. The Excess Benefit Plan is available to all employees, including officers, who met the length of service and age requirements to be eligible for under the Pension Plan. The limitations on the maximum benefits payable and on the average earnings calculations imposed by Sections 415 and 401(a)(17) of the Internal Revenue Code are not applicable under the terms of the Excess Benefit Plan.

Supplemental Pension Plan

The Company has a Supplemental Pension Plan ("SPP") which was established by the Company effective June 1, 1985, to provide supplemental pension benefits to those officers and employees employed by the Company at an age when they would be unable to be employees of the Company for thirty years prior to age 62 and to qualify for the full pension benefits under the Pension Plan of the Company and who are designated by the Board of Directors. The SPP provides for a supplemental pension payment to be paid from the general funds of the Company which when added to the benefit payable from the Pension Plan of the Company and any other benefit received from a qualified pension of a previous employer shall provide the eligible employee with a benefit equal to the benefit the employee would have received assuming 30 years of service with the Company had been completed at age 62, prorated for each month retirement benefits commence prior to age 62. Messrs. Cameron and Edwards are the only officers or employees presently covered by the SPP.

In September 1989, the SPP was amended to expand the circumstances under which benefits are payable to include a change in control or negotiated termination, as those terms are defined in the SPP, as amended, in the event of a subsequent default by the Company in performance of its obligations under related employment agreements, to permit severance payments payable under the employment agreements to be treated as earnings for accrual calculations under the SPP, to establish certain additional retirement benefits for eligible employees under the SPP whose employment is terminated by virtue of a change in control or negotiated termination, to reinstate the earlier manner of determination of benefits, and to modify the existing manner of amendment of the SPP. By order issued January 3, 1990 the Bankruptcy Court has approved the September 1989 amendment to the SPP.

Special Severance Pay Plan

In its order issued January 3, 1990 the Bankruptcy Court approved the Company's Special Severance Pay Plan, initially adopted by the Board of Directors in September 1989, and certain modifications thereto agreed upon by the Company and NU as part of the Plan. The Special Severance Pay Plan provides for the payment to certain employees, including officers other than Messrs. Duffett, Cameron, Edwards, Branscombe, Johnson and Feigenbaum, of certain benefits upon termination of employment following confirmation of the Plan up to a maximum of one and one-half and a minimum of one times annual salary as severance pay depending upon the number of years of service, the extension of certain medical and life insurance coverage for a period co-incident with the period of extra salary, and certain early retirement benefits if years of service and age requirements are met. If all employees eligible for the program were terminated the aggregate severance payments would be approximately $4.6 million.

Deferred Income Plan

The Company has a deferred income plan pursuant to Section 401(k) of the Internal Revenue Code available to all employees of the Company who have been employed at least one year. The Deferred Income Plan permits participants to defer not in excess of 16% of their pre-tax base salary from the Company up to a maximum of $7,979 and to invest the funds in one or more different types of investment programs, thereby accumulating tax deferred funds for retirement or for such other purposes as permitted under the provisions of the Internal Revenue Code.

As of December 31, 1989, 1,195 employees of the Company, including all but two executive officers of the Company, were participating in the Deferred Income Plan.

Remuneration of Directors

Directors who are not employees of the Company receive an annual retainer of $7,500 (payable semi-annually), as well as a fee of $450 for each Board and Committee meeting attended, except that they receive a fee of $225 for a Committee meeting attended on the same day as a Board meeting. Directors who are full-time employees of the Company receive no fees for service on the Board of Directors. Committee Chairmen receive an additional annual retainer of $1,000.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Reference should be made to the information furnished in the tabular listing of Directors of the Company under "Item 10. Directors and Executive Officers of the Registrant" for information as to the shares of Common and Preferred Stock owned by Directors of the Company.

The following table sets forth information with respect to shares of Common Stock and Preferred Stock, $100 par value, and Preferred Stock, $25 par value, owned beneficially as of March 1, 1990 by all persons who are known by the Directors to own beneficially more than 5% of the outstanding shares of either Common Stock, Preferred Stock, $100 par value, or Preferred Stock, $25 par value.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Ownership	Percent of Class
Preferred Stock, $100 par value	The Prudential Insurance Company of America Box 7119 Church St. Station New York, NY 10249	90,000 Record and Beneficial	14.65%
Preferred Stock, $100 par value	The Mutual Benefit Life Insurance Company 520 Broad Street Newark, NJ 07101	56,400 Record and Beneficial	9.18%
Preferred Stock, $100 par value	Tiger L.P., Puma L.P., and Julian H. Robertson, Jr. d/b/a Tiger Management Company 101 Park Avenue New York, NY 10178	528,300 Beneficial	5.08%(1)
Preferred Stock, $25 par value	Empire of Carolina, Inc. Maurice A. Halperin, Carol Minkin and Barry S. Halperin 441 South Federal Highway Deerfield Beach, FL 33441	1,294,110 Beneficial	12.44%(2)
Common Stock, $5 par value	The Manufacturers Life Insurance Company 200 Bloor St. East Toronto, Ontario M4W 1E5 Canada(1)	3,467,025 Beneficial	7.50%(3)

(1) According to a Schedule 13D, dated October 5, 1989, filed by Julian H. Robertson, Jr., he beneficially owns 528,300 shares of Preferred Stock, $25 par value, as general partner of Tiger L.P. and Puma L.P. and sole proprietor of Tiger Management Company.

(2) According to a Schedule 13D, dated October 12, 1989, filed by the Empire of Carolina, Inc., the firm and its principles, Maurice A. Halperin, Barry S. Halperin and Carol Minkin, beneficially own 1,294,110 shares of the Preferred Stock, $25 par value.

(3) According to a Schedule 13G, dated February 6, 1985, filed by The Manufacturers Life Insurance Company, it beneficially owns Warrants to purchase 3,467,025 shares of Common Stock, or 7.5% of the outstanding shares of Common Stock, assuming exercise by Manufacturers of the Warrants and that no other Warrants are exercised.

The following table sets forth information as of March 1, 1990, with respect to the number of shares of Common Stock and Preferred Stock owned beneficially by all Directors and officers of the Company as a group:

Class	Number of Shares	Percent of Outstanding Shares
Common Stock, $5 par value	17,572	0.04%
Preferred Stock, $100 par value	112	0.01
Preferred Stock, $25 par value	2,320	0.02

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not Applicable.

PART IV

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

The following documents are filed as part of this report:

Financial Statements (see Item 8):

Statements of Earnings, Years ended December 31, 1989, 1988 and 1987

Balance Sheets, December 31, 1989 and 1988

Statements of Capitalization, December 31, 1989 and 1988

Notes to Statements of Capitalization

Statements of Cash Flows, Years ended December 31, 1989, 1988 and 1987

Statements of Changes in Common Stock Equity, Years ended December 31, 1989, 1988 and 1987

Notes to Financial Statements

Independent Auditors' Report

Financial Statement Schedules

Schedule V - Utility Plant, Years ended December 31, 1989, 1988 and 1987

Schedule VI - Accumulated Provision for Depreciation, Years ended December 31, 1989, 1988 and 1987

Schedule VIII - Valuation and Qualifying Accounts, Years ended December 31, 1989, 1988 and 1987

All other schedules are omitted as the required information is not applicable or is included in the financial statements or related notes.

Exhibits

The exhibits which are filed with this Form 10-K or which are incorporated herein by reference are set forth in the Exhibit Index which appears in Part IV of this report beginning at page 65.

Reports on Form 8-K

A Current Report on Form 8-K, dated October 16, 1989, was filed during the fourth quarter of 1989. In such Current Report, information was reported under Item 5, Other Materially Important Events.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
UTILITY PLANT
Years Ended December 31, 1989, 1988 and 1987
(Thousands of Dollars)

	Balance at Beginning of Period	Additions	Retire-ments	Other Changes Add (Deduct)	Balance at End of Period
YEAR ENDED DECEMBER 31, 1989					
Intangibles	$ 45	$ -	$ -	$ -	$ 45
Generating Plant - Steam	285,161	15,267	2,848	(19)	297,561
Generating Plant - Nuclear	117,024	414	70	-	117,368
Generating Plant - Hydro	36,245	277	28	(3)	36,491
Generating Plant - Other	8,557	208	3	-	8,762
Transmission	164,130	8,195	179	(7)	172,139
Distribution	314,036	22,053	3,600	7	332,496
General	45,150	4,702	1,301	21	48,572
Nuclear Fuel	5,286	1,868	-	-	7,154
Plant Held for Future Use	1,539	2,777	-	-	4,316
Unfinished Construction	1,687,205	114,100		(271,240)	1,530,065
Unfinished Construction-Nuclear Fuel	119,489	(1,127)	-	(117,927)	435
TOTAL	$2,783,867	$168,734	$ 8,029	$(389,168)	$2,555,404
YEAR ENDED DECEMBER 31, 1988					
Intangibles	$ 45	$ -	$ -	$ -	$ 45
Generating Plant - Steam	282,855	4,116	1,810	-	285,161
Generating Plant - Nuclear	116,750	315	41	-	117,024
Generating Plant - Hydro	31,796	4,453	4	-	36,245
Generating Plant - Other	8,436	121	-	-	8,557
Transmission	160,674	3,553	112	15	164,130
Distribution	291,073	26,543	3,553	(27)	314,036
General	43,939	1,498	287	-	45,150
Nuclear Fuel	3,985	1,402	-	(101)	5,286
Plant Held for Future Use	1,539	-	-	-	1,539
Unfinished Construction	1,693,182	96,140	-	(102,117)	1,687,205
Unfinished Construction-Nuclear Fuel	120,187	6,566	-	(7,264)	119,489
TOTAL	$2,754,461	$144,707	$ 5,807	$(109,494)	$2,783,867
YEAR ENDED DECEMBER 31, 1987					
Intangibles	$ 45	$ -	$ -	$ -	$ 45
Generating Plant - Steam	264,729	19,678	2,058	506	282,855
Generating Plant - Nuclear	119,588	721	26	(3,533)	116,750
Generating Plant - Hydro	31,199	600	3	-	31,796
Generating Plant - Other	8,413	38	15	-	8,436
Transmission	155,012	6,205	536	(7)	160,674
Distribution	270,098	24,675	3,687	(13)	291,073
General	40,136	4,290	443	(44)	43,939
Nuclear Fuel	3,985	-	-	-	3,985
Plant Held for Future Use	1,539	-	-	-	1,539
Unfinished Construction	1,766,818	226,951	-	(300,587)	1,693,182
Unfinished Construction-Nuclear Fuel	107,471	12,716	-	-	120,187
TOTAL	$2,769,033	$295,874	$ 6,768	$(303,678)	$2,754,461

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
ACCUMULATED PROVISION FOR DEPRECIATION
Years Ended December 31, 1989, 1988 and 1987
(Thousands of Dollars)

Description	Balance at Beginning of Period	Additions	Retirements	Other Changes Add (Deduct)	Balance at End of Period
Accumulated Provision for Depreciation of Electric Plant:					
1989	$318,345	$34,045	$8,012	$(568)(A)	$343,810
1988	291,201	32,690	5,772	226 (A)	318,345
1987	266,490	31,396	6,766	81 (A)	291,201

(A) Represents:	1989	1988	1987
Depreciation charged to automotive clearing	$ 499	$ 449	$ 448
Depreciation on plant units acquired	6	-	4
Depreciation charged to construction	13	13	(11)
Net salvage	(2,074)	(1,223)	(1,723)
Nuclear fuel - Millstone	1,131	1,122	1,462
Depreciation not charged to the reserve	(143)	(135)	(99)
	$ (568)	$ 226	$ 81

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
VALUATION AND QUALIFYING ACCOUNTS
Years Ended December 31, 1989, 1988 and 1987
(Thousands of Dollars)

Description	Balance at Beginning of Period	Additions	Charged to or From Other Acct.	Deductions	Balance at End of Period
Valuation Accounts Deducted From Related Assets:					
Provision for Uncollectible Accounts					
1989	$ 1,536	$ 2,450	$ -	$ 2,405(A)	$ 1,581
1988	935	2,229	-	1,628(A)	1,536
1987	925	1,302	-	1,292(A)	935
Accumulated Provision for Depreciation of Non-Operating Property					
1989	$ 505	$ 19	$ -	$ -	$ 524
1988	486	19	-	-	505
1987	473	21	-	8(B)	486
Reserve Included Under "Deferred Credits - Other":					
Reserve for Injuries and Damages					
1989	$ 1,285	$ 1,440	$ -	$ 865(C)	$ 1,860
1988	253	1,377	-	345(C)	1,285
1987	60	750	-	557(C)	253
Deferred Seabrook Comprehensive Settlement Reserve:					
1989	$ -	$16,000	$ -	$ -	$ 16,000
Reserves Included Under "Current Liabilities":					
Reserve for Estimated Cancellation Costs for Seabrook Unit 2:					
1989	$ 12,795	$ -	$ -	$ 450(D)	$ 12,345
1988	13,329	-	-	534(D)	12,795
1987	13,960	-	-	631(D)	13,329
Reserve for Estimated Future Seabrook Expenditures:					
1989	$102,519	$23,000	$ -	$92,850(E)	$ 32,669
1988	212,000	-	-	109,481(E)	102,519
1987	-	212,000	-	-	212,000
Seabrook Comprehensive Settlement Reserve:					
1989	$ -	$33,988	$ -	$26,144(F)	$ 7,844

(A) Accounts written off, net of recoveries.
(B) Retirement of fully depreciated asset.
(C) Non-operating reserve transferred to operating.
(D) Cancellation costs charged to the reserve.
(E) Cash and interest charged to the reserve.
(F) Cash payments charged to the reserve.

SIGNATURES

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

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

By J.C. DUFFETT

J.C. Duffett, Chairman, President and Chief Executive Officer

Date: April 27, 1990

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
J. C. DUFFETT J.C. Duffett (Principal Executive Officer)	Chairman, President and Chief Executive Officer	April 27, 1990
G. BRANSCOMBE G. Branscombe (Principal Financial Officer)	Senior Vice President - Finance and Treasurer	April 27, 1990
B. W. WIGGETT B. W. Wiggett (Principal Accounting Officer)	Comptroller	April 27, 1990
HARVEY F. BRUSH Harvey F. Brush	Director	April 27, 1990
HILARY P. CLEVELAND Hilary P. Cleveland	Director	April 27, 1990
GEORGE A. DORR, JR. George A. Dorr, Jr.	Director	April 27, 1990
FRED B. ROEDEL Fred B. Roedel	Director	April 27, 1990
PHILIP B. RYAN Philip B. Ryan	Director	April 27, 1990

Signature	Title	Date
WILLIAM M. SCRANTON William M. Scranton	Director	April 27, 1990
EDWARD M. SHAPIRO Edward M. Shapiro	Director	April 27, 1990
PHILIP S. DUNLAP Philip S. Dunlap	Director	April 27, 1990
JOHN T. SCHIFFMAN John T. Schiffman	Director	April 27, 1990
WILLIAM C. TALLMAN William C. Tallman	Director	April 27, 1990

EXHIBIT INDEX

The following designated exhibits are, as indicated below, either filed herewith or have heretofore been filed with the Securities and Exchange Commission under the Securities Act of 1933, the Securities Exchange Act of 1934 or the Public Utility Holding Company Act of 1935 and are referred to and incorporated herein by reference to such filings.

		Exhibit	SEC Docket
Exhibit 3.	**Articles of Incorporation and By-laws**		
Incorporated herein by reference:			
3.1.	Articles of Agreement, as amended.	4.1	2-86798
3.2.	By-laws, as amended.	3.2	Annual Report 1-6392 for 1984
Exhibit 4.	**Instruments defining the rights of security holders, including indentures**		
Incorporated herein by reference:			
4.1.	General and Refunding Mortgage Indenture dated as of August 15, 1978 between the Company and New England Merchants National Bank, Trustee.	2.32	2-62856
4.1.1.	First Supplemental Indenture to the General and Refunding Mortgage Indenture dated as of September 15, 1979.	2.32	2-65427
4.1.2.	Second Supplemental Indenture to the General and Refunding Mortgage Indenture dated as of January 15, 1980.	2.5	2-66334
4.1.3.	Third Supplemental Indenture to the General and Refunding Mortgage Indenture dated as of December 1, 1980.	2.3.3	2-69947
4.1.4.	Fourth Supplemental Indenture to the General and Refunding Mortgage Indenture dated as of June 1, 1982.	4.1.4	2-77577
4.1.5.	Fifth Supplemental Indenture to the General and Refunding Mortgage Indenture dated as of June 19, 1984.	4.1.5	2-92102
4.1.6.	Sixth Supplemental Indenture to the General and Refunding Mortgage Indenture dated as of August 15, 1984.	4.1.6	2-92102
4.1.7.	Seventh Supplemental Indenture to the General and Refunding Mortgage Indenture dated as of August 28, 1985.	4.1.7	33-1442

		Exhibit	SEC Docket
Filed Herewith:			
4.1.8.	Eighth Supplemental Indenture to General and Refunding Mortgage Indenture, dated as of November 15, 1989.		
4.1.9.	Ninth Supplemental Indenture to General and Refunding Mortgage dated as of December, 1989.		
Incorporated herein by reference:			
4.2	First Mortgage dated as of January 1, 1943 between the Company and Old Colony Trust Company, Trustee.	4.4	2-81165
4.2.1.	First Supplemental Indenture to the Company's First Mortgage dated as of December 1, 1943.	A-1a	70-684
4.2.2.	Second Supplemental Indenture to the Company's First Mortgage dated as of June 1, 1947.	7.3	2-7066
4.2.3.	Third Supplemental Indenture dated as of January 1, 1948.	7.4	2-7324
4.2.4.	Fourth Supplemental Indenture dated as of October 1, 1948.	7.5	2-7658
4.2.5.	Fifth Supplemental Indenture dated as of June 1, 1949.	7.6	2-7985
4.2.6.	Sixth Supplemental Indenture dated as of June 1, 1951.	7.7	2-8969
4.2.7.	Seventh Supplemental Indenture dated as of September 1, 1953.	4.9	2-10426
4.2.8.	Eighth Supplemental Indenture dated as of November 1, 1954.	4.4.8.	2-81165
4.2.9.	Ninth Supplemental Indenture dated as of June 1, 1956.	4.4.9	2-81165
4.2.10.	Tenth Supplemental Indenture dated as of October 1, 1957.	2.12	2-15260
4.2.11.	Eleventh Supplemental Indenture dated as of July 1, 1959.	2.13	2-17162
4.2.12.	Twelfth Supplemental Indenture dated as of November 1, 1960.	2.14	2-20451
4.2.13.	Thirteenth Supplemental Indenture dated as of July 1, 1962.	4.4.13	2-81165
4.2.14.	Fourteenth Supplemental Indenture dated as of January 1, 1966.	4.4.14	2-81165

		Exhibit	SEC Docket
4.2.15.	Fifteenth Supplemental Indenture dated as of October 1, 1966.	4.4.15	2-81165
4.2.16.	Sixteenth Supplemental Indenture dated as of June 1, 1967.	4.4.16	2-81165
4.2.17.	Seventeenth Supplemental Indenture dated as of November 1, 1968.	2.19	2-30554
4.2.18.	Eighteenth Supplemental Indenture dated as of November 1, 1970.	4.20	2-38646
4.2.19.	Nineteenth Supplemental Indenture dated as of June 15, 1972.	2.22	2-50198
4.2.20.	Twentieth Supplemental Indenture dated as of March 1, 1974.	2.23	2-50198
4.2.21.	Twenty-First Supplemental Indenture dated as of October 15, 1974.	2.24	2-51999
4.2.22.	Twenty-Second Supplemental Indenture dated as of December 1, 1974.	2.25	2-54646
4.2.23.	Twenty-Third Supplemental Indenture dated as of March 1, 1975.	2.26	2-54646
4.2.24.	Twenty-Fourth Supplemental Indenture dated as of October 15, 1975.	2.27	2-57289
4.2.25.	Twenty-Fifth Supplemental Indenture dated as of October 15, 1976.	2.28	2-59516
4.2.26.	Twenty-Sixth Supplemental Indenture dated as of November 1, 1976.	2.29	2-59516
4.2.27.	Twenty-Seventh Supplemental Indenture dated as of May 1, 1978.	2.30	2-61924
4.2.28.	Twenty-Eighth Supplemental Indenture dated as of August 15, 1978.	2.31	2-62856
4.2.29.	Twenty-Ninth Supplemental Indenture dated as of September 15, 1979.	2.33	2-65427
4.2.30.	Thirtieth Supplemental Indenture dated as of January 15, 1980.	2.4.30	2-66492
4.2.31.	Thirty-First Supplemental Indenture dated as of December 1, 1980.	2.4.31	2-69947
4.2.32.	Thirty-Second Supplemental Indenture dated as of June 1, 1982.	4.2.32	2-77577

		Exhibit	SEC Docket
4.3.	Indenture dated as of October 1, 1982 between the Company and Manufacturers Hanover Trust Company, Trustee, relating to the 15 3/4% Debentures due 1988.	4.3	2-79411
4.4.	Indenture dated as of February 1, 1983 between the Company and Manufacturers Hanover Trust Company, Trustee, relating to the 14-3/8% Debentures due 1991.	4.6	2-81367
4.5.	Indenture dated as of November 1, 1983 between the Company and Manufacturers Hanover Trust Company, Trustee, relating to the 15% Debentures due 2003.		Registration Statement on Form 8-A relating to 15% Debentures due 2003 (File No. 1-6392)
4.6.	Trust Indenture dated as of December 1, 1983 between the New Hampshire Industrial Development Authority and State Street Bank and Trust Company, Trustee, relating to the Pollution Control Revenue Bonds, 1983 Series A (Public Service Company of New Hampshire Project).	4.9	Annual Report 1-6392 for 1983
4.6.1.	Loan Agreement dated as of December 1, 1983 between the Company and the New Hampshire Industrial Development Authority relating to loans to the Company of the proceeds of the bonds issued under Exhibit 4.9.	4.9.1	Annual Report 1-6392 for 1983
4.7.	Trust Indenture dated as of October 15, 1984 between the Company and Midlantic National Bank, Trustee, relating to the 17-1/2% Debentures due 2004.	4.10	2-92102
4.8.	Warrant Agreement dated as of October 15, 1984 between the Company and The First National Bank of Boston, relating to Warrants to purchase 18,375,000 shares of Common Stock.	4.12	2-92102
4.9.	Third Mortgage Indenture dated as of February 15, 1986 between the Company and First Fidelity Bank, National Association, New Jersey.	4.13	33-1442
4.9.1.	First Supplemental Indenture dated as of February 15, 1986 relating to Third Mortgage Bonds Pollution Control Series B.	4.13.1	Annual Report 1-6392 for 1985
4.9.2	Second Supplemental Indenture dated August 19, 1986 to Third Mortgage Indenture.	4.9.2	Annual Report 1-6392 for 1986

		Exhibit	SEC Docket
4.10	Indenture of Trust and Agreement dated as of February 1, 1986 among the Company, The Industrial Development Authority of the State of New Hampshire and Amoskeag National Bank and Trust Co., as Trustee.	4.15	Annual Report 1-6392 for 1985

Filed Herewith:

4.11	Trust Indenture between the Industrial Development Authority of the Sate of New Hampshire and Shawmut Bank, N.A., as Trustee, dated as of December 1, 1989, relating to the Adjustable Rate Solid Waste Disposal and Pollution Control Revenue Bonds, 1989 Series (Public Service Company of New Hampshire Project).		
4.12	Loan agreement, dated as of December 1, 1989, between the Industrial Development Authority of the Sate of New Hampshire and Public Service Company of New Hampshire, relating to the Adjustable Rate Solid Waste Disposal and Pollution Control Revenue Bonds, 1989 Series (Public Service Company of New Hampshire Project).		

Exhibit 10. Material Contracts

Incorporated herein by reference:

10.1.	Form of New England Power Pool Agreement dated as of September 1, 1971 as amended to November 1, 1986.	10.1	Annual Report 1-6392 for 1988
10.1.1.	Agreement amending New England Power Pool Agreement dated as of April 30, 1987.	10.1.1	Annual Report 1-6392 for 1988
10.1.2.	Agreement amending New England Power Pool Agreement dated as of March 1, 1987.	10.1.2	Annual Report 1-6392 for 1988
10.2.	Agreement dated October 13, 1972 for Joint Ownership, Construction and Operation of Pilgrim Unit No. 2 among Boston Edison Company and other utilities including the Company.	5.3(d)	2-45990
10.3.	Agreement dated as of May 1, 1973 for Joint Ownership, Construction and Operation of New Hampshire Nuclear Units among the Company and other utilities.	13-57	2-48966
10.3.1.	Amendments to Exhibit 10.3 dated May 24, 1974, June 21, 1974 and September 25, 1974.	5.15	2-51999
10.3.2.	Amendments to Exhibit 10.3 dated October 25, 1974 and January 31, 1975.	5.23	2-54646

		Exhibit	SEC Docket
10.3.3.	Sixth Amendment to Exhibit 10.3 as of April 18, 1979.	5.4.3	2-64294
10.3.4.	Seventh Amendment to Exhibit 10.3 dated as of April 18, 1979.	5.4.4	2-64294
10.3.5.	Eighth Amendment to Exhibit 10.3 dated as of April 25, 1979.	5.4.5	2-64815
10.3.6.	Ninth Amendment to Exhibit 10.3 dated as of June 8, 1979.	5.4.6	2-64815
10.3.7.	Tenth Amendment to Exhibit 10.3 dated as of October 10, 1979.	5.4.7	2-66334
10.3.8.	Eleventh Amendment to Exhibit 10.3 dated as of December 15, 1979.	5.4.8	2-66492
10.3.9.	Twelfth Amendment to Exhibit 10.3 dated as of June 16, 1980.	5.4.9	2-68168
10.3.10.	Thirteenth Amendment to Exhibit 10.3 dated as of December 31, 1980.	10.6.10	2-70579
10.3.11.	Fourteenth Amendment to Exhibit 10.3 dated as of June 1, 1982.	10.5.11	Annual Report 1-6392 for 1982
10.3.12.	Fifteenth Amendment to Exhibit 10.3 dated as of April 27, 1984.	10.5.12	2-92102
10.3.13.	Sixteenth Amendment to Exhibit 10.3 dated as of June 23, 1984.	10.5.13	2-92102
10.3.14.	Seventeenth Amendment to Exhibit 10.3 dated as of March 8, 1985.	10.5.14	Annual Report 1-6392 for 1985
10.3.15.	Eighteenth Amendment to Exhibit 10.3 dated as of March 14, 1985.	10.5.15	Annual Report 1-6392 for 1986
10.3.16.	Nineteenth Amendment to Exhibit 10.3 dated as of May 1, 1986.	10.5.16	Annual Report 1-6392 for 1986
10.3.17.	Twentieth Amendment to Exhibit 10.3 dated as of September 19, 1986.	10.5.17	Annual Report 1-6392 for 1986
10.3.18	Twenty-first Amendment to Exhibit 10.3 dated as of November 12, 1987.	10.3.18	Annual Report 1-6392 for 1988
10.3.19	Twenty-second Amendment to Exhibit 10.3 dated as of January 13, 1989.	10.3.19	Annual Report 1-6392 for 1989

Incorporated herein by reference:

10.4.	Agreement for Seabrook Project Disbursing Agent	10.5.14	2-92102

		Exhibit	SEC Docket
10.4.1.	First Amendment to Exhibit 10.4 dated as of March 8, 1985.	10.6.1	Annul Report 1-6392 for 1985
10.4.2.	Second Amendment to Exhibit 10.4 dated as of May 20, 1985.	10.6.2	Annual Report 1-6392 for 1985
10.4.3.	Third Amendment to Exhibit 10.4 dated as of June 18, 1985.	10.6.3	Annual Report 1-6392 for 1985
10.4.4.	Fourth Amendment to Exhibit 10.4 dated as of January 2, 1986.	10.6.4	Annual Report 1-6392 for 1986
10.4.5.	Fifth Amendment to Exhibit 10.4 dated as of November 12, 1987	10.4.5	Annual Report 1-6392 for 1988
10.5.	Transmission Support Agreement dated as of May 1, 1973 among the Company and other utilities with respect to New Hampshire nuclear units.	13.58	2-48966
10.6.	Sharing Agreement - 1979 Connecticut Nuclear Unit dated September 1, 1973 to which the Company is a party.	6.43	2-50142
10.6.1.	Amendment to Exhibit 10.6 dated August 1, 1974.	5.45	2-52392
10.6.2.	Amendment to Exhibit 10.6 dated December 15, 1975.	7.47	2-60806
10.7	Agreement executed on January 23, 1973 for the design and furnishing of the nuclear steam supply systems for the Company's Seabrook plant between the Company and Westinghouse Electric Corporation.	C	Annual Report 1-6392 for 1972
10.8.	Agreement dated November 1, 1974 for Joint Ownership, Construction and Operation of William F. Wyman Unit No. 4 among Central Maine Power Company and other utilities including the Company.	5.16	2-52900
10.8.1.	Amendment to Exhibit 10.8 dated June 30, 1975.	5.48	2-55458
10.8.2.	Amendment to Exhibit 10.8 dated as of August 16, 1976.	5.19	2-58251
10.8.3.	Amendments to Exhibit 10.8 dated as of December 31, 1978.	5.10.3	2-64294
10.9.	Transmission Support Agreement dated November 1, 1974 among Central Maine Power Company and other utilities including the Company.	13.57	2-54449

		Exhibit	SEC Docket
10.10.	Transmission Support Agreement dated August 9, 1974 between the Connecticut Light and Power Company and other utilities including the Company.	5.24	2-54646
10.11.	Pension Plan of Public Service Company of New Hampshire, amended effective as of January 1, 1981.	10.14	Annual Report 1-6392 for 1981
10.11.1.	First Amendment to Exhibit 10.11.	10.12.1	2-92102
10.11.2	Amendments to Exhibit 10.11 dated as of August 1, 1987.	10.11.2	Annual Report 1-6392 for 1988
10.11.3	Amendments to Exhibit 10.11 made as of January 19, 1989.	10.11.3	Annual Report 1-6392 for 1988

Filed herewith:

10.11.4	Amendments to Pension Plan of Public Service Company of New Hampshire made as of March 15, 1990.		

Incorporated herein by reference:

10.12.	Employee Stock Ownership Plan and Trust.	10.19	2-70579
10.13.	Agreement dated as of July 23, 1985, between the Company and United Engineers & Constructors, Inc.	10.18	2-92102
10.14	Memorandum of Understanding, dated November 7, 1988 between Company and Massachusetts Municipal Wholesale Electric Company.	10.17	Annual Report 1-6392 for 1989
10.15	Settlement Agreement dated as of January 13, 1989 between the Company and certain other utilities.	10.18	Annual Report 1-6392 for 1989
10.15.1	Supplement to Settlement Agreement, dated as of February 7, 1989, between the Company and Central Maine Power Company.	10.18.1	Annual Report 1-6392 for 1989

Exhibit 11. Statement re Computation of Per Share Earnings

Filed herewith:

11.1. Calculation of Earnings Per Common and Common Equivalent Share.

Exhibit 12. Statement re Computation or Ratios

Filed herewith:

12.1. Calculation of Ratios of Earnings to Fixed Charges.

Exhibit 11.1

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
CALCULATION OF EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE

	For the Year Ended December 31,		
	1989	1988	1987
	(Thousands except Per Share Amounts)		
Reconciliation of earnings available for common to amount used in calculation:			
Earnings (Loss) Available for Common Stock	$(203,237)	$52,189	$(526,667)
Add:			
Interest on investment of treasury bills, net of tax effect on application of assumed proceeds from the exercise of warrants in excess of 20% limitation	-	2,701	-
Adjusted Earnings (Loss) Available for Common Stock	$(203,237)	$54,890	$(526,667)
Reconciliation of weighted average number of shares outstanding to amount used in calculation:			
Weighted average number of shares outstanding	40,089	37,201	37,194
Add:			
Shares issuable from the assumed exercise of warrants in excess of 20% limitation (a)	-	10,933	-
Adjusted weighted average number of shares	40,089	48,134	37,194
Earnings (Loss) Per Common and Common Equivalent Share	$ (5.07)	$ 1.14	$ (14.16)

(a) 18,372,999 shares from the assumed exercise of warrants less 20% limitation of assumed repurchases (7,440,225).

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
CALCULATION OF RATIOS OF EARNINGS TO FIXED CHARGES

	1989	1988	1987	1986	1985
		Year Ended December 31, (Thousands of Dollars Except Ratios)			
Income (Loss) Before Cumulative Effect of Change in Seabrook Plant Accounting	$(203,237)	$ 55,273	$ (87,036)	$(198,365)	$154,742
Add (Deduct):					
Provision for Taxes Based on Income	(65,695)	37,605	(72,877)	(30,212)	(18,947)
Taxes Applicable to AFUDC	(36)	588	739	59,270	50,746
Fixed Charges	95,182	105,350	226,847	212,054	182,102
	(173,786)	198,816	67,573	42,747	368,643
(Add) Deduct:					
Undistributed Earnings of Affiliated Companies	520	281	(451)	(696)	(858)
Earnings Available for Fixed Charges	$(174,306)	$198,535	$ 68,124	$ 43,443	$369,501
Fixed Charges					
Interest on Long-Term Debt [1]	$ 92,769	$100,525	$210,409	$ 206,400	$171,989
Other Interest	558	3,341	14,950	4,091	8,699
Interest Component of Rental Charges	1,855	1,484	1,488	1,563	1,414
Total Fixed Charges	$ 95,182	$105,350	$226,847	$ 212,054	$182,102
Ratios	(1.83)[2]	1.88	.30	.20	2.03

(1) As of January 28, 1988, the bankruptcy filing date, the Company ceased accruing interest on its unsecured debt. As a result interest on long-term debt was approximately $139 million and $130 million lower than it otherwise would have been for 1989 and 1988, respectively. Had the Company not discontinued accruing interest on its unsecured debt the ratio of earnings to fixed charges would have been (0.74) and 1.40 for 1989 and 1988, respectively.

(2) Earnings to cover fixed charges are deficient by $269,488,000. Losses on generating projects, which are the cause of the Company's earnings deficiencies, are not expected after reorganization.

This data will be used by REA to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

USDA-REA	BORROWER DESIGNATION	Form Approved OMB No. 0572-0016 Expires 06/30/89
FINANCIAL AND STATISTICAL REPORT	N.H. -4- Merrimack	
	BORROWER NAME AND ADDRESS: New Hampshire Electric Cooperative, Inc. RFD #4, Box 2100 Plymouth, NH 03264-9420	
INSTRUCTIONS — *Submit an original and four copies to REA. Round all amounts to nearest dollar. See REA EOM-2.*	YEAR ENDING: December 31, 1989	REA USE ONLY

CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, REA, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

Timothy Fontaine — April 19, 1990
SIGNATURE OF ACCOUNTANT — DATE

[signature] — April 19, 1990
SIGNATURE OF MANAGER — DATE

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE LAST YEAR (a)	YEAR-TO-DATE THIS YEAR (b)	YEAR-TO-DATE BUDGET (c)	THIS MONTH (d)
1. Operating Revenue and Patronage Capital	$ 50,069,190	$53,277,159	$54,824,570	$5,503,398
2. Power Production Expense	--	--	--	--
3. Cost of Purchased Power	31,887,871	32,969,946	34,406,460	3,804,641
4. Transmission Expense	7,162	18,844	35,200	--
5. Distribution Expense - Operation	1,245,970	1,884,958	1,525,805	150,285
6. Distribution Expense - Maintenance	1,592,352	2,618,263	2,190,062	412,443
7. Consumer Accounts Expense	1,335,360	1,433,041	1,569,152	117,836
Customer Service and Informational Expense	106,041	245,332	223,200	30,639
9. Sales Expense	--	--	--	--
10. Administrative and General Expense	3,053,898	3,882,523	3,666,560	516,412
11. Total Operation & Maintenance Expense (2 thru 10)	$ 39,228,654	43,052,907	$43,616,439	5,032,256
12. Depreciation and Amortization Expense	3,187,728	3,553,755	3,609,609	326,088
13. Tax Expense - Property	1,147,575	1,282,191	1,265,760	131,988
14. Tax Expense - Other	798,911	836,862	861,636	66,981
15. Interest on Long-Term Debt	15,745,969	3,595,559	17,106,605	304,883
16. Interest Charged to Construction - Credit	(--)	(--)	(11,994,000)	(--
17. Interest Expense - Other	176,039	31,146	25,000	7,788
18. Other Deductions	78,900,923	1,309,925	74,280	141,826
19. Total Cost of Electric Service (11 thru 18)	$139,185,799	53,662,345	$54,565,329	6,011,810
20. Patronage Capital & Operating Margins (1 minus 19)	$(89,116,609)	(385,186)	$ 259,241	(508,412)
21. Non Operating Margins - Interest	730,049	521,973	597,380	43,905
22. Allowance for Funds Used During Construction	--	--	--	--
23. Non Operating Margins - Other	17,293	(24,307)	20,144	1,460
24. Generation and Transmission Capital Credits				
25. Other Capital Credits and Patronage Dividends				
26. Extraordinary Items				
27. Patronage Capital or Margins (20 thru 26)	$(88,369,267)	112,480	$ 876,765	$ 463,045

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT

ITEM	YEAR-TO-DATE LAST YEAR (a)	YEAR-TO-DATE THIS YEAR (b)	ITEM	YEAR-TO-DATE LAST YEAR (a)	YEAR-TO-DATE THIS YEAR (b)
1. New Services Connected	2,917	1,740	5. Miles Transmission	38.43	53.83
2. Services Retired	230	157	6. Miles Distribution - Overhead	4,126.46	4,191.77
3. Total Services in Place	63,020	64,606	7. Miles Distribution - Underground	307.90	3[illegible]9.86
4. Idle Services *(Exclude Seasonal)*	2,046	1,985	8. Total Miles Energized (5 + 6 + 7)	4,472.79	4,575.46

REVISED 4/27/90

USDA - REA

FINANCIAL AND STATISTICAL REPORT

INSTRUCTIONS - See REA EOM-2.

BORROWER DESIGNATION: N.H. -4- Merrimack

MONTH ENDING: December 31, 1989

REA USE ONLY

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	$105,288,531	26. Memberships	--
2. Construction Work in Progress	75,759,583	27. Patronage Capital	$ 12,278,159
3. Total Utility Plant (1 + 2)	$181,048,114	28. Operating Margins - Prior Years	--
4. Accum. Provision for Depreciation and Amort.	25,770,754	29. Operating Margins - Current Year	(385,187)
5. Net Utility Plant (3 - 4)	$155,277,360	30. Non Operating Margins	497,667
6. Nonutility Property - Net	143,339	31. Other Margins and Equities	(101,090,139)
7. Invest. in Assoc. Org. - Patronage Capital	162,452	32. Total Margins & Equities (26 thru 31)	$(88,699,500)
8. Invest. in Assoc. Org. - Other - General Funds	--	33. Long-Term Debt REA (Net)	63,031,219
9. Invest. in Assoc. Org. - Other - Nongeneral Funds	1,902,272	(Payments-Unapplied $)	
10. Other Investments	2,000	34. Long-Term Debt - Other (Net)	148,937,652
11. Special Funds	105,141	(Payments-Unapplied $)	
12. Total Other Property & Investments (6 thru 11)	$ 2,315,204	35. Total Long-Term Debt (33 + 34)	$211,968,871
13. Cash - General Funds	117,912	36. Notes Payable	--
14. Cash - Construction Funds - Trustee	711,067	37. Accounts Payable	31,766,558
15. Special Deposits	500	38. Consumers Deposits	325,796
16. Temporary Investments	4,728,703	39. Other Current & Accrued Liabilities	8,188,892
17. Notes Receivable - Net	1,500	40. Total Current & Accrued Liabilities (36 thru 39)	$ 40,281,246
18. Accounts Receivable - Net Sales of Energy	4,514,179	41. Deferred Credits	9,978,412
19. Accounts Receivable - Net Other	427,743	42. Miscellaneous Operating Reserves	--
20. Materials & Supplies - Electric and Other	2,256,705	43. Total Liabilities & Other Credits (32 + 35 + 40 thru 42)	$173,529,029
21. Prepayments	1,209,521		
22. Other Current & Accrued Assets	42,007	**ESTIMATED CONTRIBUTIONS-IN-AID-OF-CONSTRUCTION**	
23. Total Current & Accrued Assets (13 thru 22)	$ 14,009,837	Balance Beginning of Year	$ 485,462
24. Deferred Debits	1,926,628	Amounts Received This Year (Net)	(54,301)
25. Total Assets & Other Debits (5 + 12 + 23 + 24)	$173,529,029	TOTAL Contributions-in-Aid-Of-Construction	$ 431,161

PART D. NOTES TO FINANCIAL STATEMENTS

THE SPACE BELOW IS PROVIDED FOR IMPORTANT NOTES REGARDING THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT. *(IF ADDITIONAL SPACE IS NEEDED, USE SEPARATE SHEET.)*

REVISED 4/27/90

USDA - REA

FINANCIAL AND STATISTICAL REPORT

INSTRUCTIONS - See REA EOM-2

BORROWER DESIGNATION	YEAR ENDING	REA USE ONLY
N.H. -4- Merrimack	December 31, 1989	

PART E. CHANGES IN UTILITY PLANT

ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)	DEPRECIATION RATE % (f)
1. Land and Land Rights (360)	$ 547,244	$ 1,607	$		$ 548,851	
2. Structures and Improvements (361)	1,292				1,292	3.48
3. Station Equipment (362)	5,458,516	1,884,027	42,475		7,300,068	3.48
4. Poles, Towers, and Fixtures (364)	21,467,070	984,726	400,033		22,051,763	3.48
5. Overhead Conductors and Devices (365)	36,724,047	5,403,893	447,468		41,680,472	3.48
6. Underground Conduit (366)						
7. Underground Conductor & Devices (367)	1,841,916	162,826	28,913		1,975,829	3.48
8. Line Transformers (368)	12,068,149	384,124	150,556		12,301,717	3.48
9. Services (369)	3,263,955	114,506	36,463		3,341,998	3.48
10. Meters (370)	3,790,417	294,512	23,587		4,061,342	3.48
11. Installation on Consumers' Premises (371)	951,428	106,577	16,457		1,041,548	3.48
12. Leased Property on Consumer's Premises (372)	5,004				5,004	3.48
13. Street Lighting (373)	315,238	34,672	17,566		332,344	3.48
14. SUBTOTAL - Distribution (1 thru 13)	$ 86,434,276	$ 9,371,470	$1,163,518		$ 94,642,228	
15. Land and Land Rights (389)	382,749				382,749	
16. Structures and Improvements (390)	2,382,150	211,290	249		2,593,191	3.00
17. Office Furniture & Equipment (391)	1,315,567	508,961	24,204		1,800,324	VAR
18. Transportation Equipment (392)	1,947,189	21,962	163,201		1,805,950	VAR
19. Stores, Tools, Shop, Garage, and Laboratory Equipment (393, 394, 395)	552,588	108,557	2,158		658,987	6.00
20. Power - Operated Equipment (396)	169,334	47,750	9,969		207,115	VAR
21. Communication Equipment (397)	391,250	93,570	4,444		480,376	5.00
22. Miscellaneous Equipment (398)	23,346	1,011			24,357	6.00
23. Other Tangible Property (399)						
24. SUBTOTAL - General Plant (15 thru 23)	$ 7,164,173	$ 993,101	$ 204,225		$ 7,953,049	
25. Intangibles (301, 302, 303)	$ 49,783				$ 49,783	
26. Land and Land Rights, Roads and Trails (350, 359)	115,080				115,080	
27. Structures and Improvements (352)	3,415				3,415	2.75
28. Station Equipment (353)	133,866				133,866	2.75
29. Towers and Fixtures and Poles and Fixtures (354, 355)	401,622	193,508	11,588		583,542	2.75
30. Overhead Conductors & Devices (356)	678,848	1,114,729	11,654		1,781,923	2.75
31. Underground Conduit (357)						
32. Underground Conductor & Devices (358)						
33. SUBTOTAL - Transmission Plant (26 thru 32)	$ 1,332,831	$ 1,308,237	$ 23,242		$ 2,617,826	
34. Production Plant - Steam (310 - 316)						
35. Production Plant - Nuclear (320 - 325)						
36. Production Plant - Hydro (330 - 336)						
37. Production Plant - Other (340 - 346)						
38. All Other Utility Plant (102, 104-106, 114, 118)	$ 25,645				$ 25,645	
39. SUBTOTAL (14+24+25+33+34 thru 38)	$ 95,006,708	$11,672,808	$1,390,985		$105,288,531	
40. Construction Work in Progress (107)	79,084,323	(3,324,740)			75,759,583	
41. TOTAL UTILITY PLANT (39 + 40)	$174,091,031	$ 8,348,068	$1,390,985		$181,048,114	

USDA - REA	BORROWER DESIGNATION	
FINANCIAL AND STATISTICAL REPORT	YEAR ENDING December 31, 19	REA USE ONLY
INSTRUCTIONS - See REA EOM-2.		

PART F. ANALYSIS OF ACCUMULATED PROVISION FOR DEPRECIATION — TOTAL ELECTRIC PLANT

ITEM	DISTRIBUTION PLANT (a)	GENERAL PLANT (b)	TRANSMISSION PLANT (c)	OTHER PLANT (d)
1. Balance Beginning of Year				
2. Additions - Depreciation Accruals Charged to:				
a. Depreciation Expense				
b. Clearing Accounts and Others				
c. Subtotal (a + b)				
3. Less - Plant Retirements:				
a. Plant Retired				
b. Removal Costs				
c. Subtotal (a + b)				
4. Plus Salvaged Materials				
5. TOTAL (2c - 3c + 4)				
6. Other Adjustments - Debit or Credit				
7. Balance End of Year (1 + 5 ± 6)				

PART G. MATERIALS AND SUPPLIES

ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED (b)	SALVAGED (c)	USED (NET) (d)	SOLD (e)	ADJUSTMENT (f)	BALANCE END OF YEAR (g)
1. Electric							
2. Other (155 + 156)							

3. Ratio of Inventory Turnover — Electric Item 1d ÷ $\frac{1a + 1g}{2}$ =

4. Inventory — Electric as Percent of Total Utility Plant $\frac{1g}{\text{Item 41e, Part E}}$ × 100 =

PART H. SERVICE INTERRUPTIONS

ITEM	AVERAGE HOURS PER CONSUMER BY CAUSE: POWER SUPPLIER (a)	EXTREME STORM (b)	PREARRANGED (c)	ALL OTHERS (d)	TOTAL (e)
1. Present Year					
2. Five-Year Average					

PART I. EMPLOYEE-HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees		4. Payroll - Expensed	
2. Employee - Hours Worked - Regular Time		5. Payroll - Capitalized	
3. Employee - Hours Worked - Overtime		6. Payroll - Other	

PART J. PATRONAGE CAPITAL

ITEM	THIS YEAR (a)	CUMULATIVE (b)
1. General Retirement		
2. Special Retirements		
3. Total Retirements (1 + 2)		
4. Patronage Capital Assigned		
5. Patronage Capital Assignable		

PART K. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1. AMOUNT DUE OVER 60 DAYS
$

2. AMOUNT WRITTEN OFF DURING YEAR
$

PART L. kWh PURCHASED AND TOTAL COST

NAME OF SUPPLIER (a)	REA USE ONLY SUPPLIER CODE (b)	kWh PURCHASED (c)	TOTAL COST (d)	AVERAGE COST PER kWh (cents) (e)	INCLUDED IN TOTAL COST: FUEL COST ADJUSTMENT (f)	WHEELING AND OTHER CHARGES (or Credits) (g)
1. [illegible]b. Serv. Co. of NH		572,644,097	32,062,296	5.61	8,462,253	82,800
2. [illegible]ne Yankee		50,914,731	1,209,875	2.38		44,595
3. N.E. Power Co.		6,519,000	348,847	5.35	123,254	
4. Central Vermont		12,384,339	656,829	5.30	(39,725)	26,563
5. TOTAL Sub Total		642,462,167	34,277,847		8,545,782	153,958

USDA - REA

FINANCIAL AND STATISTICAL REPORT

INSTRUCTIONS - See REA EOM-2.

BORROWER DESIGNATION: N.H. -4- Merrimack

YEAR ENDING: December 31, 1989

REA USE ONLY

PART F. ANALYSIS OF ACCUMULATED PROVISION FOR DEPRECIATION – TOTAL ELECTRIC PLANT

ITEM	DISTRIBUTION PLANT (a)	GENERAL PLANT (b)	TRANSMISSION PLANT (c)	OTHER PLANT (d)
1. Balance Beginning of Year	$20,317,706	$2,740,066	$412,328	
2. Additions - Depreciation Accruals Charged to:				
a. Depreciation Expense	3,116,764	340,529	36,956	
b. Clearing Accounts and Others		176,438		
c. Subtotal (a + b)	3,116,764	516,967	36,956	
3. Less - Plant Retirements:				
a. Plant Retired	1,172,294	145,457		
b. Removal Costs	204,758			
c. Subtotal (a + b)	1,377,052	145,457		
4. Plus Salvaged Materials	151,676	800		
5. TOTAL (2c - 3c + 4)	1,891,388	372,310	36,956	
6. Other Adjustments - Debit or Credit				
7. Balance End of Year (1 + 5 ± 6)	22,209,094	3,112,376	449,284	

PART G. MATERIALS AND SUPPLIES

ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED (b)	SALVAGED (c)	USED (NET) (d)	SOLD (e)	ADJUSTMENT (f)	BALANCE END OF YEAR (g)
1. Electric	2,150,149	2,143,295	136,666	2,151,520		21,884	2,256,706
2. Other (155 + 156)							

3. Ratio of Inventory Turnover — Electric: Item 1d ÷ $\frac{1a + 1g}{2}$ = .98

4. Inventory — Electric as Percent of Total Utility Plant: $\frac{1g}{\text{Item 41e, Part E}} \times 100$ = 1.25

PART H. SERVICE INTERRUPTIONS

ITEM	AVERAGE HOURS PER CONSUMER BY CAUSE: POWER SUPPLIER (a)	EXTREME STORM (b)	PREARRANGED (c)	ALL OTHERS (d)	TOTAL (e)
1. Present Year	.31	4.06	.22	2.17	6.76
2. Five-Year Average	.72	4.56	.29	1.80	7.37

PART I. EMPLOYEE-HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees	240	4. Payroll - Expensed	4,515,511
2. Employee - Hours Worked - Regular Time	413,628	5. Payroll - Capitalized	2,156,578
3. Employee - Hours Worked - Overtime	17,594	6. Payroll - Other	270,706

PART J. PATRONAGE CAPITAL

ITEM	THIS YEAR (a)	CUMULATIVE (b)
1. General Retirement		
2. Special Retirements		
3. Total Retirements (1 + 2)		
4. Patronage Capital Assigned		2,552,401
5. Patronage Capital Assignable		9,725,758

PART K. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1. AMOUNT DUE OVER 60 DAYS: $ 363,206

2. AMOUNT WRITTEN OFF DURING YEAR: $ 125,391

PART L. kWh PURCHASED AND TOTAL COST

NAME OF SUPPLIER (a)	REA USE ONLY SUPPLIER CODE (b)	kWh PURCHASED (c)	TOTAL COST (d)	AVERAGE COST PER kWh (cents) (e)	INCLUDED IN TOTAL COST: FUEL COST ADJUSTMENT (f)	WHEELING AND OTHER CHARGES (or Credits) (g)
1. Balance Forward		642,462,167	34,277,847		8,545,782	153,958
2. Green Mountain		2,053,500	126,280	6.15	23,656	480
3. Misc.		54,162	1,600	2.95	68	
4. Deferred Fuel Chg.			(1,435,781)			
5. TOTAL		644,569,829	32,969,946	5.12	8,569,506	154,438

USDA - REA

FINANCIAL AND STATISTICAL REPORT

INSTRUCTIONS - See REA EOM-2.

BORROWER DESIGNATION: N.H. - 4 - Merrimack

YEAR ENDING: December 31, 1989

REA USE ONLY

PART M. LONG-TERM LEASES *(If additional space is needed, use separate sheet.)*

LIST BELOW ALL "RESTRICTED PROPERTY"** HELD UNDER "LONG-TERM" LEASE. *(If none, state "NONE")*

NAME OF LESSOR	TYPE OF PROPERTY	RENTAL THIS YEAR
1.		
2.		
3. TOTAL		

** *"RESTRICTED PROPERTY"* means all properties other than automobiles, trucks, trailers, tractors, other vehicles (including without limitation aircraft and ships), office, garage and warehouse space and office equipment (including without limitation computers). *"LONG-TERM"* means leases having unexpired terms of more than 12 months (taking into account terms of rental at the option of the lessor, whether or not such leases have been renewed).

PART N. ANNUAL MEETING AND BOARD DATA

1. Date of Last Annual Meeting	2. Total Number of Members	3. Number of Members Present at Meeting	4. Was Quorum Present? ☐ YES ☐ NO
5. Number of Members Voting by Proxy or Mail	6. Total Number of Board Members	7. Total Amount of Fees and Expenses for Board Members $	8. Does Manager Have Written Contract? ☐ YES ☐ NO

PART O. LONG-TERM DEBT – OTHER AND DEBT SERVICE REQUIREMENTS

ITEM	BALANCE END OF YEAR (a)	BILLED THIS YEAR INTEREST (b)	PRINCIPAL (c)	TOTAL (d)	REA USE ONLY (e)
1. ~~National Rural Utilities Cooperative Finance Corporation~~					
2. ~~Bank for Cooperatives~~					
3. ~~Federal Financing Bank~~					
4. Other *(List Separately)*					
5. Balance Forward:	148,697,652	4,732,136	243,128	4,975,264	
6. Faye A. & Lyman R. Hammond	240,000	18,025	30,000	48,025	
7.					
TOTAL (Sum of 1 thru 7)	148,937,652	4,750,161	273,128	5,023,289	

PART P. CONSERVATION DATA

ITEM	LAST YEAR (a)	THIS YEAR (b)	ITEM	LAST YEAR (a)	THIS YEAR (b)
1. Number of Employees - Full Time			4. Payroll		
2. Number of Employees - Part Time			5. Other Expenses		
3. Total Employees - Hours			6. Member Contacts		

PART Q. TYPICAL MONTHLY BILLS FOR ELECTRIC SERVICE

1. RESIDENTIAL SERVICE *(Farm and nonfarm for domestic and farm use.)*

SCHEDULE NAME AND DESIGNATION

MINIMUM BILL Incl. ______ kWh	250 kWh	500 kWh	750 kWh	1,000 kWh	2,500 kWh

2. COMMERCIAL SERVICE *(Commercial business establishments: stores, offices, restaurants, garages, etc., for lighting and power purposes.)*

SCHEDULE NAME AND DESIGNATION

6 kW 750 kWh	12 kW 1,500 kWh	30 kW 6,000 kWh	40 kW 10,000 kWh	50 kW 12,500 kWh	100 kW 30,000 kWh

3. INDUSTRIAL SERVICE *(Industrial establishments having demands of more than 50 kW or consumption of more than 15,000 kWh per month.)*

SCHEDULE NAME AND DESIGNATION

150 kW		300 kW		500 kW	
30,000 kWh	60,000 kWh	60,000 kWh	120,000 kWh	100,000 kWh	200,000 kWh

1,000 kW		5,000 kW	
200,000 kWh	400,000 kWh	1,500,000 kWh	2,500,000 kWh

USDA - REA

FINANCIAL AND STATISTICAL REPORT

INSTRUCTIONS - See REA EOM-2.

BORROWER DESIGNATION	
N.H. - 4 - Merrimack	
YEAR ENDING	REA USE ONLY
December 31, 1989	

PART M. LONG-TERM LEASES *(If additional space is needed, use separate sheet.)*

LIST BELOW ALL "RESTRICTED PROPERTY"** HELD UNDER "LONG-TERM" LEASE. *(If none, state "NONE")*

NAME OF LESSOR	TYPE OF PROPERTY	RENTAL THIS YEAR
1.		
2.		
3. TOTAL		

** *"RESTRICTED PROPERTY" means all properties other than automobiles, trucks, trailers, tractors, other vehicles (including without limitation aircraft and ships), office, garage and warehouse space and office equipment (including without limitation computers). "LONG-TERM" means leases having unexpired terms of more than 12 months (taking into account terms of rental at the option of the lessor, whether or not such leases have been renewed).*

PART N. ANNUAL MEETING AND BOARD DATA

1. Date of Last Annual Meeting	2. Total Number of Members	3. Number of Members Present at Meeting	4. Was Quorum Present?
June 6, 1989	57,667	182	[X] YES [ ] NO
5. Number of Members Voting by Proxy or Mail	**6. Total Number of Board Members**	**7. Total Amount of Fees and Expenses for Board Members**	**8. Does Manager Have Written Contract?**
12,089	11	$ 46,480	[ ] YES [X] NO

PART O. LONG-TERM DEBT – OTHER AND DEBT SERVICE REQUIREMENTS

ITEM	BALANCE END OF YEAR (a)	BILLED THIS YEAR INTEREST (b)	PRINCIPAL (c)	TOTAL (d)	REA USE ONLY (e)
1. National Rural Utilities Cooperative Finance Corporation	6,249,530	1,331,549	73,617	1,405,166	
2. ~~Bank for Cooperatives~~ NCR Credit Corp.	298,873	28,703	79,092	107,795	
3. Federal Financing Bank	142,005,507	3,354,826	45,216	3,400,042	
4. Other *(List Separately)* Digital Control	33,987	3,172	9,324	12,496	
5. Plymouth Guaranty SB (First NH)	73,219	7,299	22,907	30,206	
6. AT & T Credit Corp.	1,041	291	365	656	
7. AT & T Information Systems, Inc.	35,495	6,296	12,607	18,903	
TOTAL (Sum of 1 thru 7) Sub Total	148,697,652	4,732,136	243,128	4,975,264	

PART P. CONSERVATION DATA

ITEM	LAST YEAR (a)	THIS YEAR (b)	ITEM	LAST YEAR (a)	THIS YEAR (b)
1. Number of Employees - Full Time	1	-0-	4. Payroll	28,188	108,649
2. Number of Employees - Part Time	-0-	5	5. Other Expenses	5,551	29,889
3. Total Employees - Hours	1,798	3,653	6. Member Contacts	266	451

PART Q. TYPICAL MONTHLY BILLS FOR ELECTRIC SERVICE

1. RESIDENTIAL SERVICE *(Farm and nonfarm for domestic and farm use.)*

SCHEDULE NAME AND DESIGNATION

Residential

MINIMUM BILL Incl. 0 kWh	250 kWh	500 kWh	750 kWh	1,000 kWh	2,500 kWh
5.61	19.78	43.05	65.46	87.31	218.42

2. COMMERCIAL SERVICE *(Commercial business establishments: stores, offices, restaurants, garages, etc., for lighting and power purposes.)*

SCHEDULE NAME AND DESIGNATION

General

6 kW 750 kWh	12 kW 1,500 kWh	30 kW 6,000 kWh	40 kW 10,000 kWh	50 kW 12,500 kWh	100 kW 30,000 kWh
83.94	177.52	587.73	894.94	1,104.69	2,478.34

3. INDUSTRIAL SERVICE *(Industrial establishments having demands of more than 50 kW or consumption of more than 15,000 kWh per month.)*

SCHEDULE NAME AND DESIGNATION

Primary General

150 kW		300 kW		500 kW	
30,000 kWh	60,000 kWh	60,000 kWh	120,000 kWh	100,000 kWh	200,000 kWh
394.33	4,146.66	4,788.66	8,293.32	7,981.00	13,822.20

1,000 kW		5,000 kW	
200,000 kWh	400,000 kWh	1,500,000 kWh	2,500,000 kWh
15,962.20	27,644.40	109,016.50	167,427.50

REVISED 4/18/90

USDA - REA FINANCIAL AND STATISTICAL REPORT INSTRUCTIONS - See REA EOM-2.	BORROWER DESIGNATION N.H. - 4 - Merrimack	
	YEAR ENDING December 31, 1989	REA USE ONLY

PART R. POWER REQUIREMENTS DATA BASE

CLASSIFICATION	CONSUMER SALES AND REVENUE DATA	JANUARY (a)	FEBRUARY (b)	MARCH (c)	APRIL (d)	MAY (e)	JUNE (f)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	52,624	52,716	52,784	52,779	52,800	52,849
	b. kWh Sold	48,305,907	42,736,331	44,933,670	35,032,327	27,396,482	23,567,947
	c. Revenue	4,296,592	3,739,040	3,864,714	2,920,202	2,326,030	1,967,493
2. Residential Sales - Seasonal	a. No. Consumers Served						
	b. kWh Sold						
	c. Revenue						
3. Irrigation Sales	a. No. Consumers Served						
	b. kWh Sold						
	c. Revenue						
4. Comm. and Ind. 1000 kVA or Less	a. No. Consumers Served	6,537	6,569	6,603	6,620	6,650	6,680
	b. kWh Sold	17,934,215	16,669,321	17,355,860	13,982,677	12,328,885	13,348,678
	c. Revenue	1,542,478	1,423,392	1,453,640	1,171,156	1,064,746	1,139,561
5. Comm. and Ind. Over 1000 kVA	a. No. Consumers Served	8	8	8	8	8	8
	b. kWh Sold	5,765,368	3,986,964	2,179,064	1,256,464	879,564	764,900
	c. Revenue	422,148	230,558	100,835	49,739	64,730	53,217
6. Public Street and Highway Lighting	a. No. Consumers Served	2,015	2,017	2,017	2,021	2,023	2,035
	b. kWh Sold	113,190	112,420	113,226	113,399	113,878	114,377
	c. Revenue	21,665	21,534	21,408	21,125	21,392	20,522
7. Other Sales to Public Auth.	a. No. Consumers Served						
	b. kWh Sold						
	c. Revenue						
8. Sales for Resales - REA Borrowers	a. No. Consumers Served						
	b. kWh Sold						
	c. Revenue						
9. Sales for Resales - Others	a. No. Consumers Served						
	b. kWh Sold						
	c. Revenue						
10. TOTAL No. Consumers (lines 1a - 9a)		61,184	61,310	61,412	61,428	61,481	61,572
11. TOTAL kWh Sold (lines 1b - 9b)		72,118,680	63,505,036	64,581,8[illegible]	[illegible]0,384,867	40,718,809	37,795,902
12. TOTAL Revenue Received From Sales of Electric Energy (lines 1c - 9c)		6,282,883	5,414,524	5,440,597	4,162,222	3,476,898	3,180,793
13. Other Electric Revenue		159,167	145,132	140,362	139,655	131,551	135,868
14. kWh - Own Use		175,525	148,353	156,273	117,240	91,797	72,092
15. TOTAL kWh Purchased		79,252,264	72,001,238	59,495,822	52,339,407	36,815,869	40,669,893
16. TOTAL kWh Generated		-	-	-	-	-	-
17. Cost of Purchases and Generation		4,193,609	3,690,586	3,090,374	2,437,233	2,029,354	1,979,781
18. Interchange - kWh - Net							
19. Peak - Sum All kW Input (Metered) ☐ Coincident ☒ Non-Coincident		167,208	160,851	137,974	107,639	83,927	89,464

REVISED 4/27/90

USDA - REA

FINANCIAL AND STATISTICAL REPORT

INSTRUCTIONS - See REA EOM-2.

BORROWER DESIGNATION: N.H. -4- Merrimack

YEAR ENDING: December 31, 1989

REA USE ONLY

PART R. POWER REQUIREMENTS DATA BASE *(Continued)*

(SEE PRECEDING PAGE 6 OF REA FORM 7 FOR HEADINGS OF LINE ITEM NUMBERS BELOW.)

LINE ITEM NUMBER		JULY (g)	AUGUST (h)	SEPTEMBER (i)	OCTOBER (j)	NOVEMBER (k)	DECEMBER (l)	TOTAL (Columns a thru l)
1.	a.	53,030	53,135	53,326	53,436	53,475	53,666	
	b.	23,529,851	25,183,775	25,460,621	24,575,210	26,086,225	39,536,639	386,344,985
	c.	2,095,493	2,232,404	2,178,209	2,217,708	2,330,570	3,524,269	33,692,724
2.	a.							
	b.							
	c.							
3.	a.							
	b.							
	c.							
4.	a.	6,716	6,741	6,736	6,805	6,862	6,895	
	b.	14,194,144	15,806,443	15,613,042	13,716,239	12,830,627	15,946,269	179,726,400
	c.	1,301,550	1,412,652	1,358,447	1,292,141	1,198,899	1,422,366	15,781,028
5.	a.	9	9	9	9	9	9	
	b.	1,114,500	1,181,964	1,172,800	1,321,528	2,475,108	7,494,144	29,592,368
	c.	79,646	86,279	82,207	97,386	162,927	490,962	1,920,634
6.	a.	2,037	2,040	2,039	2,041	2,046	2,051	
	b.	114,461	114,523	114,402	114,490	114,765	115,127	1,368,259
	c.	21,743	21,774	21,499	21,961	21,868	22,000	258,491
7.	a.							
	b.							
	c.							
8.	a.							
	b.							
	c.							
9.	a.							
	b.							
	c.							
10.		61,792	61,925	62,110	62,291	62,392	62,621	
11.		38,952,956	42,286,705	42,360,865	39,727,467	41,506,726	63,092,179	597,032,012
12.		3,498,432	3,753,109	3,640,362	3,629,196	3,714,264	5,459,597	51,652,877
13.		149,409	144,059	154,204	143,324	137,750	43,801	1,624,282
14.		64,661	75,790	67,352	75,174	92,560	156,163	1,292,980
15.		44,811,705	46,016,534	41,864,416	46,693,010	47,919,026	76,690,645	644,569,829
16.		--	--	--	--	--	--	--
17.		2,272,798	2,331,447	2,116,504	2,423,851	2,599,768	3,804,641	32,969,946
18.								
19.		93,631	96,843	97,616	108,130	128,156	154,297	167,208

REVISED 4/18/90

USDA-REA

INVESTMENTS, LOAN GUARANTEES AND LOANS - DISTRIBUTION

(All Investments Not Excluded by 7 CFR 1715, Subpart B)

BORROWER DESIGNATION: N.H. -4- Merrimack

BORROWER NAME AND ADDRESS:
New Hampshire Electric Cooperative, Inc.
RFD #4, Box 2100
Plymouth, NH 03264-9420

INSTRUCTIONS - *Submit an original and four copies to REA. Round all amounts to nearest dollar.*

YEAR ENDING: DECEMBER 31, 1989

I. INVESTMENTS

DESCRIPTION (a)	TOTAL CUMULATIVE INVESTMENT TO DATE (b)	INCOME OR LOSS (c)
1. NONUTILITY PROPERTY		
a. Telephone Building and Land	$ 293,503	
b. Green Street Building and Land	11,115	
c.		
2. INVESTMENTS IN ASSOCIATED ORGANIZATIONS		
a. Patronage Capital Certificates	162,452	
b. Capital Term Certificates	1,901,272	
c. N.H. Business; Pemi Baker Resort Development Corp.	3,000	
3. OTHER INVESTMENTS		
a.		
b.		
c.		
4. TEMPORARY INVESTMENTS		
a. Money Market Accounts	2,391,703	
b. Certificates of Deposit	2,337,000	
c.		
5. COMMITMENTS TO INVEST WITHIN 12 MONTHS NOT ACTUALLY PURCHASED		
a.		
b.		
c.		
6. TOTAL *(Items 1 through 5)*	$7,100,045	

II. LOAN GUARANTEES

NAME OF ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (c)	LOAN BALANCE (Covered by Guarantees) (d)
1.			
2.			
3.			
4. TOTAL			

III. LOANS

NAME OF ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (c)	LOAN BALANCE (d)
1. EMPLOYEES, OFFICERS, DIRECTORS			
2.			
3.			
4.			
5.			
6. TOTAL			

IV. TOTAL INVESTMENTS AND LOAN GUARANTEES

1. TOTAL: *I.6.(b) + II.4.(d)*	$ 7,100,045
2. TOTAL UTILITY PLANT *(REA Form 7, Part C, Line 3)*	181,048,113
3. PERCENT OF TOTAL UTILITY PLANT *([Items IV.1. ÷ IV.2.] x 100)*	3.92 %

KPMG Peat Marwick

Certified Public Accountants

VERMONT ELECTRIC GENERATION AND TRANSMISSION COOPERATIVE, INC.

Financial Statements

December 31, 1989 and 1988

(With Independent Auditors' Report Thereon)

VERMONT ELECTRIC GENERATION AND

TRANSMISSION COOPERATIVE, INC.

December 31, 1989 and 1988

Table of Contents

KPMG Peat Marwick

Certified Public Accountants

One Church Street
P.O. Box 564
Burlington, VT 05402

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Vermont Electric Generation and
Transmission Cooperative, Inc.:

We have audited the accompanying balance sheets of Vermont Electric Generation and Transmission Cooperative, Inc. as of December 31, 1989 and 1988 and the related statements of operations, changes in equities and cash flows for the years then ended. These financial statements are the responsibility of the Cooperative'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 and Government Auditing Standards, issued by the Comptroller General of the United States. 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.

As described in Note 8 to the financial statements, the Cooperative has not recognized estimated expenses of $950,000 in 1989 and $5,700,000 in 1988 relating to the estimated remaining costs to be incurred in connection with the construction of Seabrook Unit No. 1. In our opinion, generally accepted accounting principles require that such expenses be recognized.

In our opinion, except for the effects of not recognizing the expenses on Seabrook Unit No. 1 as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Vermont Electric Generation and Transmission Cooperative, Inc. at December 31, 1989 and 1988, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that Vermont Electric Generation and Transmission Cooperative, Inc. will continue as a going concern. As discussed in Note 9 to the financial statements, the Cooperative's net capital deficiency, its inability to meet its obligations, and the persistent delays and cost overruns in the Seabrook Unit No. 1, in which the Cooperative holds an ownership interest, raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in Note 9. The financial statements do not include any adjustments relating to the recoverability and classification of reported asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

As discussed in Note 9 to the financial statements, the Cooperative is a defendant in various lawsuits. The ultimate outcome of such litigation cannot presently be determined. Accordingly, no liability, or loss, that may result upon adjudication has been recognized in the accompanying financial statements.

KPMG Peat Marwick

February 9, 1990

VERMONT ELECTRIC GENERATION ANI
TRANSMISSION COOPERATIVE, INC.
Balance Sheets
December 31, 1989 and 1988

Assets	1989	1988
Electric plant, at cost:		
Electric plant in service	$31,813,563	31,841,228
Construction work in progress - Seabrook Nuclear Power Project (notes 8 and 9)	28,506,869	25,475,709
	60,320,432	57,316,937
Less accumulated depreciation	4,137,744	3,104,954
Net electric plant	56,182,688	54,211,983
Other investments (note 2)	296,141	313,733
Current assets:		
Cash	572	52
Cash restricted for construction	7,820	320
Accounts receivable - affiliated cooperative	15,761,383	11,464,127
Accounts receivable - other	7,600	621
Prepaid expenses	61,936	70,572
Total current assets	15,839,311	11,535,692
Deferred charges, net of amortization (note 3)	2,875,269	2,976,865
Total assets (notes 4 and 5)	$75,193,409	69,038,273
Liabilities and Deficit		
Equities (deficits):		
Memberships issued and subscribed	30	30
Other deficits	(326,454)	(326,454)
Total deficit	(326,424)	(326,424)
Long-term debt (FFB), excluding current installments (note 4)	28,495,917	28,580,035
Current liabilities:		
Line of credit, 9.75% in 1989 and 8.6% in 1988 (CFC) (in default) (note 6)	5,268,179	5,268,179
Current installments of long-term debt (FFB) (note 4)	89,011	66,088
Long-term debt (REA) (in default) (note 5)	14,446,119	14,446,119
Accounts payable	7,372,002	6,202,590
Accounts payable - affiliated cooperative	367,731	259,227
Advance payable - affiliated cooperative	1,812,000	1,812,000
Account payable - REA guaranteed debt (note 4)	10,155,776	7,483,839
Accrued interest	7,513,098	5,246,620
Total current liabilities	47,023,916	40,784,662
Commitments and contingencies (note 9)		
Total liabilities and deficit	$75,193,409	69,038,273

See accompanying notes to financial statements.

VERMONT ELECTRIC GENERATION AND
TRANSMISSION COOPERATIVE, INC.
Statements of Operations
Years ended December 31, 1989 and 1988

	1989	1988
Operating revenues (note 7)	$10,018,235	10,681,573
Operating expenses:		
Purchased power (note 9)	3,590,184	4,661,750
Nuclear generation	574,272	583,458
Hydro generation	105,281	142,076
Transmission	594,797	577,637
Consumer accounts	1,105	918
Administrative and general	791,388	626,014
Depreciation	817,719	814,481
Amortization	112,368	112,368
Total operating expenses	6,587,114	7,518,702
Earnings from operations	3,431,121	3,162,871
Other income:		
Interest and dividend income	35,875	35,871
Interest charges:		
Interest on long-term debt	3,319,374	3,324,749
Allowance for funds used during construction	(1,014,857)	(1,016,447)
Other interest	1,162,479	890,440
Net interest charges	3,466,996	3,198,742
Net earnings	$ -	-

See accompanying notes to financial statements.

VERMONT ELECTRIC GENERATION AND
TRANSMISSION COOPERATIVE, INC.

Statements of Changes in Equities

Years ended December 31, 1989 and 1988

	Memberships Issued and Subscribed	Other Equities	
		Donated Capital	Earnings (Loss)
Balance at December 31, 1987	40	10	(326,474)
Transfer of membership to donated capital	(10)	10	-
Net earnings for the year	-	-	-
Balance at December 31, 1988	30	20	(326,474)
Net earnings for the year	-	-	-
Balance at December 31, 1989	30	20	(326,474)

See accompanying notes to financial statements.

VERMONT ELECTRIC GENERATION AND
TRANSMISSION COOPERATIVE, INC.
Statements of Cash Flows
Years ended December 31, 1989 and 1988

	1989	1988
Cash flows from operating activities:		
Net earnings	$ -	-
Noncash expenses included in earnings:		
Depreciation	1,035,390	1,053,965
Amortization of deferred charges	112,368	112,368
Changes in assets and liabilities:		
Increase in accounts receivable - affiliated cooperative	(4,297,256)	(4,214,878)
Increase in accounts receivable - other	(6,979)	(26)
Decrease in prepaid expenses	8,636	36,662
Increase in deferred charges	(10,772)	(6,651)
Increase in accounts payable - other	1,169,412	1,099,854
Increase in accounts payable - affiliated cooperative	108,504	103,082
Increase in accrued interest	2,266,478	2,499,896
Total adjustments	385,781	684,272
Net cash provided by operating activities	385,781	684,272
Cash flows from investing activities:		
Insurance proceeds received on plant in service claim	-	125,000
Additions to electric plant in service	(94,914)	(142,203)
Retirements of electric plant in service	119,979	-
Additions to construction work in progress	(3,031,160)	(2,704,835)
Return of capital on VELCO Class C preferred stock	17,592	23,456
Decrease (increase) in cash restricted for construction	(7,500)	47,000
Net cash used in investing activities	(2,996,003)	(2,651,582)
Cash flows from financing activities:		
Increase in accounts payable - REA guaranteed debt	2,671,937	1,985,189
Repayment of long-term debt	(61,195)	(36,608)
Net cash provided by financing activities	2,610,742	1,948,581
Net increase (decrease) in cash	520	(18,729)
Cash at beginning of year	52	18,781
Cash at end of year	$ 572	52
Supplemental cash flow information:		
Cash paid during the year for interest	$ 37,242	100,667

See accompanying notes to financial statements.

VERMONT ELECTRIC GENERATION AND
TRANSMISSION COOPERATIVE, INC.
Notes to Financial Statements
December 31, 1989 and 1988

(1) Summary of Significant Accounting Policies

(a) Regulatory Jurisdictions

Vermont Electric Generation and Transmission Cooperative, Inc (the Cooperative) is under the jurisdiction of the Federal Energy Regulatory Commission (FERC), the Rural Electrification Administration (REA) and the Public Service Board of Vermont (PSB).

(b) Revenue Recognition

The Cooperative recognizes revenues for electric service in the months that bills are rendered as opposed to recognizing revenues in the month that service is rendered. This method of recognizing energy revenues is consistent with other rural electric cooperatives.

(c) Depreciation

The Cooperative follows the policy of charging to operating expenses annual amounts of depreciation which allocate the cost of the electric plant over its estimated useful life. The Cooperative employs the straight-line method for determining the annual charge for depreciation. The estimated useful lives for electric plant are as follows:

	Years
Millstone Unit 3 (jointly-owned)	35
N. Hartland hydro plant	50
N. Hartland tie line	50
Highgate investment	10

Millstone nuclear fuel is charged to operations at a rate of $9.43 per megawatt hour of generation.

(d) Amortization

The Cooperative follows the policy of charging to operating expenses annual amounts of amortization which allocate the cost of various deferred charges over periods established by management for rate-making purposes. The Cooperative employs the straight-line method for determining the annual charge for amortization.

(e) Corporate Structure and Income Taxes

The Cooperative is a nonprofit and nonstock membership corporation organized under provisions of the Electric Cooperative Act of Vermont. The Cooperative is exempt from Federal income taxes in accordance with the Internal Revenue Code, Section 501(c)(12).

(Continued)

(f) Allowance for Funds Used During Construction

Allowance for funds used during construction is the interest cost of borrowed funds used to fund construction in progress. The interest costs are capitalized in the same manner as other construction costs, with credits to interest expense.

(g) Decommissioning

The Cooperative pays its share of estimated decommissioning costs for the Vermont Yankee Nuclear Power Plant and the Millstone Unit No. 3 Nuclear Power Plant. Such payments are deposited in escrow and trust funds, and are adjusted periodically based upon adjustments to estimated decommissioning costs of the plants.

(2) Other Investments

The investment account includes the following, at cost, at December 31, 1989 and 1988:

	1989	1988
National Rural Utilities Cooperative Finance Corporation (CFC) membership	$ 1,000	1,000
National Rural Electric Cooperative Administration membership	10	10
CFC capital term certificates	17,167	17,167
CFC patronage capital certificates	60,996	60,996
VELCO class C preferred stock	216,968	234,560
	$ 296,141	313,733

Cost approximates market value, where available, at December 31, 1989 and 1988.

Because the Cooperative is in default on its obligations to the Cooperative Finance Corporation (CFC), as disclosed in note 6, all amounts reported above as investments in CFC are subject to CFC's legal rights, including off-set and recoupment.

(3) Deferred Charges

The balance in deferred charges consists of the following at December 31, 1989 and 1988:

	Amortization Period	1989	1988
Seabrook Unit No. 2	1985 - 2015	$1,977,056	2,045,466
Pilgrim Unit No. 2	1984 - 2014	843,478	878,984
Preliminary survey - load control	None	52,415	52,415
Other		2,320	-
		$2,875,269	2,976,865

The costs associated with the abandonments of Seabrook Unit No. 2 and Pilgrim Unit No. 2 are being recovered in rates on a straight-line basis over thirty (30) years.

(Continued)

(4) Long-Term Debt

The Cooperative was indebted as follows at December 31, 1989 and 1988:

	1989	1988
Mortgage notes payable - Federal Financing Bank (FFB), due through 2019 at various rates of interest averaging 9.10% and 9.08% at December 31, 1989 and 1988, respectively	$28,584,928	28,646,123
Less current installments	89,011	66,088
Long-term debt, excluding current installments	$28,495,917	28,580,035

Debt service on the FFB mortgage notes has been paid since early in 1986 by REA, as guarantor of the obligation. The account payable to REA for reimbursement of debt service payments made on behalf of the Cooperative was $10,155,776 and $7,483,839 at December 31, 1989 and 1988, respectively.

The following is a schedule of minimum required payments on long-term debt for the years ending December 31:

	Principal	Interest
1990	$ 89,011	2,590,435
1991	206,443	2,578,160
1992	273,084	2,557,830
1993	308,458	2,532,198
1994	325,015	2,515,641
Later years	27,382,917	
	$ 28,584,928	

All of the assets of the Cooperative are pledged as security under these notes and the notes discussed in note 5.

(5) Long-Term Debt (In Default)

Long-term debt (in default) consists of the following at December 31, 1989 and 1988:

	1989	1988
Mortgage notes payable - U.S. Department of Agriculture Rural Electrification Administration (REA), 5% mortgage notes, due through 2018	$14,446,119	14,446,119

The Cooperative is in default due to nonpayment of debt service on these notes in cumulative amounts, including interest, of $3,653,693 and $2,708,482 in 1989 and 1988, respectively. Because of the default, the balance has been classified as a current obligation at December 31, 1989 and 1988.

All of the assets of the Cooperative are pledged as security under these notes and the notes discussed in note 4.

(Continued)

(6) Line of Credit (In Default)

The Cooperative is in default due to nonpayment of principal and interest on a line of credit agreement with the National Rural Utilities Cooperative Finance Corporation (CFC). The maturity date under this agreement was March 31, 1986. The Cooperative was indebted under this agreement as follows at December 31, 1989 and 1988:

	1989	1988
Principal	$5,268,179	5,268,179
Accrued interest	2,115,209	1,403,074

(7) Affiliated Cooperative

Certain officers and trustees of this Cooperative are also officers and trustees of the Vermont Electric Cooperative, Inc. (the VEC), an affiliated cooperative. Transactions between the Cooperative and VEC, made pursuant to tariff agreements, are summarized as follows for the years ended December 31, 1989 and 1988:

	1989	1988
Sales of energy to the VEC	$ 8,847,257	8,659,878
Services provided and costs allocated by the VEC	203,893	140,292
Interest payable on cash advance	129,452	93,751

The Cooperative sells the majority of the power it purchases to the VEC. Through its membership in and wholesale power contract with the VEC, the Cooperative is able to pass all costs, margins, and reserves, net of revenues billed to others, on to VEC. Under this contract, the VEC is committed to the Cooperative for payments to the Cooperative of principal and interest on the Cooperative indebtedness. The obligations of the VEC to the Cooperative have not been met. Its ability to meet these obligations in the future remains uncertain, since, in order to do so, the VEC would need to charge rates substantially higher than those of other Vermont utilities.

(8) Cost Recovery on Investment in Seabrook Unit No. 1

At the request of the REA, for the years ended December 31, 1989 and 1988, the Cooperative did not recognize as an operating expense additional estimated remaining costs of $950,000 and $5,700,000, respectively, to be incurred in connection with the construction of Seabrook Unit No. 1 prior to assumed operating dates as required by generally accepted accounting principles. At December 31, 1988, the assumed operating date was January 31, 1991. During 1989, the assumed operating date was changed to April 1990, which accounted for the decrease in estimated remaining costs. Expensing these costs would increase the Cooperative's expenses at December 31, 1989 and 1988 by approximately $950,000 and $5,700,000, respectively.

(Continued)

(9) Commitments and Contingencies

(A) Going Concern

As shown in the financial statements, the Cooperative's current liabilities exceeded its current assets by $31,184,605 and $29,248,970 at December 31, 1989 and 1988, respectively, and its total liabilities exceeded its total assets by $326,424. The Cooperative's affiliate, the VEC, has not met its obligations to the Cooperative, and its ability to meet these obligations in the future remains uncertain. Additionally, as discussed in notes 4, 5 and 6, the Cooperative has been unable to meet or is in default on its debt obligations to various lenders. As discussed elsewhere in note 9, the Cooperative is also a party to various legal actions, and holds an ownership interest in the Seabrook Nuclear Power Plant Unit No. 1, which has experienced persistent delays and cost overruns. These factors, among others, indicate that the Cooperative may be unable to continue in existence in its present structure.

Management is negotiating with its lenders concerning possible debt restructuring. During 1989, management of the Cooperative and the REA have held substantive discussions and reached tentative, oral agreement on various factors relevant to the restructuring. Also during 1989, the CFC, another lender, has put forth a proposed resolution for debt restructuring. As of December 31, 1989, however, no formal, finalized agreement has been reached. A successful conclusion to these negotiations cannot be assured, and, in the event of failure, filing by the Cooperative under Federal bankruptcy statutes is likely.

(B) Power Contracts

The Cooperative obtains power primarily from other utilities under contractual arrangements. In addition, the Cooperative obtains power from its hydro generation facility, the North Hartland Hydroelectric Power Plant, and its 0.35% ownership interest in the Millstone Unit No. 3 Nuclear Power Plant. A brief summary of the purchased power agreements as of December 31, 1989 is as follows:

The Cooperative obtains power under a life-of-the-unit purchase contract from the Vermont Nuclear Station (Vermont Yankee), operated by the Vermont Yankee Nuclear Power Corporation and from the Merrimack Unit No. 2 (Merrimack), owned and operated by the Public Service Company of New Hampshire. The contracts expire in 2002 and 1998, respectively. The Vermont Yankee and Merrimack purchase contracts are take-or-pay contracts which require the Cooperative to pay its proportionate share of the fixed costs of such facilities even during periods when power is not being generated by such facilities or being delivered under such contracts. Such fixed costs represent a substantial portion of the total cost for power from these sources.

The Cooperative has other take-or-pay contracts, with Connecticut Light and Power Company, expiring in 1993; and with the Vermont Department of Public Service for Hydro-Quebec Power, expiring in 1995. The Cooperative is also a joint owner of a direct current converter terminal station and transmission line in Highgate, Vermont.

(Continued)

In prior years, the Cooperative had take-or-pay commitments in excess of its needs. During 1988, the Cooperative terminated its contract with one of its power sources. As a result, management believes that part of the issue of excess capacity has been resolved. However, the Cooperative's mix of power is still not optimally priced. Management of the Cooperative is continuing to pursue options to optimize its power mix. Management's primary goal is successful completion of debt restructuring negotiations, as discussed in note 9(A), as any reconfiguration of power contracts will be dependent upon the debt restructuring.

(C) Seabrook Nuclear Power Project

Seabrook Unit No. 1 (Seabrook) represents a major commitment for the Cooperative, as a 0.41259% owner. Seabrook has been subjected to delays and cost increases since construction began in 1976 with the Public Service Company of New Hampshire (PSNH) as lead owner. On January 28, 1988, PSNH filed for protection from its creditors under Chapter 11 of the Federal Bankruptcy Code. The financial difficulties of PSNH could adversely affect the Cooperative's participation in this project. The resolution of PSNH's bankruptcy proceeding could precipitate or accelerate the claims which other joint owners may have against the Cooperative, as discussed below.

The Nuclear Regulatory Commission staff has recommended a full power operating license be granted to Seabrook Unit No. 1. The Commissioners will vote on this recommendation in early 1990, and, should the vote be favorable, it is anticipated that the plant may become fully operational as early as April 1990.

Through December 31, 1989, the Cooperative incurred costs of $28,506,869 toward construction of the Seabrook No. 1 project. Debt obligations incurred by the Cooperative to finance investment in this project have not been met (see notes 4, 5 and 6). The Cooperative ceased making Seabrook construction payments in January, 1986. Advance payments have been made by other joint owners to cover the shortfall, and, during 1989, the Cooperative has been contacted by attorneys for certain other joint owners of Seabrook, who have proposed that the Cooperative assign its interest in Seabrook to repay them for these costs. The Cooperative believes that the amounts demanded are too high. Such disputes are subject to arbitration.

At present, management is pursuing various options with respect to its ownership in Seabrook. As part of the restructuring agreement discussed in note 9(A), the Cooperative may attempt to sell its ownership interest in Seabrook. Management has commissioned a study, which placed a range of values on this ownership interest. It is probable that the asset will not be sold for its full invested cost. Any such transaction would require extensive regulatory approval. Alternatively, the Cooperative may also attempt to sell its share of the plant's output. To date, no offers to purchase the plant's output have been solicited.

(Continued)

(D) Regulatory Matters

The Vermont PSB is investigating least-cost investments, energy efficiency, and conservation and management of demand for energy for all utilities offering electric or gas services in Vermont. One of the issues under consideration is whether the PSB should enforce some form of moratorium with respect to acquiring new capacity, pending the exhaustion of economically justified demand side management alternatives. Such a moratorium, if applied to the Cooperative, could have a negative impact on its ability to restructure its power sources and finances, as discussed in notes 9(A) and (B).

Various other matters are also pending before the PSB. In management's estimation, none of these matters will have a material adverse effect on the Cooperative's financial statements.

(E) Other Legal Matters

The Cooperative has not been able to obtain directors' and officers' liability insurance since at least August 24, 1986. The Cooperative's bylaws require that it indemnify current and former officers, trustees and employees against expenses, judgments, fines and settlements incurred by reason of the fact that such a person is a current or former officer, trustee, or employee. This may give rise to significant liabilities to the Cooperative.

The Cooperative has been named in a complaint alleging breach of a letter of intent to purchase the output of a certain hydroelectric generating facility. Judgment is demanded jointly against the Cooperative and its affiliate for $3,275,000, plus interest and costs. During 1989, a trial on the issue of liability, but not damages, has resulted in verdicts against the cooperative and the VEC. Litigation in this case continues with an appeal by the Cooperative to the Vermont Supreme Court, and the outcome of such litigation has yet to be determined.

Several matters of litigation have been brought against the Cooperative in regard to the North Hartland hydro electric generating facility. During 1989, several claims against the Cooperative in connection with this facility were settled, primarily by negotiating payment of a lesser dollar amount with creditors. Liabilities related to these claims of approximately $1,287,000 remain on the books of the Cooperative. Management is negotiating settlement of these remaining claims.

The Cooperative is also a party to various other litigation. Should this litigation be decided in a manner unfavorable to the Cooperative, the impact on the Cooperative's financial position could be significant. Additionally, the Cooperative may also have a number of unasserted claims against it, upon which counsel is unable to give an opinion as to the probability of assertion.

KPMG Peat Marwick

Certified Public Accountants

One Church Street
P.O. Box 564
Burlington, VT 05402

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

The Board of Trustees
Vermont Electric Generation and
Transmission Cooperative, Inc.:

We have audited and reported separately herein on the financial statements of Vermont Electric Generation and Transmission Cooperative, Inc. as of and for the years ended December 31, 1989 and 1988.

Our audits were made for the purpose of forming an opinion on the basic financial statements of Vermont Electric Generation and Transmission Cooperative, Inc. taken as a whole. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements and supplementary information have been prepared assuming that Vermont Electric Generation and Transmission Cooperative, Inc. will continue as a going concern. As discussed in note 9 to the financial statements, the Cooperative's recurring losses from operations and net capital deficiency raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in note 9. The financial statements and supplementary information do not include any adjustments relating to the recoverability and classification of reported asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

As discussed in note 9 to the financial statements, the Cooperative is a defendant in various lawsuits. The ultimate outcome of such litigation cannot presently be determined. Accordingly, no liability, or loss, that may result upon adjudication has been recognized in the accompanying financial statements.

KPMG Peat Marwick

February 9, 1990

Schedule 1

VERMONT ELECTRIC GENERATION AND
TRANSMISSION COOPERATIVE, INC.

Administrative and General Expenses

Years ended December 31, 1989 and 1988

	1989	Change from Prior Year %	Change from Prior Year Amount	1988
Administrative and general expenses:				
Property taxes	$ 265,947	10	23,691	242,256
Administrative and general salaries	78,794	10	6,888	71,906
Office supplies and expenses	5,218	1	57	5,161
Outside services	297,729	42	88,005	209,724
Property insurance	32,036	0	138	31,898
Injuries and damages	50,661	(0)	(114)	50,775
Regulatory commission	44,012	580	37,542	6,470
Miscellaneous	863	(2)	(17)	880
Association meetings	3,576	224	2,474	1,102
Directors' expenses	12,552	115	6,710	5,842
Total administrative and general expenses	$ 791,388	26	165,374	626,014

MUNICIPAL LIGHTING PLANTS

The Commonwealth of Massachusetts

RETURN

OF THE

TOWN OF HUDSON

LIGHT AND POWER DEPARTMENT

TO THE

DEPARTMENT OF PUBLIC UTILITIES

OF MASSACHUSETTS

For the Year Ended December 31,

1989

The Commonwealth of Massachusetts

Department of Public Utilities

Leverett Saltonstall Building, Government Center

100 Cambridge Street, Boston 02202

TO THE MAYORS, SELECTMEN, MUNICIPAL LIGHT BOARDS AND MANAGERS OF MUNICIPAL LIGHTING PLANTS IN THE SEVERAL CITIES AND TOWNS IN THIS COMMONWEALTH OPERATING GAS OR ELECTRIC LIGHT PLANTS:

This form of Annual Return should be filled out and a signed original and a duplicate copy (which may be a photocopy) filed with the Department of Public Utilities 100 Cambridge Street., Boston, Mass.,02202 by March 31st of the year following the calendar year of the report in accordance with the statutes of the Commonwealth of Massachusetts and the regulations of the Department made in pursuance thereof.

Where the word "None" truly and completely states the fact it should be given as the answer to any particular inquiry or portion of an inquiry.

If the respondent so desires, cents may be omitted in the balance sheet, income statement and supporting schedules. All supporting schedules on an even-dollar basis, however, shall agree with the even-dollar amounts in the main schedules. Averages and extracted figures, where cents are important, must show cents for reasons which are apparent.

Special attention is called to the legislation in regard to the Returns which is provided at the end of the form.

The Commonwealth of Massachusetts

RETURN

OF THE

TOWN OF HUDSON

LIGHT AND POWER DEPARTMENT

TO THE

DEPARTMENT OF PUBLIC UTILITIES

OF MASSACHUSETTS

For the Year Ended December 31,

1989

Name of officer to whom correspondence should be addressed regarding this report. HORST HUEHMER

Official title MANAGER : Office address 49 FOREST AVENUE
HUDSON, MA 01749

Form AC-19.

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TABLE OF CONTENTS

GENERAL INFORMATION.

1. Name of town (or city) making this report. Hudson, MA 01749

2. If the town (or city) has acquired a plant,
   Kind of plant, whether gas or electric. Electric
   Owner from whom purchased, if so acquired. Hudson Electric Company 7/11/1891
   Date of votes to acquire a plant in accordance with the provisions of chapter 164 of the General Laws. 9/11/1891
   Record of votes: First vote: Yes, 30 ; No, 7 Second vote: Yes, 69 ; No, 11
   Date when town (or city) began to sell gas and electricity,

   January 15, 1897

3. Name and address of manager of municipal lighting: Horst Huehmer
   23 Plant Avenue
   Hudson, MA 01749

4. Name and address of mayor or selectmen:
   William Jackson, 7 Wood St. Hudson, Ma
   Joseph J. Durant, 22 Harriman Rd. Hudson, Ma
   Carmino M. Longhi, 6 Forest Ave. Hudson, Ma
   Rosemary Marini, 42 Church St. Hudson, Ma
   Richard G. Beauregard, 40 Green St. Hudson, Ma

5. Name and address of town (or city) treasurer: David O'Neil
   49 Temi Road
   Hudson, MA 01749

6. Name and address of town (or city) clerk: Ralph Warner
   3 Lincoln Street
   Hudson, MA 01749

7. Names and addresses of members of municipal light board:
   Roland Plante, 136 Murphy St. Hudson, Ma
   Peter Keane, 15 John Robinson Rd. Hudson, Ma
   Weedon Parris, 9 Champlain Dr. Hudson, Ma

8. Total valuation of estates in town (or city) according to last State valuation $ 955,802,000

9. Tax rate for all purposes during the year: $ 9.59 Res
   16.65 Com

10. Amount of manager's salary: $ 78,380.50

11. Amount of manager's bond: $ 1,000.00

12. Amount of salary paid to members of municipal light board (each): $ 600.00

Annual report of [illegible] Year ended December 31, 1989

FURNISH SCHEDULE OF ESTIMATES REQUIRED BY GENERAL LAWS, CHAPTER 164, SECTION 57 FOR GAS AND ELECTRIC LIGHT PLANTS FOR THE FISCAL YEAR, ENDING DECEMBER 31, NEXT.

		Amount.	
	INCOME FROM PRIVATE CONSUMERS:		
1	From sales of gas		
2	From sales of electricity	$ 30,622,000	00
3	TOTAL	30,622,000	00
4			
5	EXPENSES:		
6	For operation, maintenance and repairs		
7	For interest on bonds, notes or scrip	31,463,500.	00
8	For depreciation fund (3% per cent. on $ 14,026,600.43 as per page 8)		00
9	For sinking fund requirements	420,798	04
10	For note payments	14,500	00
11	For bond payments		00
12	For loss in preceding year		00
13			00
14	TOTAL	31,898,798	04
15	COST:		
16	Of gas to be used for municipal buildings		
17	Of gas to be used for street lights		00
18	Of electricity to be used for municipal buildings		00
19	Of electricity to be used for street lights	740,000	00
20	Total of the above items to be included in the tax levy	151,275	00
21		891,275	00
22	New construction to be included in the tax levy		
23	Total amounts to be included in the tax levy		00
	TOTAL	891,275	00

CUSTOMERS

Names of the cities or towns in which the plant supplies GAS, with the number of customers' meters in each		Names of the cities or towns in which the plant supplies ELECTRICITY, with the number of customers' meters in each	
City or Town	Number of Customers' Meters, Dec. 31.	City or Town	Number of Customers' Meters, Dec. 31.
		Hudson	7357
		Stow	2149
		Berlin, Bolton, Boxboro, Harvard, Maynard, Marlboro	106
TOTAL		TOTAL	9612

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APPROPRIATIONS SINCE BEGINNING OF YEAR

(Include also all items charged direct to tax levy, even where no appropriation is made or required.)

FOR CONSTRUCTION OR PURCHASE OF PLANT:

*At	meeting	19	, to be paid from †	$
*At	meeting	19	, to be paid from †	
			TOTAL	$ NONE

FOR THE ESTIMATED COST OF THE GAS OR ELECTRICITY TO BE USED BY THE CITY OR TOWN FOR:

1. Street lights	$ 122,250.00
2. Municipal buildings . . Amounts are included in overall appropriations for each department	
3.	
TOTAL	$ 122,250.00

*Date of meeting and whether regular or special. †Here insert bonds, notes or tax levy.

CHANGES IN THE PROPERTY

1. Describe briefly all the important physical changes in the property during the last fiscal period including additions, alterations or improvements to the works or physical property retired.

In electric property:

NONE

In gas property:

NOT APPLICABLE

Annual report of ......TOWN OF HUDSON LIGHT AND POWER DEPARTMENT......Year ended December 31, 19 89

BONDS
(Issued on Account of Gas or Electric Lighting.)

When Authorized*	Date of Issue	Amount of Original Issues†	Period of Payments		Interest		Amount Outstanding at End of Year
			Amounts	When Payable	Rate	When Payable	
Apr. 7, 1913	Spec.June1,1913	$ 9,000.00					
Mar. 4, 1918	Reg.Apr. 1, 1918	50,000.00					
June 14, 1920	Spec.Feb. 1,1921	25,000.00					
Mar. 5, 1928	Reg.Nov. 1,1928	40,000.00					
Nov. 29, 1954	Spec.Mar. 1, 1955	250,000.00					
Mar. 7, 1955	Reg.May 1, 1955	100,000.00					
Mar. 7, 1955	Reg. Nov. 1, 1955	150,000.00					
June 8, 1959	Spec.Aug. 1, 1959	300,000.00					
Nov. 7, 1961	Spec.July 15,1962	450,000.00					
	TOTAL	$1,374,000.00				TOTAL	

The bonds and notes outstanding at end of year should agree with the Balance Sheet. When bonds and notes are repaid report the first three columns only.

*Date of meeting and whether regular or special. †List original issues of bonds and notes including those that have been retired.

TOWN NOTES
(Issued on Account of Gas or Electric Lighting.)

When Authorized*	Date of Issue	Amount of Original Issue†	Period of Payments		Interest		Amount Outstanding at End of Year
			Amounts	When Payable	Rate	When Payable	
Dec.18,1896.Spec	Jan. 1, 1897	$ 18,000.00					
June20,1897.Spec	Jan. 1, 1898	17,000.00					
June10,1898.Spec	July 1, 1898	5,000.00					
Nov.5,1903.Spec.	Nov. 2, 1903	13,000.00					
Mar.7,1904.Reg.	Jan. 1, 1905	5,000.00					
Apr.2,1912.Spec.	May 1, 1912	2,000.00					
Aug.4,1941 Spec.	Oct. 15, 1941	100,000.00					
Sept.14,1942 Spec	Oct. 15, 1942	100,000.00					
Feb. 8, 1943Spec	Feb. 15, 1943	50,000.00					
Mar.6,1950 Reg.	Sept. 15, 1950	241,000.00					
	TOTAL	$ 551,000.00				TOTAL	

The bonds and notes outstanding at end of year should agree with the Balance Sheet. When bonds and notes are repaid report the first three columns only.

*Date of meeting and whether regular or special. †List original issues of bonds and notes including those that have been retired.

TOTAL COST OF PLANT — ELECTRIC

1. Report below the cost of utility plant in service according to prescribed accounts.
2. Do not include as adjustments, corrections of additions and retirements for the current or the preceding year. Such items should be included in column (c) or (d) as appropriate.
3. Credit adjustments of plant accounts should be enclosed in parentheses to indicate the negative effect of such accounts.
4. Reclassifications or transfers within utility plant accounts should be shown in column (f).

Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Balance End of Year (g)
1	1. INTANGIBLE PLANT	$	$	$	$	$	$
2							
3							
4							
5	2. PRODUCTION PLANT						
6	A. Steam Production						
7	310 Land and Land Rights						
8	311 Structures and Improvements						
9	312 Boiler Plant Equipment						
10	313 Engines and Engine Driven Generators						
11	314 Turbogenerator Units						
12	315 Accessory Electric Equipment						
13	316 Miscellaneous Power Plant						
14	Equipment						
15	Total Steam Production Plant						
16	B. Nuclear Production Plant						
17	320 Land and Land Rights	944.00					944.00
18	321 Structures and Improvements						
19	322 Reactor Plant Equipment						
20	323 Turbogenerator Units						
21	324 Accessory Electric Equipment						
22	325 Miscellaneous Power Plant Equipment						
23	Total Nuclear Production Plant	944.00	None	None	None	None	944.00

TOTAL COST OF PLANT — ELECTRIC (Continued)

Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Balance End of Year (g)
1	C. Hydraulic Production Plant	$	$	$	$	$	$
2	330 Land and Land Rights						
3	331 Structures and Improvements						
4	332 Reservoirs, Dams and Waterways						
5	333 Water Wheels, Turbines and Generators						
6	334 Accessory Electric Equipment						
7	335 Miscellaneous Power Plant Equipment						
8	336 Roads, Railroads and Bridges						
9	Total Hydraulic Production Plant						
10	D. Other Production Plant						
11	340 Land and Land Rights	5,500.00	None	None	None	None	5,500.00
12	341 Structures and Improvements	332,767.70	None	None	None	None	332,767.70
13	342 Fuel Holders, Producers and Accessories	124,588.30	None	None	None	None	124.588.30
14	343 Prime Movers	2,456,445.92	91,422.36	12,086.00	None	None	2,535,782.28
15	344 Generators	287,549.94	None	None	None	None	287,549.94
16	345 Accessory Electric Equipment	832,557.17	None	None	None	None	832,557.17
17	346 Miscellaneous Power Plant Equipment	33,312.41	578.39	None	None	None	33,890.80
18	Total Other Production Plant	4,072,721.44	92,000.75	12,086.00	None	None	4,152,636.19
19	Total Production Plant	4,073,665.44	92,000.75	12,086.00	None	None	4,153,580.19
20	3. TRANSMISSION PLANT						
21	350 Land and Land Rights	53,804.14	None	None	None	None	53,804.14
22	351 Clearing Land and Rights of Way	None	None	None	None	None	None
23	352 Structures and Improvements	168,166.08	None	None	None	None	168,166.08
24	353 Station Equipment	300,699.04	745.17	None	None	None	301,444.21
25	354 Towers and Fixtures	None	None	None	None	None	None
26	355 Poles and Fixtures	796,839.02	None	None	None	None	796,839.02
27	356 Overhead Conductors and Devices	227,329.01	None	None	None	None	227,329.01
28	357 Underground Conduit	258.07	None	None	None	None	258.07
29	358 Underground Conductors and Devices	None	None	None	None	None	None
30	359 Roads and Trails	None	None	None	None	None	None
31	Total Transmission Plant	1,547,095.36	745.17	None	None	None	1,547,840.53

TOTAL COST OF PLANT (Concluded)

Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Balance End of Year (g)
1	4. DISTRIBUTION PLANT	$	$	$	$	$	$
2	360 Land and Land Rights	None	None	None	None	None	None
3	361 Structures and Improvements	3,586.53	None	None	None	None	3,586.53
4	362 Station Equipment	398,865.82	None	None	None	None	398,865.82
5	363 Storage Battery Equipment	None	None	None	None	None	None
6	364 Poles, Towers and Fixtures	674,345.02	15,250.46	None	None	None	689,595.48
7	365 Overhead Conductors and Devices	1,910,362.69	66,615.51	None	None	None	1,976,978.20
8	366 Underground Conduit	184,855.10	(115.71)	None	None	None	184,739.39
9	367 Underground Conductors & Devices	468,783.46	35,122.68	None	None	None	503,906.14
10	368 Line Transformers	1,626,790.57	107,062.22	150.35	None	None	1,733,702.44
11	369 Services	464,996.90	4,512.86	None	None	None	469,509.76
12	370 Meters	561,469.25	42,183.09	4,374.44	None	None	599,277.90
13	371 Installations on Cust's Premises	None	None	None	None	None	None
14	372 Leased Prop. on Cust's Premises	None	None	None	None	None	None
15	373 Street Lighting and Signal Systems	321,155.33	7,232.21	None	None	None	328,387.54
16	Total Distribution Plant	6,615,210.67	277,863.32	4,524.79	None	None	6,888,549.20
17	5. GENERAL PLANT						
18	389 Land and Land Rights	None	None	None	None	None	None
19	390 Structures and Improvements	458,679.20	2,600.00	None	None	None	461,279.20
20	391 Office Furniture and Equipment	423,934.25	2,888.57	None	None	None	426,822.82
21	392 Transportation Equipment	497,285.55	10,469.00	5,921.65	None	None	501,832.90
22	393 Stores Equipment	12,045.77	None	None	None	None	12,045.77
23	394 Tools, Shop and Garage Equipment	13,466.39	733.00	None	None	None	14,199.39
24	395 Laboratory Equipment	20,609.03	None	None	None	None	20,609.03
25	396 Power Operated Equipment	1,849.80	1,645.00	None	None	None	3,494.80
26	397 Communication Equipment	44,523.19	None	None	None	None	44,523.19
27	398 Miscellaneous Equipment	10,651.73	1,040.00	None	None	None	11,691.73
28	399 Other Tangible Property	799.40	None	419.58	None	None	379.82
29	Total General Plant	1,483,844.31	19,375.57	6,341.23	None	None	1,496,878.65
30	Total Electric Plant in Service	13,719,815.78	3[illegible],984.81	22,952.02	None	None	14,086,848.57
31						Total Cost of Electric Plant	14,086,848.57
32							
33						Less Cost of Land, Land Rights, Rights of Way	60,248.14
34						Total Cost upon which Depreciation is based	14,026,600.43

The above figures should show the original cost of the existing property. In case any part of the property is sold or retired, the cost of such property should be deducted from the cost of the plant. The net cost of the property, less the land values, should be taken as a basis for figuring depreciation.

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COMPARATIVE BALANCE SHEET Assets and Other Debits

Line No.	Title of Account (a)	Balance Beginning of Year (b)	Balance End of Year (c)	Increase or (Decrease) (d)
1	UTILITY PLANT			
2	101 Utility Plant — Electric (P. 17)	6,522,590.72	6,733,247.23	210,656.51
3	101 Utility Plant — Gas (P. 20)	None	None	None
4				
5	Total Utility Plant	6,522,590.72	6,733,247.23	210,656.51
6				
7				
8				
9				
10				
11	FUND ACCOUNTS			
12	125 Sinking Funds	None	None	None
13	126 Depreciation Fund (P. 14)	2,215,215.05	2,609,976.29	394,761.24
14	128 Other Special Funds	1,859,552.75	814,044.20	(1,045,508.55)
15	Total Funds	4,074,767.80	3,424,020.49	(650,747.31
16	CURRENT AND ACCRUED ASSETS			
17	131 Cash (P. 14)	1,176,371.35	31,917.11	(1,144,454.24)
18	132 Special Deposits	227,507.97	246,320.98	18,813.01
19	135 Working Funds	500.00	500.00	None
20	171 Div. & Div. Receivable	17,546.00	48,840.93	31,294.93
21	142 Customer Accounts Receivable	2,575,418.84	3,023,776.31	448,357.47
22	143 Other Accounts Receivable	55,561.81	38,332.81	(17,229.00)
23	146 Receivables from Municipality	2,286.36	2,286.36	None
24	151 Materials and Supplies (P. 14)	721,702.09	610,193.06	(111,509.03)
25	173 Accrued Utility Revenues	None	160,879.68	160,879.68
26	165 Prepayments	598,627.50	451,092.02	(147,535.48)
27	174 Miscellaneous Current Assets	321.57	None	(321.57)
28	Total Current and Accrued Assets	5,375,843.49	4,614,139.26	(761,704.23)
29	DEFERRED DEBITS			
30	181 Unamortized Debt Discount	None	None	None
31	182 Extraordinary Property Losses	6,947.86	None	(6,947.86)
32	185 Other Deferred Debits	266,150.15	63,960.66	(202,189.49)
33	Total Deferred Debits	273,098.01	63,960.66	(209,137.35)
34				
35	Total Assets and Other Debits	16,246,300.02	14,835,367.64	(1,410,932.38)

COMPARATIVE BALANCE SHEET Liabilities and Other Credits

Line No.	Title of Account (a)	Balance Beginning of Year (b)	Balance End of Year (c)	Increase or (Decrease) (d)
1	APPROPRIATIONS			
2	201 Appropriations for Construction	None	None	None
3	SURPLUS			
4	205 Sinking Fund Reserves	None	None	None
5	206 Loans Repayment	1,925,000.00	1,925,000.00	None
6	207 Appropriations for Construction Repayments	20,093.39	20,093.39	None
7	208 Unappropriated Earned Surplus (P. 12)	10,700,925.56	10,346,856.23	(354,069.33)
8	Total Surplus	12,646,018.95	12,291,949.62	(354,069.33)
9	LONG TERM DEBT			
10	221 Bonds (P. 6)	None	None	None
11	231 Notes Payable (P. 7)	None	None	None
12	Total Bonds and Notes	None	None	None
13	CURRENT AND ACCRUED LIABILITIES			
14	232 Accounts Payable	968,652.03	1,146,515.16	177,863.13
15	234 Payables to Municipality	None	None	None
16	235 Customers' Deposits	227,507.97	246,320.98	18,813.01
17	236 Taxes Accrued	None	None	None
18	237 Interest Accrued	None	None	None
19	242 Miscellaneous Current and Accrued Liabilities	19,482.79	7,142.56	(12,340.23)
20	Total Current and Accrued Liabilities	1,215,642.79	1,399,978.70	184,335.91
21	DEFERRED CREDITS			
22	251 Unamortized Premium on Debt	None	None	None
23	252 Customer Advances for Construction	52,400.00	34,600.00	(17,800.00)
24	253 Other Deferred Credits	1,252,804.31	None	(1,252,804.31)
25	Total Deferred Credits	1,305,204.31	34,600.00	(1,270,604.31)
26	RESERVES			
27	260 Reserves for Uncollectible Accounts	None	None	None
28	261 Property Insurance Reserve	None	None	None
29	262 Injuries and Damages Reserves	700,000.00	700,000.00	None
30	263 Pensions and Benefits Reserves	None	None	None
31	265 Miscellaneous Operating Reserves	None	None	None
32	Total Reserves	700,000.00	700,000.00	None
33	CONTRIBUTIONS IN AID OF CONSTRUCTION			
34	271 Contributions in Aid of Construction	379,433.97	408,839.32	29,405.35
35	Total Liabilities and Other Credits	16,246,300.02	14,835,367.64	(1,410,932.38)

State below if any earnings of the municipal lighting plant have been used for any purpose other than discharging indebtedness of the plant, the purpose for which used and the amount thereof.

STATEMENT OF INCOME FOR THE YEAR

Line No.	Account (a)	Total: Current Year (b)	Total: Increase or (Decrease) from Preceding Year (c)
1	OPERATING INCOME		
2	400 Operating Revenues (P. 37 and 43)	29,362,617.67	3,699,456.78
3	Operating Expenses:		
4	401 Operation Expense (P. 42 and 47)	28,855,496.56	4,410,025.13
5	402 Maintenance Expense (P. 42 and 47)	610,595.67	119,333.06
6	403 Depreciation Expense	409,787.03	,558.56
7	407 Amortization of Property Losses	None	None
8			
9	408 Taxes (P. 49)	(5,670.41)	(14,768.60)
10	Total Operating Expenses	29,870,208.85	4,523,148.15
11	Operating Income	(507,591.18)	(823,691.37)
12	414 Other Utility Operating Income (P. 50)	None	None
13			
14	Total Operating Income	(507,591.18)	(823,691.37)
15	OTHER INCOME		
16	415 Income from Merchandising, Jobbing and Contract Work (P. 51)	None	None
17	419 Interest Income	358,715.88	53,060.68
18	421 Miscellaneous Nonoperating Income	None	None
19	Total Other Income	358,715.88	53,060.68
20	Total Income	(148,875.30)	(770,630.69)
21	MISCELLANEOUS INCOME DEDUCTIONS		
22	425 Miscellaneous Amortization	None	None
23	426 Other Income Deductions	None	None
24	Total Income Deductions	None	None
25	Income Before Interest Charges	(148,875.30)	(770,630.69)
26	INTEREST CHARGES		
27	427 Interest on Bonds and Notes	None	None
28	428 Amortization of Debt Discount and Expense	None	None
29	429 Amortization of Premium on Debt — Credit	None	None
30	431 Other Interest Expense	12,180.70	(2,320.54)
31	432 Interest Charged to Construction — Credit	None	None
32	Total Interest Charges	12,180.70	(2,320.54)
33	NET INCOME	(161,056.00)	(768,310.15)

EARNED SURPLUS

Line No.	(a)	Debits (b)	Credits (c)
34	208 Unappropriated Earned Surplus (at beginning of period)	None	10,700,925.56
35			
36			
37	433 Balance Transferred from Income	161,056.00	None
38	434 Miscellaneous Credits to Surplus (P. 21)	None	44,692.56
39	435 Miscellaneous Debits to Surplus (P. 21)	37,705.89	None
40	436 Appropriations of Surplus (P. 21)	200,000.00	None
41	437 Surplus Applied to Depreciation	None	None
42	208 Unappropriated Earned Surplus (at end of period)	10,346,856.23	None
43			
44	TOTALS	10,745,618.12	10,745,618.12

CASH BALANCES AT END OF YEAR (Account 131)

Line No.	Items (a)	Amount (b)
1	Operation Fund	31,917.11
2	Interest Fund	.00
3	Bond Fund	.00
4	Construction Fund	.00
5	Miscellaneous Cash	27,666.66
6	Insurance Escrow Reserve	784,041.34
7	Insurance Escrow-Project #6	1,408.37
8	Insurance Escrow-Pilgrim	927.83
9		
10		
11		
12	TOTAL	845,961.31

MATERIALS AND SUPPLIES (Accounts 151-159, 163)
Summary Per Balance Sheet

Line No.	Account (a)	Amount End of Year: Electric (b)	Amount End of Year: Gas (c)
13	Fuel (Account 151) (See Schedule, Page 25)	319,221.37	
14	Fuel Stock Expenses (Account 152)		
15	Residuals (Account 153)		
16	Plant Materials and Operating Supplies (Account 154)	290,971.69	N/A
17	Merchandise (Account 155)		
18	Other Materials and Supplies (Account 156)		
19	Nuclear Fuel Assemblies and Components — In Reactor (Account 157)		
20	Nuclear Fuel Assemblies and Components — Stock Account (Account 158)		
21	Nuclear Byproduct Materials (Account 159)		
22	Stores Expense (Account 163)		
23	Total Per Balance Sheet $	610,193.06	

DEPRECIATION FUND ACCOUNT (Account 136)

Line No.	(a)	Amount (b)
24	DEBITS	
25	Balance of account at beginning of year	2,215,215.05
26	Income during year from balance on deposit	197,869.61
27	Amount transferred from income	409,787.03
28	Reimbursement from sale of Plant & Damaged Property, etc.	422,550.39
29	TOTAL	3,245,422.08
30	CREDITS	
31	Amount expended for construction purposes (Sec. 57, C. 164 of G.L.)	635,445.79
32	Amounts expended for renewals, viz.:—	
33		
34		
35		
36		
37		
38		
39	Balance on hand at end of year	2,609,976.29
40	TOTAL	3,245,422.08

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UTILITY PLANT — ELECTRIC

1. Report below the items of utility plant in service according to prescribed accounts.
2. Do not include as adjustments, corrections of additions and retirements for the current or the preceding year. Such items should be included in column (c).
3. Credit adjustments of plant accounts should be enclosed in parentheses to indicate the negative effect of such amounts.
4. Reclassifications or transfers within utility plant accounts should be shown in column (f).

Line No.	Account (a)	Balance beginning of year (b)	Additions (c)	Depreciation (d)	Other Credits (e)	Adjustments Transfers (f)	Balance end of Year (g)
1	1. INTANGIBLE PLANT	$	$	$	$	$	$
2							
3							
4							
5	2. PRODUCTION PLANT						
6	A. Steam Production						
7	310 Land and Land Rights						
8	311 Structures and Improvements						
9	312 Boiler Plant Equipment						
10	313 Engines and Engine Driven Generators						
11	314 Turbogenerator Units						
12	315 Accessory Electric Equipment						
13	316 Miscellaneous Power Plant						
14	Equipment						
15	Total Steam Production Plant						
16	B. Nuclear Production Plant						
17	320 Land and Land Rights	944.00	.00	.00	.00	.00	944.00
18	321 Structures and Improvements						
19	322 Reactor Plant Equipment						
20	323 Turbogenerator Units						
21	324 Accessory Electric Equipment						
22	325 Miscellaneous Power Plant Equipment						
23	Total Nuclear Production Plant	944.00	.00	.00	.00	.00	944.00

UTILITY PLANT — ELECTRIC (Continued)

Line No.	Account (a)	Balance beginning of Year (b)	Additions (c)	Depreciation (d)	Other Credits (e)	Adjustments Transfers (f)	Balance end of Year (g)
1	C. Hydraulic Production Plant	$	$	$	$	$	$
2	330 Land and Land Rights						
3	331 Structures and Improvements						
4	332 Reservoirs, Dams and Waterways						
5	333 Water Wheels, Turbines & Generators						
6	334 Accessory Electric Equipment						
7	335 Miscellaneous Power Plant Equipment						
8	336 Roads, Railroads and Bridges						
9	Total Hydraulic Production Plant						
10	D. Other Production Plant						
11	340 Land and Land Rights	5,500.00	None	None	None	None	5,500.00
12	341 Structures and Improvements	10,471.50	None	1,083.03	None	None	9,388.47
13	342 Fuel Holders, Producers and Accessories	10,750.42	None	1,037.65	None	None	9,712.77
14	343 Prime Movers	128,999.21	91,422.36	35,693.38	None	None	184,728.19
15	344 Generators	17,919.69	None	2,626.50	None	None	15,293.19
16	345 Accessory Electric Equipment	36,187.53	None	3,976.72	None	None	32,210.81
17	346 Miscellaneous Power Plant Equipment	8,573.19	578.39	999.37	None	None	8,152.21
18	Total Other Production Plant	218,401.54	92,000.75	45,416.65	None	None	264,985.64
19	Total Production Plant	219,345.54	92,000.75	45,416.65	None	None	265,929.64
20	3. TRANSMISSION PLANT						
21	350 Land and Land Rights	53,804.14	None	None	None	None	53,804.14
22	351 Clearing Land and Rights of Way	8,614.43	None	1,044.60	None	None	7,569.83
23	352 Structures and Improvements	31,510.50	None	3,800.38	None	None	27,710.12
24	353 Station Equipment	36,354.05	745.17	4,020.97	None	None	33,078.25
25	354 Towers and Fixtures	None	None	None	None	None	None
26	355 Poles and Fixtures	98,494.52	None	15,905.17	None	None	82,589.35
27	356 Overhead Conductors and Devices	65,630.48	None	10,819.87	None	None	54,810.61
28	357 Underground Conduit	109.87	None	7.74	None	None	102.13
29	358 Underground Conductors and Devices	None	None	None	None	None	None
30	359 Roads and Trails	None	None	None	None	None	None
31	Total Transmission Plant	294,517.99	745.17	35,598.73	None	None	259,664.43

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UTILITY PLANT — ELECTRIC (Continued)

Line No.	Account (a)	Balance beginning of Year (b)	Additions (c)	Depreciation (d)	Other Credits (e)	Adjustments Transfers (f)	Balance end of Year (g)
1	4. DISTRIBUTION PLANT	$	$	$	$	$	$
2	360 Land and Land Rights	None	None	None	None	None	None
3	361 Structures and Improvements	824.10	None	107.60	None	None	716.50
4	362 Station Equipment	130,116.68	None	18,965.97	None	None	111,150.71
5	363 Storage Battery Equipment	None	None	None	None	None	None
6	364 Poles, Towers and Fixtures	153,432.86	38,152.86	35,230.35	22,902.40	None	133,452.97
7	365 Overhead Conductors and Devices	504,562.06	88,840.69	65,310.88	22,225.18	None	505,866.69
8	366 Underground Conduit	95,140.37	583.72	10,545.65	699.43	None	84,479.01
9	367 Underground Conductors and Devices	269,831.46	43,865.36	10,406.50	8,742.68	None	294,547.64
10	368 Line Transformers	621,784.99	112,276.52	75,803.72	5,214.30	None	653,043.49
11	369 Services	171,787.17	7,389.99	13,949.91	2,877.13	None	162,350.12
12	370 Meters	268,826.40	43,140.02	20,844.08	956.93	None	290,165.41
13	371 Installations on Cust's Premises	None	None	None	None	None	None
14	372 Leased Prop. on Cust's Premises	None	None	None	None	None	None
15	373 Street Ltg. and Signal Systems	79,155.36	7,690.04	6,634.66	457.83	None	79,752.91
16	Total Distribution Plant	2,295,461.45	341,939.20	257,799.32	64,075.88	None	2,315,525.45
17	5. GENERAL PLANT						
18	389 Land and Land Rights	None	None	None	None	None	None
19	390 Structures and Improvements	104,944.32	2,600.00	14,760.38	None	None	92,783.94
20	391 Office Furniture and Equipment	214,298.08	2,888.57	23,718.03	None	None	193,468.62
21	392 Transportation Equipment	225,641.04	10,469.00	25,918.57	None	None	210,191.47
22	393 Stores Equipment	4,633.63	None	461.37	None	None	4,172.26
23	394 Tools, Shop and Garage Eqpt.	6,826.55	733.00	1,004.97	None	None	6,554.58
24	395 Laboratory Equipment	9,996.54	None	1,618.27	None	None	8,378.27
25	396 Power Operated Equipment	1,061.16	1,645.00	335.49	None	None	2,370.67
26	397 Communication Equipment	22,241.39	None	2,335.70	None	None	19,905.69
27	398 Miscellaneous Equipment	6,283.28	1,040.00	819.55	None	None	6,503.73
28	399 Other Tangible Property	799.40	None	None	419.58	None	379.82
29	Total General Plant	596,725.39	19,375.57	70,972.33	419.58	None	544,709.05
30	Total Electric Plant in Service	3,406,050.37	454,060.69	409,787.03	64,495.46	None	3,385,828.57
31	104 Utility Plant Leased to Others	None	None	None	None	None	None
32	105 Property Held for Future Use	None	None	None	None	None	None
33	107 Construction Work in Progress	3,116,540.35	193,124.95	None	None	37,753.36	3,347,418.66
34	Total Utility Plant Electric	6,522,590.72	647,185.64	409,787.03	64,495.46	37,753.36	6,733,247.23

PRODUCTION FUEL AND OIL STOCKS (Included in Account 151)

(Except Nuclear Materials)

1. Report below the information called for concerning production fuel and oil stocks.
2. Show quantities in tons of 2,000 lbs., gal., or Mcf., whichever unit of quantity is applicable.
3. Each kind of coal or oil should be shown separately.
4. Show gas and electric fuels separately by specific use.

Line No.	Item (a)	Total Cost (b)	Kinds of Fuel and Oil: Quantity (c)	Cost (d)	Quantity (e)	Cost (f)
1	On Hand Beginning of Year	$ 444,844.86	795,100	$ 444,844.86	0	$ .00
2	Received During Year	565,862.79	403,656	253,455.60	124,186	312,407.19
3	TOTAL	1,010,707.65	1,198,756	698,300.46	124,186	312,407.19
4	Used During Year (Note A)	688,404.87	660,139	375,997.68	124,186	312,407.19
5						
6						
7						
8						
9						
10						
11	Sold or Transferred	3,081.41	5,458	3,081.41	0	.00
12	TOTAL DISPOSED OF	691,486.28	665,597	379,079.09	124,186	312,407.19
13	BALANCE END OF YEAR	319,221.37	533,159	319,221.37	0	.00

Line No.	Item (g)	Kinds of Fuel and Oil—Continued: Quantity (h)	Cost (i)	Quantity (j)	Cost (k)
14	On Hand Beginning of Year		$		$
15	Received During Year				
16	TOTAL				
17	Used During Year (Note A)				
18					
19					
20					
21					
22					
23					
24	Sold or Transferred				
25	TOTAL DISPOSED OF				
26	BALANCE END OF YEAR				

Note A — Indicate specific purpose for which used, e.g., Boiler Oil, Make Oil, Generator Fuel, etc.

MISCELLANEOUS NONOPERATING INCOME (Account 421)

Line No.	Item (a)	Amount (b)
1		
2		
3		
4		
5		
6	TOTAL	

OTHER INCOME DEDUCTIONS (Account 426)

Line No.	Item (a)	Amount (b)
7		
8		
9		
10		
11		
12		
13		
14	TOTAL	

MISCELLANEOUS CREDITS TO SURPLUS (Account 434)

Line No.	Item (a)	Amount (b)
15	Proceeds from the sale of Pilgrim II assets	37,753.36
16	1983 Refund of the Wyman Project	6,939.20
17		
18		
19		
20		
21		
22		
23	TOTAL	44,692.56

MISCELLANEOUS DEBITS TO SURPLUS (Account 435)

Line No.	Item (a)	Amount (b)
24	Repayment of part of 1987 Boston Edison settlement	37,705.89
25		
26		
27		
28		
29		
30		
31		
32	TOTAL	37,705.89

APPROPRIATIONS OF SURPLUS (Account 436)

Line No.	Item (a)	Amount (b)
33	Transferred to Town Treasury	200,000.00
34		
35		
36		
37		
38		
39		
40	TOTAL	200,000.00

Annual report of TOWN OF HUDSON LIGHT AND POWER DEPARTMENT Year ended December 31, 1989

MUNICIPAL REVENUES (Accounts 482, 444)
(K.W.H. sold under the provisions of Chapter 269, Acts of 1927)

Line No.	Acc't No.	Gas Schedule (a)	Cubic Feet (b)	Revenue Received (c)	Average Revenue per M.C.F. ($0.0000) (d)
1	482	NOT APPLICABLE			
2					
3					
4					
		TOTALS			

Line No.	Acc't No.	Electric Schedule (a)	K.W.H. (b)	Revenue Received (c)	Average Revenue per K.W.H. (cents) (0.0000) (d)
5	444	Municipal: (Other than Street Lighting)			
6		ALL ELECTRIC			
7		POWER	6,969,300	676,199.83	$0.097026
8		COMMERCIAL	4,971,625	619,572.16	0.124622
9		YARD LIGHTING	468,025	72,915.32	0.155794
10			23,378	3,804.84	0.162753
11					
12		TOTALS	12,432,328	1,372,492.15	0.110397
13		Street Lighting:			
14					
15		TOWN OF HUDSON			
16		TOWN OF STOW	1,256,644	136,608.52	0.108709
17		TOWN OF BERLIN	37,817	7,661.42	0.202592
			388	81.60	0.210309
18		TOTALS	1,294,849	144,351.54	0.111481
19		TOTALS	13,727,177	1,516,843.69	0.110499

PURCHASED POWER (Account 555)

Line No.	Names of Utilities from Which Electric Energy is Purchased (a)	Where and at What Voltage Received (b)	K.W.H. (c)	Amount (c)	Cost per K.W.H. (cents) (0.0000) (e)
20					
21					
22					
23	SEE PAGES 54,55,56				
24					
25					
26					
27					
28					
29		TOTALS	251,941,923	25,166,235	

SALES FOR RESALE (Account 447)

Line No.	Names of Utilities to Which Electric Energy is Sold (a)	Where and at What Voltage Delivered (b)	K.W.H. (c)	Amount (d)	Revenues per K.W.H. (cents) (0.0000) (e)
30					
31					
32					
33					
34		N O N E			
35					
36					
37					
38					
39		TOTALS			

ELECTRIC OPERATING REVENUES (Account 400)

1. Report below the amount of operating revenue for the year for each prescribed account and the amount of increase or decrease over the preceding year.

2. If increases and decreases are not derived from previously reported figures explain any inconsistencies.

3. Number of customers should be reported on the basis of number of meters, plus number of flat rate accounts, except that where separate meter readings are added for billing purposes, one customer shall be counted for each group of meters so added. The average number of customers means the average of the 12 figures at the close of each month. If the customer count in the residential service classification includes customers counted more than once because of special services, such as water heating, etc., indicate in a footnote the number of such duplicate customers included in the classification.

4. Unmetered sales should be included below. The details of such sales should be given in a footnote.

5. Classification of Commercial and Industrial Sales, Account 442, according to Small (or Commercial) and Large (or Industrial) may be according to the basis of classification regularly used by the respondent if such basis of classification is not greater than 1000 Kw of demand. See Account 442 of the Uniform System of Accounts. Explain basis of classification.

Line No.	Account (a)	Operating Revenues: Amount for Year (b)	Operating Revenues: Increase or (Decrease) from Preceding Year (c)	Kilowatt-hours Sold: Amount for Year (d)	Kilowatt-hours Sold: Increase or (Decrease) from Preceding Year (e)	Average Number of Customers per Month: Number for Year (f)	Average Number of Customers per Month: Increase or (Decrease) from Preceding Year (g)
1	SALES OF ELECTRICITY	$	$				
2	440 Residential Sales	7,685,256.71	396,201.80	66,201,051	(1,002,442	8,255	140
3	442 Commercial and Industrial Sales:						
4	Small (or Commercial) see instr. 5	1,589,281.56	2,426.42	9,976,428	(598,224)	1,058	27
5	Large (or Industrial) see instr. 5	17,002,680.35	2,575,835.10	157,725,576	16,171,722	179	15
6	444 Municipal Sales (P. 22)	1,516,843.69	147,349.81	13,727,177	357,448	88	3
7	445 Other Sales to Public Authorities	.00	.00	00	00	0	0
8	446 Sales to Railroads and Railways	.00	.00	00	00	0	0
9	449 Fuel Charge Adjustment	1,413,683.99	564,620.43	00	00	0	0
10	449 Miscellaneous Electric Sales	106,122.14	8,244.85	601,936	5,890	161	1
11	Total Sales to Ultimate Consumers	29,313,868.44	3,694,678.41	248,232,168	14,934,394	9,741	186
12	447 Sales for Resale	.00	.00	00	00	0	0
13	Total Sales of Electricity*	29,313,868.44	3,694,678.41	248,232,168	14,934,394	9,741	186
14	OTHER OPERATING REVENUES						
15	450 Forfeited Discounts						
16	451 Miscellaneous Service Revenues	.00					
17	453 Sales of Water and Water Power	.00					
18	454 Rent from Electric Property	27,484.00					
19	455 Interdepartmental Rents	.00					
20	456 Other Electric Revenues	21,265.23					
21							
22							
23							
24							
25	Total Other Operating Revenues	48,749.23					
26	Total Electric Operating Revenues	29,362,617.67					

*Includes revenues from application of fuel clauses $ 6,236,034.32

Total KWH to which applied 246,975,524

SALES OF ELECTRICITY TO ULTIMATE CONSUMERS

Report by account the K.W.H. sold, the amount derived and the number of customers under each filed schedule or contract. Municipal sales, contract sales and unbilled sales may be reported separately in total.

Line No.	Account No.	Schedule (a)	K.W.H. (b)	Revenue (c)	Average Revenue per K.W.H. (cents) (0.0000) (d)	Number of Customers (Per Bills Rendered) July 31, (e)	December 31, (f)
1	440	"A" Domestic Rate	37,814,831	4,676,203.13	0.123661	6,224	6,265
2	442	"C" Commercial Rate	9,873,161	1,576,818.85	0.159708	1,019	1,049
3	442	"D" Power Rate	157,725,576	17,002,680.35	0.107799	186	194
4	440	"E" Wtr. Htr. Res.	10,995,492	1,230,819.85	0.111939	1,130	1,116
5	440	"F" Rate All Elec.	17,390,728	1,778,233.73	0.102252	917	905
6	442	"G" Rate Com. Heat	103,267	12,462.71	0.120684	4	4
7	444	Street Lighting	1,294,849	144,351.54	0.111481	3	3
8	444	Municipal Sales	12,432,328	1,372,492.15	0.110397	84	86
9	449	Yard Lighting	601,936	106,122.14	0.176301	161	163
10	449	Fuel Charge Adj.	0	1,413,683.99			
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
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44							
45							
46							
47							
48							
49		TOTAL SALES TO ULTIMATE CONSUMERS (Page 37 line 11)	248,232,168	29,313,868.44	0.118091	9,728	9,785

ELECTRIC OPERATION AND MAINTENANCE EXPENSES

1. Enter in the space provided the operation and maintenance expenses for the year.
2. If the increases and decreases are not derived from previously reported figures explain in footnote.

Line No.	Account (a)	Amount for Year (b)	Increase or (Decrease) from Preceding Year (c)
1	POWER PRODUCTION EXPENSES	$	$
2	STEAM POWER GENERATION		
3	Operation:		
4	500 Operation supervision and engineering		
5	501 Fuel		
6	502 Steam expenses		
7	503 Steam from other sources		
8	504 Steam transferred — Cr.		
9	505 Electric expenses		
10	506 Miscellaneous steam power expenses		
11	507 Rents		
12	Total operation	NONE	NONE
13	Maintenance:		
14	510 Maintenance supervision and engineering		
15	511 Maintenance of structures		
16	512 Maintenance of boiler plant		
17	513 Maintenance of electric plant		
18	514 Maintenance of miscellaneous steam plant		
19	Total maintenance	NONE	NONE
20	Total power production expenses — steam power	NONE	NONE
21	NUCLEAR POWER GENERATION		
22	Operation:		
23	517 Operation supervision and engineering		
24	518 Fuel		
25	519 Coolants and water		
26	520 Steam expenses		
27	521 Steam from other sources		
28	522 Steam transferred — Cr.		
29	523 Electric expenses		
30	524 Miscellaneous nuclear power expenses		
31	525 Rents		
32	Total operation	NONE	NONE
33	Maintenance:		
34	528 Maintenance supervision and engineering		
35	529 Maintenance of structures		
36	530 Maintenance of reactor plant equipment		
37	531 Maintenance of electric plant		
38	532 Maintenance of miscellaneous nuclear plant		
39	Total maintenance	NONE	NONE
40	Total power production expenses-nuclear power	NONE	NONE
41	HYDRAULIC POWER GENERATION		
42	Operation:		
43	535 Operation supervision and engineering		
44	536 Water for power		
45	537 Hydraulic expenses		
46	538 Electric expenses		
47	539 Miscellaneous hydraulic power generation expenses		
48	540 Rents		
49	Total operation	NONE	NONE

ELECTRIC OPERATION AND MAINTENANCE EXPENSES — Continued

Line No.	Account (a)	Amount for Year (b)	Increase or (Decrease) from Preceding Year (c)
1	HYDRAULIC POWER GENERATION — Continued	$	$
2	Maintenance:		
3	541 Maintenance supervision and engineering		
4	542 Maintenance of structures		
5	543 Maintenance of reservoirs, dams and waterways		
6	544 Maintenance of electric plant		
7	545 Maintenance of miscellaneous hydraulic plant		
8	Total maintenance	NONE	NONE
9	Total power production expenses — hydraulic power	NONE	NONE
10	OTHER POWER GENERATION		
11	Operation:		
12	546 Operation supervision and engineering	21,104.19	1,609.30
13	547 Fuel	687,643.87	186,518.34
14	548 Generation expenses	203,961.65	35,250.78
15	549 Miscellaneous other power generation expenses	40,009.39	2,542.97
16	550 Rents	.00	.00
17	Total operation	952,719.10	225,921.39
18	Maintenance:		
19	551 Maintenance supervision and engineering	19,714.62	652.21
20	552 Maintenance of structures	35,200.39	24,534.13
21	553 Maintenance of generating and electric plant	243,718.42	123,909.44
22	554 Maintenance of miscellaneous other power generation plant	3,285.77	(139.23)
23	Total maintenance	301,919.20	148,956.55
24	Total power production expenses — other power	1,254,638.30	374,877.94
25	OTHER POWER SUPPLY EXPENSES		
26	555 Purchased power	25,166,234.87	3,583,353.08
27	556 System control and load dispatching	23,204.88	1,920.30
28	557 Other expenses	91,914.05	(55,065.65)
29	Total other power supply expenses	25,281,353.80	3,530,207.73
30	Total power production expenses	26,535,992.10	3,905,085.67
31	TRANSMISSION EXPENSES		
32	Operation:		
33	560 Operation supervision and engineering	.00	.00
34	561 Load dispatching	.00	.00
35	562 Station expenses	464.02	145.69
36	563 Overhead line expenses	.00	(50.00)
37	564 Underground line expenses	.00	.00
38	565 Transmission of electricity by others	676,521.63	142,357.57
39	566 Miscellaneous transmission expenses	.00	.00
40	567 Rents	50.00	50.00
41	Total operation	677,035.65	142,503.26
42	Maintenance:		
43	568 Maintenance supervision and engineering	468.78	468.78
44	569 Maintenance of structures	.00	.00
45	570 Maintenance of station equipment	1,941.46	(18,938.98)
46	571 Maintenance of overhead lines	.00	.00
47	572 Maintenance of underground lines	.00	.00
48	573 Maintenance of miscellaneous transmission plant	.00	(75.00)
49	Total maintenance	2,410.24	(18,545.20)
50	Total transmission expenses	679,445.89	123,958.06

ELECTRIC OPERATION AND MAINTENANCE EXPENSES — Continued

Line No.	Account (a)	Amount for Year (b)	Increase or (Decrease) from Preceding Year (c)
1	DISTRIBUTION EXPENSES	$	$
2	Operation:		
3	580 Operation supervision and engineering	21,812.29	2,115.76
4	581 Load dispatching	.00	.00
5	582 Station expenses	881.88	874.35
6	583 Overhead line expenses	16,478.09	4,284.36
7	584 Underground line expenses	172.61	(67.39)
8	585 Street lighting and signal system expenses	8,076.40	678.90
9	586 Meter expenses	29,117.25	8,991.40
10	587 Customer installations expenses	2,784.39	(.42)
11	588 Miscellaneous distribution expenses	7,373.79	1,129.56
12	589 Rents	101.00	75.00
13	Total operation	86,797.70	18,081.52
14	Maintenance:		
15	590 Maintenance supervision and engineering	21,580.51	2,098.36
16	591 Maintenance of structures	.00	.00
17	592 Maintenance of station equipment	23,537.62	(11,662.38)
18	593 Maintenance of overhead lines	191,329.87	14,958.37
19	594 Maintenance of underground lines	5,214.31	(1,474.93)
20	595 Maintenance of line transformers	9,000.85	569.63
21	596 Maintenance of street lighting and signal systems	10,286.16	1,419.53
22	597 Maintenance of meters	9,496.66	4,623.93
23	598 Maintenance of miscellaneous distribution plant	.00	.00
24	Total maintenance	270,445.98	10,532.51
25	Total distribution expenses	357,243.68	28,614.03
26	CUSTOMER ACCOUNTS EXPENSES		
27	Operation:		
28	901 Supervision	9,240.88	860.41
29	902 Meter reading expenses	42,002.85	(1,614.42)
30	903 Customer records and collection expenses	141,839.80	9,968.65
31	904 Uncollectible accounts	18,024.85	(3,866.95)
32	905 Miscellaneous customer accounts expenses	.00	.00
33	Total customer accounts expenses	211,108.38	5,347.69
34	SALES EXPENSES		
35	Operation:		
36	911 Supervision	.00	.00
37	912 Demonstrating and selling expenses	.00	.00
38	913 Advertising expenses	50.00	25.00
39	916 Miscellaneous sales expenses	19,900.46	(4,056.40)
40	Total sales expenses	19,950.46	(4,031.40)
41	ADMINISTRATIVE AND GENERAL EXPENSES		
42	Operation:		
43	920 Administrative and general salaries	236,587.13	18,660.25
44	921 Office supplies and expenses	11,591.23	538.88
45	922 Administrative expenses transferred — Cr.	.00	.00
46	923 Outside services employed	755,228.53	496,787.83
47	924 Property insurance	29,333.70	.00
48	925 Injuries and damages	127,560.38	(15,354.64)
49	926 Employee pensions and benefits	381,507.23	4,373.39
50	928 Regulatory commission expenses	.00	.00
51	933 Transportation Expense	60,908.84	12,188.67
52	930 Miscellaneous general expenses	23,814.43	(25,199.44)
53	931 Rents	.00	.00
54	Total operation	1,626,531.47	491,994.94

ELECTRIC OPERATION AND MAINTENANCE EXPENSES — Continued

Line No.	Account (a)	Amount for Year (b)	Increase or (Decrease) from Preceding Year (c)
1	ADMINISTRATIVE AND GENERAL EXPENSES — Cont.	$	$
2	Maintenance:		
3	932 Maintenance of general plant	35,820.25	(21,610.80)
4	Total administrative and general expenses	1,662,351.72	470,384.14
5	Total Electric Operation and Maintenance Expenses	29,466,092.23	4,529,358.19

SUMMARY OF ELECTRIC OPERATION AND MAINTENANCE EXPENSES

Line No.	Functional Classification (a)	Operation (b)	Maintenance (c)	Total (d)
6	Power Production Expenses	$	$	$
7	Electric Generation:			
8	Steam power			
9	Nuclear power			
10	Hydraulic power			
11	Other power	952,719.10	301,919.20	1,254,638.30
12	Other power supply expenses	25,281,353.80	.00	25,281,353.80
13	Total power production expenses	26,234,072.90	301,919.20	26,535,992.10
14	Transmission Expenses	677,035.65	2,410.24	679,445.89
15	Distribution Expenses	86,797.70	270,445.98	357,243.68
16	Customer Accounts Expenses	211,108.38	.00	211,108.38
17	Sales Expenses	19,950.46	.00	19,950.46
18	Administrative and General Expenses	1,626,531.47	35,820.25	1,662,351.72
19	Total Electric Operation and			
20	Maintenance Expenses	28,855,496.56	610,595.67	29,466,092.23

21	Ratio of operating expenses to operating revenues (carry out decimal two places, e.g.: 0.00%) Compute by dividing Revenues (Acct. 400) into the sum of Operation and Maintenance Expenses (Page 42, line 20(d)), Depreciation (Acct. 403) and Amortization (Acct. 407)	1.01 %
22	Total salaries and wages of electric department for year, including amounts charged to operating expenses, construction and other accounts	$ 1,240,595.87
23	Total number of employees of electric department at end of year including administrative, operating, maintenance, construction and other employees (including part time employees)	36

TAXES CHARGED DURING YEAR

1. This schedule is intended to give the account distribution of total taxes charged to operations and other final accounts during the year.

2. Do not include gasoline and other sales taxes which have been charged to accounts to which the material on which the tax was levied was charged. If the actual or estimated amounts of such taxes are known, they should be shown as a footnote and designated whether estimated or actual amounts.

3. The aggregate of each kind of tax should be listed under the appropriate heading of "Federal," "State," and "Local" in such manner that the total tax for each State and for all subdivisions can readily be ascertained.

4. The accounts to which the taxes charged were distributed should be shown in columns (c) to (h). Show both the utility department and number of account charged. For taxes charged to utility plant show the number of the appropriate balance sheet plant account or subaccount.

5. For any tax which it was necessary to apportion to more than one utility department or account, state in a footnote the basis of apportioning such tax.

6. Do not include in this schedule entries with respect to deferred income taxes, or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.

Line No.	Kind of Tax (a)	Total Taxes Charged During Year (omit cents) (b)	Distribution of Taxes Charged (omit cents) (Show utility department where applicable and account charged) Electric (Acct. 408, 409) (c)	Gas (Acct. 408, 409) (d)	(e)	(f)	(g)	(h)	(i)	(j)
1										
2	REAL ESTATE TAXES	(5,670.41)	(5670.41)							
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
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16										
17										
18										
19										
20										
21										
22										
23										
24										
25										
26										
27										
28	TOTALS	(5,670.41)	(5670.41)							

OTHER UTILITY OPERATING INCOME (Account 414)

Report below the particulars called for in each column.

Line No.	Property (a)	Amount of Investment (b)	Amount of Revenue (c)	Amount of Operating Expenses (d)	Gain or (Loss) from Operation (e)
1					
2					
3					
4					
5					
6					
7					
8					
9					
10	N O N E				
11					
12					
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45					
46					
47					
48					
49					
50					
51	TOTALS				

INCOME FROM MERCHANDISING, JOBBING, AND CONTRACT WORK (Account 415)

Report by utility departments the revenues, costs, expenses, and net income from merchandising, jobbing, and contract work during year.

Line No.	Item (a)	Electric Department (b)	Gas Department (c)	Other Utility Department (d)	Total (e)
1	Revenues:	$	$	$	$
2	Merchandise sales, less discounts,				
3	allowances and returns				
4	Contract work				
5	Commissions				
6	Other (list according to major classes)				
7					
8					
9					
10	Total Revenues				
11					
12					
13	Costs and Expenses:				
14	Cost of sales (list according to major				
15	classes of cost)				
16					
17					
18		N O N E			
19					
20					
21					
22					
23					
24					
25					
26	Sales expenses				
27	Customer accounts expenses				
28	Administrative and general expenses				
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
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42					
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46					
47					
48					
49					
50	TOTAL COSTS AND EXPENSES				
51	Net Profit (or Loss)				

SALES FOR RESALE (Account 447)

1. Report sales during year to other electric utilities and to cities or other public authorities for distribution to ultimate consumers.

2. Provide subheadings and classify sales as to (1) Associated Utilities, (2) Nonassociated Utilities, (3) Municipalities, (4) R.E.A. Cooperatives, and (5) Other Public Authorities. For each sale designate statistical classification in column (b), thus: firm power, FP; dump or surplus power, DP; other, O, and place an "x" in column (c) if sale involves export across a state line.

3. Report separately firm, dump, and other power sold to the same utility. Describe the nature of any sales classified as Other Power, column (b).

4. If delivery is made at a substation indicate ownership in column (e), thus: respondent owned or leased, RS; customer owned or leased, CS.

Line No.	Sales to (a)	Statistical Classification (b)	Export Across State Lines (c)	Point of Delivery (d)	Substation (e)	Kw or Kva of Demand (Specify Which): Contract Demand (f)	Average Monthly Maximum Demand (g)	Annual Maximum Demand (h)
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14			NONE					
15								
16								
17								
18								
19								
20								
21								
22								
23								
24								
25								
26								
27								
28								
29								
30								
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41								
42								

SALES FOR RESALE (Account 447) — Continued

5. If a fixed number of kilowatts of maximum demand is specified in the power contract as a basis of billings to the customer this number should be shown in column (f). The number of kilowatts of maximum demand to be shown in column (g) and (h) should be actual based on monthly readings and should be furnished whether or not used in the determination of demand charges. Show in column (i) type of demand reading (instantaneous, 15, 30, or 60 minutes integrated).

6. The number of kilowatt-hours sold should be the quantities shown by the bills rendered to the purchasers.

7. Explain any amounts entered in column (n) such as fuel or other adjustments.

8. If a contract covers several points of delivery and small amounts of electric energy are delivered at each point, such sales may be grouped.

Type of Demand Reading (i)	Voltage at Which Delivered (j)	Kilowatt-hours (k)	Revenue (Omit Cents) Demand Charges (l)	Revenue (Omit Cents) Energy (m)	Revenue (Omit Cents) Other Charges (n)	Revenue (Omit Cents) Total (o)	Revenue per kwh (Cents) (0.0000) (p)	Line No.
								1
								2
								3
								4
								5
								6
								7
								8
								9
								10
								11
		N O	N E					12
								13
								14
								15
								16
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								32
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								34
								35
								36
								37
								38
								39
								40
								41
	TOTALS							42

PURCHASED POWER (Account 555)

(except interchange power)

1. Report power purchased for resale during the year. Exclude from this schedule and report on page 56 particulars concerning interchange power transactions during the year.
2. Provide subheadings and classify purchases as to (1) Associated Utilities, (2) Nonassociated Utilities, (3) Associated Nonutilities, (4) Other Nonutilities, (5) Municipalities, (6) R.E.A. Cooperatives, and (7) Other Public Authorities. For each purchase designate statistical classification in column (b), thus: firm power, FP; dump or surplus power, DP; other, O, and place an "x" in column (c) if purchase involves import across a state line.
3. Report separately firm, dump, and other power purchased from the same company. Describe the nature of any purchases classified as Other Power, column (b).

Line No.	Purchased From (a)	Statistical Classification (b)	Import Across State Lines (c)	Point of Receipt (d)	Substation (e)	Kw or Kva of Demand (Specify Which): Contract Demand (f)	Average Monthly Maximum Demand (g)	Annual Maximum Demand (h)
1	Pilgrim I - B.E.	0		Marlboro-Hudson		2500	NA	NA
2	Vermont Yankee	0	X	Line		578	NA	NA
3	Maine Yankee	0	X			1278	NA	NA
4	Wyman-Yarmouth-CMP	0	X			2102	NA	NA
5	Point Lepreau	0	X			5000	NA	NA
6	MMWEC-Canal	0				4323	NA	NA
7	MMWEC-Mix No. 1	0	X			629	NA	NA
8	MMWEC-Proj. #3 Mill.	0	X			591	NA	NA
9	MMWEC-Proj. #4	0	X			0	NA	NA
10	MMWEC-Proj. #5	0	X			0	NA	NA
11	MMWEC-Proj. #6	0	X			0	NA	NA
12	Taunton-Cleary Sta.	0				5000	NA	NA
13	N.U.-Montville #5,6	0	X			3500	NA	NA
14	N.U.-Middletown#2,3,4	0	X			3500	NA	NA
15	Pasny	0	X			238	NA	NA
16	RFA-Lawrence	0				810	NA	NA
17	MMWEC-Holyoke #6,8	0				5000	NA	NA
18	U.I. Mix	0	X			4500	NA	NA
19								
20								
21								
22								
23								
24								
25	PURCHACED POWER USED AT POWER PLANT AND							
26								
27								
28								
29								
30								
31								
32								
33								
34								
35								
36								
37								
38								
39								
40								
41								
42								

PURCHASED POWER (Account 555) — Continued

(except interchange power)

4. If receipt of power is at a substation indicate ownership in column (e), thus: respondent owned or leased, RS; seller owned or leased, SS.

5. If a fixed number of kilowatts of maximum demand is specified in the power contract as a basis of billing, this number should be shown in column (f). The number of kilowatts of maximum demand to be shown in columns (g) and (h) should be actual based on monthly readings and should be furnished whether or not used in the determination of demand charges. Show in column (i) type of demand reading (instantaneous, 15, 30, or 60 minutes integrated).

6. The number of kilowatt hours purchased should be the quantities shown by the power bills.

7. Explain any amount entered in column (n) such as fuel or other adjustments.

Type of Demand Reading (i)	Voltage at Which Delivered (j)	Kilowatt-hours (k)	Cost of Energy (Omit Cents) Charges (l)	Energy Charges (m)	Other Charges (n)	Total (o)	Cost per KWH (Cents) (0.0000) (p)	Line No.
NA	115KV	6,224,223	1,254,826	39,601	27,252	1,321,679	0.212344	1
NA	115KV	4,010,735	127,391	26,829	7,671	161,891	0.040364	2
NA	115KV	10,292,391	154,874	68,316	12,369	235,559	0.022887	3
NA	115KV	7,107,889	101,386	201,898	0	303,284	0.042669	4
NA	115KV	41,357,998	1,762,904	155,186	0	1,918,090	0.046378	5
NA	115KV	19,566,936	177,455	449,765	0	627,220	0.032055	6
NA	115KV	3,874,256	150,502	21,234	0	171,736	0.044327	7
NA	115KV	3,636,013	311,182	22,209	0	333,391	0.091691	8
NA	115KV	0	949,512	0	0	949,512		9
NA	115KV	0	133,224	0	0	133,224		10
NA	115KV	0	13,409,057	0	0	13,409,057		11
NA	115KV	15,077,696	289,269	471,578	0	760,847	0.050462	12
NA	115KV	10,498,495	231,701	336,803	0	568,504	0.054151	13
NA	115KV	10,985,184	195,615	351,301	0	546,916	0.049787	14
NA	115KV	14,412,903	62,284	0	0	62,284	0.004321	15
NA	115KV	2,636,113	0	213,457	0	213,457	0.080974	16
NA	115KV	2,461,223	139,987	121,320	0	261,307	0.106170	17
NA	115KV	16,692,152	360,797	422,201	0	782,998	0.046908	18
								19
CHARGED TO ACCOUNT 549		(372,608)			(14,757)	(14,757)		20
								21
								22
								23
								24
								25
								26
								27
								28
								29
								30
								31
								32
								33
								34
								35
								36
								37
								38
								39
								40
								41
	TOTALS	168,461,599	19,811,966	2,901,698	32,535	22,746,199	0.135023	42

INTERCHANGE POWER (Included in Account 555)

1. Report below the kilowatt-hours received and delivered during the year and the net charge or credit under interchange power agreements.

2. Provide subheadings and classify interchanges as to (1) Associated Utilities, (2) Nonassociated Utilities, (3) Associated Nonutilities, (4) Other Nonutilities, (5) Municipalities, (6) R.E.A. Cooperatives, and (7) Other Public Authorities. For each interchange across a state line place an "x" in column (b).

3. Particulars of settlements for interchange power shall be furnished in Part B, Details of Settlement for Interchange Power. If settlement for any transaction also includes credit or debit amounts other than for increment generation expenses, show such other component amounts separately, in addition to debit or credit for increment generation expenses, and give a brief explanation of the factors and principles under which such other component amounts were determined. If such settlement represents the net of debits and credits under an interconnection, power pooling, coordination, or other such arrangement, submit a copy of the annual summary of transactions and billings among the parties to the agreement. If the amount of settlement reported in this schedule for any transaction does not represent all of the charges and credits covered by the agreement, furnish in a footnote a description of the other debits and credits and state the amounts and accounts in which such other amounts are included for the year.

A. Summary of Interchange According to Companies and Points of Interchange

Line No.	Name of Company (a)	Interchange Across State Lines (b)	Point of Interchange (c)	Voltage at Which Interchanged (d)	Kilowatt-hours Received (e)	Kilowatt-hours Delivered (f)	Kilowatt-hours Net Difference (g)	Amount of Settlement (h)
1	NEPEX							
2	Used as Station Power and Charged to 549			115 KV	91,346,680	7,720,760	83,625,920	$2,425,543.73
3					(145,596)		(145,596)	(5,507.72)
4								
5								
6								
7								
8								
9								
10								
11								
12				TOTALS	91,201,084	7,720,760	83,480,324	$2,420,036.01

B. Details of Settlement for Interchange Power

Line No.	Name of Company (i)	Explanation (j)	Amount (k)
13	NEPEX	Energy Received by H.L.&P. - Economy	$ 2,599,743.60
14		Scheduled Outage	250,752.30
15		Unscheduled Outage	33,079.97
16		Deficiency	7,353.90
17		Energy Dollars from NEPOOL	(275,248.56)
18		Quebec Net Savings Fund	(3,264.28)
19		NEPOOL Savings	(244,697.99)
20		NEPOOL Expenses	41,530.55
		Other	21,234.24
21		TOTAL	2,425,543.73

ELECTRIC ENERGY ACCOUNT

Report below the information called for concerning the disposition of electric energy generated, purchased, and interchanged during the year.

Line No.	Item (a)			Kilowatt-hours (b)
1	**SOURCES OF ENERGY**			
2	Generation (excluding station use):			
3	Steam			
4	Nuclear			
5	Hydro			
6	Other (Diesel)			20,301,304
7	Total generation			20,301,304
8	Purchases			168,461,599
9	Interchanges	In (gross)	91,201,084	....
10		Out (gross)	7,720,760	....
11		Net (kwh)		83,480,324
12	Transmission for/by others (wheeling)	Received		....
13		Delivered		....
14		Net (kwh)		
15	TOTAL			272,243,227
16	**DISPOSITION OF ENERGY**			
17	Sales to ultimate consumers (including interdepartmental sales)			248,232,168
18	Sales for resale			
19	Energy furnished without charge			
20	Energy used by the company (excluding station use):			
21	Electric department only			288,325
22	Energy losses:			
23	Transmission and conversion losses		10,967,527	
24	Distribution losses		9,534,507	
25	Unaccounted for losses		3,220,700	
26	Total energy losses			23,722,734
27	Energy losses as percent of total on line 15 .... 8.7138 ....%			
28			TOTAL	272,243,227

MONTHLY PEAKS AND OUTPUT

1. Report hereunder the information called for pertaining to simultaneous peaks established monthly (in kilowatts) and monthly output (in kilowatt-hours) for the combined sources of electric energy of respondent.
2. Monthly peak col. (b) should be respondent's maximum kw load as measured by the sum of its coincidental net generation and purchases plus or minus net interchange, minus temporary deliveries (not interchange) of emergency power to another system. Monthly peak including such emergency deliveries should be shown in a footnote with a brief explanation as to the nature of the emergency.
3. State type of monthly peak reading (instantaneous 15, 30, or 60 minutes integrated.)
4. Monthly output should be the sum of respondent's net generation and purchases plus or minus net interchange and plus or minus net transmission or wheeling. Total for the year should agree with line 15 above.
5. If the respondent has two or more power systems not physically connected, the information called for below should be furnished for each system.

______________________ System

Line No.	Month (a)	Monthly Peak: Kilowatts (b)	Day of Week (c)	Day of Month (d)	Hour (e)	Type of Reading (f)	Monthly Output (kwh) (See Instr. 4) (g)
29	January	42,600	Thursday	5	9:00	60 Min.	24,135,586
30	February	40,500	Friday	10	9:00	60 Min.	21,996,048
31	March	41,300	Tuesday	7	9:00	60 Min.	23,565,273
32	April	37,100	Tuesday	11	8:00	60 Min.	21,629,392
33	May	36,600	Wednesday	31	15:00	60 Min.	20,928,615
34	June	42,100	Tuesday	27	15:00	60 Min.	21,891,794
35	July	44,300	Thursday	27	16:00	60 Min.	22,610,158
36	August	41,300	Wednesday	16	15:00	60 Min.	23,253,779
37	September	43,300	Monday	11	15:00	60 Min.	21,598,804
38	October	37,800	Thursday	19	15:00	60 Min.	22,098,079
39	November	39,900	Thursday	30	9:00	60 Min.	21,712,419
40	December	43,600	Friday	22	8:00	60 Min.	26,823,280
41						TOTAL	272,243,227

GENERATING STATION STATISTICS (Large Stations)

*LIMITED TO 15,200 BY DIESEL

(Except Nuclear, See Instruction 10)

1. Large stations for the purpose of this schedule are steam and hydro stations of 2,500 Kw* or more of installed capacity and other stations of 500 Kw* or more of installed capacity (name plate ratings). (*10,000 Kw and 2,500 Kw, respectively, if annual electric operating revenues of respondent are $25,000,000 or more.)

2. If any plant is leased, operated [illegible] a license from the Federal Power Commission, or operated as a [illegible] facility, indicate such facts by the use of asterisks and footnotes.

3. Specify if total plant capacity [illegible] in kva instead of kilowatts as called for on line 5.

4. If peak demand for 60 minutes is not available, give that which is available, specifying period.

5. If a group of employees attends more than one generating station, report on line 11 the approximate average number of employees assignable to each station.

6. If [illegible] purchased [illegible] therm basis, the B.t.u. content of the gas should [illegible] given and the quantity of fuel consumed converted to M cu. ft.

7. Quantities of fuel consumed and the average cost per unit of fuel consumed should be consistent with charges to expense accounts 501 and

Line No.	Item (a)	Plant (b) CHERRY ST.STA	Plant (c) HLP PEAKING	Plant (d)
1	Kind of plant (steam, hydro, int. comb., gas turbine)	Int Comb	Int Comb	
2	Type of plant construction (conventional, outdoor boiler, full outdoor, etc.)	Conventional	Conventional	
3	Year originally constructed	1897	1962	
4	Year last unit was installed	1972	1962	
5	Total installed capacity (maximum generator name plate ratings in kw)	16,150*	4,400	
6	Net peak demand on plant-kilowatts (60 min.)	16.0	4.4	
7	Plant hours connected to load	1229	947	
8	Net continuous plant capability, kilowatts:			
9	(a) When not limited by condenser water	15,200	4,400	
10	(b) When limited by condenser water	15,200	4,400	
11	Average number of employees	12		
12	Net generation, exclusive of station use	17,376,804	2,924,500	
13	Cost of plant (omit cents):			
14	Land and land rights	5,500		
15	Structures and improvements	332,768		
16	Reservoirs, dams, and waterways			
17	Equipment costs	3,022,400	712,054	
18	Roads, railroads, and bridges			
19	Total cost	3,360,668	791,390	
20	Cost per kw of installed capacity	221	180	
21	Production expenses:			
22	Operation supervision and engineering	21,104.19		
23	Station labor	174,356.79		
24	Fuel	687,643.87		
25	Supplies and expenses, including water	72,900.02		
26	Maintenance	298,633.43		
27	Rents			
28	Steam from other sources			
29	Steam transferred—Credit			
30	Total production expenses	1,254,638.30		
31	Expenses per net Kwh (5 places)	0.061801		
32	Fuel: Kind	#2 Diesel	Natural Gas	
33	Unit: (Coal-tons of 2,000 lb.) (Oil-barrels of 42 gals.) (Gas-M cu. ft.) (Nuclear, indicate)	42 Gal	M CU FT	
34	Quantity (units) of fuel consumed	15,718	124,186	
35	Average heat content of fuel (B.t.u. per lb. of coal, per gal. of oil, or per cu. ft. of gas)	140,000 BTU	910 BTU	
36	Average cost of fuel per unit, del. f.o.b. plant	$26.3714 BBL	$2.51564 MCF	
37	Average cost of fuel per unit consumed	$23.8731 BBL	$2.51564 MCF	
38	Average cost of fuel consumed per million B.t.u.	$ 4.06015	$2.76444	
39	Average cost of fuel consumed per kwh net gen.	$ 0.03387		
40	Average B.t.u. per kwh net generation	10119		
41				
42				

GENERATING STATION STATISTICS (Large Stations) — Continued

(Except Nuclear, See Instruction 10)

547 as shown on line 24.

8. The items under cost of plant and production expenses represents accounts or combinations of accounts prescribed by the Uniform System of Accounts. Production expenses, however, do not include Purchased Power, System Control and Load Dispatching, and Other Expenses classified as "Other Power Supply Expenses."

9. If any plant is equipped with combinations of steam, hydro, internal combustion engine or gas turbine equipment, each should be reported as a separate plant. However, if a gas turbine unit functions in a combined operation with a conventional steam unit, the gas turbine should be included with the steam station.

10. If the respondent operates a nuclear power generating station submit: (a) a brief explanatory statement concerning accounting for the cost of power generated including any attribution of excess costs to research and development expenses; (b) a brief explanation of the fuel accounting specifying the accounting methods and types of cost units used with respect to the various components of the fuel cost, and (c) such additional information as may be informative concerning the type of plant, kind of fuel used, and other physical and operating characteristics of the plant.

Plant (e)	Plant (f)	Plant (g)	Plant (h)	Plant (i)	Plant (j)	Line No.
						1
						2
						3
						4
						5
						6
						7
						8
						9
						10
						11
						12
						13
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						41
						42

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STEAM GENERATING STATIONS

1. Report the information called for concerning generating stations and equipment at end of year.
2. Exclude from this schedule, plant, the book cost of which is included in Account 121, Nonutility Property.
3. Designate any generating station or portion thereof for which the respondent is not the sole owner. If such property is leased from another company, give name of lessor, date and term of lease, and annual rent. For any generating station, other than a leased station or portion thereof for which the respondent is not the sole owner but which the respondent operates or shares in the operation of, furnish a succinct statement explaining the arrangement and giving particulars as to such matters as percent ownership by respondent, name of co-owner, basis of sharing output.

Line No.	Name of Station (a)	Location of Station (b)	Boilers: Number and Year Installed (c)	Boilers: Kind of Fuel and Method of Firing (d)	Boilers: Rated Pressure in lbs. (e)	Boilers: Rated Steam Temperature* (f)	Boilers: Rated Max. Continuous M lbs. Steam per Hour (g)
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13		NOT APPLICABLE					
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
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28							
29							
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31							
32							
33							
34							
35							
36							
37							

Note reference:

*Indicate reheat boilers thusly, 1050/1000.

STEAM GENERATING STATIONS — Continued

expenses or revenues, and how expenses and/or revenues are accounted for and accounts affected. Specify if lessor, co-owner, or other party is an associated company.

4. Designate any generating station or portion thereof leased to another company and give name of lessee, date and term of lease and annual rent and how determined. Specify whether lessee is an associated company.

5. Designate any plant or equipment owned, not operated, and not leased to another company. If such plant or equipment was not operated within the past year explain whether it has been retired in the books of account or what disposition of the plant or equipment and its book cost are contemplated.

Turbine-Generators*

Year Installed (h)	Type† (i)	Steam Pressure at Throttle p.s.i.g. (j)	R.P.M. (k)	Name Plate Rating in Kilowatts: At Minimum Hydrogen Pressure (l)	Name Plate Rating in Kilowatts: At Maximum Hydrogen Pressure (m)	Hydrogen Pressure‡: Min. (n)	Hydrogen Pressure‡: Max. (o)	Power Factor (p)	Voltage K.v.†† (q)	Station Capacity Maximum Name Plate Rating‡‡ (r)	Line No.
											1
											2
											3
											4
											5
											6
											7
											8
											9
											10
											11
											12
				NOT APPLICABLE							13
											14
											15
											16
											17
											18
											19
											20
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											22
											23
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											31
											32
											33
											34
											35
											36
			TOTALS								37

Note references:

*Report cross-compound turbine-generator units on two lines — H.P. section and L.P. section.

†Indicate tandem-compound (T.C.); cross-compound (C.C.); all single casing (S.C.); topping unit (T), and noncondensing (N.C.). Show back pressures.

‡Designate air cooled generators.

††If other than 3 phase, 60 cycle, indicate other characteristic.

‡‡Should agree with column (m).

HYDROELECTRIC GENERATING STATIONS

1. Report the information called for concerning generating stations and equipment at end of year. Show associated prime movers and generators on the same line.
2. Exclude from this schedule, plant, the book cost of which is included in Account 121, Nonutility Property.
3. Designate any generating station or portion thereof for which the respondent is not the sole owner. If such property is leased from another company, give name of lessor, date and term of lease, and annual rent. For any generating station, other than a leased station, or portion thereof, for which the respondent is not the sole owner but which the respondent operates or shares in the operation of, furnish a succinct statement explaining the arrangement and giving particulars as to such matters as

Line No.	Name of Station (a)	Location (b)	Name of Stream (c)	Water Wheels: Attended or Unattended (d)	Type of Unit* (e)	Year Installed (f)	Gross Static Head with Pond Full (g)
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
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14		NOT	APPLICABLE				
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39							

*Horizontal or vertical. Also indicate type of runner — Francis (F), fixed propeller (FP), automatically adjustable propeller (AP), Impulse (I).

HYDROELECTRIC GENERATING STATIONS — Continued

percent of ownership by respondent, name of co-owner, basis of sharing output, expenses, or revenues, and how expenses and/or revenues are accounted for and accounts affected. Specify if lessor, co-owner, or other party is an associated company.

4. Designate any generating station or portion thereof leased to another company and give name of lessee, date and term of lease and annual rent and how determined. Specify whether lessee is an associated company.

5. Designate any plant or equipment owned, not operated and not leased to another company. If such plant or equipment was not operated within the past year explain whether it has been retired in the books of account or what disposition of the plant or equipment and its book cost are contemplated.

Water Wheels — Continued			Generators						Total Installed Generating Capacity in Kilowatts (name plate ratings) (q)	Line No.
Design Head (h)	R.P.M. (i)	Maximum hp. Capacity of Unit at Design Head (j)	Year Installed (k)	Voltage (l)	Phase (m)	Frequency or d.c. (n)	Name Plate Rating of Unit in Kilowatts (o)	Number of Units in Station (p)		
										1
										2
										3
										4
										5
										6
										7
										8
										9
										10
		NOT	APPLICABLE							11
										12
										13
										14
										15
										16
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										18
										19
										20
										21
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										31
										32
										33
										34
										35
										36
										37
										38
						TOTALS				39

COMBUSTION ENGINE AND OTHER GENERATING STATIONS

(except nuclear stations)

1. Report the information called for concerning generating stations and equipment at end of year. Show associated prime movers and generators on the same line.
2. Exclude from this schedule, plant, the book cost of which is included in Account 121, Nonutility Property.
3. Designate any generating station or portion thereof for which the respondent is not the sole owner. If such property is leased from another company, give name of lessor, date and term of lease, and annual rent. For any generating station, other than a leased station, or portion thereof, for which the respondent is not the sole owner but which the respondent operates or shares in the operation of, furnish a succinct statement explaining the arrangement and giving particulars as to such matters as percent owner-

Line No.	Name of Station (a)	Location of Station (b)	Prime Movers: Diesel or Other Type Engine (c)	Name of Maker (d)	Year Installed (e)	2 or 4 Cycle (f)	Belted or Direct Connected (g)
1	Cherry St.	Cherry St. Hudson	Diesel	American Loco.	1937	2	Direct
2	Cherry St.	Cherry St. Hudson	Diesel	Nordberg-Mfg.Co	1951	2	Direct
3	Cherry St.	Cherry St. Hudson	Diesel	Nordberg-Mfg.Co	1955	2	Direct
4	Cherry St.	Cherry St. Hudson	Diesel	Nordberg-mfg.Co	1960	2	Direct
5	Cherry St.	Cherry St. Hudson	Diesel	Cooper-Bessemer	1972	4	Direct
6							
7							
8							
9	Hudson Light						
10	Peaking Plt.	Cherry St. Hudson	Diesel	Fairbanks-Morse	1962	2	Direct
11	Hudson Light						
12	Peaking Plt.	Cherry St. Hudson	Diesel	Fairbanks-Morse	1962	2	Direct
13							
14							
15							
16							
17							
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34							
35							
36							
37							
38							
39							

COMBUSTION ENGINE AND OTHER GENERATING STATIONS — Continued

(except nuclear stations)

ship by respondent, name of co-owner, basis of sharing output, expenses, or revenues, and how expenses and/or revenues are accounted for and accounts affected. Specify if lessor, co-owner, or other party is an associated company.

4. Designate any generating station or portion thereof leased to another company and give name of lessee, date and term of lease and annual rent and how determined. Specify whether lessee is an associated company.

5. Designate any plant or equipment owned, not operated and not leased to another company. If such plant or equipment was not operated within the past year, explain whether it has been retired in the books of account or what disposition of the plant or equipment and its book cost are contemplated.

Prime Movers — Continued		Generators						Total Installed Generating Capacity in Kilowatts (name plate ratings) (p)	Line No.
Rated hp. of Unit (h)	Total Rated hp. of Station Prime Movers (i)	Year Installed (j)	Voltage (k)	Phase (l)	Frequency or d.c. (m)	Name Plate Rating of Unit in Kilowatts (n)	Number of Units in Station (o)		
1480	1480	1937	2300	3Ø	60 cyl.	1000	1	1000	1
4250	5730	1951	4160	3Ø	60 cyl.	3300	1	3000	2
5100	10830	1955	4160	3Ø	60 cyl.	4000	1	3600	3
4250	15080	1943	4160	3Ø	60 cyl.	3250	1	3000	4
7760	22840	1972	4160	3Ø	60 cyl.	5600	1	5600	5
									6
									7
									8
									9
3168	3168	1962	4160	3Ø	60 cyl.	2200	1	2200	10
									11
3168	6336	1962	4160	3Ø	60 cyl.	2200	1	2200	12
									13
									14
									15
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									38
					TOTALS	21,550	7	20,600	39

GENERATING STATION STATISTICS (Small Stations)

1. Small generating stations, for the purpose of this schedule, are steam and hydro stations of less than 2,500 KW* and other stations of less than 500 KW* installed capacity (name plate ratings). (*10,000 KW and 2,500 KW, respectively, if annual electric operating revenues of respondent are $25,000,000 or more.)

2. Designate any plant leased from others, operated under a license from the Federal Power Commission, or operated as a joint facility, and give a concise statement of the facts in a footnote.

3. List plants appropriately under subheadings for steam, hydro, nuclear internal combustion engine and gas turbine stations. For nuclear, see instruction 10 page 59.

4. Specify, if total plant capacity is reported in kva instead of kilowatts.

5. If peak demand for 60 minutes is not available, give that which is available, specifying period.

6. If any plant is equipped with combinations of steam, hydro, internal combustion engine or gas turbine equipment, each should be reported as a separate plant. However, if the exhaust heat from the gas turbine is utilized in a steam turbine regenerative feed water cycle, report as one plant.

Line No.	Name of Plant (a)	Year Const. (b)	Installed Capacity Name Plate Rating-KW (c)	Peak Demand KW (60 Min.) (d)	Net Generation Excluding Station Use (e)	Cost of Plant (Omit Cents) (f)	Plant Cost Per KW Inst. Capacity (g)	Production Expenses Exclusive of Depreciation and Taxes (Omit Cents) Labor (h)	Fuel (i)	Other (j)	Kind of Fuel (k)	Fuel Cost Per KWH Net Generation (Cents) (0.0000) (l)
1												
2												
3												
4												
5												
6												
7												
8												
9												
10												
11					NOT APPLICABLE							
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22												
23												
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25												
26												
27												
28	TOTALS											

Annual report of TOWN OF HUDSON LIGHT AND POWER DEPARTMENT Year ended December 31, 1989.

TRANSMISSION LINE STATISTICS

Report information concerning transmission lines as indicated below.

Line No.	Designation From (a)	Designation To (b)	Operating Voltage (c)	Type of Supporting Structure (d)	Length (Pole Miles) On Structures of Line Designated (e)	Length (Pole Miles) On Structures of Another Line (f)	Number of Circuits (g)	Size of Conductor and Material (h)
	Marl-Hudson	Forest Ave.						
1	Town Line	Substation	115KV	Steel	3.2		2	336.4 MCM
2	at River St.	Hudson		Poles				ACSR
3								"Linnet"
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
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41								
42								
43								
44								
45								
46								
47				TOTALS	3.2	None	2	

*Where other than 60 cycle, 3 phase, so indicate.

SUBSTATIONS

1. Report below the information called for concerning substations of the respondent as of the end of the year.
2. Substations which serve but one industrial or street railway customer should not be listed hereunder.
3. Substations with capacities of less than 5000 kva, except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown.
4. Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended.
5. Show in columns (i), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc. and auxiliary equipment for increasing capacity.
6. Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent. For any substation or equipment operated under lease, give name of lessor, date and period of lease and annual rent. For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses of other accounting between the parties, and state amounts and accounts affected in respondent's books of account. Specify in each case whether lessor, co-owner, or other party is an associated company.

Line No.	Name and Location of Substation (a)	Character of Substation (b)	Voltage Primary (c)	Voltage Secondary (d)	Voltage Tertiary (e)	Capacity of Substation in kva (In Service) (f)	Number of Transformers In Service (g)	Number of Spare Transformers (h)	Conversion Apparatus and Special Equipment: Type of Equipment (i)	Number of Units (j)	Total Capacity (k)
1	Cherry St. Hudson, MA	Unattended	8[illegible]01	24001	Not	19,200	2	None	None	None	None
2		Distribution	13800	4160	Brought						
3					Out						
4											
5	Forest Ave. Hudson, MA	Unattended									
6		13.8 Distribution									
7		& Diesel Tie	115KV	80001	NA	80,000	2	None	None	None	None
8		Tie with NEPCO		13800							
9											
10											
11											
12											
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14											
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16											
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29											
30											
31											
32					TOTALS	99,200	4	None	None	None	None

OVERHEAD DISTRIBUTION LINES OPERATED

Line No.		Length (Pole Miles) Wood Poles	Steel Towers	Total
1	Miles — Beginning of Year	179.8		179.8
2	Added During Year	1.3		1.3
3	Retired During Year			
4	Miles — End of Year	181.1		181.1
5				
6				
7				

8 Distribution System Characteristics — A.C. or D.C., phase, cycles and operating voltages for Light and Power.

9

10 Primary distribution at 2400/4160Y, 4800/8300Y, 8000/13800Y volts, 60 cycle,
11 3 phase secondary power at 600 volts, 60 cycle, 3 phase 3 wire; 480 volts 3
12 phase, 3 wire; 277/480 volts, 3 phase 4 wire; 220 volts, 3 phase 3 or 4 wire;
13 120/208 volts, 3 phase, 4 wire lighting, heating and air conditioning
14 120/240 volts, 120/208 volts, 60 cycle single or three phase.

15

ELECTRIC DISTRIBUTION SERVICES, METERS AND LINE TRANSFORMERS

Line No.	Item	Electric Services	Number of Watt-hour Meters	Line Transformers Number	Line Transformers Total Capacity (kva)
16	Number at beginning of year	7547	10,208	3008	83860.0
17	Additions during year:				
18	Purchased	....	276	61	3618.0
19	Installed	118	....	....	....
20	Associated with utility plant acquired	None	None	None	None
21	Total additions	118	276	61	3618.0
22	Reductions during year:				
23	Retirements	67	157	3	18.0
24	Associated with utility plant sold	None	None		
25	Total reductions	67	157	3	18.0
26	Number at End of Year	7598	10,327	3066	87460.0
27	In stock		690	263	12045.5
28	Locked meters on customers' premises		None	None	None
29	Inactive transformers on system		None	None	None
30	In customers' use		9612	2795	75280.5
31	In company's use		25	8	134.0
32	Number at End of Year		10327	3066	87460.0

CONDUIT, UNDERGROUND CABLE AND SUBMARINE CABLE — (Distribution System)

Report below the information called for concerning conduit, underground cable, and submarine cable at end of year.

Line No.	Designation of Underground Distribution System (a)	Miles of Conduit Bank (All Sizes and Types) (b)	Underground Cable: Miles* (c)	Underground Cable: Operating Voltage (d)	Submarine Cable: Feet* (e)	Submarine Cable: Operating Voltage (f)
1	Route 495 Underpass	.1	.1	13,800		
2	Harvard Acres Estates, Stow	6.5	6.5	13,800		
3	Meadowbrook Mobile Home Park, Hudson	1.8	1.9	13,800		
4	Colburn & Margaret Circle, Hudson	.0	.2	4,800		
5	Main, Felton, Central St. Hudson	.7	.7	13,800		
6	Seven Star Lane, Stow, MA	.0	.09	4,800		
7	Forest Avenue, Hudson, MA	1.5	1.5	13,800		
8	Juniper Estates, Stow, MA	.5	.5	13,800		
9	Carriage Lane, Stow, MA	.19	.33	4,800		
10	Brigham Circle, Hudson, MA	.9	.9	13,800		
11	Rustic Lane, Hudson, MA	.0	.2	4,800		
12	Wildwood Subdivision, Stow, MA	.0	.6	13,800		
13	Birch Hill Estates, Stow, MA	3.3	3.3	13,800		
14	Appleton Drive, Hudson, MA	.1	.1	13,800		
15	Cedar Street, Hudson, MA	.03	.03	4,800		
16	Country Estates, Hudson, MA	.0	.34	4,800		
17	Deacon Benham Drive, Stow, MA	.0	.07	8,320		
18	Forest Road, Stow, MA	.0	.22	8,320		
19	Francis Circle, Stow, MA	.0	.1	4,800		
20	Karen Circle, Hudson, MA	.0	.07	8,320		
21	Main Street, Hudson, MA (Whispering Pines)	.11	.11	13,800		
22	Glen Road, Hudson, MA	.24	.24	13,800		
23	Brigham Street (Valley Park) Hudson, MA	.14	.14	13,800		
24	Brigham Street (Assabet Village) Hudson, MA	.23	.23	13,800		
25	Chapin Road, Hudson, MA	.07	.07	13,800		
26	Cahill Raylor Road, Stow, MA	.25	.25	13,800		
27	Great Road, Stow, MA	.07	.07	13,800		
28	Digital, Kane Industrial Drive, Hudson, MA	.05	.05	13,800		
29	Peter's Grove, Hudson, MA	.05	.05	13,800		
30	Johnston Way, Stow, MA	.20	.20	13,800		
31	Hudson Town Hall, Hudson, MA	.08	.08	13,800		
32	Sudbury Road, Stow, MA Off Pole 121	.23	.23	13,800		
33	Parmenter Road, Hudson, MA Off Pole 16-1	.10	.10	13,800		
	TOTALS	17.44	19.71		None	
34						

*Indicate number of conductors per cable.

CONDUIT, UNDERGROUND CABLE AND SUBMARINE CABLE — (Distribution System)

Report below the information called for concerning conduit, underground cable, and submarine cable at end of year.

Line No.	Designation of Underground Distribution System (a)	Miles of Conduit Bank (All Sizes and Types) (b)	Underground Cable		Submarine Cable	
			Miles* (c)	Operating Voltage (d)	Feet* (e)	Operating Voltage (f)
1	Technology Drive Hudson	.28	.28	13800		
2	Reed Road Hudson	.11	.11	13800		
3	Central St Hudson	.06	.06	13800		
4	Washington St Hudson	.10	.10	13800		
5	Barton Rd. Stow	.26	.26	13800		
6	Causeway St Hudson	.12	.12	13800		
7	Off Harvard Rd. Stow	.07	.07	13800		
8	Otsego Drive Hudson	.58	.58	13800		
9	Off River Rd Hudson	.05	.05	13800		
10	Seneca Drive Hudson	.06	.06	13800		
11	Hazelwood Drive Hudson	.24	.24	4160		
12	Maura Drive Stow	.19	.19	13800		
13	Oneida Drive Hudson	.29	.29	13800		
14	Chabot Rd. Hudson	.22	.22	13800		
15	Beechnut Rd. Hudson	.14	.14	13800		
16	Bonazzoli Ave. Hudson	.16	.16	13800		
17	Red Acre Rd. Estates Stow	1.08	1.08	13800		
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34	TOTALS	6.60	6.60			

*Indicate number of conductors per cable.

STREET LAMPS CONNECTED TO SYSTEM

Line No.	City or Town (a)	Total (b)	Type: Incandescent Municipal (c)	Incandescent Other (d)	Mercury Vapor Municipal (e)	Mercury Vapor Other (f)	Fluorescent Municipal (g)	Fluorescent Other (h)	H.P. Sodium Municipal (i)	H.P. Sodium Other (j)
1	Hudson	1971	441	15	996	261			158	100
2	Stow	85	5	3	7	44			17	9
3	Berlin	1	1							
4	Marlboro	2				1				1
5	Bolton	1				1				
6										
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51										
52	TOTALS	2060	447	18	1003	307			175	110

RATE SCHEDULE INFORMATION

1. Attach copies of all Filed Rates for General Consumers.
2. Show below the changes in rate schedules during year and the estimated increase or decrease in annual revenue predicated on the previous year's operations.

Date Effective	M.D.P.U. Number	Rate Schedule	Estimated Effect on Annual Revenues: Increases	Estimated Effect on Annual Revenues: Decreases
1/1/89	122	Domestic Rate "A"	327,000	
1/1/89	123	Commercial Rate "C"	99,000	
1/1/89	124	Commercial and Industrial "D"	1,005,000	
1/1/89	125	Domestic Water Heater Rate "E"	87,000	
1/1/89	126	All Electric Rate "F"	172,000	
1/1/89	127	Commercial Electric Rate "G"	1,000	
1/1/89	128	Street Lighting Schedule	8,000	

THIS RETURN IS SIGNED UNDER THE PENALTIES OF PERJURY

.... *Mayor.*

Horst Huehmer .... *Manager of Electric Light*

....

....

Roland L. Plante

Peter L. Kenney

Weedon G. Parris Jr.

....

Selectmen or Members of the Municipal Light Board.

SIGNATURES OF ABOVE PARTIES AFFIXED OUTSIDE THE COMMONWEALTH OF MASSACHUSETTS MUST BE PROPERLY SWORN TO

.... ss. 19

Then personally appeared ....

and severally made oath to the truth of the foregoing statement by them subscribed according to their best knowledge and belief.

.... *Notary Public or Justice of the Peace.*

INDEX

EXTRACTS FROM CHAPTER 164 OF THE GENERAL LAWS AS AMENDED

SECTION 56. The Mayor of a city, or the selectmen or municipal light board, if any, of a town acquiring a gas or electric plant ...ll appoint a manager of municipal lighting who shall, under the direction and control of the mayor, selectmen or municipal light ...rd, if any, and subject to this chapter, have full charge of the operation and management of the plant, the manufacture and ...tribution of gas or electricity, the purchase of supplies, the employment of agents and servants, the method, time, price, quantity ... quality of the supply, the collection of bills, and the keeping of accounts. His compensation and term of office shall be fixed ...ities by the city council and in towns by the selectmen or municipal light board, if any; and, before entering upon the performance his official duties, he shall give bond to the city or town for the faithful performance thereof in a sum and form and with sureties the satisfaction of the mayor, selectmen or municipal light board, if any, and shall, at the end of each municipal year, render them such detailed statement of his doings and of the business and financial matters in his charge as the department may pre...ibe. All moneys payable to or received by the city, town, manager or municipal light board in connection with the operation the plant, for the sale of gas or electricity or otherwise, shall be paid to the city or town treasurer. All accounts rendered to or ...t in the gas or electric plant of any city shall be subject to the inspection of the city auditor or officer having similar duties, ... in towns they shall be subject to the inspection of the selectmen. The auditor or officer having similar duties, or the selectmen, ...y require any person presenting for settlement an account or claim against such plant to make oath before him or them, in such ...m as he or they may prescribe, as to the accuracy of such account or claim. The wilful making of a false oath shall be punish...e as perjury. The auditor or officer having similar duties in cities, and the selectmen in towns, shall approve the payment of bills or pay rolls of such plants before they are paid by the treasurer, and may disallow and refuse to approve for payment, in ...ole or in part, any claim as fradulent, unlawful or excessive; and in that case the auditor or officer having duties, or the select...n, shall file with the city or town treasurer a written statement of the reasons for the refusal; and the treasurer shall not pay ... claim or bill so disallowed. This section shall not abridge the powers conferred on town accountants by sections fifty-five sixty-one, inclusive, of chapter forty-one. The manager shall at any time, when required by the mayor, selectmen, municipal ...t board, if any, or department, make a statement to such officers of his doings, business, receipts, disbursements, balances, and the indebtedness of the town in his department.

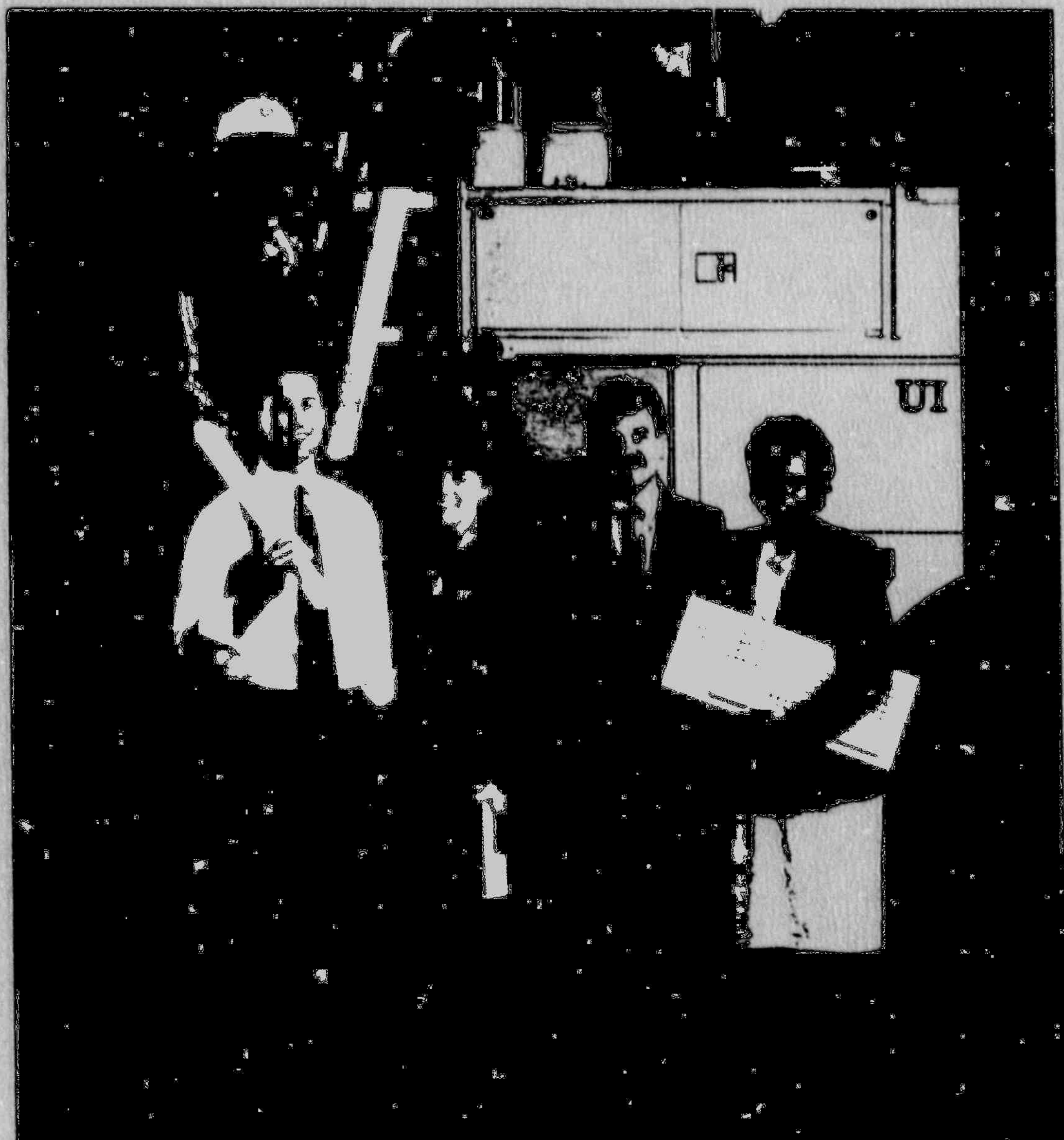
SECTION 57. At the beginning of each fiscal year, the manager of municipal lighting shall furnish to the mayor, selectmen municipal light board, if any, an estimate of the income from sales of gas and electricity to private consumers during the ensuing ...al year, and of the expense of the plant during said year, meaning the gross expenses of operation, maintenance and repair, the ...erest on the bonds, notes or certificates of indebtedness issued to pay for the plant, an amount for depreciation equal to three ... cent of the cost of the plant exclusive of land and any water power appurtenant thereto, or such smaller or larger amount as department may approve, the requirements of the sinking fund or debt incurred for the plant, and the loss, if any, in the opera...n of the plant during the preceding year, and of the costs, as defined in section 58, of the gas and electricity to be used by the ...n. The town shall include in its annual appropriations and in the tax levy not less than the estimated cost of the gas and ...ctricity to be used by the town as above defined and estimated. By cost of the plant is intended the total amount expended the plant to the beginning of the fiscal year for the purpose of establishing, purchasing, extending or enlarging the same. By ... in operation is intended the difference between the actual income from private consumers plus the appropriations for mainte...nce for the preceding fiscal year and the actual expense of the plant, reckoned as above, for that year in case such expenses ...eeded the amount of such income and appropriation. The income from sales and the money appropriated as aforesaid shall used to pay the annual expense of the plant, defined as above, for the fiscal year, except that no part of the sum therein included depreciation shall be used for any other purpose than renewals in excess of ordinary repairs, extensions, reconstruction, enlarge...nts and additions. The surplus, if any, of said annual allowances for depreciation after making the above payments shall be ...t as a separate fund and used for renewals other than ordinary repairs, extensions, reconstructions, enlargements and additions succeeding years; and no debt shall be incurred under section forty for any extension, reconstruction or enlargements of the plant excess of the amount needed therefor in addition to the amount then on hand in said depreciation fund. Said depreciation fund ...ll be kept and managed by the town treasurer as a separate fund, subject to appropriation by the city council or selectmen or ...nicipal light board, if any, for the foregoing purpose. So much of said fund as the department may from time to time approve ...y also be used to pay notes, bonds or certificates of indebtedness issued to pay for the cost of reconstruction or renewals in excess ordinary repairs, when such notes, bonds or certificates of indebtedness become due. All appropriations for the plant shall be ...er for the annual expense defined as above, or for extensions, reconstruction, enlargements or additions; and no appropriation ...ll be used for any purpose other than that stated in the vote making the same. No bonds, notes or certificates of indebtedness ...ll be issued by a town for the annual expenses as defined in this section.

SECTION 63. A town manufacturing or selling gas or electricity for lighting shall keep records of its work and doings at its ...nufacturing station, and in respect to its distributing plant, as may be required by the department. It shall install and main...n apparatus, satisfactory to the department, for the measurement and recording of the output of gas and electricity, and shall ... the same by meter to private consumers when required by the department, and, if required by it, shall measure all gas or elec...ity consumed by the town. The books, accounts and returns shall be made and kept in a form prescribed by th department, ... the accounts shall be closed annually on the last day of the fiscal year of such town, and a balance sheet of that date shall taken therefrom and included in the return to the department. The mayor, selectmen or municipal light board and manager ...ll, at any time, on request, submit said books and accounts to the inspection of the department and furnish any statement or ...ormation required by it relative to the condition, management and operation of said business. The department shall, in its ...ual report, describe the operation of the several municipal plants with such detail as may be necessary to disclose the financial ...dition and results of each plant; and shall state what towns, if any, operating a plant have failed to comply with this chapter, ... what towns, if any, are selling gas or electricity with the approval of the department at less than cost. The mayor, or selectmen, municipal light board, if any, shall annually, on or before such date as the department fixes, make a return to the department, ... the preceding fiscal year, signed and sworn to by the mayor, or by a majority of the selectmen or municipal light board, if any, ... by the manager, stating the financial condition of said business, the amount of authorized and existing indebtedness, a statement income and expenses in such detail as the department may require, and a list of its salaried officers and the salary paid to each. ... mayor, the selectmen or the municipal light board may direct any additional returns to be made at such time and in such detail ...as they may order. Any officer of a town manufacturing or selling gas or electricity for lighting who, being required by this ...tion to make an annual return to the department, neglects to make such annual return shall, for the first fifteen days or portion ...reof during which such neglect continues, forfeit five dollars a day; for the second fifteen days or any portion thereof, ten dollars ...lay; and for each day thereafter not more than fifteen dollars a day. Any such officer who unreasonably refuses or neglects to ...ke such return shall, in addition thereto, forfeit not more than five hundred dollars. If a return is defective or appears to be ...oneous, the department shall notify the officer to amend it within fifteen days. Any such officer who neglects to amend said ...urn within the time specified, when notified to do so, shall forfeit fifteen dollars for each day during which such neglect continues. ... forfeitures incurred under this section may be recovered by an information in equity brought in the supreme judicial court by ... attorney general, at the relation of the department, and when so recovered shall be paid to the commonwealth.

SECTION 69. The supreme judicial court for the county where the town is situated shall have jurisdiction on petition of the ...partment or of twenty taxable inhabitants of the town to compel the fixing of prices by the town in compliance with sections ...ty-seven and fifty-eight, to prevent any town from purchasing, operating or selling a gas or electric plant in violation of any ...ovision of this chapter, and generally to enforce compliance with the terms and provisions thereof relative to the manufacture distribution of gas or electricity by a town.

UNITED ILLUMINATING

1989 ANNUAL REPORT



THE POWER OF PEOPLE

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Contents

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First row
John Ferris, Engineer
Coleen Bebiniello, Meter Re-Reader
Tom Dyrdahl, Manager Community Services
Vivian Beggs, Customer Services Center Rep.
Top row
Walt Bembea, Line Worker First Class

The United Illuminating Company is an operating electric public utility company, incorporated in 1899. It is engaged principally in the production, purchase, transmission, distribution and sale of electricity for residential, commercial and industrial purposes in a service area of about 335 square miles in the southwestern part of the State of Connecticut. The population of this area is approximately 728,000, or 22 percent of the population of the State.

UI has three wholly owned subsidiaries. Bridgeport Electric Company, a single-purpose corporation, owns and leases to UI a coal-fired generating unit at Bridgeport Harbor Station. Research Center, Inc., has been formed to participate in the development of one or more power production ventures. United Resources, Inc., serves as the parent corporation for UI's nonutility businesses, each of which will complement and enhance UI's electric utility business and serve the interests of the Company and its shareowners and customers. Three wholly owned subsidiaries of United Resources, Inc. have been incorporated: Souwestcon Properties, Inc.; Thermal Energies, Inc.; and, Precision Power, Inc.

On July 6, 1989, UI reached an agreement with the Connecticut Attorney General, the Office of Consumer Counsel and the Prosecutorial Division of the Department of Public Utility Control (DPUC) on the rate treatment of UI's 17.5 percent ownership in the Seabrook plant. This historic agreement came after more than a year of difficult negotiations among the parties. It was based on the assumption that Seabrook Unit 1 will attain commercial operation in 1990, and it included settlement of many Seabrook-related issues, such as the DPUC's prudence review proceedings.

Under the agreement, which was formally approved on August 23, the amount of the Company's investment in Seabrook Unit 1 that can be recovered through customer rates was limited to $640 million, and the DPUC was to determine the Company's base rate increases for each of the next three years (1990-92). Since the recoverable investment is less than the Company's share of Connecticut's statutory "cap" on the recoverable construction costs of the unit, the settlement agreement required an additional write-down of the Company's investment in August 1989, which resulted in a net loss for the year. However, by resolving outstanding issues, including many Seabrook-related uncertainties, and by quantifying future cost recoveries within acceptable ranges, the agreement permits UI to plan effectively for the future.

Subsequently, in January 1990, the DPUC approved a $55.7 million, or 8.04 percent, increase in the Company's base rates over the next three years. The breakdown of the increases is 3.7 percent for 1990, 2.7 percent for 1991 and 2.5 percent for 1992. While the new rates took effect on February 1, 1990, UI will collect the full first year's increase over the remaining eleven months of the year.

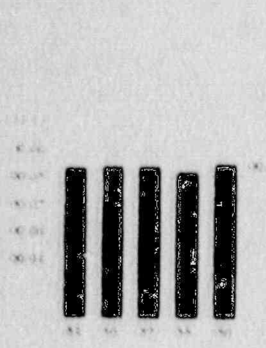
In its decision, the DPUC approved a five-year phase-in plan for the Seabrook Unit 1 investment, under which approximately $480 million, or 75 percent of the $640 million, will be phased into rate base during the first three years. The decision was based on a 12.9 percent allowed return on UI's actual equity capitalization. However, it permits the Company to earn up to 13.9 percent on a higher target equity capitalization structure of 40 percent. The DPUC also determined that the Company can retain all earnings from sales of wholesale power and property above prescribed levels, and can capitalize $35 million of the costs of conservation and load management projects, over the next three years. The investment in conservation and load management projects will be allowed to earn a premium return of up to three percent over the Company's weighted cost of capital.

In addition, the DPUC decision provides for rate design changes that encourage energy conservation and promote load management and for a sales adjustment clause to compensate for deviations from forecast sales levels. The decision also approved seasonal rates for commercial and industrial customers effective immediately, but delayed implementation of seasonal rates for residential customers until 1991.

Other 1989 financial results:

In 1989, we incurred a net loss of $5.87 per share due to Seabrook Unit 1 write-downs. In addition,

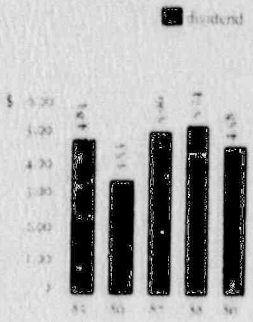
UI Reliability of Service



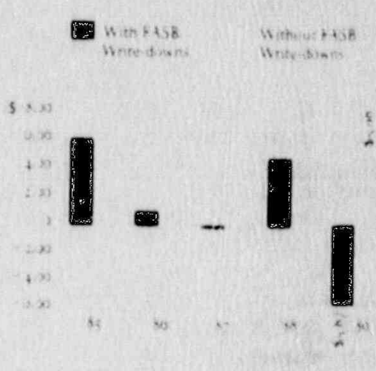
UI Shareowner Return

April 1984 - December 1989

UI Cash Flow per Share



UI Earnings per Share



fourth quarter earnings were reduced by non-recurring costs of replacing siding at a generating station, costs incurred in connection with the proposal to reorganize and affiliate with Public Service Company of New Hampshire, and a write-off of the costs of a violent storm that struck our territory in July. An extended outage at the Connecticut Yankee Atomic Power Plant also had an adverse effect on earnings for the year. At year-end, the book value of UI's common stock was $20.11 per share.

Without the Seabrook write-downs, 1989 earnings would have amounted to $5.08 per share. Due to the delay in the operation of Seabrook, non-cash Allowance for Funds Used During Construction (AFUDC) continued to represent a large portion of reported earnings and returns for 1989, exclusive of write-offs. AFUDC will represent a declining portion of earnings and returns in 1990, as we begin to recover our investment in Seabrook Unit 1 through customer rates.

Cash flow from operating activities and after preferred stock dividends was $4.58 per share. Over the course of 1989, cash flow dropped off because of the increased cost of carrying the Seabrook investment and high fourth quarter costs.

We believe that, with the anticipated commercial operation of Seabrook Unit 1 and having obtained a decision on the rate treatment of our Seabrook investment, the long-term financial outlook for UI is good. If we look beyond the write-offs in 1989 due to Seabrook and other extraordinary events, UI earnings reflect the Company's continuing efforts to improve operating efficiencies, its rigorous control over operation and maintenance budgets and its energetic pursuit of refinancing opportunities to reduce interest costs.

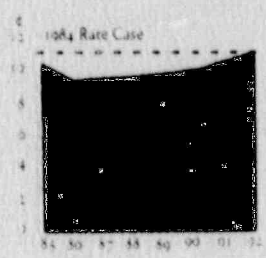
The expected commercial operation of Seabrook Unit 1, following the NRC's March 1, 1990 full-power licensing decision, coupled with the resolution of the unit's rate treatment, should mark the beginning of a new chapter in UI's financial history. The Company can now look to the future with renewed optimism and rededicate itself to strengthening its financial condition through the efficient operation of its core electric business and a variety of marketing and subsidiary developments.

Financial Highlights

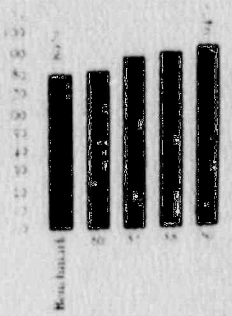
	1989	1988
Operating Revenues (000)	$ 531,181	$ 518,938
Net Income (loss) (000)	$ (73,350)	$ 78,639
Earnings per Share of Common Stock (based on average number of shares outstanding)		
Before effect of SFAS No. 90	$ 5.08	$ 7.22
After effect of SFAS No. 90	$ (5.87)	$ 4.85
Dividends Declared per Share of Common Stock	$ 2.32	$ 2.32
Utility Plant (000)	$1,725,036	$1,834,271
Sales of Energy — KWH (000)	5,307,008	5,292,157
Total Customers	307,654	307,237
Average Residential Use — KWH	6,814	6,804
Peak Load — KW	1,094,400	1,132,100
Number of Employees	1,027	1,020
Number of Common Shareowners	24,860	20,713

UI Common Stock Price

UI Price per KWH



Customers Rating UI Favorably



Five years ago, when the current executive management team came together, we began a process of identifying corporate goals which, if achieved, would strengthen the Company's financial condition during the remainder of the decade and beyond and thereby increase the value of our shareowners' investment.

Beyond the immediate need to complete and secure an operating license for Seabrook Unit 1 and to resolve the financial treatment of our investment in this plant, our longer-range strategy centered on achieving high levels of customer satisfaction as the primary means of maximizing our shareowners' investment. To that end, we concluded that providing our customers with the highest value was absolutely essential. Value we defined as not only basic electric service, but also close attention to cost, courtesy, reliability and the translation of our corporate resources and expertise into service options that could be adapted to individualized customer needs. We then opened the process up to the entire Company staff for the purpose of designing and implementing programs which would help us meet these goals.

This year's Annual Report is devoted to a discussion of many of the programs which have allowed us to provide greater value to our customers. We are extremely proud of what we have achieved for our customers in five short years. We are just as proud of our success in strengthening both the present worth and future potential of our shareowners' investment.

Without question, our involvement in completing and obtaining a license for the commercial operation of the Seabrook nuclear power plant has been our central achievement. Five years ago, the plant's eventual operation was anything but a certainty. At the time, our opponents' strategy of placing every conceivable legal and regulatory obstacle in our path had put the financial viability of the project into question in the eyes of the public and even some within the financial community.

In fact, that strategy might have worked had not United Illuminating mounted one of the most ambitious and comprehensive efforts ever conducted by an electric utility at the federal level. We worked closely with everyone who would listen, convincing them of New England's severe need for additional electric capacity and the intrinsic safety of the plant.

Along the way, we won a host of important victories and, in May of 1989, the Nuclear Regulatory Commission (NRC) granted Seabrook a low-power license...a necessary step in the commercial licensing process. On March 1, 1990, over two decades after its inception, Seabrook finally obtained a full-power operating license decision from the NRC. We expect the plant to be in commercial operation by June.

Our customers, along with electric customers throughout New England, owe you, the shareowners of UI, a deep debt of gratitude. Your confidence and unswerving support were key to allowing UI management to push forward aggressively and accomplish what had to be done to get Seabrook on-line.

While Seabrook's licensing process was being played out on the federal level, there were equally important Seabrook-related developments on the local scene. On July 6, UI signed an historic agreement with Connecticut's Attorney General, the Consumer Counsel and the Prosecutorial Division of the Department of Public Utility Control (DPUC), which delineated in broad terms how UI's Seabrook investment would be treated in rates. The agreement, the first in Connecticut history, came after more than a year of negotiations and is indicative of the excellent relationships UI has forged with state regulators and elected government officials.

The agreement formed the basic framework for the rate case filed with the DPUC last September and decided in January 1990. That decision is covered in-depth in the Financial Review and Management Discussion sections of this report.

However, we had to pay a price in 1989 to free the Company from the cloud of financial uncertainty caused by Seabrook. To implement the agreement, UI reduced the recoverable cost of Seabrook Unit 1 to $640 million. This necessitated a non-cash, after tax write-off, which resulted in negative earnings for the year.

On the positive side, beginning in 1990, non-cash Allowance for Funds Used During Construction (AFUDC) will represent a declining portion of our reported earnings as the Company begins to recover its allowed Seabrook Unit 1 investment through rates. In addition, by resolving all the outstanding issues related to Seabrook, the negotiated agreement and subsequent rate increase decision by the DPUC permit UI to plan for the future with a greater degree of certainty.

It is a tribute to the strength of the Company's strategic plan and to the talents of the Company's 1,600 dedicated employees that, even under the shadow of Seabrook uncertainties, UI's record of accomplishments from 1984 through 1989 is truly impressive. These accomplishments cover the entire spectrum of Company operations and business ventures.

Since falling to a low of $9 per share during the third quarter of 1984, the market value of our stock has risen steadily, ending the year at $34.25 per share. At the same time, the Company has been successful in retiring much of the high cost debt incurred during the peak Seabrook construction phase, and has done so without having to dilute equity through the issuance of common stock.

In the Financial Review section, there appears a chart comparing the Company's shareowner return with that of 10 other electric utilities which are similar to UI. The chart shows that during the four and a half years ending in 1989, the total return (dividends plus stock price increase) to UI's shareowners was 175 percent. That ranks UI as first among all the peer group companies analyzed and is better than twice the peer group average. The increase in the price of UI stock during this same period was 100.5 percent, which is more than twice the peer group average of 48.5 percent. We believe that these numbers represent a clear expression of the growing confidence in UI's future, as we have progressively overcome obstacles and captured new opportunities.

Our total KWH sales increased by 11.5 percent during the 1984-89 time frame. UI's Business Retention and Expansion Program, along with other economic development efforts, have helped spur business growth and sales in our territory. We will continue to do everything we can to strengthen and enlarge our market.

Concurrent with a rise in sales, UI was able to offer its customers direct savings by decreasing the cost per kilowatt-hour by 6.7 percent. That decrease is in large part attributable to our diverse fuel mix, which has afforded us flexibility in using the fuels of least cost to generate power and has expanded our ability to negotiate favorable fuel contracts.

The decreased cost of electricity to our customers is also a testament to the efficiency of our system. Each year since 1984, our ranking among the nation's most efficient utilities in terms of generation has risen, to the point where, during 1989, UI's generating facilities were the fourth most efficient among those of the 100 largest utilities. We have also consistently set new Company records for heat rate and system generation. In addition, our service reliability has been exceptional and, as discussed in last year's Annual Report, we have received high public praise from the Connecticut DPUC for our commitment to customer service.

Under its present management, UI has made significant changes in its philosophy regarding energy supply and rate design. Through a sophisticated approach to conservation and load management, we have created an environment where both customers and Company benefit.

Our new-look energy programs have lowered our peak load by approximately 40 megawatts. Many of our customers, especially our commercial and industrial customers, have enjoyed substantial savings — as much as 15 percent — due to Company initiatives. We, too, have benefited through selling some of our "saved" capacity on the wholesale power market. These programs also provide a long-term benefit to both customers and the Company, since by reducing our peak load we are delaying the need for adding expensive new generation.

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Central to our marketing strategies is a shift in our rate design philosophy away from a strict adherence to traditional cost-of-service rates to ones that permit customers expanded freedom in selecting the electric service options which best match their specific circumstances. To accomplish this objective, we have gradually expanded our menu of flexible rates for customers, especially business customers. In the final analysis, our optional rates help business customers to be more competitive in their own markets.

The development of subsidiaries, begun under present management in order to take full advantage of opportunities emerging within the energy marketplace, has begun to flourish and now holds significant potential for our future. With major construction projects currently underway in downtown New Haven and contracts for energy-related products and services throughout our service territory, our unregulated subsidiaries are moving toward the desired goal of representing a significant portion of total corporate revenues by the year 2000.

In the last five years, UI has come a long way toward establishing the kind of positive relationships with all our constituencies that will allow us to accomplish the things we have set out to do. There can be no question that maintaining the goodwill of our regulators, local elected officials, community leaders and, of course, customers and shareowners is central — even critical — to our success.

That is why we have been gratified by the public pronouncements of support we have received from the DPUC, officials from the cities and towns we serve, and the many groups and organizations with which we have constant interaction. That support reflects the steady rise in customers' perceptions of our service and commitment. In 1982, the overall impression that customers had of UI as a company was 80 percent favorable. By the end of 1989, that figure had risen to 94 percent. We have worked hard to gain this support. We are dedicated to maintaining it and making it even better.

The executive management of UI is prepared to explore all possibilities that have the potential of enlarging our market and strengthening our Company. One such possibility arose in 1989, involving the bankruptcy of the Public Service Company of New Hampshire (PSNH). After careful study and analysis, we put together a proposal that would have resulted in an affiliation of UI and PSNH. The proposal was an excellent one and would have benefited both UI customers and shareowners.

Unfortunately, as negotiations with PSNH creditor and equity groups developed, it became clear to us that the price of winning the competition was going to be too high. We came to the decision that to pursue the proposal further would have put our shareowners at some risk, and that was totally unacceptable to us. Therefore, we withdrew from the active bidding process in mid-November.

While we regret not being able to complete this particular venture under our preferred terms, we are confident other possibilities will arise which will provide attractive opportunities. We will pursue them aggressively, but always with the understanding that they must be related to our core expertise and present very significant opportunities for benefiting our investors.

The last five years have been good for United Illuminating and its shareowners. The years ahead will continue to present challenges as well as opportunities. We sincerely believe we have positioned the Company to meet these challenges, to seize these opportunities and to make the next five years even better.

George W. Edwards, Jr.
Chairman of the Board and Chief Executive Officer

Richard J. Grossi
President and Chief Operating Officer

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Richard J. [illegible]
President and
Chief Operating Officer

George W. Edwards, Jr.
Chairman of the Board and
Chief Executive Officer

The key to success for any business is satisfying its customers. At UI, we not only see it as the key to our success, but necessary for achieving all we want for our shareowners.

That is why we have been gratified by the high level of support we have received from our regulators, public officials from the cities and towns we serve, and our customers. UI is dedicated to utilizing that support in positive ways both to provide our customers with maximum value and to enhance the value of our share owners' investment.

Operations constitute the backbone of an electric utility. Broadly defined, operations consist of a company's generating facilities, its transmission and distribution system and, most importantly, the people who keep the entire network running efficiently and reliably.

By every measurement, UI's operations performance over the last five years has been a major contributing factor in providing our customers better quality service and greater value. While statistics do not tell the entire story, a few can help to give an indication of UI's success in serving its customers and its shareowners.

Last year, for example, in its annual survey of investor-owned utilities, *Electric Light & Power* magazine ranked UI's generating plants as the fourth most efficient in the nation. The ranking was based on the Company's achieved heat rate, which is determined by figuring the number of British Thermal Units (BTUs) of heat needed to produce a kilowatt-hour (KWH) of electricity; the lower the number, the greater the efficiency. UI's heat rate last year was 9,889 BTU/KWH.

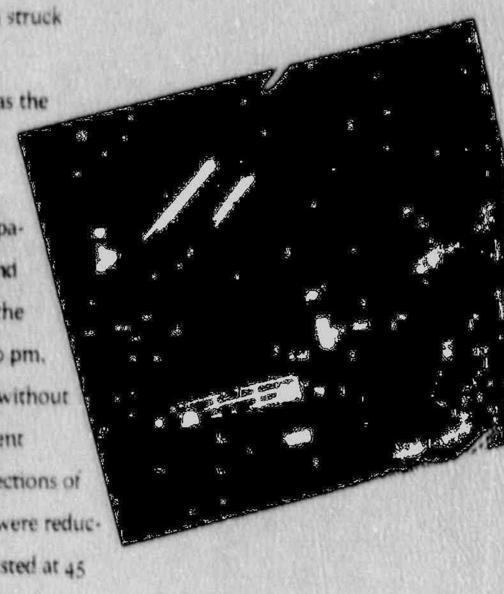
UI's success in this area was no aberration, as it marked the eighth consecutive year that UI has been ranked among the top 10 most efficient in the country and improves upon our previous fifth place standing.

There were other notable achievements as well. In 1989, the Company achieved extremely productive generation with a net output of 6,547,126,000 KWH of electricity. UI's capacity factor was a superb 63.0 percent. Even more significant for its impact on customer satisfaction was our reliability index of 99.9860 percent.

For many utilities, these numbers are mere goals. For UI they are standards of excellence that we insist on meeting or exceeding year-in and year-out. We take pride in being at the top of our industry and we are ever conscious of the important relationship between our achievements and customer satisfaction and corporate profitability.

Just as we are judged by our ability to sustain top-notch service over extended periods of time, we are also judged by our ability to respond effectively to unforeseen, sometimes catastrophic natural events. Such was the case for UI this past summer when an unexpected storm struck our region.

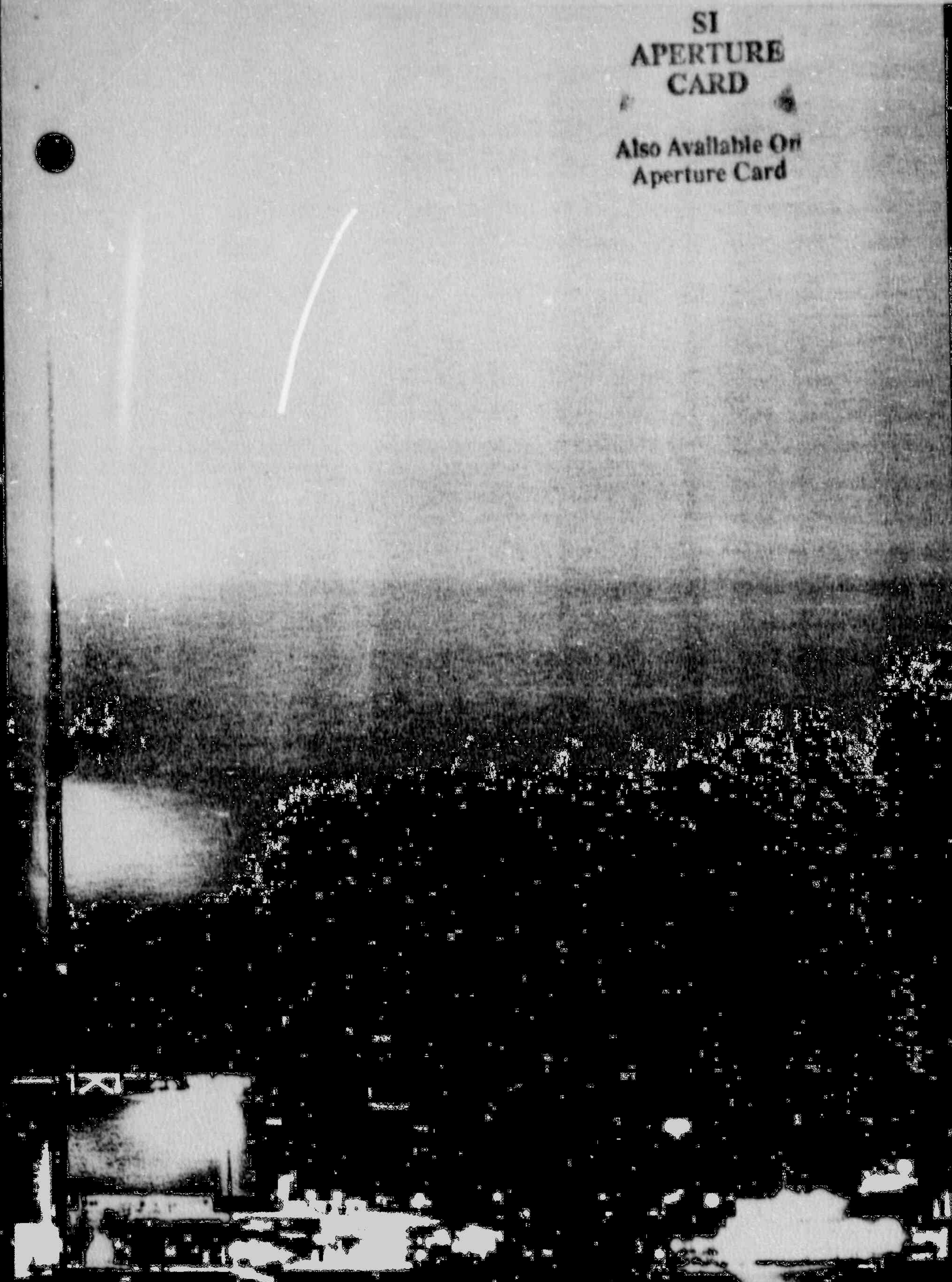
On July 10th, just as the evening rush hour was at its ebb, tornado-like winds reaching 80 m.p.h., accompanied by violent lightning and golf-ball sized hail blasted the UI service territory. By 6:30 pm, 48,000 UI customers were without electricity. Homes, apartment houses and businesses in sections of Hamden and New Haven were reduced to rubble; utility poles listed at 45 degree angles; cars were smashed; majestic old trees were completely uprooted; and large metal objects were bent at unbelievable angles and left lying in the middle of streets.



Overhead Line [illegible]
Bill Barker [illegible]
Group Leader
George Ho[illegible]
minute [illegible]

SI
APERTURE
CARD

Also Available On
Aperture Card



Seabrook
Nuclear
Power
Plant
Winter
1990

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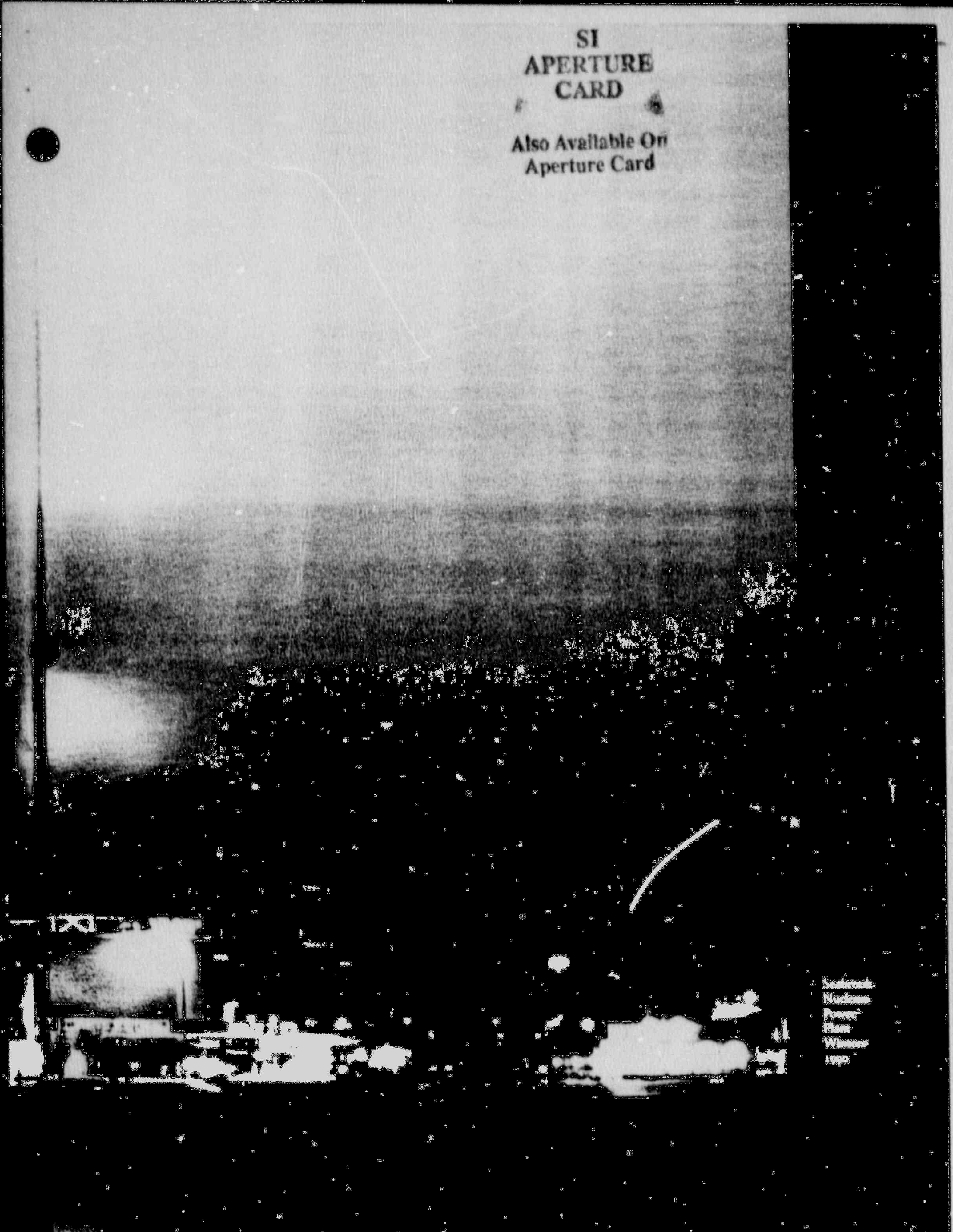

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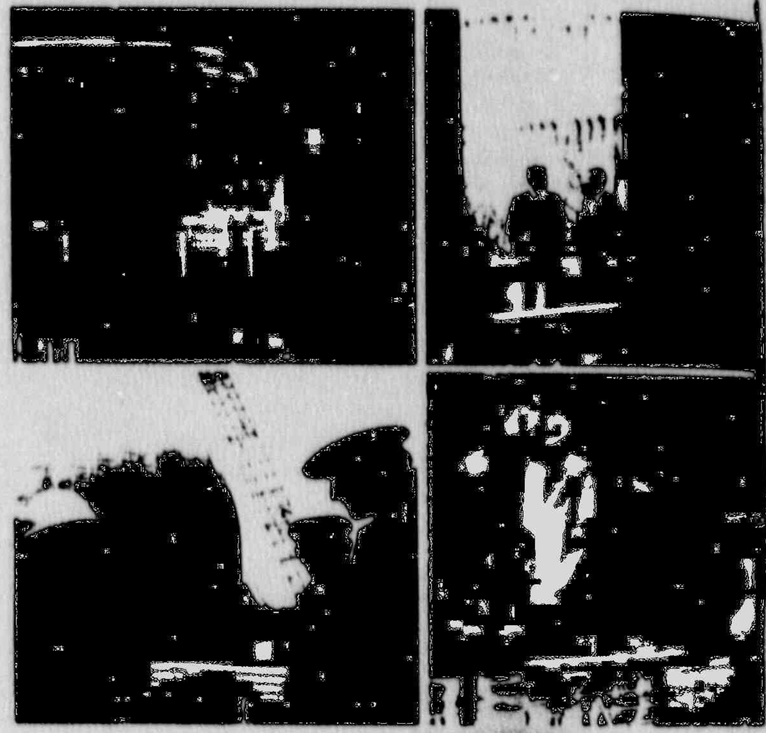
UI shareowners were first introduced to the idea of a nuclear power plant at Seabrook, New Hampshire 21 years ago in the 1968 Annual Report. During that year, the Company had dispatched a team of engineers to work with other planners at Public Service Company of New Hampshire (PSNH) in the early planning stages of the plant. Two of those engineers, current UI President and Chief Operating Officer Richard Grossi and Senior Vice President James Crowe, have stayed close to the project in its many phases ever since.

From the very beginning, the project was beset by confrontation and delays. Long before the first shovel-full of dirt was turned over, Seabrook project personnel were enmeshed in myriad siting, construction and environmental permit battles. At the same time, it was clear to those who were taking an unbiased look at the region's energy situation that New England needed this plant, that capacity problems in the region were going to grow precipitously over the next few decades and that nuclear power was the best answer. Nevertheless, because of initial conflicts, the official groundbreaking did not occur until August 1976, eight years after the project's announcement.

In one respect, construction went smoothly. Seabrook is arguably the best-designed and best constructed plant in the world. The people who oversaw the plant's construction and the workers themselves were dedi-

U.S. Senator John Breaux (Dem., La.) with George Edwards.



UI's Richard Grossi (left) and James Crowe (right) inspect construction progress.

cated to quality from the very beginning.

On other fronts, however, there were a host of difficulties. The obstacles created by Seabrook's often narrow-visioned opponents, along with countless, sometimes contradictory, regulatory revisions in construction and environmental standards, led to delays and higher costs.

Eventually, the costs that protracted legal and regulatory battles entailed began to take a toll. First, the scope of the project was cut back from two units to one. Then, on April 18, 1984, PSNH declared a temporary suspension of construction on Unit 1 because of mounting financial problems. PSNH was eventually to seek protection by filing under Chapter 11 of the U.S. bankruptcy code.

The temporary suspension could well have become a permanent cancellation if UI had not taken a leadership position at this critical juncture. John D. Fassett, who was at the time UI's Chairman and Chief Executive Officer, took personal command during the difficult weeks that followed the announcement of the construction suspension. Fassett's firm control effectively calmed the fears of the financial community and kept the project's joint owners unified. He was also instrumental in the formation of New Hampshire Yankee, which was to become Seabrook's management arm for the plant's joint owners. Under Fassett, and with the assistance of Dick Grossi and Jim Crowe, construction was restarted in an orderly fashion.

Construction finally concluded on Seabrook in 1986 and fuel was loaded in October of that year. But, the plant remained idle, trapped in a seemingly hopeless web of regulatory and litigation constraints. It was to be UI's current Chairman and Chief Executive Officer, George Edwards, who would guide the project step-by-step through the labyrinth of legal and political obstructions created almost entirely by the refusal of Massachusetts authorities to participate in emergency planning for the six Commonwealth communities that lie within Seabrook's ten-mile emergency planning zone.

Under the stewardship of Edwards and his team of Senior Vice President Roland Comstock and Vice President Richard Bornemann, UI undertook a major campaign on the federal level to keep the plant's licensing process on course. One-by-one, victories were won in the courts, on the floor of Congress and in regulatory chambers until, finally, on March 1, 1990, the NRC decided to grant Seabrook a license for commercial operation.

In the end, UI customers, along with electric consumers throughout much of New England, are the true beneficiaries. Seabrook represents 1,150 MW (UI's share is 201.3 MW) of desperately needed electric power. The plant is a tribute to the expertise and dedication of the people who designed and built it. Its double containment structure has been rated as the strongest in the world, able to withstand a major earthquake or even the direct impact of a jet aircraft. Its intricate safety in-depth systems protect against any conceivable equipment failures or human errors and provide multiple backups. So ingrained was safety in the consciousness of Seabrook's design engineers that approximately 80 percent of the total construction costs were safety-related.

There have been many heroes in the Seabrook saga, and a good many of them are still affiliated with UI. Seabrook would not be a reality today if it were not for the hard work, vision and unique talents and creativity of UI people. With the tortuous road to full licensing now behind them, many of these people can now turn their considerable talents to the goal of making UI a highly successful and profitable company in the years ahead. We can never forget, however, everything these people did to save Seabrook and help ease the electric supply situation in New England.

The key to success for any business is satisfying its customers. At UI, we not only see it as the key to our success, but necessary for achieving all we want for our shareowners.

As we have already stated, the fundamental way in which UI seeks to satisfy its customers is by providing reliable electric service and by providing maximum value for every dollar spent by our customers.

A couple of decades ago, value was narrowly defined within the electric industry. Basically, from the utility perspective, providing value meant getting the power from generating plants to the consumers' homes or businesses. Any further definition of value was pretty much left up to consumers to define in terms of their individual abilities to utilize the electricity they received.

Twenty years later, the landscape has changed drastically. As energy prices have risen to where they now have a more noticeable impact on household or business budgets, UI, as an energy company, has broadened its definition of value.

No longer does value end at the meter box. It has become an all-encompassing term which includes providing reliable electric service; giving customers enough information in a usable form to allow them to make informed energy decisions; handling promptly and courteously all customer questions and problems; listening to customers, so that we can determine what they really want and need; reviewing our programs and services continually to guarantee that they are up-to-date and helpful; and treating each customer with the attention and respect he or she deserves.

In its broadest sense, value means helping our customers maximize their utilization of our product while minimizing associated costs. Essentially, our goal is to help customers use electricity wisely, efficiently and productively.

The service we render is an important part of the value our customers receive from UI. In order to facilitate their interaction, UI has expanded its energy-related products and services for both residential and commercial/industrial customers.

The centerpiece of our residential effort is our Good Cents program. Good Cents is an umbrella term for a host of conservation programs and energy efficient technologies and building standards all targeted toward helping the consumer gain greater control over electricity usage and costs.

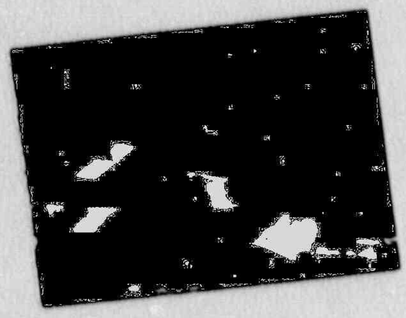
In 1989, the most active component of our effort was the Good Cents Home. Here, UI is working closely with contractors, construction companies and developers in its service area to integrate the very latest in energy efficient design, construction and technology into new home construction. The effort represents the most ambitious undertaking of its kind in Connecticut history.

Joe D'Alberto, he of the carpent department at Whitney Vocation Regional Technic School, giv instruction to studer working on UI's Goo Cents dupl construction Hamd

Our success in gaining the cooperation of developers and builders has substantially exceeded our initial expectations. Last year alone, 742 contracts were signed for new dwellings which will comply with UI's stringent Good Cents standards.

The importance of the program did not escape the attention of top federal officials. United States Senators Joseph Lieberman and Christopher Dodd spoke at ceremonies involving two of our Good Cents model home sites. Each praised UI's initiative in undertaking a program that helps customers save money on their energy bills while addressing the State of Connecticut's stated policy of seeking greater conservation of energy resources.

UI also promoted the utilization of energy efficient appliances and heating and cooling equipment in homes. Our room and central air conditioning tune-up and rebate program allowed 5,152 customers to save money through greater efficiency. In addition, 401 customers took advantage of the Company's Good Cents Heat Pump program. Heat pumps are a cost-efficient alternative to conventional heating and cooling.



The Enterprise II commercial building, Shelton, one of a number of offices utilizing cool storage technology.

The Company also reshaped its working relations with commercial and industrial customers. We believe that value for our business customers means helping them to use electricity in ways that enable them to be more competitive in their own markets. UI does this by working alongside its customers, first, to learn the specifics of their business and then analyzing how, by modifying areas of their operations or utilizing more efficient equipment, they can exercise greater control over their energy expenditures.

Importantly, our involvement does not end at this point. Instead of handing them a report and feeling that we have met our responsibility, we walk them through the whole process, sometimes even helping to secure financing for changes that include finding, installing and even operating new equipment.

These efforts bore impressive results in 1989. Some business customers were able to reduce their energy bills by as much as 15 percent. In one case, UI's leadership was critical to the survival of a manufacturing facility which had been targeted for closure, thus saving not only 420 jobs, but also the revenue the plant contributes to UI.

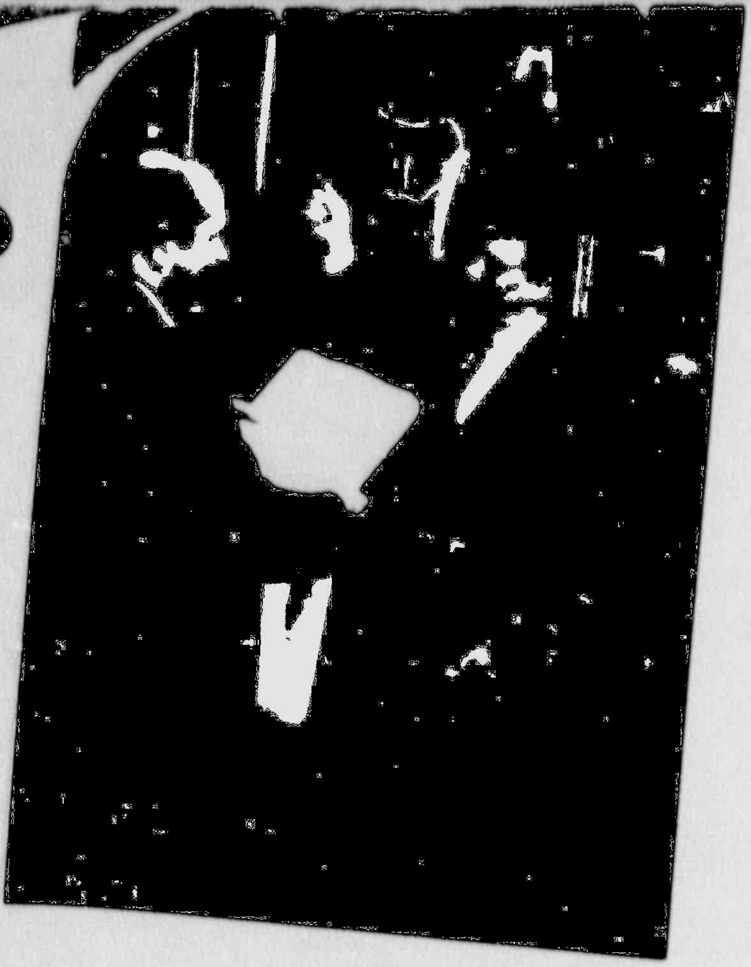
UI also benefited from efforts that led to a 40 MW reduction in our peak load. This allowed us to sell more power on the wholesale market. In the long run, both customers and Company will benefit from these reductions in another way: namely, through the postponement of the need to build additional generation facilities to meet our load.

Rate design is another tool that UI is employing effectively to enhance customer value. Five years ago, UI began a push toward a rate design philosophy which would give customers the freedom to choose, from a "menu" of different rate options, the best match for their specific circumstances. Our innovative rate packages have had a significant positive impact on lowering peak loads, reducing our customers' bills and also providing an effective inducement to business development in our territory. Moreover, the January 1990 rate decision by the DPUC significantly extended the scope of our menu of options.

Finally, UI is also enhancing both customer and shareowner value by broadening its corporate horizons. The more committed we have become to providing energy-related services to our customers, the more we have come to understand that some of these services can best be enhanced through entities whose primary responsibilities are not the generation, transmission and distribution of electricity. Therefore, the Company has created subsidiaries which, while taking full advantage of UI's technical and financial expertise,

George Wilson, President and Chief Operating Officer of Ansonia Copper & Brass confers with UI's Tom Vallillo, Director — Sales and Marketing Development.

The Government Center, New Haven. UI will operate the building's energy center



have the freedom to explore emerging new opportunities within the energy marketplace.

In 1980, three subsidiaries were especially active. Souwestcon Properties, Inc. is a partner in a medical hotel being constructed adjacent to UI's corporate headquarters in downtown New Haven. Thermal Energies, Inc. is overseeing the construction of two energy centers and will eventually operate these facilities to provide all the heating and cooling needs of two large office buildings, New Haven's Government Center and Century Tower. A third subsidiary, Precision Power, Inc., has been established to help local businesses address special electrical needs within their premises. By the year 2000, it is projected that a significant portion of total corporate revenues will come from our subsidiaries.

Because in the last analysis, success or failure is determined by customers, we have been gratified by the strong loyalty we have enjoyed from our customer base. Our approval rating in terms of the impression our customers have of the Company climbed steadily through the 1980s, reaching a high of 94 percent favorable last year. This is a rating to be envied by every company, especially those in the electric industry. To us this means that we are on the right track and that our dedication to our customers is being recognized and appreciated.

Corporate commitment encompasses two areas at UI. First, to be a friend and partner in the communities we serve and second, to maintain constructive working relationships with regulators, elected officials and key decisionmakers at local, state and federal levels.

We are dedicated to fulfilling our obligations in these areas, because we feel a sincere social responsibility to the people and institutions in our service territory, and because we are convinced that maintaining positive relationships with our constituencies is an essential ingredient in our overall effort to provide service and value. We cannot succeed unless they succeed. The future welfare of UI is inextricably linked to the welfare of the communities we serve.

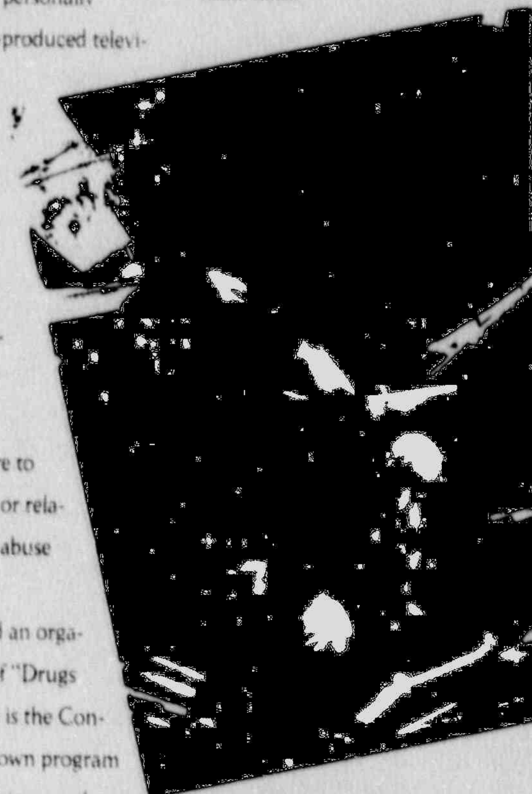
On both counts, 1989 was an exceptional year. In terms of social commitment, UI directed a great deal of attention to the issue of drug and alcohol abuse and embarked on a number of initiatives directed at mobilizing community support for confronting the problem.

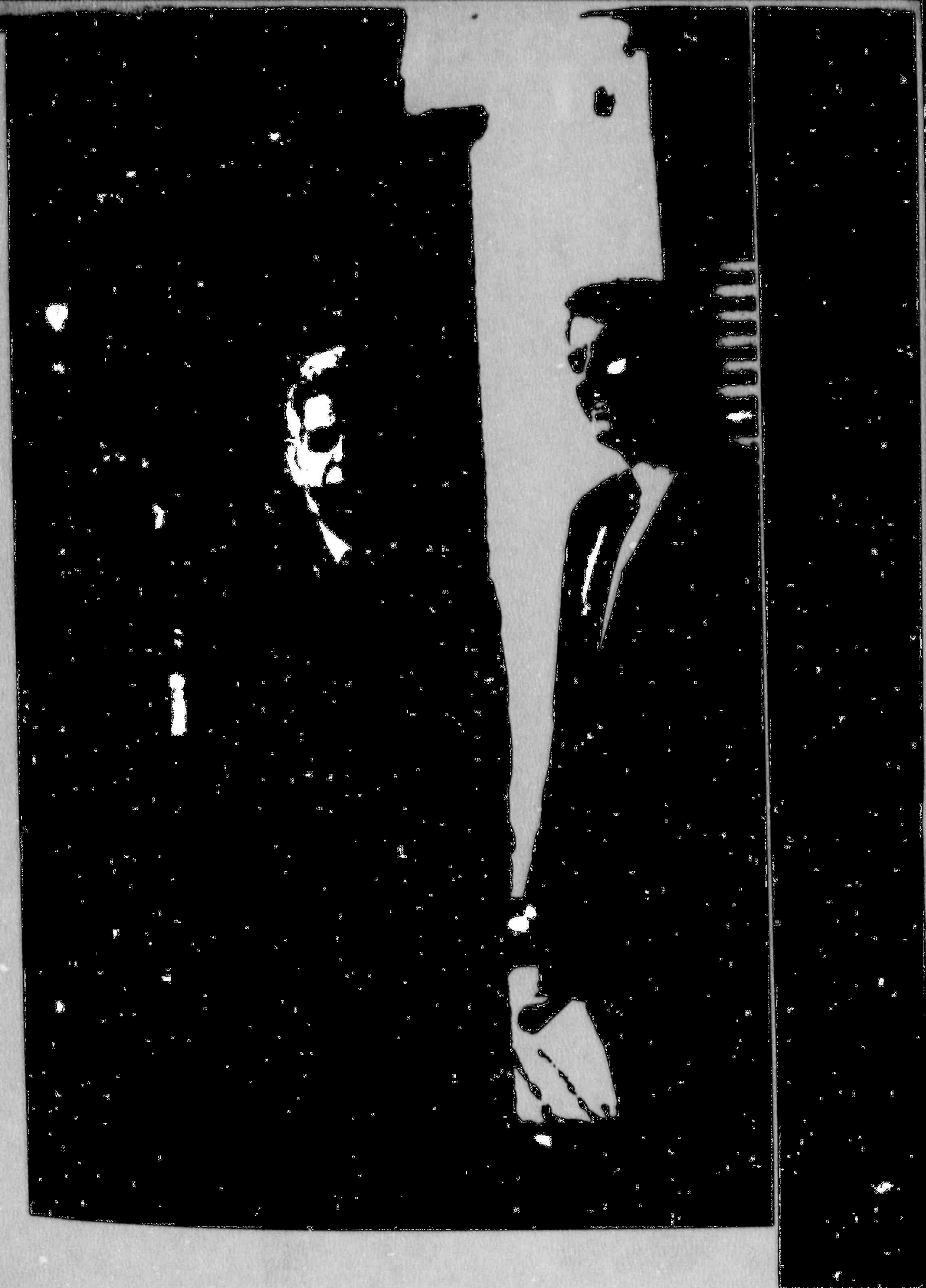
Substance abuse is a cancer eating away at the health of our society. It threatens nearly everything we hold dear...our families, education, economy and the quality of our life in general. Moreover, it is a problem that has grown so in magnitude that government by itself can no longer be expected to develop and implement all the solutions. Any effective response must be multi-dimensional, calling on the strengths and resources of both public and private parties.

This past year, UI teamed up with New Haven's ABC television affiliate, WTNH, in a year-long series of programs chronicling the many different faces of substance abuse. UI Chairman and Chief Executive Officer George Edwards personally appeared in four UI-produced television commercials on the subject, which were broadcast repeatedly throughout the year. We also made available, through a "hotline" number, an informative booklet about how and where to seek help for friends or relatives with substance abuse problems.

UI also hosted an organizational meeting of "Drugs Don't Work," which is the Connecticut Governor's own program designed to bring business and government together to fight the problem. In addition, we sponsored "Dribble Against Drugs," an effort which brought professional basketball players to Bridgeport to serve as positive role models to boys susceptible to negative peer pressures. The Company also participated in the "Youth At Risk" program by sponsoring a young person at an intense two-week camp for teenagers with significant drug and behavioral problems.

A Hamden resident pours through the wreckage of her home destroyed by July's violent storm.





So comprehensive was UI's total in[illegible]ement, both internally and externally, [illegible] the Company was singled [illegible] the Connecticut Legislature and given a special citation for its superlative efforts in combatting substance abuse. State Senator Gary Hale of the 17th District, which includes part of UI's service territory, was instrumental in our gaining the recognition and has been a strong partner with the Company on many social, energy and economic issues.

It is a credit to the commitment to social responsibility of both UI's executive management and its employees that, while substance abuse was given special attention in 1989, participation in other social programs also reached new heights.

For many years, the Company has been at the forefront of efforts to help customers at the lower end of the economic scale cope with their energy bills. In 1989, UI customers, bolstered by a matching grant from the Company, established a new [illegible] [illegible]ntributions to Operation F[illegible] [illegible] energy assistance pro[illegible] [illegible]mbined total of $[illegible] [illegible]ceeded our previous high recorded in 1988.

In addition, UI continued to administer the Southern Connecticut Action Team (SCAT) program. SCAT is a public-private partnership which provides state funds for the weatherization of qualifying households. Since 1984, 505 dwellings have been weatherized through the SCAT program.

George W. Edwards, UI's Chairman and CEO, takes a break from filming a drug abuse commercial to talk to children.

UI continued its full support of United Way. Both employee and corporate donations set new highs, with the total of $242,863 representing nearly a 7 percent increase over our 1988 record. The Company also coordinated a "Scouting for Food Drive" for a local council of the Boy Scouts, which provided tons of canned goods for area food banks.

Again this past year, the Company worked with groups and organizations throughout its service territory on programs to help senior citizens, disabled persons and the economically disadvantaged. UI's educational services program, recognized as one of the best of its kind in the nation, offered energy curricula

UI supported the "Youth At Risk" program in 1989.

and support for students in kindergarten through 12th grade in 21 school districts. In addition to its energy components, the Company's "Adopt-a-School," Black History, Mini-Grant, Ocean Classroom and other programs have gained the respect of educators throughout the region.

UI's dedication to social responsibility is equaled in intensity by its commitment to nurture and maintain those relationships which help create an operating and regulatory atmosphere conducive to providing excellent service and value. There is really only one way for this commitment to be played out successfully, and that is by working closely with regulators, elected and government officials, key decision-makers and opinion leaders and other important constituents. Our objective is to work one-on-one with these people to learn more about their needs and agenda, so that we can help develop programs which satisfy both their mandates and our goals.

While UI has been pursuing this course actively for the past [illegible] years, it was in [illegible] that our labors really began to bear fruit. Certainly the negotiated agreement regarding our Seabrook investment, discussed earlier in this Report, stands as a prime example. UI could not have reached agreement with the state's Attorney General, the Consumer Counsel and the Prosecutorial Division of the DPUC if it had not already established a foundation of mutual respect and trust. Besides paving the way for the final resolution of issues involving the Company's Seabrook investment, the agreement [illegible] saved customers and shareowners an estimated $10 million in avoided regulatory and litigation costs.

The positive reaction of public officials and customers throughout our service territory to the agreement and subsequent rate case decision also evidences the extraordinarily high regard in which UI is held. They have come to recognize UI's commitment to this region and, in turn, have publicly supported our efforts to insure continued exceptional electric power service...even when that means higher rates.

Expressions of public support were also freely given during and after the restoration effort which followed last July's violent storm. Power outages that persist for an extended period can severely test the patience of community officials responsible for public welfare. This instance had the potential of being particularly volatile, because so many people lost their homes and most of their possessions.

All this makes the overwhelmingly positive support UI received all the more impressive. Impressive, but not surprising, because UI people had already established strong relationships with community officials and stayed in continuous contact with them throughout the difficult ordeal. Furthermore, after full power was restored, we did not walk away. We stayed on to help rebuild the most devastated areas.

UI representatives attend all the aldermanic and common council meetings in the principal cities in the Company's franchise area; they meet regularly with elected officials in all 17 municipalities; they work on the state level, paying particularly close attention to legislative initiatives that pertain to energy, business development and the economy; and they interact with regulators and public interest groups to develop joint efforts in support of state energy policy. In short, UI is always there and willing to help. Our goal is always to be part of the solution, not part of the problem.

The ultimate beneficiaries of our many involvements are UI's customers and shareowners. Taking an active positive interest in the affairs of many of our key constituencies serves to strengthen our business. For customers, a stronger UI means maximum value-added service. For shareowners, a stronger UI means a greater return on their investment.

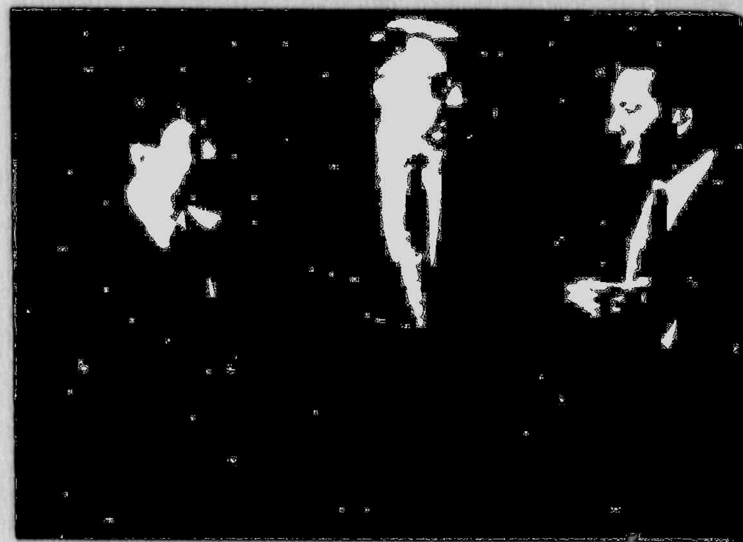
That's the way it should be and, with United Illuminating, that's the way it will always be.

UI-sponsored Ocean Classroom program.

Stephen F. Goldschmidt
Vice President
Planning

Robert H. Hyde
Vice President
Customer Services

James F. Crowe
Senior Vice President
Marketing



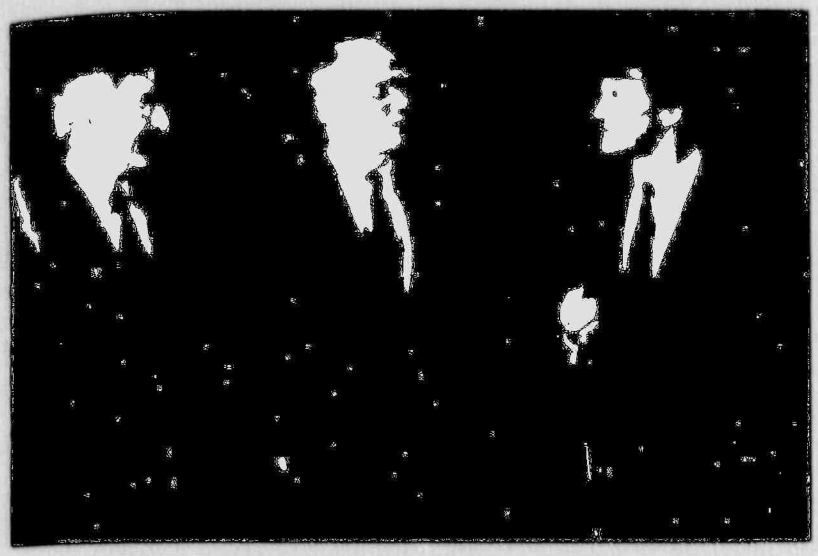
David W. Hoskinson
Senior Vice President
Operations

Albert N. Henricksen
Vice President
Engineering

Charles W. Cook, Jr.
Senior Vice President
Corporate Development

Richard J. Grossi
President and
Chief Operating Officer

Harold J. Moore, Jr.
Vice President
Human Resources



E. Jon Majkowski
Vice President
Public Affairs

Roland W. Comstock
Senior Vice President
Corporate Affairs

Richard H. Bornemann
Vice President
Governmental Affairs and
Corporate Communications

Robert L. Foggs
Executive Vice President and
Chief Financial Officer

Mary Ellen Manthey
Corporate Secretary

Albert Harary
Vice President
Management Services

Leon A. Morgan
Senior Vice President
Finance and Accounting

F. PATRICK M[illegible], JR.
Chairman of the [illegible] and Chief Executive Officer, The [illegible] New Haven and BNH [illegible]

GEORGE W. EDWARDS, JR.
Chairman of the Board and Chief Executive Officer, UI

NORWICK R. GOODSPEED
Chairman of the Board, People's Mutual Holdings

RICHARD J. GROSSI
President and Chief Operating Officer, UI

JOHN F. CROWEAK
Chairman of the Board, President and Chief Executive Officer, Blue Cross & Blue Shield of Connecticut, Inc.

BETSY HENLEY-COHN
Chairman of the Board, Joseph Cohn & Son, Inc. and President, Atlantic Floor Company, Inc.

J. HUGH DEVLIN
Advisory Director, Morgan Stanley & Co., Inc.

J. ROBERT GUNTHER
Chairman of the Board, George Schmitt & Co., Inc. and President, Palmus Printing Company

WILLIAM S. WARNER
Chairman of the Board, The Hydraulic Company

FRANK R. O'KEEFE, JR.
President, Long Wharf Capital Partners, Inc.

LELAND W. MILES
President Emeritus, University of Bridgeport

JOHN D. FASSETT
Former Chairman of the Board, UI

	[illegible]	1988	1987
Kilowatt-Hour Sales (000)			
Residential	[illegible]	1,870,318	1,780,333
Commercial	[illegible]	2,174,200	2,040,280
Industrial	[illegible]	1,186,336	1,230,151
Other	[illegible]	61,303	62,246
Total	[illegible]	5,292,157	5,125,010
Financial Results (000)			
Sales of electricity — Residential	[illegible]	$ 200,270	$ 188,740
Commercial	[illegible]	208,801	195,072
Industrial	[illegible]	96,665	100,354
Other	[illegible]	9,732	9,480
Other operating revenues	[illegible]	3,570	3,077
Total operating revenues	[illegible]	518,038	497,023
Operating expenses, excluding income tax expense	[illegible]	300,098	301,586
Income tax expense (credit)	[illegible]	44,045	50,033
Allowance for funds used during construction	[illegible]	75,656	81,419
Net effect of SFAS No. 90	[illegible]	(32,014)	(86,528)
Other income	[illegible]	24,093	26,282
Interest charges	[illegible]	102,091	97,028
Net income (loss)	[illegible]	78,639	8,649
Preferred and preference stock dividends	[illegible]	11,348	11,053
Income applicable to common stock	[illegible]	$ 67,291	$ (3,304)
Capitalization (000)			
Long-term debt	[illegible]	$ 865,054	$ 796,226
Preferred and preference stock			
Not subject to mandatory redemption	[illegible]	70,000	70,000
Subject to mandatory redemption	—	34,000	40,000
Common stock equity	[illegible]	473,074	438,504
Total	[illegible]	$1,443,628	$1,344,790
Common Stock			
Number of shares outstanding at year-end	[illegible]	13,887,748	13,887,748
Average number of shares outstanding	[illegible]	13,887,748	13,887,064
Earnings (loss) per share (a)			
Before effect of SFAS No. 90	[illegible]	$7.22	$5.09
After effect of SFAS No. 90	[illegible]	$4.85	$(.24)
Dividends declared per share	[illegible]	$2.32	$2.32
Book value per share	[illegible]	$34.11	$31.58
Shareowners — Total	[illegible]	26,713	28,157
In Connecticut	[illegible]	12,482	13,265
In Company territory	[illegible]	7,827	8,301
General			
Peak load — kilowatts	[illegible]	1,132,100	1,039,000
Generating capability at year-end — kilowatts (b)	[illegible]	1,250,710	1,240,500
Number of customers	[illegible]	307,237	303,794
Kilowatt-hours per residential customer	[illegible]	6,804	6,562
Number of employees	[illegible]	1,620	1,604
Total payroll (000)	[illegible]	$ 62,387	$ 57,207
Total taxes (000)	[illegible]	$ 66,714	$ 33,224
Utility plant at year-end (000)	[illegible]	$1,834,271	$1,718,300
Gross property additions (000)	[illegible]	$ 159,391	$ 154,072
Total assets at year-end (000)	[illegible]	$2,365,003	$2,178,002

(a) Earnings per share based on the average number of shares outstanding.
(b) Represents maximum dependable net load-carrying ability during the winter period for New England Power Pool purposes, including UI's share of capacity in Connecticut Yankee Atomic Power Company (55,770 KW).

1986	1985	1984	1983	1982	1981	1980
1,700,302	1,654,501	1,642,564	1,637,581	1,593,854	1,611,212	1,660,353
1,614,880	1,810,102	1,720,027	1,657,518	1,578,433	1,551,228	1,568,638
1,232,200	1,280,402	1,314,328	1,255,824	1,232,642	1,315,172	1,415,274
65,333	68,204	71,098	71,085	69,035	70,299	70,813
4,612,633	4,819,249	4,757,017	4,622,008	4,475,164	4,547,911	4,[illegible]078
$ 178,268	$ 190,880	$ 185,209	$ 166,350	$ 161,237	$ 164,595	$ 133,703
180,888	192,658	187,112	163,458	156,002	157,386	122,904
99,939	118,637	124,118	107,724	106,788	117,624	98,303
9,516	10,367	10,064	9,771	9,652	9,613	7,097
2,508	2,394	2,367	2,283	2,151	1,804	1,455
471,110	514,936	509,470	449,586	436,730	451,022	364,122
333,051	368,260	400,773	356,380	353,070	386,279	328,253
51,419	62,047	44,371	37,740	31,810	22,454	(387)
78,044	62,623	57,242	52,407	40,349	28,113	27,555
(60,785)	3,400	(10,880)	—	—	—	—
28,200	29,755	19,083	13,981	8,595	9,040	710
90,833	77,402	52,351	41,345	35,039	20,904	30,055
31,765	103,005	68,411	80,503	65,755	49,538	34,406
18,060	20,339	16,883	14,084	14,084	12,351	9,206
$ 12,790	$ 82,666	$ 51,528	$ 66,419	$ 51,671	$ 37,187	$ 25,170
$ 680,215	$ 668,315	$ 571,403	$ 394,115	$ 373,015	$ 303,648	$ 295,581
70,000	70,000	70,000	70,000	70,000	70,000	70,000
63,000	96,000	99,000	65,000	65,000	65,000	45,000
470,108	493,261	434,030	408,331	319,720	262,198	222,861
$1,280,323	$1,327,576	$1,174,433	$ 937,446	$ 827,735	$ 700,846	$ 633,442
13,886,506	13,720,050	13,420,443	12,072,344	10,693,605	9,154,578	7,660,132
13,827,431	13,023,093	13,213,520	11,708,570	9,579,312	8,775,067	7,001,241
$5.97	$5.82	$5.41	$5.67	$5.39	$4.24	$3.56
$.93	$6.07	$3.90	—	—	—	—
$2.32	$2.08	$2.30	$3.08	$2.92	$2.76	$2.68
$34.29	$35.05	$32.32	$31.48	$29.90	$28.64	$29.00
29,888	35,426	38,848	41,067	39,213	37,868	36,447
14,008	15,606	16,774	17,862	17,750	17,765	18,372
9,282	10,056	13,539	13,742	13,439	11,815	12,456
983,710	1,019,980	998,910	969,500	951,700	949,100	971,100
1,230,530	1,197,150	1,229,440	1,235,850	1,235,850	1,281,050	1,299,300
298,484	294,320	290,591	287,370	284,586	282,890	280,800
6,350	6,265	6,293	6,336	6,213	6,312	6,545
1,576	1,501	1,559	1,569	1,517	1,514	1,481
$ 52,782	$ 49,150	$ 46,911	$ 44,114	$ 40,310	$ 35,581	$ 31,653
$ 38,724	$ 86,038	$ 62,122	$ 66,300	$ 64,319	$ 54,510	$ 34,777
$1,681,986	$1,555,883	$1,385,072	$1,274,477	$1,080,810	$ 922,734	$ 830,034
$ 194,168	$ 179,528	$ 210,378	$ 197,412	$ 167,924	$ 115,540	$ 98,413
$2,155,251	$1,638,519	$1,466,704	$1,179,409	$ 982,852	$ 836,598	$ 739,027

Major Influences on Financial Condition

The Company's financial condition has been heavily influenced by both the size and the cost of financing its accumulated investment in the construction of Seabrook Unit 1, a nuclear generating unit in Seabrook, New Hampshire, in which the Company has a 17.5% ownership share. To the extent that this investment has not been included in rate base, cash recovery applicable to the investment has been limited to the income tax benefits of construction. However, from an earnings standpoint, the cost of financing construction balances has been offset by a non-cash credit to allowance for funds used during construction (AFUDC).

The Company's primary financial concerns have been the achievement of commercial operation status for Seabrook Unit 1 and, more particularly, obtaining a Connecticut Department of Public Utility Control (DPUC) rate decision that will permit a return on, and recovery of, UI's investment in this unit.

On July 6, 1989, the Company reached a settlement agreement with Connecticut officials representing the public regarding the Company's recoverable investment in Seabrook Unit 1, amounting to $640 million, and the resolution of all outstanding Seabrook-related issues, assuming that the unit achieves commercial operation by the end of 1990. This agreement, which was approved by the DPUC on August 23, 1989, provided for moderate rate increases over the years 1990 through 1992 totaling between 6% and 11%.

On September 1, 1989, the Company filed a rate application in accordance with the agreement, requesting base rate increases of 5%, 3% and 3%, effective for the years 1990, 1991 and 1992, respectively. The DPUC commenced hearings on the rate proposal on November 20, 1989 and, in a decision dated January 24, 1990, granted base rate increases of 3.72%, 2.69% and 2.53% for the three years. These increases are designed to raise revenues by $22.1 million in 1990, $16.9 million in 1991 and $16.7 million in 1992. While the rate increases granted were based on a 12.9% return on equity, the Company is authorized to earn up to a 13.9% return on equity under the terms of the settlement agreement. The DPUC decision also provides, among other things, for phasing-in the Company's recoverable Seabrook investment into rate base over a 5-year period commencing January 1, 1990, for recovery of deferred phase-in costs during the subsequent 5-year period consistent with Statement of Financial Accounting Standards No. 92 (SFAS No. 92), "Regulated Enterprises — Accounting for Phase-in Plans," for rate design changes designed to encourage energy conservation, and for a sales adjustment clause designed to compensate for deviations from forecast sales levels, within prescribed limits and subject to DPUC approval. The decision permits the Company to retain the benefits of wholesale power sales above prescribed levels, and allows the Company to capitalize conservation projects. These capitalized conservation investments will be allowed to earn a premium return of up to 3% over the Company's weighted cost of capital.

Since the recoverable investment in Seabrook Unit 1 is less than the Company's share of Connecticut's statutory recoverable cost "cap", the settlement agreement required an additional write-down of the Company's investment in Seabrook Unit 1 in August 1989. This write-down was necessary in order to comply with SFAS No. 90, "Regulated Enterprises — Accounting for Abandonments and Disallowances of Plant Costs," which the Company adopted in 1988, and resulted in a net loss for the year 1989. However, by resolving outstanding issues and quantifying future cost recoveries within acceptable ranges, the agreement permits UI to plan effectively for the future.

While construction of Seabrook Unit 1 is complete and a 40-year conditional operating license has been received from the Nuclear Regulatory Commission (NRC), the resolution of issues related to the off-site emergency response plans for the emergency response and evacuation planning zone surrounding the plant continues to prevent the unit from achieving commercial operation status. Primarily as a result of the delay in resolving emergency response plan issues, Public Service Company of New Hampshire (PSNH), which holds the largest ownership interest in the Seabrook project, has had to seek protection under Chapter 11 of the Bankruptcy Code. Although the bankruptcy court has approved PSNH's continuing participation in the Seabrook project, and the NRC has issued a low-power license and low-power testing has been completed, the Company cannot predict at this time what impact these bankruptcy proceedings may have on the remaining NRC licensing proceedings and if or when commercial operation of the unit will be permitted. In any event, primarily as a result of the delay in resolving emergency response plan issues, the unit is not likely to achieve commercial operation prior to the second quarter of 1990.

Liquidity and Capital Resources

At the beginning of 1989, the Company had $60 million of cash and temporary cash investments. During 1989, operating activities provided net cash of $73 million. Financing activities provided $70 million from short-term borrowings and new long-term debt, but required the use of $87 million principally for dividend payments, preferred stock redemptions and net lease obligation transactions. Cash available after the net addition of $56 million from operating and financing activities for the period was $116 million. Plant investment required $77 million of these resources, leaving a cash balance of $39 million at December 31, 1989.

The Company has had a revolving credit agreement with a group of banks since 1984. On April 15, 1989, the Company reduced the borrowing limit of the revolving credit agreement then in effect from $160 million to $100 million. This agreement was replaced by a new $100 million revolving credit agreement on December 21, 1989. The new agreement, which currently extends to October 30, 1990, affords the banks an opportunity to decline to lend funds if any one of several conditions is not satisfied at the date of a requested borrowing. The conditions include, among others, the absence of a determination by the banks that the PSNH bankruptcy proceedings have increased the risk that the Company will not be able to perform its obligations under the agreement.

The Company has sale and leaseback arrangements with a financial institution providing for nuclear fuel financing up to $70 million for Seabrook Unit 1 and up to $10 million for Millstone Unit 3. Under these arrangements, the Company is paying rent for the Millstone Unit 3 fuel based on the direct costs to the lessor of the fuel, plus the lessor's financing costs. In addition, a fuel reserve and supply agreement with the same financial institution provides for financing fossil fuel purchases up to an aggregate of $165 million, less the outstanding nuclear fuel lease obligations and all other outstanding obligations to the financial institution. The $165 million aggregate limit on all outstanding obligations to the financial institution will decrease to $135 million on March 16, 1990 unless Seabrook Unit 1 has, by then, received a full-power operating license and made satisfactory progress towards achieving commercial operation. The term of the fuel reserve and supply agreement extends to December 31, 1990. At December 31, 1989, approximately $74 million of nuclear fuel and $28 million of fossil fuel purchases, including coal, were being financed under these arrangements. On April 29, 1987, the Company entered into a lease with the same financial institution providing for the financing of $3.7 million, representing the purchase price and capitalized carrying charges of real property on which the Company plans to construct a service center facility. On September 26, 1988, the Company entered into a revolving credit agreement with the same financial institution. This revolving credit agreement enables the Company to borrow up to $45 million until August 31, 1990, for general corporate purposes and within the aggregate $165 million limit on all outstanding financing obligations to the financial institution. The financial institution may decline to lend funds under the revolving credit agreement if any one of several conditions is not satisfied at the time of a requested borrowing.

The Company presently estimates that its capital requirements will exceed its net cash provided by operating activities for the next several years. All of the excess capital requirements will have to be provided by external financing, and there is no assurance that such financing can be effected. The Company's ability to incur additional indebtedness will be restricted by the earnings coverage provision of the Trust Indenture under which the Company has issued all of its long-term Debentures. The absence of a return on the disallowed portion of the Company's Seabrook Unit 1 investment and the increased depreciation charges against income related to Seabrook Unit 1 can be expected to cause the Company's earnings for the next several years to fall below the interest coverage level specified in the Trust Indenture as a prerequisite to any increase in short-term or long-term indebtedness (except for $2 million of short-term borrowings incurred for operating expense purposes, and except for borrowings which are expressly subordinated to the Company's Debentures and are limited to an aggregate amount not exceeding 10% of the Company's debt limit under the Trust Indenture — 62½% of the cost of the Company's properties less depreciation thereon (the Company's debt limit under the Trust Indenture was $1.024 billion at December 31, 1989)). The Company estimates that its aggregate capital requirements will exceed cash provided by operations by $205 million during this period. The Company expects to meet these requirements by a combination of pre-financing, subordinated borrowings and financings that are not subject to the Trust Indenture's restrictions. However, there is currently no assurance that this expectation will be met.

The Company has formed several subsidiary companies for the purpose of entering into nonutility, power-related business ventures which will complement and enhance its electric utility business and serve the interests of the Company and its shareholders and customers. The Directors of the Company have authorized the investment of up to $10 million in one or more subsidiary or affiliated corporations for this purpose.

Results of Operations

Due to non-cash write-offs in March, June and August 1989, to recognize reductions in the recoverable cost of Seabrook Unit 1, the Company incurred a loss of $5.87 per share for the year 1989, as compared to earnings per share of $5.85 for 1988. The largest of such write-offs, $8.08 per share, was recorded in August 1989 to reflect disallowances due to a reduction in the recoverable amount of the Company's investment in Seabrook Unit 1 and other provisions of the Seabrook Settlement Agreement.

Earnings per share for 1989, before giving effect to the write-offs that resulted from the adoption in 1988 of SFAS No. 90, were $5.08 per share, a decrease of $2.14 from 1988. This decrease was due principally to higher fuel and energy costs, higher maintenance expense, lower non-cash allowance for funds used during construction and non-cash charges that were ordered by the DPUC to reduce UI's projected 1989 regulated earnings to the 16.4% level authorized in its last rate decision in 1984 without affecting current revenues or cash flows. In accordance with this DPUC order, in 1989 the Company wrote off a total of $14.8 million, consisting of bond repurchase premiums amounting to $4.6 million, net of income taxes, and $10.2 million of additional depreciation charges related to Millstone Unit 3.

Earnings per share for 1988, before giving effect to changes arising from the adoption of SFAS No. 90, were $7.22 per share, an increase of $1.23 over 1987. This increase was due principally to higher kilowatt-hour sales, higher capacity sales, lower income taxes and the absence of additional depreciation and other non-cash charges recorded in 1987.

Kilowatt-hour sales for both 1989 and 1988 increased over prior years, due to improved commercial activity and higher residential use; but the effect of substantial decreases in industrial activity in both years limited the net increases to less than 1% in 1989 and 3.3% in 1988.

Operating revenues for 1989 and 1988 increased by $12.2 million and $21.3 million, respectively, over the prior years, due to higher sales volume and higher fossil fuel and energy costs which were passed on to customers through the fossil fuel adjustment clause. The more modest increase for 1989 reflects relatively moderate summer weather compared to the prior years.

Fuel and interchange energy expense in 1989 increased over 1988, due to higher kilowatt-hour sales and an increase in purchases of power generated by a regional waste-burning facility at prices considerably higher than the Company's average cost per kilowatt-hour. Reduced availability due to scheduled outages for overhaul of the Company's two most efficient fossil-fired generating units also contributed to higher energy costs in 1989. Fuel and interchange energy expense in 1988 increased over 1987, due primarily to higher kilowatt-hour sales and increased purchases of power from the regional waste-burning facility, which more than offset reductions due to the benefits of continuing operating efficiencies and increased nuclear generation.

Other operation and maintenance expenses increased in 1989 over 1988, due principally to a non-recurring expense of $3.5 million to replace defective building siding at a generating station, storm damage repair expense of $2.7 million, and higher payroll costs. Other operation and maintenance expenses increased in 1988 over 1987, due principally to higher payroll costs.

Depreciation expense increased in 1989 over 1988, due primarily to the additional Millstone Unit 3 depreciation charges recorded pursuant to the DPUC's order of February 22, 1989. Depreciation expense decreased in 1988 from the 1987 level, due primarily to the absence in 1988 of the additional depreciation for Millstone Unit 3 recorded in 1987 as a result of stipulated earnings agreements approved by the DPUC.

Income taxes charged to operating expense decreased in 1989 compared to 1988, principally as a result of lower taxable income. The decrease in 1988 income tax expense from the 1987 level was due principally to a lower tax rate.

The allowance for equity funds used during construction decreased in both 1989 and 1988 below the preceding years, due primarily to lower rates and lower CWIP balances in both years resulting from SFAS No. 90 write-downs.

Other income and deductions, excluding the allowance for equity funds used during construction, increased in 1989 over 1988, mainly as a result of Seabrook Unit 1 investment tax credits of $21.7 million that were recorded as income in accordance with the terms of the Seabrook Settlement Agreement that more than offset deductions which included primarily the write-off of Seabrook prudence audit expenses. The increase in 1988 over 1987 was due to higher interest income as a result of higher average balances in temporary cash investments.

Other interest charges increased in 1988 over the prior year, due primarily to the amortization of bond redemption premiums. In 1989 the increase in other interest charges primarily reflects the accelerated amortization of bond redemption premiums pursuant to the DPUC's order of February 22, 1989.

Dividends on preferred stock decreased in 1989 by $3.1 million and in 1988 by $605,000 as a result of redemptions. These redemptions were made as part of the Company's program of refinancing high cost securities at lower rates.

Outlook

In recent years, the Company's earnings have included a large amount of AFUDC. As a result of the January 24, 1990 rate decision and beginning January 1, 1990, the Company's Seabrook Unit 1-related AFUDC will decline to a level reflecting a deferred return on the portion of the recoverable Seabrook Unit 1 investment that is excluded from rate base due to the phase-in plan. Concurrently, the Company's earnings will begin to reflect the recovery of the investment in Seabrook Unit 1 through increased charges to customers resulting from the base rate increases allowed by the DPUC.

The Company's financial condition will be heavily influenced by the timing of commercial operation of Seabrook Unit 1. The achievement of commercial operation of Seabrook Unit 1, which will trigger the commencement of significant additional wholesale power sales, is chiefly dependent on events that are largely beyond the Company's control, especially the timely and successful resolution of a proceeding in which the NRC is considering objections to off-site emergency response and evacuation plans for the unit's emergency response and evacuation planning zone. While there have been recent positive developments, including NRC staff recommendations that the plans be approved and a full-power operating license granted, the Company is unable to predict if or when the plans will be finally approved and a full-power license granted, since the NRC proceedings continue to be contested vigorously by opponents of the unit. Nor can the Company predict what impact the proceedings under the Bankruptcy Code by PSNH will have on the NRC operating license proceedings for the unit. However, delays in achieving commercial operation may negatively impact 1990 earnings by deferring the commencement of wholesale power sales that are conditioned on commercial operation of the unit. Moreover, in accordance with the Seabrook Settlement Agreement, a delay of commercial operation beyond 1990 will require that the rate base treatment and rate making provisions of the agreement be renegotiated and, in the event new terms can not be negotiated, will leave those issues for DPUC decision. However, in any event, revenues to which the Company is entitled prior to December 31, 1990 will not be refundable.

The Company's financial condition will also be influenced by the level of success of its efforts to satisfy its external financing requirements for the period when it will be precluded by restrictions in its Trust Indenture from borrowing on an unsubordinated basis. While the Company expects to be able to meet its financing requirements for this period, there is currently no assurance that this expectation will be met.

Although developments with respect to Seabrook Unit 1 can be expected to continue to dominate the Company's financing outlook and plans, such matters are also sensitive to many other factors, including conditions in the securities markets, economics conditions, the level of the Company's sales, and legislative and regulatory developments. The latter include the cost of compliance with increasingly stringent environmental regulations and increased liability for post-retirement employee benefits.

Inflation

As a result of inflation and increased environmental and regulatory requirements, the estimated cost of replacing the Company's productive capacity today would substantially exceed the historical cost of such facilities reported in the financial statements. Since the Company's rates for service to its customers have been based in the past on the cost of providing such service and have been revised from time to time to reflect increased costs of service, the Company believes that any higher replacement costs it may experience in the future will be recovered through the normal regulatory process.

Consolidated Statement of Income
For the Years Ended December 31, 1989, 1988 and 1987

(Thousands except per share amounts)	1989	1988	1987
Operating Revenues	$531,181	$518,938	$497,623
Operating Expenses			
Operation			
Fuel and interchange energy — net	153,010	140,973	131,471
Capacity purchased — net	9,810	6,491	14,449
Other	105,441	102,715	96,045
Maintenance	39,420	30,602	31,855
Depreciation	35,018	24,069	37,160
Amortization of cancelled nuclear projects	10,415	10,415	10,415
Income taxes	37,003	44,045	50,633
Other taxes	44,800	45,643	40,191
Total	437,392	405,043	412,219
Operating Income	93,789	113,895	85,404
Other Income and Deductions			
Allowance for equity funds used during construction	38,068	48,605	54,933
Other — net	13,930	5,011	3,092
Total	52,004	53,616	58,025
Application of SFAS No. 90			
Disallowed plant costs	(217,503)	(50,595)	(125,228)
Accretion of Seabrook Unit 2 disallowed return	4,129	4,419	4,922
Applicable income taxes	61,227	13,262	33,778
Net Effect of SFAS No. 90	(152,147)	(32,914)	(86,528)
Income (Loss) Before Interest Charges	(6,354)	134,597	56,901
Interest Charges			
Interest on long-term debt	91,126	90,022	88,700
Other interest	22,840	12,069	9,228
Allowance for borrowed funds used during construction	(20,475)	(27,051)	(26,486)
Income tax benefits attributable to the allowance for borrowed funds	(19,004)	(19,082)	(23,190)
Net Interest Charges	67,896	55,958	48,252
Net Income (Loss)	(73,350)	78,639	8,649
Dividends on Preferred Stock	8,233	11,348	11,953
Income (Loss) Applicable to Common Stock	$(81,583)	$ 67,291	$ (3,304)
Average Number of Common Shares Outstanding	13,888	13,888	13,888
Earnings (Loss) per Share of Common Stock	$(5.87)	$4.85	$(.24)
Cash Dividends Declared per Share of Common Stock	$2.32	$2.32	$2.32

Consolidated Statement of Retained Earnings
For the Years Ended December 31, 1989, 1988 and 1987

(Thousands of Dollars)	1989	1988	1987
Balance January 1	$201,371	$166,303	$204,947
Net Income (Loss)	(73,350)	78,639	8,649
Premium applicable to redemption of preferred stock	—	—	(2,200)
Expenses associated with preferred stock redeemed	—	(4)	(921)
	128,021	244,938	210,475
Deduct Cash Dividends Declared			
Preferred Stock	7,982	11,348	11,953
Common Stock	32,219	32,219	32,219
Total	40,201	43,567	44,172
Balance December 31	$ 87,820	$201,371	$166,303

The accompanying Statement of Accounting Policies and Notes to Consolidated Financial Statements are integral parts of the financial statements.

Consolidated Statement of Cash Flows
For the Years Ended December 31, 1989, 1988 and 1987

(Thousands of Dollars)	1989	1988	1987
Cash Flows From Operating Activities			
Net Income (Loss)	$ (73,350)	$ 78,639	$ 8,649
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	68,077	43,781	52,581
Deferred income taxes	(6,154)	4,135	9,998
SFAS No. 90 writeoffs — net	152,147	32,914	86,528
Seabrook prudence audit costs (thru 1988)	21,237	—	—
Deferred investment tax credits — net	(22,758)	(1,029)	3,383
Allowance for funds used during construction	(65,444)	(75,656)	(81,419)
Changes in current assets and liabilities:			
Accounts receivable	(16,865)	(10,360)	(5,794)
Accrued utility revenues	(3,032)	(588)	(1,805)
Fuel, materials and supplies	(4,403)	12	(6,635)
Accounts payable	17,124	(10,437)	13,138
Taxes accrued	663	(652)	(2,175)
Interest accrued	403	11,464	4,509
Other — net	928	6,054	1,116
Changes in noncurrent balance sheets items	3,840	6,084	917
Total Adjustments	146,603	5,672	74,252
Net cash provided by Operating Activities	73,253	84,311	82,901
Cash Flows from Financing Activities			
Common stock	—	—	36
Long-term debt	25,000	170,000	328,500
Lease obligations	(3,040)	16,722	13,856
Securities retired and redeemed, including premiums			
Preferred stock	(37,400)	(6,000)	(25,200)
Long-term debt	(3,667)	(98,667)	(251,727)
Notes payable	45,000	—	(25,675)
Expenses of issues	(1,440)	(4,096)	(3,877)
Dividends			
Preferred stock	(9,597)	(11,485)	(12,696)
Common stock	(32,219)	(32,219)	(32,219)
Net cash provided by (used in) Financing Activities	(17,303)	34,255	(9,002)
Net cash flows from Operating and Financing Activities	55,890	118,566	73,899
Cash Invested in Plant, including nuclear fuel	(77,041)	(83,735)	(73,253)
Cash and Temporary Cash Investments:			
Net change for the period	(21,151)	34,831	646
Balance at beginning of period	59,918	25,087	24,441
Balance at end of period	$ 38,767	$ 59,918	$ 25,087
Cash paid during the period for:			
Interest (net of amount capitalized)	$ 67,656	$ 49,673	$ 46,028
Income Taxes	$ 21,715	$ 14,881	$ 13,341

For cash flow purposes, the Company considers all highly liquid debt instruments with a maturity of three months or less at purchase date to be cash equivalents.

The accompanying Statement of Accounting Policies and Notes to Consolidated Financial Statements are integral parts of the financial statements.

Consolidated Balance Sheet
December 31, 1989, 1988 and 1987

Assets (Thousands of Dollars)	1989	1988	1987
Utility Plant at Original Cost			
In service	$ 894,608	$ 858,702	$ 844,989
Less accumulated provision for depreciation	323,837	297,772	281,779
	570,771	560,930	563,210
Construction work in progress	675,831	812,246	737,169
Nuclear fuel	73,729	74,984	67,539
Plant-related regulatory assets	81,708	88,339	68,603
Net Utility Plant	1,402,699	1,536,499	1,436,521
Other Property and Investments	9,021	8,876	8,493
Current Assets			
Cash and temporary cash investments	38,767	59,918	25,087
Accounts receivable			
Customers, less allowance for doubtful accounts of $2,130, $1,580 and $1,600	54,390	50,665	43,827
Other	24,346	11,125	7,603
Accrued utility revenues	24,912	21,880	21,292
Fuel, materials and supplies, at average cost	24,709	20,246	20,258
Prepayments	3,780	2,436	4,008
Total	170,823	166,270	122,075
Deferred Debits			
Unfunded deferred income taxes	334,292	383,476	338,708
Unamortized cancelled nuclear projects	53,461	59,970	65,710
Unamortized bond redemption costs	31,524	47,996	54,850
Deferred income taxes	176,821	145,771	141,642
Other	9,598	16,205	10,003
Total	605,696	653,418	610,013
	$2,188,239	$2,365,063	$2,178,002

The accompanying Statement of Accounting Policies and Notes to Consolidated Financial Statements are integral parts of the financial statements.

Consolidated Balance Sheet

December 31, 1989, 1988 and 1987

Capitalization and Liabilities (Thousands of Dollars)	1989	1988	1987
Capitalization			
Common stock equity			
Common stock	$ 277,968	$ 277,968	$ 277,968
Capital stock expense	(3,204)	(5,665)	(5,707)
Retained earnings	87,820	201,371	166,303
	362,584	473,674	438,564
Preferred stock			
Not subject to mandatory redemption	70,000	70,000	70,000
Subject to mandatory redemption	—	34,000	40,000
Long-term debt	868,884	862,287	767,559
Total	1,301,468	1,439,961	1,316,123
Noncurrent Liabilities			
Obligations under capital leases	106,831	111,171	94,870
Other	950	800	200
Total	107,781	111,971	95,070
Current Liabilities			
Current portion of long-term debt	18,667	3,667	28,667
Accounts payable	60,077	42,053	53,440
Notes payable	45,000	—	—
Dividends payable	9,243	10,858	10,994
Taxes accrued	22,592	21,929	22,581
Pensions accrued	9,086	7,194	5,751
Interest accrued	27,715	27,312	15,848
Obligations under capital leases	3,015	1,714	1,293
Other accrued liabilities	11,150	10,277	7,102
Total	206,545	125,904	145,676
Deferred Credits			
Customers' advances for construction	3,114	2,840	2,346
Accumulated deferred investment tax credits	21,773	52,125	54,954
Unfunded deferred income taxes	53,002	87,554	86,779
Deferred income taxes	474,593	526,329	466,133
Deferred gain on sale of utility plant	10,437	10,230	2,802
Deferred fossil fuel costs	8,626	8,149	8,119
Total	572,445	687,227	621,133
Commitments and Contingencies	—	—	—
	$2,188,239	$2,365,063	$2,178,002

The accompanying Statement of Accounting Policies and Notes to Consolidated Financial Statements are integral parts of the financial statements.

Accounting Records

The accounting records are maintained in accordance with the uniform systems of accounts prescribed by the Federal Energy Regulatory Commission (FERC) and the Connecticut Department of Public Utility Control (DPUC).

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Bridgeport Electric Company (BEC), United Resources Inc. (URI) and Research Center, Inc. (RCI). Intercompany accounts and transactions have been eliminated in consolidation.

Utility Plant

The cost of additions to utility plant and the cost of renewals and betterments are capitalized. Cost consists of labor, materials, services and certain indirect construction costs, including an allowance for funds used during construction. The cost of current repairs and minor replacements is charged to appropriate operating expense accounts. The original cost of utility plant retired or otherwise disposed of and the cost of removal less salvage are charged to the accumulated provision for depreciation.

Phase-in Plan

The Company is phasing into rate base its allowable investment in Seabrook Unit 1, amounting to $640 million. The phase-in plan allows the Company to record a deferred return on the portion of allowable investment excluded from rate base during the phase-in period. At December 31, 1989 the Company's rate base included $48 million of its allowable investment in Seabrook Unit 1. In accordance with the phase-in plan, commencing January 1, 1990, the Company began phasing in the balance of its allowable investment over a five-year period. Commencing January 1, 1991, the deferred return will be added to rate base at the beginning of each year over a four-year period in the same proportion as the phase-in installment for that year bears to the remainder of the $640 million yet to be phased-in. This phase-in plan, which was approved by the DPUC in a January 24, 1990 rate decision that granted the Company base rate increases for the next three years, is in compliance with Statement of Financial Accounting Standards No. 92 (SFAS No. 92), "Regulated Enterprises — Accounting for Phase-in Plans". The rate decision allows the Company to phase-in $480 million, or 75% of its allowable investment, plus a portion of the deferred return that will be accumulated during 1990 and 1991 into rate base by January 1, 1992. The remaining $160 million of allowable investment plus the remaining accumulated deferred return will be phased into rate base in approximately equal amounts on January 1, 1993 and January 1, 1994. The Company will be allowed to recover the deferred return over a five-year period commencing January 1, 1995.

Allowance for Funds Used During Construction

In accordance with the applicable regulatory systems of accounts, the Company capitalizes an allowance for funds used during construction (AFUDC), which represents the approximate cost of debt and equity capital devoted to plant under construction. In accordance with FERC prescribed accounting, the portion of the allowance applicable to borrowed funds is presented in the Consolidated Statement of Income as a reduction of interest charges, while the portion of the allowance applicable to equity funds is presented as other income. Although the allowance does not represent current cash income, it has historically been recoverable under the rate-making process over the service lives of the related properties. The Company compounds semi-annually the allowance applicable to major construction projects.

Prior to 1987, the Company accounted for the portion of the allowance applicable to borrowed funds on a net-of-tax basis for all construction projects because interest charges associated with construction projects were expensed currently for tax purposes. However, effective January 1, 1987, the Tax Reform Act of 1986 requires the capitalization for tax purposes of interest charges associated with construction projects, except for projects such as Seabrook Unit 1 that were begun prior to March 1, 1986. Therefore, in 1987, 1988 and 1989, AFUDC for Seabrook Unit 1, which accounted for over 90% of the Company's AFUDC in those years, was computed on a net-of-tax basis, and AFUDC for all other projects was computed on a before-tax basis.

AFUDC rates in effect during 1987-1989 are shown below:

	Before-Tax Basis	Net-of-Tax Basis
1987	13.0%	10.25%
1988	12.7%	10.0%
1989	12.3%	9.5%

Depreciation

Provisions for depreciation on utility plant for book purposes, excluding costs associated with the 1984 reconversion of BEC's plant to a dual-fired capability, are computed on a straight-line basis, using estimated service lives determined by independent engineers. One-half year's depreciation is taken in the year of addition and disposition of utility plant, except in the case of major operating units on which depreciation commences in the month they are placed in service and ceases in the month they are removed from service. During the years 1985-1989, depreciation associated with BEC's reconversion costs was computed on an annuity basis over the original ten-year period that this plant was being leased to the Company by BEC. Commencing January 1, 1990, the reconversion costs will be depreciated on a straight-line basis over a period ending July 2000. The aggregate annual provisions for depreciation for the years 1987, 1988 and 1989 were equivalent to approximately 4.77%, 2.99%, and 4.31%, respectively, of the original cost of depreciable property, as restated for the effect of SFAS No. 90. The aggregate provisions for 1987 and 1989 include one-time increases of $12.5 million and $10.2 million, respectively, in Millstone Unit No. 3 depreciation charges as prescribed in DPUC-approved stipulated earnings agreements in 1987 and in a 1989 DPUC order. These earnings reduction measures were initiated in order to lower the Company's return on Common Stock equity for rate-making purposes without impacting revenues or cash flows. See Note (C), "Rate-related Regulatory Proceedings".

Income Taxes

In accordance with Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes" (SFAS No. 96), which was adopted in the first quarter of 1988, the Company has provided deferred taxes for all temporary book-tax differences using the liability method. The liability method requires that deferred tax balances be adjusted to reflect enacted future tax rates that are anticipated to be in effect when the temporary differences reverse. In accordance with generally accepted accounting principles for regulated industries, the Company has established assets and liabilities that reflect anticipated future ratemaking effects of deferred tax provisions arising from the implementation of SFAS No. 96. The Company has restated the deferred tax balances in its financial statements for prior periods to reflect the adoption of SFAS No. 96.

Previously, income taxes were accounted for by the deferred method. Under that method, deferred taxes were recognized at current tax rates and regulated enterprises did not record deferred taxes for realized tax benefits when regulators used these benefits to reduce current rates.

The Company has elected to take investment tax credits (ITC) applicable to long-term construction projects on a progress-of-construction basis, which has accounted for the major portion of the ITC generated. For accounting purposes, the Company practices full normalization for all ITC related to recoverable plant investments except for the ITC related to the recoverable plant investment in Seabrook Unit 1. ITC related to nonrecoverable plant investments, i.e. those investments written off in accordance with the provisions of SFAS No. 90, were taken into income when the related SFAS No. 90 write-offs were recorded, while ITC, amounting to approximately $21.7 million, related to the recoverable Seabrook investment was taken into income in 1989 in accordance with the Seabrook Settlement Agreement.

Accrued Utility Revenues

The estimated amount of utility revenues (less related expenses and applicable taxes) for service rendered but not billed is accrued at the end of each accounting period.

Investments

The Company's investment in the Connecticut Yankee Atomic Power Company joint venture, a nuclear generating company in which the Company has a 9½% stock interest, is accounted for on an equity basis.

Fossil Fuel Costs

The amount of fossil fuel costs that can not be reflected currently in customers' bills pursuant to the fuel adjustment clause in the Company's rates is deferred at the end of each accounting period. Since adoption of the deferred accounting procedure in 1974, rate decisions by the DPUC and its predecessors have consistently made specific provision for amortization and rate-making treatment of the Company's existing deferred fossil fuel cost balances.

Research and Development Costs

Research and development costs, including environmental studies, are capitalized if related to specific construction projects and depreciated over the lives of the related assets. Other research and development costs are charged to expense as incurred.

Notes to Consolidated Financial Statements

(Dollar amounts, except per share amounts, are in thousands unless otherwise indicated)

(A) Capitalization at December 31, 1989

Common Stock Equity (a)		
Common stock, no par value		$ 277,968
Shares authorized	17,500,000	
Shares outstanding at December 31:		
1987	13,887,748	
1988	13,887,748	
1989	13,887,748	
Capital stock expense		(3,204)
Retained earnings (b)		87,820
Total common stock equity		362,584
Preferred and Preference Stock (c)		
Authorized:		
Cumulative preferred stock:		
$100 par value, 1,350,000 shares		
$25 par value, 2,400,000 shares		
Cumulative preference stock:		
$25 par value, 5,000,000 shares		
Outstanding at December 31, 1989:		
Cumulative preferred stock, $100 par value:		
4.35%, Series A, 50,000 shares		5,000
4.72%, Series B, 75,000 shares		7,500
4.64%, Series C, 75,000 shares		7,500
5⅝%, Series D, 75,000 shares		7,500
7.60%, Series E, 125,000 shares		12,500
7.60%, Series F, 150,000 shares		15,000
Cumulative preferred stock, $25 par value, 8.80%, 1976 Series, 600,000 shares		15,000
Total preferred stock not subject to mandatory redemption		70,000
Long-term Debt (d)		
Long-term debentures:		
4.65%, 1990 Series, due August 15, 1990		15,000
4⅞%, 1991 Series, due July 15, 1991		10,000
10½%, 1995 Series, due October 1, 1995		150,000
5¼%, 1996 Series, due August 15, 1996		15,000
6%, 1997 Series, due June 15, 1997		22,500
7%, 1999 Series, due January 15, 1999		15,000
10¼%, 2000 Series, due June 15, 2000		30,000
7¼%, 2002 Series, due October 1, 2002		25,000
8¼%, 2003 Series, due December 15, 2003		30,000
12%, 2017 Series, due August 1, 2017		100,000
Serial debentures:		
8½%, maturing serially as to $1,667 principal amount on November 15 in each of the years 1990 to 1997, inclusive ($1,667 matured in 1989)		$ 13,333
11%, maturing serially as to $2,000 principal amount on November 15 in each of the years 1990 to 1999, inclusive ($2,000 matured in 1989)		20,000
		445,833
First Mortgage Bonds-Bridgeport Electric Company:		
9.44%, Series B, maturing serially as to $10,800 principal amount on February 15 in each of the years 1995 to 1999		54,000
10.32%, Series C, maturing serially as to $60,000 principal amount on January 15 in each of the years 1993 to 1995		180,000
Other:		
Pollution Control Revenue Bonds:		
14½%, 1984 Series, due October 1, 2009		40,000
14½%, 1984 Series B, due December 1, 2009		28,400
9½%, 1986 Series, due June 1, 2016		7,500
9⅜%, 1987 Series, due July 1, 2012		25,000
10¾%, 1987 Series, due November 1, 2012		43,500
8%, 1989 Series A, due December 1, 2014 (issued in December 1989)		25,000
Long-term bank loans:		
12.9% ($20,000), and 13.1% ($20,000), maturing as to $15,000 in 1992, $15,000 in 1993 and $10,000 in 1994		40,000
		889,233
Unamortized debt discount less premium at December 31, 1989		(1,682)
Total long-term debt		887,551
Less current portion included in Current Liabilities		18,667
Total long-term debt included in Capitalization		868,884
Total Capitalization		$1,301,468

(a) Common Stock

Common stock, no par value, authorized at December 31, 1989, included 400,000 shares reserved for the Company's Employee Stock Ownership Plan (ESOP).

Shares issued during 1989, 1988 and 1987 and increases to the common stock account from the proceeds of these issues were as follows:

	1989		1988		1987	
	Amount	Shares (000)	Amount	Shares (000)	Amount	Shares (000)
Balance, January 1	$277,968	13,888	$277,968	13,888	$277,932	13,887
Additions resulting from:						
DRP*	—	—	—	—	—	—
ESOP**	—	—	—	—	36	1
Balance, December 31	$277,968	13,888	$277,968	13,888	$277,968	13,888

*The Company purchased on the open market, on behalf of shareholders participating in the Dividend Reinvestment Plan (DRP), 158,474 shares in 1987, 192,152 shares in 1988 and 156,683 shares in 1989.

**Shares contributed to ESOP include additional purchases for the plan on the open market of 9,407 shares in 1987. There were no additions to ESOP in 1988 or 1989, since income tax credits allowable for ESOP ended at December 31, 1987.

Expenses related to the new issuances were charged to capital stock expense.

On January 22, 1990, the Company's Board of Directors approved a stock option plan for officers and key employees of the Company. This plan is subject to both shareowner and DPUC approvals. The plan provides for the awarding of options to purchase up to 750,000 shares of the Company's common stock over periods of from one to ten years following the dates when the options are granted. The exercise price of each option cannot be less than the market value of the common stock on the date of the grant. Options to purchase 506,000 shares of common stock at an exercise price of $30.75 per share have been granted by the Board of Directors to date.

In addition, certain executive officers can earn shares of the Company's common stock based upon the dividend and market performance of the common stock compared to a peer group of electric utilities over four-year periods, under the Company's long-term incentive program. This plan is subject to DPUC approval. The total number of shares of common stock that may be earned under the long-term incentive program is limited to 100,000. No long-term incentive awards have been earned to date.

(b) Retained Earnings Restriction

The indenture under which all of the Company's debentures are issued places limitations on the payment of cash dividends on the common stock of the Company and on the amounts that can be expended to purchase or redeem shares of common stock. However, an amount equal to the Company's retained earnings at December 31, 1989 can be used for the payment of cash dividends and the purchase or redemption of shares of stock, without exceeding these limitations.

(c) Preferred and Preference Stock

The par value of each of these issues was credited to the appropriate stock account and expenses related to these issues were charged to capital stock expense.

On July 15, 1989, the Company redeemed all of the 340,000 shares outstanding of its $100 par value 19% Preferred Stock, 1984 Series, at $110.00 per share, plus accrued dividends to the date of redemption of $4.75 per share. These shares were scheduled for mandatory redemption of 68,000 shares each year, commencing July 15, 1990, at $100.00 per share, plus accrued dividends.

There are no redemption requirements for preferred stock outstanding at December 31, 1989.

Preference stock is a form of stock that is junior to preferred stock but senior to common stock. It is not subject to the earnings coverage requirements or minimum capital and surplus requirements governing the issuance of preferred stock. There were no shares of preference stock outstanding at December 31, 1989.

Shares of preferred stock have preferential dividend and liquidation rights over shares of common stock. Preferred shareholders are not entitled to general voting rights. However, if any preferred dividends are in arrears for six or more quarters, or if some other event of default occurs, preferred shareholders are entitled to elect a majority of the Board of Directors, until all preferred dividend arrears are paid and any event of default is terminated.

(d) Long-Term Debt

On December 20, 1989, the Company borrowed from the Industrial Development Authority of the State of New Hampshire the proceeds of the Authority's issuance of $25 million of tax exempt 8% Pollution Control Revenue Bonds. The net proceeds of approximately $24.5 million were used to reimburse the Company for its share of expenditures, including financing costs, relating to certain pollution control facilities constructed and required for the operation of Seabrook Unit 1.

The aggregate maturities of long-term debt during each of the five years 1990-1994 are: 1990 — $18,667; 1991 — $13,667; 1992 — $18,667; 1993 — $78,667; 1994 — $73,667.

(B) Accounting For Abandonments and Disallowances of Plant Costs and Phase-in Plans

Accounting for Abandonments and Disallowances of Plant Costs

In 1988, the Company adopted Statement of Financial Accounting Standards No. 90, "Regulated Enterprises — Accounting for Abandonments and Disallowances of Plant Costs" (SFAS No. 90), and elected to restate prior periods. SFAS No. 90 requires that, for completed plant facilities, all costs disallowed for rate-making purposes must be recognized as losses against income as soon as the disallowance becomes probable and can be reasonably estimated. SFAS No. 90 also requires that a loss be recorded for any disallowance of the investment in an abandoned plant facility, and for the disallowance of a return on investment, regardless of the fact that regulators have provided for recovery of the full investment. The loss to be recorded for the disallowance of a return is measured by the difference between the recoverable investment and the present value of such investment. As this difference decreases over the period of recovery of the original investment, the loss is reversed through accretion, which is recognized as income.

Pursuant to SFAS No. 90, the Company recorded losses in 1988 for disallowed costs of its investment in Millstone Unit 3, for the amount by which the Company's investment in Seabrook Unit 1 was then projected to exceed the $832 million Connecticut statutory "cap" on the recoverable construction costs of the unit, and for the disallowance of a return on the recovery of the Company's investment in the abandoned Seabrook Unit 2. These losses were recorded by restating the financial results of prior periods when the write-offs would have been recorded if SFAS No. 90 had been in effect in those periods. In March and June 1989, the Company recorded additional write-offs of $16.1 million and $17.5 million, respectively, net of related income tax effects, to recognize disallowances due to successive extensions, to at least January 1, 1990, of the estimated commercial operation date of Seabrook Unit 1. An additional write-off of $121.2 million, net of related income tax effects, was recorded in August 1989 to reflect the write-down of the Seabrook Unit 1 investment from the statutory "cap" to the allowed recoverable amount of $640 million, as provided in the Seabrook Settlement Agreement, and to recognize the disallowance of a return on the Company's additional $11 million of costs associated with Seabrook Unit 2 for which recovery has not yet been approved. See Note (C) Rate-Related Regulatory Proceedings. The following table illustrates the effect on net income of the SFAS No. 90 write-offs and accretion transactions through December 31, 1989:

Accounting for Phase-in Plans

In order to ease the impact on rates that may result from the addition to rate base of the cost of major new facilities, such additions may be added to rate base by regulatory authorities gradually via a phase-in plan. SFAS No. 92, "Regulated Enterprises — Accounting for Phase-in Plans", establishes criteria for a phase-in plan and requires, among other things, that costs deferred for future recovery under a phase-in plan can be capitalized for financial reporting purposes only if the rate regulators allow recovery of these deferred costs within a ten-year period of time, and that the percentage increase in rates scheduled under the plan can be no greater than the percentage increase in rates scheduled under the plan for each preceding year. The January 24, 1990 decision of the DPUC implementing the Seabrook Settlement Agreement includes a phase-in plan for recovery of the Company's investment in Seabrook Unit 1 that complies with SFAS No. 92.

(C) Rate-Related Regulatory Proceedings

On October 1, 1986, the DPUC issued a notice that it would conduct a general review of financial and operational results of the State's major public service companies, including UI. UI projected a return on equity, as calculated for rate-making purposes, of over 18% for the year 1987 and offered several alternative ways of reducing its earnings to or below the allowed level of 16.4% without reducing rates and revenues. The DPUC, recognizing UI's cash-flow needs, accepted the concept of non-rate actions to reduce the equity return, and initiated a proceeding to examine the appropriateness of non-cash adjustment actions such as accelerated depreciation of facilities and shorter amortization periods for premium costs associated with redemption of high-cost securities as a means of lowering UI's projected equity return.

As a result of this proceeding, on April 4, 1987, the DPUC approved a stipulated earnings agreement among the Company, the DPUC's Prosecutorial Division, the Division of Consumer Counsel and the Connecticut Attorney General. Under the terms of this agreement, the Company

Years Ended December 31,	1989	1984-1988	Total
(Thousands of dollars)			
Disallowed Costs:			
Millstone Unit 3	$ —	$ (17,472)	$ (17,472)
Seabrook Unit 1	(212,859)	(265,409)	(478,268)
Disallowed Return on Seabrook Unit 2	(4,644)	(34,051)	(38,695)
Total disallowances	(217,503)	(316,932)	(534,435)
Related Income Taxes	62,705	99,213	161,918
Net disallowances	(154,798)	(217,719)	(372,517)
Accretion of Disallowed Return on Seabrook Unit 2	4,129	20,549	24,678
Related Income Taxes	(1,478)	(8,546)	(10,024)
Net accretion	2,651	12,003	14,654
Effect of application of SFAS No. 90 — net	$(152,147)	$(205,716)	$(357,863)

was required to continue its cash conservation practices while reducing its non-cash earnings for 1987 by approximately $16 million through various accounting procedures. Such procedures included the recording of additional depreciation on its ownership interest in Millstone Unit 3, the use of lower AFUDC rates and the write-off against income of issue expenses, including debt discount, associated with certain 1987 long-term debt issuances. The intent of the agreement was to lower the Company's rate of return on common stock equity for 1987 to a level comparable with the average of the electric utility industry, without affecting the level of the Company's cash flow. A condition of the agreement was that if these measures proved to be insufficient to achieve the rate of return prescribed in the stipulated agreement, further adjustments of this nature would be required. Accordingly, on October 29, 1987, the DPUC issued an order requiring the Company to show cause why it should not be ordered to decrease non-cash earnings by an additional $5.6 million, by recording additional depreciation of $4.7 million and by writing off against income debt issue expenses of $900,000 associated with the $43.5 million borrowing from the New Hampshire Industrial Development Authority in November. The Company did not contest this show cause order and in the fourth quarter of 1987 recorded these earnings reductions that were prescribed in a second stipulated earnings agreement among the parties to the earlier agreement.

On February 22, 1989, the DPUC issued a decision in a proceeding that it commenced on October 11, 1988 to investigate the operational and financial status of the Company. The decision ordered the Company to reduce its 1989 return on equity for rate-making purposes to 16.4%, the level authorized in its last rate case in 1984. Accordingly, in 1989, the Company wrote off a total of $14.8 million, consisting of bond repurchase premiums amounting to $4.6 million, net of related income taxes, and $10.2 million of additional depreciation charges related to Millstone Unit 3. In its decision, the DPUC stated that it continues to be sensitive to the need to maintain the Company's financial integrity and therefore had approved earnings reduction measures that did not affect revenues or current cash flows.

On August 23, 1989, the DPUC approved the July 6, 1989 Seabrook Settlement Agreement among the Company and the "Connecticut Public Parties" (consisting of the Connecticut Office of Consumer Counsel, the Connecticut Attorney General and the Prosecutorial Division of the DPUC) on the rate treatment of the Company's 17.5% ownership in the Seabrook nuclear plant. This agreement settled many pending Seabrook-related issues including: termination of the DPUC's prudence audit of the planning and construction of Seabrook Units 1 and 2, the Company's then pending application to increase its rates by approximately 9.3% in 1990 by phasing-in $832 million of its investment in Seabrook Unit 1 over four years, the Connecticut statutory issues relative to an appropriate phase-in period for Seabrook Unit 1, the Company's having excess generating capacity, and the exclusion from rates of revenues equal to Seabrook Unit 1 CWIP revenues collected by the Company since 1983. This agreement also resolved DPUC accounting and tax issues with respect to Seabrook Unit 1 and terminated several DPUC directives in other proceedings and all of the lawsuits pending in the Connecticut Superior Court among the parties and the DPUC. It stipulated that the Company would receive base rate increases to customers totalling between 6% and 11% over the three-year period 1990 through 1992, with the DPUC subsequently determining the actual rate increase for each year, taking into account the appropriate level of financial health for the Company and the effect of the increases on the Company's customers and shareholders. Under the agreement, the amount of the Company's Seabrook Unit 1 investment that can be recovered through customer rates will be limited to $640 million, phased-in to rate base over a five-year period beginning in 1990. The agreement was based on the assumption that Seabrook Unit 1 will attain commercial operation by the end of 1990. If this assumption proves incorrect, the Seabrook Settlement Agreement will be reopened and the appropriate ratemaking and investment recovery treatment for Seabrook Units 1 and 2 for subsequent years will be determined after further negotiations among the parties and determinations by the DPUC. However, during renegotiations, the agreement may be extended up to one year by the DPUC. In any case, revenues to which UI has become entitled prior to December 31, 1990 will not be refundable. The agreement further provides that the Company's rate-making rate of return on Common Stock equity (ROE) during the three years 1990-1992 will be limited to a ceiling of 13.9%, with a floor of 9%. If the actual ROE exceeds 13.9%, the amount of earnings in excess of the ceiling will be applied against deferred revenues related to the Seabrook 1 phase-in. The Company may request additional rate relief if the ROE falls below 9%.

On September 1, 1989, the Company filed a rate application in accordance with the agreement, requesting base rate increases of 5%, 3% and 3%, effective for the years 1990, 1991 and 1992, respectively. The DPUC commenced hearings on the rate proposal on November 20, 1989 and, in a decision dated January 24, 1990, granted base rate increases of 3.72%, 2.69% and 2.53% for the three years. These increases are designed to raise revenues by $22.1 million in 1990, $16.9 million in 1991 and $16.7 million in 1992. While the rate increases granted were based on a 12.9% ROE, the Company is authorized to earn up to a 13.9% ROE in accordance with the settlement agreement. The decision also provides, among other things, for phasing-in the Company's recoverable Seabrook investment into rate base over a 5-year period commencing January 1, 1990, for recovery of deferred phase-in costs during the subsequent 5-year period consistent with SFAS No. 92 criteria, for rate design changes designed to encourage energy conservation, and for a sales adjustment clause designed to compensate for deviations from forecast sales levels, within prescribed limits and subject to DPUC approval. The decision permits the Company to retain the benefits of wholesale power sales above prescribed levels, and allows the Company to capitalize conservation projects. These capitalized conservation investments will be allowed to earn a premium return of up to 3% over the Company's weighted cost of capital.

In recent years, the Company's earnings have included a large amount of AFUDC. As a result of the January 24, 1990 rate decision and beginning January 1, 1990, the Company's Seabrook Unit 1-related AFUDC will decline to a level reflecting a deferred return on the portion of the recoverable Seabrook Unit 1 investment that is excluded from rate base due to the phase-in plan. Concurrently, the Company's earnings will begin to reflect the recovery of the investment in Seabrook Unit 1 through increased charges to customers resulting from the base rate increases allowed by the DPUC.

(D) Income Taxes

Income tax expense consists of:

	1989	1988	1987
Operating expenses:			
Current	$ 25,681	$22,313	$18,536
Deferred:			
Income tax attributable to the allowance for borrowed funds	19,604	19,082	23,190
Alternative minimum tax	4,535	6,913	(10,670)
Accelerated depreciation	5,025	5,308	8,171
Construction overheads	(994)	1,609	1,378
Deferred fossil fuel costs	(208)	(20)	546
Pension costs	(441)	(665)	(636)
Investment tax credits — amortization	(1,029)	(1,020)	(1,091)
Premium on BEC bond redemption	(7,402)	(3,306)	17,532
Cancelled nuclear projects	(3,795)	(6,359)	(3,795)
Gain on sale of utility plant	(520)	—	29
Other — net	(2,493)	199	(2,557)
Total deferred	12,282	21,732	32,097
Total operating income tax expense	37,963	44,045	50,633
Other income and deductions:			
Current	(17,422)	(1,408)	(10,521)
Deferred:			
Investment tax credits	(21,729)	—	—
Other — net	(757)	122	6,859
Total other income and deductions	(39,908)	(1,286)	(3,662)
SFAS No. 90 write-offs:			
Plant abandonment	1,466	1,838	2,047
Construction overheads	(1,013)	(647)	(1,009)
Investment tax credits	(7,594)	(1,800)	(4,353)
Plant disallowances	(54,086)	(12,653)	(30,463)
Total SFAS No. 90 write-offs	(61,227)	(13,262)	(33,778)
Total income tax expense	$(63,172)	$29,497	$13,193

Accumulated deferred income tax assets at December 31:	1989	1988	1987
Plant disallowances	$123,087	$ 69,565	$ 57,474
SFAS No. 96 adjustments	33,139	57,643	64,655
Plant abandonment	4,003	5,615	7,453
Deferred fossil fuel costs	4,520	4,312	4,292
Pension costs	4,660	3,619	2,954
Gain on sale of utility plant	1,037	1,117	1,117
Other	6,375	3,900	3,697
	$176,821	$145,771	$141,642
Accumulated deferred income tax liabilities at December 31:			
SFAS No. 96 adjustments	$395,056	$441,904	$385,187
Accelerated depreciation	31,951	26,981	21,886
Cancelled Seabrook Unit 2	21,742	25,537	31,722
Unamortized bond redemption costs	15,427	23,240	26,546
Construction overheads	10,417	12,424	11,462
Alternative minimum tax carryforward	—	(3,757)	(10,670)
	$474,593	$526,329	$466,133
Accumulated deferred investment tax credits	$ 21,773	$ 52,125	$ 54,954

As a result of the adoption of SFAS No. 96 and the restatement of the financial results of prior periods to reflect such adoption, the Company has adjusted its deferred tax asset and liability balances as indicated in the table above. In accordance with SFAS No. 96, the Company has also recorded Unfunded Deferred Income Tax regulatory assets and liabilities as shown in the Consolidated Balance Sheet.

The amounts reported for federal income tax expense for the years 1989, 1988 and 1987 differed from the amounts computed by applying the federal income tax statutory rates to book income before federal income taxes. The reasons for such differences are as follows:

	1989	1988	1987
Net income	$[illegible]	$78,639	$ 8,649
Total income tax expense	[illegible]	29,497	13,193
Less state income tax expense	[illegible]	9,325	3,803
Federal income tax expense	(50,888)	20,172	9,390
Book income before federal income taxes	(124,238)	98,811	18,039
Federal income tax statutory rates	34%	34%	40%
Federal income tax at statutory rate	(42,240)	33,596	7,216
Effect on taxes of:			
Deferred investment tax credits recorded as income per Seabrook Settlement Agreement	(21,720)	—	—
Allowance for equity funds used during construction capitalized for book purposes, not taxable income	(13,249)	(16,526)	(21,973)
Amortization of deferred investment tax credits	(1,029)	(1,029)	(1,091)
Equity in earnings of subsidiary companies for book purposes, not taxable income	(506)	(560)	(759)
Tax depreciation less than book depreciation applicable to pre-1981 property additions	516	84	505
Amortization of allowance for funds used during construction applicable to cancelled nuclear projects	1,070	1,070	1,259
Application of SFAS No. 90:			
Book/tax basis differentials	32,304	6,318	23,552
Investment tax credits	(7,504)	(1,800)	(4,353)
Additional book depreciation applicable to Millstone Unit 3	3,447	—	4,995
Other items — net	(1,878)	(981)	39
Federal income tax expense	$(50,888)	$20,172	$ 9,390
Effective federal income tax rates	40.9%	20.4%	52.1%

The Tax Reform Act of 1986 provides for a more comprehensive corporate alternative minimum tax (AMT) for years beginning after 1986. To the extent that the AMT exceeds the federal income tax computed at statutory rates, the excess must be paid in addition to the regular tax liability. For tax purposes, the excess paid in any year can be carried forward indefinitely and offset against any future year's regular tax liability in excess of that year's tentative AMT. In 1987, the Company paid additional taxes of $10,670 due to the AMT, which amount was carried forward for tax purposes and deferred on the Consolidated Statement of Income for book purposes. Since the Company's regular tax liability exceeded its tentative AMT liability by $6,913 in 1988, the Company's tax payments for that year were reduced accordingly and the AMT carryforward at December 31, 1988 was reduced to $3,757. During 1989, the Company's regular tax liability exceeded its tentative AMT liability by an amount greater than $3,757. As a result, there is no AMT being carried forward at December 31, 1989.

(E) Short-Term Credit Arrangements

On April 15, 1989, the Company reduced, from $160 million to $100 million, the borrowing limit of the revolving credit agreement that the Company has had with a group of banks since September 1984. This agreement was replaced by a new $100 million revolving credit agreement on December 21, 1989. The new agreement, which currently extends to October 30, 1990, affords the banks an opportunity to decline to lend funds if any one of several conditions is not satisfied at the date of a requested borrowing. These conditions include, among others, the absence of a determination by the banks that the Public Service Company of New Hampshire (PSNH) bankruptcy proceedings have increased the risk that the Company will not be able to perform its obligations under the agreement. As of December 31, 1989, $25 million of borrowings were outstanding under this agreement.

In September 1988, the Company entered into a revolving credit agreement with the same financial institution with which its has a sale and leaseback arrangement for nuclear fuel and a fossil fuel reserve and supply agreement. See Note (J), "Fuel Financing Obligations and Other Lease Obligations". This revolving credit agreement enables the Company to borrow up to a total $45 million, until August 31, 1990, for general corporate purposes and within an aggregate $165 million limit for all outstanding financing obligations to the financial institution. The aggregate limit is subject to being decreased to $135 million on March 16, 1990 unless Seabrook Unit 1 has, by that date, received a full-power operating license and made satisfactory progress towards achieving commercial operation. The financial institution may decline to lend funds under the revolving credit agreement if any one of several conditions is not satisfied at the time of a requested borrowing. As of December 31, 1989, $20 million of borrowings were outstanding under this agreement.

Information with respect to short-term borrowings is as follows:

	1989	1988	1987
Maximum aggregate principal amount of short-term borrowings outstanding at any month-end	$70,000	—	$60,000
Average aggregate short-term borrowings outstanding during the year*	26,008	—	27,848
Weighted average interest rate*	10.5%	—	7.5%
Principal amounts outstanding at year-end	$45,000	—	—
Annualized interest rate on principal amounts outstanding at year-end	10.4%	—	—

*Average short-term borrowings represent the sum of daily borrowings outstanding, weighted for the number of days outstanding and divided by the number of days in the period. The weighted average interest rate is determined by dividing interest expense by the amount of average borrowings. Commitment fees of $700, $830 and $800 paid during 1989, 1988 and 1987, respectively, are excluded from the calculation of the weighted average interest rate.

(F) Supplementary Information

The amount of maintenance, advertising costs, and the provisions for depreciation and amortization, other than set forth in the Consolidated Statement of Income, are not significant, and there are no royalties.

Taxes, other than income taxes charged to costs and expenses, are set forth below:

	1989	1988	1987
State gross earnings	$24,508	$23,950	$22,999
Local real estate and personal property	15,706	20,226	16,199
Other, principally payroll	4,830	6,123	4,024
	$45,044	$50,299	$43,222
Charged to:			
Tax expense	$44,800	$45,643	$40,191
Other accounts	244	4,656	3,031
	$45,044	$50,299	$43,222

(G) Pension Plan and Retirement Benefits

The Company's pension plan, which is based on final average pay, covers substantially all of its employees and its entire cost is borne by the Company. Net pension costs for 1987, 1988 and 1989 were $1,255, $1,443 and $1,892.

For funding purposes, the Company uses the Entry Age Normal Cost methodology. Due to the experience of the plan and the fund in recent years, no funding contribution has been required since 1985.

The plan's irrevocable trust fund consists principally of equity and fixed-income securities and real estate investments in approximately the following percentages:

Asset Category	Percentage of Total Fund
Equity Securities	60
Fixed-income Securities	30
Real Estate	10

The components of net pension costs were as follows:

	1989	1988
Service cost of benefits earned during the period	$ 3,544	$ 2,7[illegible]
Interest cost on projected benefit obligation	9,482	8,647
Actual return on plan assets	(18,445)	(19,545)
Net amortization and deferral	7,311	9,546
Net pension cost	$ 1,892	$ 1,443

Assumptions used to determine pension costs were:		
Discount rate	7.75%	8.25%
Average wage increase	6.00%	6.00%
Expected long-term rate of plan assets	8.00%	8.00%
The funded status and amounts recognized in the balance sheet at December 31 were as follows:		
Actuarial present value of benefit obligations:		
Vested benefit obligation	$83,375	$70,272
Accumulated benefit obligation	$85,425	$78,555
Reconciliation of Accrued Pension Liability:		
Projected benefit obligation	$137,432	$123,540
Less: Plan assets (fair value)	142,053	128,540
Projected benefit obligation less than plan assets	(5,221)	(5,000)
Unrecognized prior service cost	(4,942)	(61)
Unrecognized gain (loss) from past experience	1,940	(6,357)
Unrecognized net asset (obligation) at date of initial application	17,309	18,612
Accrued pension liability at December 31	$ 9,086	$ 7,194

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for retired employees. Substantially all of the Company's employees become eligible for these benefits when they reach retirement age while working for the Company. These and similar benefits for active employees are provided through insurance companies and Health Maintenance Organizations whose premiums and membership fees are based on the benefits provided and the claims experienced during the immediately preceding rating year. The Company recognizes the cost of providing these benefits to retired and active employees on a pay-as-you-go basis by expensing the annual insurance premiums, which were $5,282, $5,117 and $6,487 for the years 1987, 1988 and 1989, respectively. At December 31, 1989, the Company was providing these benefits for 1,623 active employees and approximately 548 retirees or their beneficiaries. The cost of providing these benefits for retirees is not now readily separable from the cost of providing benefits for active employees.

The FASB is currently deliberating proposed changes in the accounting for post-retirement benefits other than pensions. If these proposed changes are approved, commencing in 1992, the Company would be required to accrue such post-retirement benefits over a period starting with an employee's employment date until the date that the employee becomes eligible for retirement. At this time, the Company is unable to predict the outcome of these deliberations, but it is expected that the Company would be required to recognize substantial additional annual expense if the proposals were to be accepted.

(H) Jointly Owned Plant

The Company's 93.7% ownership share of the New Haven Harbor Station generating unit represented $129 million of utility plant in service and $45 million of accumulated provision for depreciation at December 31, 1989. The Company's 3.685% ownership share of the Millstone Unit 3 nuclear generating unit represented $133 million in plant in service and $36 million in accumulated provision for depreciation at December 31, 1989. The accumulated provision for depreciation for Millstone Unit 3 includes one-time increases of $12.5 million and $10.2 million recorded in 1987 and 1989, respectively, as provided in DPUC-approved stipulated earnings agreements in 1987 and a 1989 DPUC order. The Company's share of the operating costs is included in the appropriate expense captions in the Consolidated Statement of Income.

The Company also has a 17.5% ownership share in Seabrook Unit 1, a nuclear generating unit not yet in service. See Note (K), "Commitments and Contingencies".

(I) Unamortized Cancelled Nuclear Project

Since the Company has not been allowed a return on the Seabrook Unit 2 investment that it is recovering through rates, it recorded, in the first quarter of 1988, a non-cash write-off of approximately $10 million, net of related income tax effects, by restating the financial results for the years 1984 through 1987.

In August 1989, the Company recorded an additional non-cash write-off of approximately $2.6 million, net of related income tax effects, to recognize the probable disallowance of an allowed return on additional costs associated with Seabrook Unit 2 for which recovery has not yet been approved. See Note (B) "Accounting for Abandonments and Disallowances of Plant Costs and Phase-In Plans".

(J) Fuel Financing Obligations and Other Lease Obligations

The Company has a fuel reserve and supply agreement with a financial institution providing for the financing of up to $165 million in fossil fuel purchases, less the amount of the Company's outstanding obligations to the same financial institution for other corporate purposes. The dollar limit in the agreement, which was extended to December 31, 1990 in December of 1989, is subject to a reduction to $135 million on March 16, 1990 unless certain conditions are met. See Note (E), "Short-Term Credit Arrangements." At December 31, 1989, approximately $18 million of oil and $10 million of coal were being financed under this agreement.

The Company also has sale and leaseback arrangements with the same financial institution providing for nuclear fuel financing up to $70 million for Seabrook Unit 1 and up to $10 million for Millstone Unit 3. Under these arrangements, the Company is paying rent for the Millstone Unit 3 fuel based on the direct costs to the lessor of the fuel, plus the lessor's financing costs. At December 31, 1989, approximately $74 million of nuclear fuel was being financed under this agreement.

In addition to the nuclear fuel leases described above, the Company has entered into other leases (some of which are capital leases), including arrangements for the use of data processing and office equipment, vehicles, office space and oil tanks. The gross amount of assets recorded under capital leases and the related obligations of those leases as of December 31, 1989 are recorded on the balance sheet.

Future minimum lease payments under capital leases are estimated to be as follows:

Next five years:	
1990	$ 6,897
1991	6,405
1992	5,510
1993	5,416
1994	5,685
After 1994	72,773
Total minimum capital lease payments	102,686
Less: Amount representing interest	66,843
Present value of minimum capital lease payments	35,843
Present value of future nuclear fuel lease payments	74,003
Total lease obligations	$109,846

Capitalization of leases has no impact on income since the sum of the amortization of a leased asset and the interest on the lease obligation equals the rental expense allowed for rate-making purposes.

Rental payments charged to operating expenses in 1987, 1988 and 1989 amounted to $10,838, $12,821 and $13,780, respectively.

Operating leases, which account for the largest part of rental and lease payments charged to operating expense, consist of a large number of small, relatively short-term, renewable agreements for a wide variety of equipment.

(K) Commitments and Contingencies

The Company has entered into substantial commitments in connection with its continuing construction program, which is presently estimated at approximately $350 million, including AFUDC and excluding nuclear fuel costs, for 1990 through 1994. While this program was dominated by costs related to the construction of Seabrook Unit 1 prior to 1990, the above estimate includes only costs related to new construction commencing after January 1, 1990 for this unit. Since the Seabrook Settlement Agreement and the January 24, 1990 rate decision of the DPUC described at Note (C), "Rate-Related Regulatory Proceedings", provides for phasing-in the Company's $640 million investment in the unit and recovery of all on-going costs, the Company's primary concern is the achievement of commercial operation status. Although Seabrook Unit 1 has successfully completed low-power testing, its full-power operation is the subject of continuing Nuclear Regulatory Commission (NRC) proceedings and commercial operation can not be predicted. However, due primarily to delays in resolving emergency response plan issues, the unit is not likely to achieve commercial operation before the second quarter of 1990. See "Licensing Proceedings".

Seabrook Unit 1

The economic viability of Seabrook Unit 1 was seriously jeopardized in the Spring of 1984 by substantial increases in cost estimates and by the attendant financial problems of Public Service Company of New Hampshire (PSNH), which holds the largest ownership share (35.6%) in the Seabrook project. Since that time substantial progress has been made, due in part to the greater participation of other joint owners, including the Company. Construction of the unit has been completed, lengthy and costly proceedings to resolve controversies over licensing requirements and interventions and appeals by opponents of nuclear power have been successfully concluded, and low-power testing has been performed. While the risk of cancellation of the unit has been reduced by this record of progress, both the occurrence and timing of commercial operation of the unit continue to be dependent on accomplishment of remaining steps that are largely beyond the Company's control. The most difficult step is obtaining NRC approval of an off-site emergency response and evacuation plan for six communities in Massachusetts, which is being challenged by intervenors, including Massachusetts public officials. NRC licensing proceedings in this matter are in progress and are expected to conclude during the first quarter of 1990. See "Financing Concerns" and "Licensing Proceedings". However, there is no assurance that Seabrook Unit 1 will be placed in service; and if the unit were cancelled or abandoned, UI's financial viability and business operations could be jeopardized. See "Financial Consequences if Seabrook Unit 1 were Cancelled".

Financing Concerns

PSNH experienced increasing financial stress beginning in May 1987. On January 26, 1988, the Supreme Court of New Hampshire upheld the constitutionality of a New Hampshire statute that prohibits the inclusion of construction work in progress (CWIP) in a utility's rate base, thereby effectively precluding PSNH from obtaining a 15% emergency rate increase, which PSNH had stated was integral to a financial restructuring plan it had proposed in an effort to avoid proceedings under the Bankruptcy Code.

On January 28, 1988, PSNH commenced a proceeding under Chapter 11 of the Bankruptcy Code. Under this statute, PSNH is continuing its operations while seeking a financial reorganization. Several competing reorganization plans for PSNH have been filed with the bankruptcy court, including plans submitted by UI, PSNH and Northeast Utilities (NU). As revised through November 20, 1989, the UI plan provided for the payment of all of PSNH's debts and for merger transactions in which UI and PSNH would become wholly-owned subsidiaries of a public utility holding company owned by the existing creditors and shareholders of PSNH and UI's shareholders. Sufficient cash for the implementation of this plan would be obtained through a $1.6 billion sale-and-leaseback financing of PSNH's ownership interest in Seabrook Unit 1, and PSNH would also issue approximately $700 million of new stock and new debt securities to existing creditors and shareholders of PSNH in exchange for their existing claims and equity interests. As revised through November 20, 1989, the plan proposed by PSNH would involve an internally-recapitalized PSNH, which would retain all of its existing assets and distribute to existing creditors and shareholders of PSNH cash, new PSNH stock and new PSNH debt securities in exchange for their existing claims and equity interests. NU and the official committees of unsecured creditors and equity security holders in the bankruptcy proceeding have jointly proposed a plan pursuant to which PSNH would become a subsidiary of NU, PSNH's interest in the Seabrook plant would be transferred to a new subsidiary of NU, and the Seabrook subsidiary would contract to sell Seabrook power to PSNH. Under this plan, existing creditors and shareholders of PSNH would receive cash, new PSNH stock, new PSNH contingent debt securities and warrants to purchase NU stock. On November 20, 1989, UI announced that it expected to withdraw its reorganization plan for PSNH when the NU reorganization plan was properly documented and supported by an agreement with the State of New Hampshire relative to future electric rates for PSNH. Thereafter, NU filed with the bankruptcy court a revised joint plan of reorganization and an agreement with the State of New Hampshire relative to future electric rates for PSNH. Although the NU reorganization plan for PSNH, by reason of its joint sponsorship with the two official committees in the bankruptcy proceeding, is expected to be confirmed by the bankruptcy court, UI is unable to predict that the NU plan will be the plan confirmed. In the confirmation and implementation process, a plan is subject to obtaining approvals from affected shareholders, creditors and regulatory agencies, as well as the bankruptcy court. UI continues to expect that it will withdraw its reorganization plan for PSNH when NU's plan has been approved.

On June 1, 1988, Massachusetts Municipal Wholesale Electric Company (MMWEC), which holds an 11.59% ownership share of the Seabrook project, adopted a plan of action to withdraw from the project, including cessation of payment of its share, approximately $2 million, of total monthly project costs. Subsequent to that date, the shortfall in monthly payments was met by a combination of MMWEC's prepayments, payments by NU in return for wholesale power sales to other participants in the project, including the Company, and withdrawals from project cash balances and advances by other participants in anticipation of the implementation of a November 4, 1988 agreement between PSNH and MMWEC under which MMWEC continues to participate in the project. The agreement includes a provision pursuant to which PSNH advanced funds to reimburse the project cash balance withdrawals and advances by other participants, and has paid and will pay MMWEC's share of monthly project costs until commercial operation or cancellation of Seabrook Unit 1, in an aggregate amount not exceeding $30 million. This agreement received bankruptcy court approval, and it became effective on August 1, 1989. The financing arrangements for the agreement required that the present and former Seabrook participants exchange mutual releases of claims arising out of the construction of the project.

A Vermont participant in the Seabrook project, Vermont Electric Generation and Transmission Cooperative, Inc. (Vt Coop), which holds a 0.4% ownership share, has failed to make construction funding payments due since January 1986. However, the deficiency in project construction funding on account of Vt Coop's delinquencies has been and is being made up by advance payments by the Company and some of the other participants or their affiliates. The Company's share of advance payments on account of these delinquencies amounted to approximately $995,000 at December 31, 1989.

On December 21, 1988, the NRC decided all of the financial qualification issues that had been admitted for consideration in connection with low-power testing of Seabrook Unit 1, including the bankruptcy of PSNH, the effect of New Hampshire's anti-CWIP statute, and the cessation of, or arrears in, project payments by MMWEC and Vt Coop. The NRC concluded that no significant low-power testing safety problem was presented by these financial qualification concerns. After several minor on-site emergency planning issues were resolved and the joint owners had provided for a sum of $72.1 million to be available for decommissioning Seabrook Unit 1 in the event that low-power testing was conducted but commercial operation never achieved, low power testing was conducted in May and June of 1989. On October 19, 1989, the NRC denied a petition by intervenors in the pending full-power licensing proceeding for Seabrook Unit 1 to consider the financial qualification of PSNH to operate the unit safely. However, a court challenge to this decision of the NRC is pending.

Although it now appears likely that PSNH will be successfully reorganized under the Bankruptcy Code and that its bankruptcy proceedings will not materially adversely affect the NRC's full-power operating licensing proceeding for Seabrook Unit 1, the outcome of bankruptcy proceedings is unpredictable and the Company is unable to predict what impact, if any, that these proceedings will have on the NRC licensing proceeding or on the Company's financial condition.

Licensing Proceedings

Nuclear generating units are subject to the licensing requirements of the NRC under the Atomic Energy Act of 1954, as amended, and a variety of other state and federal requirements. It has been the experience of the electric utility industry that the construction and initial operation of these units are subject to increasingly stringent licensing requirements that, with other factors, have tended to increase the costs of and delay completion dates for the units, in some instances precipitating cancellations of projects after the expenditure of large amounts of money.

The licensing of Seabrook Unit 1 has been plagued by lengthy delays and has been repeatedly opposed by a number of intervening groups who have participated actively in administrative proceedings, filed numerous lawsuits and demonstrated at the construction site. On October 17, 1986, the NRC issued a full 40-year operating license for Seabrook Unit 1, permitting fuel loading. However, this license is subject to several conditions that must be satisfied to permit an orderly progression from fuel loading, which was completed on October 29, 1986, through low-power testing, which was conducted during May and June of 1989, and finally to full-power operation.

The principal remaining issues that have been identified to date and must be resolved prior to commercial operation relate to the development of satisfactory off-site emergency response and evacuation plans for the ten-mile emergency response and evacuation planning zone surrounding the plant. In this regard, the State of New Hampshire prepared and filed a plan for the seventeen New Hampshire communities within the ten-mile planning zone in 1985. The Atomic Safety and Licensing Board (ASLB) of the NRC held public hearings on the plan from October 1987 to June 1988, and the ASLB approved the plan on December 30, 1988, as described below, although an appeal is pending before the NRC and additional appeals to the courts are anticipated. However, the state government of Massachussets, which is responsible for the development of such a plan for Massachusetts, has not filed a plan for the six Massachusetts communities within the ten-mile planning zone and, in a statement issued September 20, 1986, Governor Michael Dukakis stated that he does not intend to do so because he does not believe it is possible to develop a plan that would adequately protect public health and safety if an accident were to occur.

On October 29, 1987, the NRC unanimously adopted a licensing rule change that allows full-power operation of a nuclear plant to begin where there is a lack of participation in the development and implementation of emergency response and evacuation planning by state or local governments. This rule change requires the plant's owners to demonstrate to the NRC's satisfaction that (1) the planning deficiency is wholly or substantially the result of the non-participation of state and/or local governments, (2) plans prepared by the owners provide reasonable assurance that public health and safety are not endangered by operation of the plant, and (3) the owners have made a sustained, good faith effort to secure and retain the participation of the pertinent state and/or local governmental authorities, including the furnishing to them of copies of the plans. The Commonwealth of Massachusetts, the State of New York and several private parties have challenged this rule change in court proceedings; and, although a federal appeals court in Boston has upheld the rule change and the Seabrook owners have attempted to demonstrate that the utility-sponsored emergency response plan that they have filed for Massachusetts satifies the requirements of the revised rule, there can be no assurance that the NRC's rule change will survive additional legal challenges or that the owners' plan will satisfy its requirements.

On April 8, 1987, the New Hampshire Yankee Division of PSNH (NHY) filed an emergency response and evacuation plan for the six Massachusetts communities within the ten-mile planning zone. On June 11, 1987, the NRC determined that this plan was inadequate; and on September 21, 1987, NHY filed a new utility-sponsored plan for the Massachusetts communities. On October 20, 1987, the staff of the NRC concluded that the new plan is a "bona fide utility plan" that compensates for the absence of participation by the governmental entities in Massachusetts. In a November 25, 1987 decision, the NRC agreed with this analysis of its staff.

On June 28 and 29, 1988, a full-scale, graded emergency preparedness exercise was conducted at Seabrook for both the Massachusetts and New Hampshire emergency response and evacuation plans. Preliminary reviews by the Federal Emergency Management Agency (FEMA) and NRC officials indicated that all participating organizations had demonstrated that they could adequately protect the public health and safety. On July 6, 1988, the NRC issued an inspection report on the exercise that confirmed its preliminary conclusions. A final report from FEMA on September 6, 1988 stated that it found no deficiencies in the plans.

On November 18, 1988, the President of the United States issued an Executive Order covering FEMA's assistance in emergency preparedness planning at commercial nuclear power plants. This order enables the federal government to participate in such planning and to delegate federal authority to a utility or other entity to carry out an emergency response and evacuation plan.

On December 14, 1988, FEMA issued the results of its integrated review and evaluation of all off-site emergency response and evacuation plans for Seabrook Station. FEMA determined that the plan for the State of Maine was adequate to protect public health and safety, and that the New Hampshire plan would also meet FEMA approval after proposed enhancements to the alert and notification systems are complete. FEMA further determined that the utility-sponsored plan for the Massachusetts communities would also provide for adequate protection of public health and safety when a vehicular alert and notification system for that area is operational. On December 30, 1988, the ASLB issued a Partial Initial Decision on the New Hampshire portion of the Seabrook Station Emergency Response Plan. In this decision, the ASLB found reasonable assurance that adequate protective measures can and will be taken within the New Hampshire portion of the ten-mile emergency planning zone in the event of a radiological emergency at Seabrook, subject to the satisfaction of several specified conditions, which have since been satisfactorily resolved. However, several intervenors, including the Commonwealth of Massachusetts, appealed to the Atomic Safety and Licensing Appeal Board (ASLAB) from the ASLB's decision and, on November 7, 1989, the ASLAB remanded four issues to the ASLB for further consideration and the correction of deficiencies. On November 16, 1989, the NRC decided that these issues should be resolved by it, rather than the ASLB, in conjunction with the proceeding described in the following sentences. The ASLB's public hearings on the utility-sponsored plan for the Massachusetts communities began on March 21, 1989 and were completed on June 30, 1989. Public hearings on the June 28 and 29, 1988 graded emergency preparedness exercise were conducted concurrently. On November 9, 1989, the ASLB issued a Partial Initial Decision in which it found that the June 1989 graded emergency exercise was adequate in scope and revealed no fundamental flaw in either the New Hampshire or the Massachusetts emergency response and evacuation plan, that the Massachusetts plan is adequate and implementable, and that a full-power license should be issued for Seabrook Unit 1. Although intervenors commenced appeals to the ASLAB from this decision of the ASLB, as stated above, the NRC decided on November 16, 1989 that it, rather than the ASLAB, would consider all appeals from the ASLB's November 9, 1989 decision. A final decision by the NRC is expected during the first quarter of 1990; but appeals to the courts by intervenors, including the Commonwealth of Massachusetts, are anticipated.

Regulatory proceedings with respect to the transfer of responsibility for management of construction and for operation of Seabrook Unit 1 to New Hampshire Yankee Electric Corporation, an entity that has been created by the Seabrook joint owners for these express purposes, are pending before the Massachusetts Department of Public Utilities. Approval of this transfer by the NRC and the PSNH bankruptcy court will also be required. On September 2, 1988, the bankruptcy court refused to approve the transfer, finding that evidence submitted was insufficient to justify approval at that time. The joint owners will continue to seek the required regulatory approvals, but the Company cannot predict when or if the approvals will be obtained. The latest reorganization plan filed by NU in PSNH's bankruptcy proceeding (see "Financing Concerns") proposes the transfer of responsibility for management and operation of Seabrook Unit 1 to a new subsidiary of NU.

Financial Consequences if Seabrook Unit 1 were Cancelled

The outcome of the proceedings described at "Financing Concerns" and "Licensing Proceedings" is of particular significance in assessing the risk that Seabrook Unit 1 will not be placed in commercial operation despite the several favorable developments noted above. The Company is unable to predict either the outcome of these proceedings or the nature or scope of any action that might be taken by the other Seabrook participants if the outcome is unfavorable.

If Seabrook Unit 1 were cancelled, it would have a material adverse impact on the Company's financial condition and its ability to meet the long-term needs of its customers, and the Company's financial viability and business operations could be jeopardized. The provisions of the Seabrook Settlement Agreement, described at Note (C), "Rate-Related Regulatory Proceedings," that cover rate base treatment and rate increases associated with Seabrook Unit 1 would require the parties to attempt to renegotiate this agreement and, in the event new terms could not be negotiated, would leave the issues for DPUC decision. At December 31, 1989, the Company's investment in Seabrook Unit 1, after giving effect to SFAS No. 90 write-offs described at Note (B), "Accounting for Abandonments and Disallowances of Plant Costs and Phase-in Plans", amounted to $640 million, including a non-cash allowance for funds used during construction (AFUDC) but excluding approximately $78 million of nuclear fuel. This investment exceeds the net book value of the Company's utility plant in service. Although the Company would seek approval to amortize its investment over an appropriate period of time and to recover the investment through rates, there would be no assurance as to whether or to what extent the DPUC would grant such recovery. Consequently, although the Company is unable to predict the outcome of renegotiation of the Seabrook Settlement Agreement and regulatory proceedings in which these matters would be determined if Seabrook Unit 1 were cancelled, adverse decisions in these proceedings could jeopardize the Company's financial viability and business operations. However, the Seabrook Settlement Agreement provides that the Company will be entitled to retain revenues, including CWIP revenues, to which it has become entitled prior to December 31, 1990, whether or not Seabrook Unit 1 is cancelled.

Cancellation of Seabrook Unit 1 would remove all of the Company's investment in the unit from the calculation of the limit on the aggregate amount of the Company's unsubordinated short-term and long-term borrowings prescribed by the Trust Indenture under which all of the Company's Debentures are issued. The Company's borrowing limit would be reduced thereby to a level substantially below its outstanding borrowings, precluding further unsubordinated borrowings by the Company and obligating it to reduce its outstanding borrowings to the new lower borrowing limit prior to May 1 of the succeeding year. In such an event, in order to preserve its financial viability and business operations, the Company would be compelled to attempt to sell securities that are junior to the Company's Debentures and to seek a waiver of the Trust Indenture borrowing limit from the holders of all outstanding series of its Debentures issued prior to July 1, 1987. Approval of the holders of two-thirds of the principal amount of all such Debentures would be required to obtain such a waiver. The Company is unable to predict whether it would be successful in either of these endeavors.

Nuclear Insurance Contingencies

The Price-Anderson Act, currently extended through August 1, 2002, limits public liability from a single incident at a nuclear power plant. The first $160 million of this liability would be provided by purchasing the maximum amount of commercially available insurance. Additional liability would be provided by an assessment of $63 million per incident, levied on each of the nuclear units licensed to operate 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% of $63 million or $3.2 million. The maximum assessment is adjusted at least every five years to reflect the impact of inflation. Based on its ownership interest in nuclear units, including Seabrook Unit 1, the Company estimates its maximum liability would be $20.3 million per incident. However, assessments would be limited to $3.1 million per incident, per year.

With respect to each of the operating nuclear generating units in which the Company has an interest, the Company will be obligated to pay its ownership share of any statutory assessment resulting from a nuclear incident at any nuclear generating unit.

The NRC requires nuclear generating units to obtain property insurance coverage in a minimum amount of $1.06 billion and to establish a system of prioritized use of the insurance proceeds in the event of a nuclear incident. The system requires that the first $1.06 billion of insurance proceeds be placed in a trust beyond the reach of creditors of the unit's owners and used to stabilize the nuclear reactor to prevent any significant risk to public health and safety and then for decontamination and cleanup operations. Only following completion of these tasks would the balance, if any, of the segregated insurance proceeds become available to the unit's owners.

For each of the nuclear generating units in which the Company has an ownership interest, the Company is required to pay its ownership share of the cost of purchasing such insurance.

Other Commitments and Contingencies

An additional financial problem that will arise if and when Seabrook Unit 1 achieves commercial operation concerns the Company's ability to incur indebtedness under the earnings coverage provisions of the Trust Indenture under which the Company has issued all of its long-term Debentures. The absence of a return on the disallowed portion of the Company's Seabrook Unit 1 investment and the increased depreciation charges against income related to

Seabrook Unit 1 can be expected to cause the Company's earnings for the next several years to fall below the interest coverage level specified in the Trust Indenture as a prerequisite to any increase in short-term or long-term indebtedness (except for $2 million of short-term borrowings incurred for operating expense purposes, and except for borrowings which are expressly subordinated to the Company's Debentures and are limited to an aggregate amount not exceeding 10% of the Company's debt limit under the Trust Indenture — 62½% of the cost of the Company's properties less depreciation thereon (the Company's debt limit under the Trust Indenture was $1.024 billion at December 31, 1989)). The Company estimates that its aggregate capital requirements will exceed cash provided by operations by $295 million during this period. The Company expects to meet these requirements by a combination of pre-financing, subordinated borrowings and financings that are not subject to the Trust Indenture's restrictions. However, there is currently no assurance that this expectation will be met.

The Company has a 9.5% common stock ownership share in Connecticut Yankee Atomic Power Company (Connecticut Yankee), which owns and operates a nuclear electric generating station in Haddam Neck, Connecticut. Connecticut Yankee has been engaged in a construction program that is essential to maintain its station as a dependable source of low-cost electric power in New England. As a condition of the debt financing arrangements for this construction program, the lenders from time to time have required guarantees from the shareowners of Connecticut Yankee. In this regard, the Company is obligated to furnish 9.5% of Connecticut Yankee's capital requirements within specified limits. Currently, the Company's liability for its share of Connecticut Yankee's long-term debt issues amounts to approximately $2.2 million. During a scheduled refueling and maintenance outage that began on September 2, 1989, Connecticut Yankee management completed an assessment of fuel damage and presently estimates that the total cost of fuel repairs, including the cost of eight new fuel assemblies, will be approximately $8 million. During the outage, Connecticut Yankee's thermal shield is being removed at an estimated cost of $25 million. The Company may be required to furnish additional guarantees to finance its portion of costs incurred during this outage. Connecticut Yankee's management presently estimates that the Connecticut Yankee unit will not be returned to service until April 1990, five months later than the originally scheduled date.

The Company claimed abandonment losses for tax purposes with respect to Seabrook Unit 2 of approximately $72.7 million in 1984 and $10.2 million in 1986. During 1988, the Internal Revenue Service (IRS) commenced an examination of the Seabrook project expenditures on Seabrook Unit 2 that were claimed as abandonment losses by several of the joint owners of the project, including the Company, in the years 1984 and/or 1985. On March 20, 1989, the IRS case manager issued a notice of proposed adjustment setting forth the IRS position that there was no abandonment of Seabrook Unit 2 in the years under audit. It is also the IRS position that, in the event new facts and circumstances beyond the examination level reveal that an abandonment loss did occur in 1984 and/or 1985, the claimed losses must be reduced by the salvage value of Seabrook Unit 2 assets. In a letter dated July 17, 1989, the IRS District Director notified the Company of proposed tax assessments for the years 1981, 1984, and 1985 arising from a disallowance of the abandonment loss deduction claimed by the Company in 1984. The Company responded to this notice, disagreeing with the proposed assessments and requesting a conference with the IRS appellate division. If this matter is not resolved at the appellate division level, the Company will contest the proposed assessments vigorously in Tax Court proceedings.

The Company is a party to a ten-year contract for the purchase of seven billion kilowatt-hours per year of firm energy from Hydro-Quebec by the New England participants in Phase II of a transmission intertie project linking New England and Quebec, Canada. The Company has a 5.45% share in this phase of the project, which participation was authorized by the Connecticut DPUC in April 1987. The Phase II agreements provide for expansion of the capacity of this transmission intertie from 690 megawatts to 2,000 megawatts in the early 1990's.

On May 2, 1989, a pumping error at the Company's Bridgeport Harbor Station caused an overflow of approximately 800,000 gallons of fuel oil into the diked containment area surrounding the station's oil storage tanks. Approximately 90% of the spilled oil was reclaimed and the remainder was consolidated with approximately 1,200 cubic yards of contaminated soil and removed to a location approved for disposal by the Connecticut Department of Environmental Protection. The estimated cost of this accident is not expected to exceed $700,000, of which approximately $655,000 was charged against current income as of December 31, 1989.

In complying with existing environmental statutes and regulations and further developments in these and other areas of environmental concern, including legislation that is receiving serious consideration at federal and state levels in the fields of water and air quality (particularly "acid rain", "air toxics", "ozone non-attainment", and "global warming"), hazardous waste handling and disposal and toxic substances, the Company may incur substantial capital expenditures for equipment modifications and additions, monitoring equipment and recording devices, and it may incur additional operating expenses. The total amount of these expenditures is not now determinable.

(L) Nuclear Fuel Disposal and Nuclear Plant Decommissioning

Under the Nuclear Waste Policy Act of 1982, the federal government is responsible for the disposal of spent nuclear fuel. The Department of Energy (DOE) has established disposal fees which are payable to the federal government on the basis of net generation by electric utilities owning or operating nuclear generating units. UI recovers such fees as a part of nuclear fuel expense charged to customers through electric service rates.

The Company is also recovering through electric service rates its share of the estimated decommissioning costs for Seabrook Unit 1 and Millstone Unit 3. In January 1989, the New Hampshire Nuclear Decommissioning Financing Committee established the cost of decommissioning Seabrook Unit 1 upon its retirement at $242.4 million (in 1987 dollars). This amount is to be increased each year after 1987 by a 4% annual inflation factor until Seabrook Unit 1 begins commercial operation. Upon operation of Seabrook Unit 1, the Company will be required to make monthly payments of its share of the estimated decommissioning costs into a state-managed trust fund. The DPUC has established a decommissioning estimate of $194 million for Millstone Unit 3 (in 1987 dollars), and the Company is currently funding its share of such estimated decommissioning costs monthly. Although such amounts will be reviewed and revised from time to time during the life of the units, there is no guarantee that such funding will be sufficient to cover actual decommissioning costs upon retirement.

(M) Quarterly Financial Data (Unaudited)

Selected quarterly financial data for 1989 and 1988 are set forth below:

Quarter	Operating Revenues	Operating Income	Net Income (Loss)	Earnings (Loss) Per Share of Common Stock (1) (2)
1989				
First	$128,864	$32,228	$ 9,737	$ .50
Second	127,097	18,366	090	(.15)
Third	144,155	26,914	(90,773)	(6.04)
Fourth	130,465	16,281	6,996	.42(3)
1988				
First	$126,712	$27,605	$32,478	$2.13
Second	120,465	25,476	24,911	1.59
Third	144,638	34,317	(2,342)	(.37)
Fourth	127,123	26,497	23,592	1.50

(1) Based on weighted average number of shares outstanding each quarter.

(2) Earnings for 1989 and 1988 include the net effects of SFAS No. 90 write-offs and accretion transactions in the following amounts for the first through fourth quarters, respectively:

1989: $(1.12) $(1.20) $(8.77) $.13
1988: $ .05 $ .05 $(2.51) $.04

(3) Earnings for the fourth quarter of 1989 include one-time expenses associated with replacing defective siding at a generating station, costs in connection with the effort to affiliate with PSNH through its bankruptcy reorganization proceedings and storm costs. Also included are costs associated with an extended maintenance outage of the Connecticut Yankee power plant and substantially lower AFUDC due to SFAS No. 90 write-offs in 1989. The aggregate reduction due to these factors was approximately $.85 per share.

Market for the Company's Common Equity and Related Stockholder Matters.

UI's Common Stock is traded on the New York Stock Exchange, where the high and low sale prices during 1989 and 1988 were as follows:

	1989 Sale Price		1988 Sale Price	
	High	Low	High	Low
First Quarter	25 1/4	24 1/4	27 1/4	19 3/4
Second Quarter	27 1/4	26 3/8	23	19 1/8
Third Quarter	29 3/8	28 3/8	24 1/4	21 3/4
Fourth Quarter	34 1/4	30	27 1/2	23 1/4

UI has paid quarterly dividends on its Common Stock since 1900. The quarterly dividends declared in 1988 and 1989 were at a rate of 58 cents per share.

The Trust Indenture under which all of the Company's Debentures are issued places limitations on the payment of cash dividends on the Common Stock of the Company and on the amounts that can be expended to purchase or redeem shares of Common Stock. However, all the Company's retained earnings at December 31, 1989 were free of such limitations.

As of January 31, 1990, there were 24,728 Common Stock shareowners of record.

To The Shareowners and Directors of
The United Illuminating Company:

We have audited the accompanying consolidated balance sheets of The United Illuminating Company as of December 31, 1989, 1988 and 1987, and related consolidated statements of income, retained earnings and cash flows for the years then ended. 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 consolidated financial position of The United Illuminating Company as of December 31, 1989, 1988 and 1987, and the consolidated results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

The Company is a 17.5% participant in the Seabrook Unit 1 Nuclear Project (the Unit). As more fully described in Note (K) in the "Notes to Consolidated Financial Statements", there are uncertainties relating to those events necessary for the Unit to achieve commercial operations and, therefore, the ability of the Company to ultimately recover, in rates, their investment in the Unit. The outcome of these uncertainties could have a material effect on the financial position and results of operations of the Company, and it is uncertain whether such material effects would permit the realization of assets and liquidation of liabilities in the ordinary course of business operations.

Coopers & Lybrand

New York, New York
January 24, 1990

Shareowner Information

Counsel
Wiggin & Dana

Independent Accountants
Coopers & Lybrand

Transfer Agent,
Dividend Disbursing Agent
The United Illuminating Company
80 Temple Street
P.O. Box 1564
New Haven, Connecticut
06506-1564
Attention: Shareowner Services
Telephone (203) 787-7050

[illegible] Agent of Preferred Agent
Continental Stock Transfer & Trust
Company
[illegible] Reade Street
New York, New York 10007
Attention: Stock Transfer
Department
Telephone (212) [illegible]

Stock Listing
New York Stock Exchange
Common Stock
9.54% Preferred Stock, 1970 Series

Dividend Reinvestment Plan
Common Stock shareowners of record interested in obtaining information regarding the benefits of participating in UI's dividend reinvestment plan may write or call
Mary Ellen Matthies
Corporate Secretary
United Illuminating
P.O. Box 1564
New Haven, CT 06506
Telephone (203) 787-7500

Annual Meeting 1990
The Company's Annual Meeting will be held at the New Haven Lawn Club, 193 Whitney Avenue, New Haven, CT on Wednesday, May 23, 1990 beginning at 10:30 a.m.

Design: [illegible] Graphic Design
Photography: [illegible]

Shareowner Information

General Counsel
Wiggin & Dana

Independent Accountants
Coopers & Lybrand

Co-Transfer And Dividend Disbursing Agent
The United Illuminating Company
80 Temple Street
P.O. Box 1948
New Haven, Connecticut
06506-1948
Attention: Shareowner Services
Telephone: (203) 777-7090

Registrar And Co-Transfer Agent
Continental Stock Transfer & Trust Company
72 Reade Street
New York, New York 10007
Attention: Stock Transfer Department
Telephone: (212) 426-2740

Stock Listing
New York Stock Exchange
Common Stock
8.80% Preferred Stock, 1976 Series

Dividend Reinvestment Plan
Common Stock shareowners of record interested in obtaining information regarding the benefits of participating in UI's dividend reinvestment plan may write or call
Mary Ellen Matthey
Corporate Secretary
United Illuminating
P.O. Box 1564
New Haven, CT 06506
Telephone: (203) 787-7760

Annual Meeting Date
The Company's Annual Meeting will be held at the New Haven Lawn Club, 193 Whitney Avenue, New Haven, CT on Wednesday, May 23, 1990 beginning at 10:00 a.m.

UI United Illuminating

80 Temple Street
New Haven, Connecticut 06506