

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C.
20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended

Commission file number

December 31, 1978

1-6788

THE UNITED ILLUMINATING COMPANY
(Exact name of registrant as specified in its charter)

Connecticut
(State or other jurisdiction of
incorporation or organization)

06-0571640
(I.R.S. Employer
Identification No.)

80 Temple Street, New Haven, Connecticut
(Address of principal executive offices)

06506
(Zip Code)

Registrant's telephone number, including
Area Code: 203-777-7981

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, no par value	New York Stock Exchange
8.80% Preferred Stock (\$25 par value per share)	New York Stock Exchange

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

Common Stock, no par value
(Title of class)

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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

The number of shares outstanding of the issuer's only class of common stock, as of the close of the period covered by this report, was 6,047,018.

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Item 1. Description of Business

The Registrant is an operating public utility corporation, incorporated by the Connecticut legislature in 1899, which is engaged in producing, purchasing, distributing and selling electricity for residential, commercial, industrial and governmental use by unaffiliated customers in a single geographic area, consisting of the contiguous cities and towns of Ansonia, Bridgeport, Derby, East Haven, Easton, Fairfield, Hamden, Milford, New Haven, North Haven, Orange, Shelton, Stratford, Trumbull, West Haven, Woodbridge, and a part of the town of North Branford, in the State of Connecticut. There are no other public utilities, public agencies or co-operatives selling electricity in this geographic area.

The aforesaid business is, and has been for at least the last five fiscal years, the only business of the Registrant. The amounts of the Registrant's revenues, operating profit and utility plant, for each of the last five fiscal years, all of which were attributable to the aforesaid business, appear on pages 12 and 13 of the accompanying 1978 Annual Report to shareowners, and are incorporated by reference in this Form 10-K annual report. The Registrant has no new product or business under development. During the fiscal years ended December 31, 1977 and 1978, the Registrant expended approximately \$856,000 and \$1,070,000, respectively, on company-sponsored research activities relating to the development of new methods of producing and distributing electricity and the improvement of existing methods of producing and distributing electricity. During these fiscal years, the Registrant conducted no customer-sponsored research or development activities.

The Registrant produces, purchases, distributes and sells electricity to its customers on a demand basis and, therefore, has never had a product inventory or a backlog of customer orders. Bills are rendered to customers on a monthly basis, and extended payment arrangements are entered into with only an insignificant number of customers. The demands of the Registrant's customers for electricity have historically been highest during the Summer and Winter months. The Registrant's business is not dependent upon a single customer or a few customers the loss of any one or more of whom would have a materially adverse effect on the Registrant. No single customer, or group of affiliated customers, purchases electricity from the Registrant in an amount which equals ten per cent or more of the Registrant's revenues. No portion of the Registrant's business is subject to renegotiation of profits at the election of any government, and governmental customers may terminate their contracts with the Registrant only by discontinuing their use of electricity, which the Registrant deems unlikely.

Subject to the power of alteration, amendment and repeal by the Connecticut legislature, and subject to certain approvals, permits and consents of public authorities and others prescribed by statutes, the Registrant holds franchises to engage in the aforesaid business, including, among other things, the right to erect and maintain certain facilities on public highways and grounds, the right to issue and sell securities without limit as to amount, and the power of eminent domain. These franchises, rights and powers, which are unlimited as to time, are essential to the Registrant's business.

As of February 28, 1979, the Registrant employed 1,418 persons, including the Executive Officers identified below in this Form 10-K annual report.

No raw materials are incorporated into the electricity produced by the Registrant. However, the Registrant burns residual oil at its generating stations (see Item 3 below) and thus, in common with other electric utilities on the Eastern seaboard, is heavily dependent on fuel oil supplies derived from foreign sources. These supplies are subject to interference by foreign governments and price increases such as those recently implemented by the Organization of Petroleum Exporting Countries and others. During 1978, the fuel oil requirements of the Registrant's generating stations totaled approximately 8,880,000 barrels. The Registrant owns storage tanks at its Bridgeport Harbor and New Haven Harbor generating stations which have capacities of approximately 680,000 and 650,000 barrels of fuel oil, respectively. Fuel oil requirements for these two generating stations, which constitute the bulk of the Registrant's total fuel oil needs, are covered by a contract with Texaco, Inc. (Texaco). Due to this requirements contract, which extends to March 31, 1983, Texaco owns and maintains an inventory of fuel oil in the Registrant's storage tanks and, consequently, the Registrant maintains no significant fuel inventory. Neither the Mideast oil embargo in 1973, nor other aspects of the national energy problems which have arisen since then, have necessitated any reduction in planned generation at the Registrant's generating stations. However, Texaco advised the Registrant on March 1, 1979 that recent events in Iran and other foreign countries had precipitated a world-wide shortage of the low-sulfur fuel oil which Connecticut's air pollution control regulations require the Registrant to burn, and that Texaco expected to be able to satisfy only about one half of the Registrant's requirements for such fuel oil during March and April of 1979. Consequently, Texaco and the Registrant have applied for and obtained permission from the Connecticut Commissioner of Environmental Protection to sell and burn, respectively, higher-sulfur fuel oil at the Registrant's two largest generating units for a 60-day temporary period. The Registrant has been advised by Texaco that it cannot predict what, if any, curtailments in its fuel oil

supply to the Registrant will be necessary in May or thereafter; and the ability of the Registrant to obtain all of its fuel oil requirements in ensuing months is uncertain. The Registrant's generating stations are operated as part of an overall New England system through the New England Power Pool (NEPOOL), and fuel oil shortages at the Registrant's generating stations or the generating stations of other NEPOOL participants could result in the implementation of a contingency procedure adopted by the participants in NEPOOL in 1973, whereby various energy conservation steps can be implemented by the utilities if and to the extent required to meet energy shortages.

The price paid by the Registrant for the bulk of its fuel oil requirements increased from below \$5.00 per barrel just prior to the Mideast oil embargo in 1973 to \$18.24 per barrel for low-sulfur oil, and \$15.22 per barrel for higher-sulfur oil, as of March 22, 1979. These fuel oil price increases have been largely responsible for the increase in operating expenses incurred by the Registrant since the embargo. The Registrant is unable to predict what effect developments in Iran and other foreign countries, or the recent enactment of a national energy act in the United States, will have on its fuel oil costs, sales, revenues or net income.

The Registrant's interests in an operating generating unit (the Connecticut Yankee Unit) and in four future nuclear generating units (Seabrook Unit Nos. 1 and 2, Pilgrim Unit No. 2 and Millstone Unit No. 3) are described in Item 3 below. Generally the supply of fuel for nuclear generating units involves the mining and milling of uranium ore to uranium concentrates, the conversion of uranium concentrates to uranium hexafluoride, enrichment of that gas and fabrication of the enriched hexafluoride into usable fuel assemblies. After a region (approximately 1/5 to 1/3 of the nuclear fuel assemblies in the reactor at any time) of spent fuel is removed from a nuclear reactor, it is placed in temporary storage in a spent fuel pool at the nuclear station site for cooling and ultimately is expected to be transported to permanent storage sites or to plants for reprocessing into uranium hexafluoride and plutonium oxide for reuse as nuclear fuel. Uranium concentrates, uranium processing and nuclear core fabrication services for the initial fuel loading and reload fuel for nuclear units are sometimes purchased as a package from the reactor supplier. In other instances the uranium concentrates are purchased separately from processing and fabrication services. Based on information furnished by the utilities responsible for the construction and operation of the Connecticut Yankee Unit and the four future units in which the Registrant is participating, there are outstanding contracts to the extent indicated below for uranium purchases and conversion, enrichment and fabrication services for these units extending through the following years:

	<u>Uranium Concentrates</u>	<u>Conversion to Hexafluoride</u>	<u>Enrichment</u>	<u>Fabrication</u>
Connecticut Yankee Unit	1981	1985	1995	1984
Seabrook Unit No. 1	1982	1986	2008	1984
Seabrook Unit No. 2	1982	1986	2010	1986
Pilgrim Unit No. 2	(1)	1986	2010	1986
Millstone Unit No. 3 (2)	1981	1984	2010	1990

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- (1) Substantially all of the uranium concentrates for the initial core are covered. The unit is scheduled for 1985 operation.
- (2) The in-service date for Millstone Unit No. 3 has been delayed from 1982 to 1986. The dates given for uranium concentrates and for conversion to hexafluoride reflect delivery schedules specified in contracts for enrichment services with the federal Department of Energy (DOE) and are not dependent on the in-service date for this unit. The utilities constructing the unit have requested DOE to modify the enrichment contract schedules, and modification of these schedules may result in postponement of the dates given for uranium concentrates and conversion services. The uranium presently committed for this unit is for the initial core and will be supplied in part by Westinghouse Electric Corporation (Westinghouse) under a court order and in part by another supplier. Westinghouse originally contracted to supply the uranium for the first core and three refuelings, but in September 1975 it notified its uranium customers that it is taking the position that it is excused from the complete performance of its obligations on the ground of "commercial impracticability." The utilities constructing Millstone Unit No. 3, and other utilities, initiated lawsuits against Westinghouse seeking declaratory rulings that Westinghouse is not excused from the performance of its obligations, awards of damages and other relief. These actions were consolidated in the United States District Court for the Eastern District of Virginia, which ordered Westinghouse to deliver, at contract price, its existing uranium inventory, pending the outcome of the litigation. The court has ruled in favor of the utilities on the question of Westinghouse's liability. Absent settlement of these lawsuits, a further trial will be conducted on the issue of damages and remedies.

The Registrant expects that uranium concentrates and related services for periods not covered by existing contracts will be available, although such availability depends, among other factors, on suppliers of such materials and services developing additional capacity. There can be no assurance that such concentrates will in fact be available when needed. Costs for subsequent periods are likely to be substantially higher than those under existing contracts.

There are no commercial facilities presently available in the United States for the reprocessing of spent nuclear fuel, and President Carter's current policy includes indefinite deferral of commercial reprocessing of spent fuel and a suggestion that the federal government take title to such fuel and store it in a retrievable fashion while the question of ultimate disposal is being settled. In view of this, operating nuclear generating plants are required to make long-term arrangements for the storage of spent fuel. The Connecticut Yankee unit has adequate storage capacity on site until at least the mid 1990s, when government storage facilities are expected to become available. Contracts for reprocessing fuel used in the Connecticut Yankee unit during various periods from 1970 through 1975 were entered into with General Electric Company (GE). In September 1974, GE gave notice of termination of this contract and has claimed that its fuel reprocessing facility proved inoperable. Connecticut Yankee Atomic Power Company has taken the position that GE's termination of the contract is wrongful and has instituted suit against GE to recover damages. Nuclear fuel costs for the Connecticut Yankee unit include provision for spent fuel disposal costs and are being calculated on the assumption that spent fuel will not be reprocessed. It is anticipated that there will be substantial additional costs associated with the disposal of spent fuel from the four future units in which the Registrant is participating. However, such costs are not sufficiently known at this time to be recognized.

The National Environmental Policy Act requires that detailed statements of the environmental effect of the Registrant's facilities be prepared in connection with various federal permit and licensing proceedings. Federal agencies are required by the Act to make an independent environmental evaluation of facilities as part of their action during such proceedings.

The Federal Water Pollution Control Act (FWPCA) requires permits for discharges of effluents into navigable waters and requires that all discharges of pollutants comply with federally approved state water quality standards. The Connecticut Department of Environmental Protection (DEP) has adopted, and the federal government has approved, water quality standards for receiving waters. A joint federal and state permit system has been established to insure that applicable effluent limitations and water quality standards are met in connection with

the construction and operation of facilities which affect or discharge into state or interstate waters. The Registrant has obtained discharge permits for all of its generating stations (see Item 3 below). All of these permits require further studies and monitoring to determine whether the existing cooling water intake structures reflect the best available technology as defined by the federal Environmental Protection Agency (EPA) for the location, design, construction and capacity of such structures.

The EPA will review and, where appropriate, develop technology-based effluent standards for certain potentially toxic chemical pollutants discharged from electric generating facilities. If such standards are adopted, further chemical waste treatment facilities for the Registrant's generating stations may be required. The EPA's effluent limitation regulations which would require the eventual installation of closed, recirculating cooling water systems, such as cooling towers, on electric generating facilities do not appear to be applicable to any of the Registrant's existing generating units, except New Haven Harbor Station, or to the Connecticut Yankee unit. The discharge permit for New Haven Harbor Station, which will expire on June 30, 1982, is subject to revision in this respect. Because of the uncertainties with respect to toxic chemical pollutant standards and the possibility of required changes in the existing and planned cooling water systems at New Haven Harbor Station, the cost effect of the FWPCA on Registrant cannot be estimated; but additional modifications, in some cases extensive and involving substantial costs, may ultimately be required for one or more of the Registrant's generating facilities.

Under the federal Clean Air Act, the EPA has promulgated national primary and secondary air quality standards for certain air pollutants, including sulfur oxides, particulate matter and nitrogen oxides. The DEP has adopted regulations for the attainment, maintenance and enforcement of these standards. In order to comply with these regulations, the Registrant is required to burn fuel with a sulfur content not in excess of 0.5% (as to which see the discussion at pages 3 and 4 above). These regulations also include other air quality standards, emission performance standards and monitoring, testing and reporting requirements which are applicable to the Registrant's generating stations, and further restrict the construction of new sources of air pollution or the modification of existing sources by requiring that both construction and operating permits be obtained and that the new or modified source will not result in the violation of the EPA's regulations for the nondeterioration of existing air quality. Because of this latter requirement, future construction of fossil-fired generating units may be hindered or precluded in the territory served by the Registrant, depending upon pollutant levels over

which the Registrant has no control.

The cities of Bridgeport and New Haven have also adopted air quality and emission performance standards applicable to the Registrant's generating stations within their jurisdictions.

On July 14, 1978 and September 21, 1978, the Registrant received notices of violation from the DEP asserting that a 161,020 kilowatt generating unit and an 84,700 kilowatt generating unit at the Registrant's Bridgeport Harbor Station do not conform to the emission performance standards for nitrogen oxides set forth in the DEP's air pollution control regulations. The DEP has withheld enforcement action on these notices of violation pending a review of the nitrogen oxides performance standard for generating units of this type; and the DEP has recently proposed an amended standard with which both of the subject generating units would comply.

A Connecticut statute prohibits the commencement of construction or reconstruction of electric generation or transmission facilities without a certificate of environmental compatibility and public need from the Power Facility Evaluation Council (PFEC). The PFEC has pending a proceeding to weigh the various factors which bear on the feasibility and costs of the undergrounding of some or all overhead transmission and distribution lines in Connecticut. If all or a significant part of the transmission and distribution lines of the Registrant were required to be installed underground, substantial additional costs would have to be incurred by the Registrant with respect to proposed or existing lines. No significant action was taken in this proceeding in 1978; and it is not presently known when it will be concluded.

In complying with the foregoing environmental regulations and further developments in these and other areas of regulation, the Registrant expects to incur substantial capital expenditures for equipment modifications and additions, monitoring equipment and recording devices and to incur additional operating expenses. The total amount of these expenditures is not now determinable, but the Registrant estimates that its capital expenditures for environmental control facilities for 1979 and 1980, excluding expenditures for such facilities in connection with the construction of Seabrook Unit Nos. 1 and 2, will amount to approximately \$609,000 and \$7,000, respectively. The Registrant does not have sufficient information to estimate expenditures for such facilities for Seabrook Unit Nos. 1 and 2 for these years. The requirements in these areas may also cause substantial delays in the completion of new facilities, such as the four future nuclear generating units in which the Registrant has an interest (as to which see Item 3 below).

Developments in the Registrant's business since January 1, 1978, in addition to those described above and those described below in this Form 10-K annual report, are described on pages I through 11, inclusive, of the accompanying 1978 Annual Report to shareowners, and are incorporated by reference in this Form 10-K annual report.

Item 2. Summary of Operations

A summary of operations for the Registrant for each of the last five fiscal years is as follows:

ITEM 2 - Summary of Operations

THE UNITED ILLUMINATING COMPANY
SUMMARY OF OPERATIONS
For the five years ended December 31, 1978

	1978	1977	1976	1975	1974
Operating revenues	\$216,315,343	\$219,503,217	\$193,819,604	\$188,650,770	\$173,838,374
Operating expenses, excluding income tax expense(1)	183,289,450	182,695,777	162,060,352	161,322,260	148,637,805
Income taxes(2) (Note A)	(164,844)	2,258,959	465,627	(3,507,736)	97,932
	<u>183,124,606</u>	<u>184,954,736</u>	<u>162,525,979</u>	<u>157,814,524</u>	<u>148,735,737</u>
Operating income	33,190,737	34,548,481	31,293,625	30,836,246	25,102,637
Allowance for equity funds used during construction*	3,396,839	2,518,016	1,506,725	3,314,903	3,161,979
Other income - net	739,729	142,779	528,136	292,363	546,036
	<u>37,327,305</u>	<u>37,209,276</u>	<u>33,328,486</u>	<u>34,443,512</u>	<u>28,810,652</u>
Income before interest charges					
Interest charges	20,720,638	15,969,975	16,102,431	16,203,848	14,081,397
Allowance for borrowed funds used during construction*	(4,871,127)	(2,419,271)	(1,336,153)	(3,314,907)	(4,024,336)
	<u>15,849,511</u>	<u>13,550,704</u>	<u>14,766,278</u>	<u>12,888,946</u>	<u>10,057,061</u>
Income before cumulative effect of change in accounting for fossil fuel costs	21,477,794	23,658,572	18,562,208	21,554,566	18,753,591
Cumulative effect to January 1, 1974 of change in accounting for fossil fuel costs(1)	-	-	-	-	1,883,857
Net income(1)	21,477,794	23,658,572	18,562,208	21,554,566	20,637,448
Dividends on preferred stock	4,751,376	4,751,376	3,717,376	3,431,376	3,431,376
Balance applicable to common stock	<u>\$ 16,726,418</u>	<u>\$ 18,907,196</u>	<u>\$ 14,844,832</u>	<u>\$ 18,123,190</u>	<u>\$ 17,206,072</u>
Average number of common shares outstanding	5,458,428	5,012,122	4,999,514	4,424,281	3,677,117
Earnings per share of common stock					
Before cumulative effect of change in accounting for fossil fuel costs	\$3.06	\$3.77	\$2.97	\$4.10	\$4.17
Cumulative effect to January 1, 1974 of change in accounting for fossil fuel costs(1)	-	-	-	-	.51
Balance applicable to common stock	<u>\$3.06</u>	<u>\$3.77</u>	<u>\$2.97</u>	<u>\$4.10</u>	<u>\$4.68</u>
Pro Forma amounts assuming the change in accounting for fossil fuel costs had been in effect for years prior to 1974					
Balance applicable to common stock					<u>\$ 15,322,215</u>
Earnings per share of common stock					<u>\$4.17</u>
Dividends declared per share of common stock	<u>\$2.56</u>	<u>\$2.47</u>	<u>\$2.35</u>	<u>\$2.32</u>	<u>\$2.32</u>

Alphabetic note references are to Notes to Financial Statements appearing on pages 19 to 22 of the accompanying 1978 Annual Report to Shareowners.

Numeric note references are to the accompanying Notes to Summary of Operations.

*Amounts for 1974 - 1976 have been reclassified to conform to the 1977-78 presentation.
See "Allowance for Funds Used During Construction" in Statement of Accounting Policies on page 18 of the accompanying 1978 Annual Report to Shareowners.

THE UNITED ILLUMINATING COMPANY

NOTES TO SUMMARY OF OPERATIONS

(1) Change in Accounting Practice in 1974

The Company's fuel adjustment clause allows rates used for billing purposes to be increased or decreased depending on the variance in the cost of fossil fuel from that of a base period. Under this clause, fuel adjustments billed to customers in any month are based on related costs of the second preceding month. Since the inception of the clause and through 1973, the Company expensed fuel costs as burned, thereby creating a lag of approximately 1½ months between the recording of fossil fuel costs and the recording of revenues based on rates reflecting such costs. With the drastic increases in fuel costs which occurred since 1972, it became apparent that the financial health of the Company required that provision be made for the recovery of the shortfall in revenues resulting from this lag in the operation of the fuel adjustment clause through appropriate recognition of and provision for the amount of such shortfall in general rate proceedings. On April 3, 1974, the Company sought the permission of the Connecticut Public Utilities Commission to change its method of accounting for fossil fuel costs, effective January 1, 1974 retroactive to November 22, 1971 (the effective date of UI's last previous general rate increase), to defer on its books at the end of each month the amount of its fossil fuel costs for the month which pursuant to the fuel adjustment clause in the Company's rates could not be reflected currently in customers' bills. Such permission was received from the Commission on April 22, 1974. Further, in its Finding and Order on the Company's June 7, 1974 application for a general rate increase, the Commission granted increased revenues for service rendered on and after July 1, 1974 which, among other things, allowed recovery of the balance of deferred fossil fuel costs amounting to \$9,272,155 as of June 30, 1974 over a four-year period. Amortization of this balance, which commenced in December 1974, was completed in November 1978. This change in fuel cost accounting resulted in an increase in 1974 net income of \$4,781,239 or \$1.30 per share, of which \$2,897,382 (\$6,017,614 of fuel expense less related income taxes) or 79¢ per share was treated as a reduction in operating expenses and \$1,883,857 (\$3,912,626 less related income taxes) or 51¢ per share represented the cumulative effect of the change prior to January 1, 1974.

(2) Income Tax Expense for 1975

For 1975, the available investment tax credit, principally attributable to the New Haven Harbor Station generating unit placed in service August 29, 1975, amounted to approximately \$10,713,000 including approximately \$6,376,000 resulting from the provision of the Tax Reduction Act of 1975 (1975 Act) which increased the credit for public utility companies from 4% to 10% of qualified property additions constructed or acquired after January 21, 1975. The 1975

Act provides that for 1975 up to 100% of federal income taxes otherwise currently payable may be offset by investment tax credits. The total credit utilized in 1975 amounted to \$2,898,000 of which \$1,181,000 was used to completely offset 1975 federal income tax otherwise currently payable. The remaining \$1,717,000 was carried back and utilized against the 1972 tax liability, thus exhausting the Company's available carrybacks.

Prior to 1975, unbilled revenues were not included in current taxable income; however, the applicable taxes were provided for as deferred taxes. During 1975, the Internal Revenue Service, while in the process of examining the Company's federal income tax returns for the years 1971-1975, proposed an adjustment whereby unbilled revenues would be taxed currently. The Company decided not to contest this adjustment and elected to pay the resulting tax deficiency using the voluntary change of accounting method. Under this method, unbilled revenues at January 1, 1974 are includable in current taxable income ratably over the years 1974-1983 and changes in unbilled revenues since that date are taxed currently. The effect of this change in the method of reporting unbilled revenues for income tax purposes was recorded in December 1975 and resulted in an increase in 1975 net income of \$854,000 or 19¢ per share, primarily because the resulting increase in taxes currently payable increased the Company's utilization of investment tax credit flowed through to net income.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

The management's discussion and analysis of financial results appearing on pages 23 and 24 of the accompanying 1978 Annual Report to shareowners is incorporated by reference in this Form 10-K annual report.

Item 3. Properties

Generation

The present electric generating capability of the Registrant, representing the maximum dependable net load-carrying ability during the winter period for New England Power Pool purposes, is as follows:

<u>Station</u>	<u>Year of Installation</u>	<u>Net Capability (kilowatts)</u>
Bridgeport Harbor Station, Bridgeport	1957-1968	677,810
New Haven Harbor Station, New Haven	1975	418,860(1)
English Station, New Haven	1929-1953	107,800
Steel Point Station, Bridgeport	1923-1950	63,700(2)
Connecticut Yankee Unit, Haddam Neck	1968	<u>54,630(3)</u>
Total		<u>1,322,800</u>

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- (1) Registrant's 93.705% ownership share of total net capability of 447,000 kilowatts.
 - (2) Excludes 105,800 kilowatts of low-pressure capability in mothballed status.
 - (3) Registrant's entitlement in the unit. Registrant owns 9.5% of the common stock of Connecticut Yankee Atomic Power Company, which has in operation a 575,000 kilowatt nuclear generating station, and Registrant is entitled to an equivalent percentage of the generating capability of this station.

The Registrant's current generating capability is substantially in excess of its customers' requirements and, based on current forecasts of loads, will provide an excess over its projected generating capability responsibility to the New England Power Pool through at least 1981. During 1978, the maximum demand on the Registrant's system was 952,900 kilowatts, which occurred on August 17, 1978. The Registrant's generating capability including the Connecticut Yankee Unit at that time was 1,322,800 kilowatts. During 1974, 1975, 1976 and 1977, the maximum demands experienced by the Registrant were 823,600 kilowatts, 859,100 kilowatts, 862,500 kilowatts and 944,100 kilowatts, respectively. The Registrant is currently forecasting annual growth in its maximum demand in the range of 1.9% to 4.6% during the years 1979-1988.

Public Service Company of New Hampshire is constructing two 1,150,000 kilowatt nuclear generating units in Seabrook, New Hampshire (Seabrook Unit Nos. 1 and 2) and it estimates that these units will commence operation in 1983 and 1985, respectively. Boston Edison Company proposes to construct a 1,150,000 kilowatt nuclear generating unit in Plymouth, Massachusetts (Pilgrim Unit No. 2) presently scheduled for initial operation in 1985. The Connecticut Light and Power Company, The Hartford Electric Light Company and Western Massachusetts Electric Company are constructing a 1,150,000 kilowatt nuclear generating unit in Waterford, Connecticut (Millstone Unit No. 3) presently scheduled for initial operation in 1986. The Registrant is an owner-participant in each of these units, owning 20% of each of Seabrook Unit Nos. 1 and 2, 3.3% of Pilgrim Unit No. 2 and 3.685% of Millstone Unit No. 3, and will be entitled to a percentage of the generating capability of each unit equal to such ownership percentage.

The Registrant considers the rate relief authorized by the Connecticut Public Utilities Control Authority (since January 1, 1979 the Division of Public Utility Control) in December, 1978 (as to which see page 7 through 11, inclusive, of the accompanying 1978 Annual Report to shareowners, incorporated by reference in this Form 10-K annual report) inadequate to assure the Registrant's ability to finance its entire new construction program for the years 1979-1986. Due to this consideration and to the view expressed by a majority of the Public Utilities Control Authority Commissioners that the Registrant's 20% ownership share in Seabrook Unit Nos. 1 and 2 should be reduced, the Registrant has offered to sell half of said ownership share to other New England utilities. While it is believed that other utilities will accept this offer, the marketability of the Registrant's ownership share in these generating units cannot be assured, and the adequacy and reliability of the Registrant's future service to its customers and future earnings may be adversely affected by this sale.

It has been the experience of the electric utility industry that the construction and initial operation of nuclear generating units are subject to increasingly stringent licensing requirements.

These licensing requirements and other factors have tended to delay completion dates for, and increase substantially the cost of, new nuclear generating units.

A construction permit for Seabrook Unit Nos. 1 and 2 was issued by the federal Nuclear Regulatory Commission (NRC) in 1976 and these units are presently under construction. The licensing of these units has been plagued by lengthy delays and has been consistently opposed by a number of intervening groups, which have participated actively in licensing proceedings, filed numerous lawsuits and demonstrated at the construction site. Construction of these units was suspended in 1977 and 1978 for periods of seven months and three weeks, respectively, due to licensing proceedings and court appeals, several of which are still pending.

The NRC construction permit proceedings on Pilgrim Unit No. 2 are not yet completed, and the NRC has denied an application for permission to perform preliminary work on the site. This unit is being opposed by various governmental bodies and intervening groups, several of which are participating actively in the licensing proceedings.

A construction permit for Millstone Unit No. 3 was issued by the NRC in 1974 and the unit is presently under construction, although its in-service date has been delayed from 1982 to 1986. It will be necessary at the appropriate time to apply for an extension of this construction permit, which expires on October 1, 1979.

In view of the various uncertainties, including existing and possible interventions and appeals in licensing proceedings, the Registrant is unable to predict whether the necessary authorizations for the construction and operation of these four nuclear units can be obtained on a satisfactory basis.

The construction of nuclear generating units in the United States continues to be a subject of public controversy. Various groups have published articles and reports, filed lawsuits and participated in licensing proceedings, claiming that the proliferation of nuclear power plants under the present state of nuclear technology presents unacceptable risks to public health and safety and to the environment. In addition, some of these groups have proposed restrictive legislation in Connecticut, Massachusetts and New Hampshire, and others have raised questions at public hearings regarding the ultimate cost of electricity produced by nuclear plants as opposed to other fuels. It is possible that some of the claims made by such groups, if they should prevail, or the existence of the controversy itself, will cause delays in or prevention of the construction of nuclear generating units presently planned or under construction, or substantial modifications to or extended shutdowns of plants in operation, any of which could have an adverse impact on the results of operations of the Registrant.

The complexity of present-day electric utility technology and the time required for the construction of generating facilities and for the completion of licensing and other regulatory proceedings relating thereto have compelled the Registrant, and other electric utilities, to make substantial investments in such facilities prior to the completion of licensing and regulatory proceedings.

Cancellation of any of the four future nuclear generating units in which the Registrant has an ownership interest, for any reason, including, among others, the inability to obtain necessary permits or sufficient financing, could result in substantial charges against the Registrant's income, which charges might prove to be unrecoverable. These charges could include substantially all of the amounts incurred by the Registrant through any such cancellation date and, in addition, could include cancellation penalties and other charges, which might be substantial, imposed by vendors and others. The scheduling of each of these units, and the right to cancel the unit, is the responsibility of the particular New England utility which is constructing the unit and, although the other owner-participants must be consulted, a determination to cancel can be made without their consent.

Public Service Company of New Hampshire (PSNH) has experienced significant problems in financing its new construction program, particularly its 50% ownership share of Seabrook Unit Nos. 1 and 2, due to uncertainty concerning future legislation by the legislature of the State of New Hampshire. As a result, PSNH has offered to sell up to three fifths of its ownership share in these units, which might adversely affect the Registrant's offering of a portion of its ownership share described above. PSNH has stated that, absent sufficient favorable responses to its offering, it will be compelled to suspend construction of the units. The adverse impact on the Registrant of an extended suspension, or a cancellation, of Seabrook Unit Nos. 1 and 2 on account of PSNH's inability to finance its share of construction costs would likely be material.

Transmission System

Transmission lines of the Registrant consist of approximately 95 circuit miles of overhead lines and approximately 14 circuit miles of underground lines, all operated at 345 KV or 115 KV and located within or immediately adjacent to the territory served by the Registrant. These transmission lines interconnect the Registrant's English, Steel Point, Bridgeport Harbor and New Haven Harbor generating stations with one another and with the transmission lines of The Connecticut Light and Power Company at 11 locations. A major portion of the Registrant's transmission lines is constructed on a railroad right-of-way pursuant to a Transmission Line Agreement which expires in May 1980 and is renewable to May 2000.

Distribution System

The Registrant owns and operates 76 distribution substations with a capacity of approximately 534,000 KVA. Underground and aerial cables, most of which are operated at 13,800 volts, supply electricity to distribution substations and certain large industrial customers. The heavy load areas in the centers of New Haven and Bridgeport are served by underground networks. Other customers are served by means of 13,800, 4,160 and 2,400 volt primary lines and

240 and 120 volt secondary lines. The Registrant has approximately 2,934 pole-line miles of overhead distribution lines and approximately 127 conduit-bank miles of underground distribution lines.

General Plant

The Registrant owns and operates its principal executive office building in New Haven and office buildings in Bridgeport and Derby. The Registrant owns and operates three distribution headquarters buildings in Bridgeport, Derby and Hamden. The Registrant also owns and operates three distribution service buildings in Fairfield, Milford and New Haven and a test center building in New Haven.

Item 4. Parents and Subsidiaries

The Registrant has one wholly owned subsidiary, Research Center, Inc., a corporation incorporated under the laws of the State of Connecticut. Research Center, Inc. is a part owner of a tract of land in Meriden and Wallingford, Connecticut, which is available for sale and development for light industry, research and office facilities. Research Center, Inc. and the other part owner of the tract have agreed to sell the tract in its entirety, provided certain highway, zoning and other approvals can be obtained. Financial statements for this subsidiary are not filed, because it is not a significant subsidiary.

Item 5. Legal Proceedings

The Registrant has been ordered by the Connecticut Commissioner of Environmental Protection to direct all sanitary waste waters from the Registrant's English Station in New Haven to the municipal sanitary sewage collection system of the City of New Haven at the earliest practicable date after sanitary sewer service is available to said Station. The Registrant has agreed to comply with this order.

See page 8 above regarding pending notices of violation issued by the Connecticut Department of Environmental Protection with respect to two generating units at the Registrant's Bridgeport Harbor Station.

On March 6, 1979, the Department of Transportation, United States Coast Guard (USCG), issued a preliminary determination that a civil penalty in the amount of \$1,000 should be assessed against the Registrant as a result of a minor accidental oil discharge from the Registrant's English

Station into the Mill River at New Haven, Connecticut, on July 21, 1978, which was found to be in violation of the Federal Water Pollution Control Act. The Registrant assumed responsibility for the cost of removing the oil; but it has not yet determined what response it will make to the preliminary determination of the USCG regarding the assessment of a civil penalty.

The federal Environmental Protection Agency (EPA) has asserted that the permission granted to the Registrant by the Connecticut Commissioner of Environmental Protection to burn higher-sulfur fuel oil, described at page 3 above, is not lawful under the federal Clean Air Act. The Registrant is unable to predict whether the EPA will commence a legal proceeding against the Registrant based on this assertion.

Item 6. Increases and Decreases in Outstanding Securities and Indebtedness

During 1978, the Registrant issued shares of its class of securities entitled "Common Stock, no par value" as follows:

	<u>Number of Shares</u>
Amount outstanding as of December 31, 1977	5,020,119
Issued January 1, 1978	5,946*
Issued April 1, 1978	6,721*
Issued July 1, 1978	7,119*
Issued July 31, 1978	1,000,000**
Issued October 1, 1978	<u>7,113*</u>
Amount outstanding as of December 31, 1978	<u>6,047,018</u>

* All of these shares were issued pursuant to the Registrant's Automatic Dividend Reinvestment and Common Stock Purchase Plan, under which Common Stock, no par value, shareholders who elect to participate may automatically reinvest their dividends in additional authorized but unissued shares of the Registrant's Common Stock, no par value, and may also make optional cash payments of from \$10 to \$3,000 per quarter to purchase such additional shares.

** See the description of the transaction in which this increase occurred in the Registrant's Form 10-Q quarterly report for the quarter ended June 30, 1978, which is incorporated by reference in this Form 10-K annual report.

Item 7. Changes in Securities and Changes in Security for Registered Securities

- (a) The constituent instruments defining the rights of the holders of the Registrant's classes of registered securities have not been modified.
- (b) None of the rights evidenced by any class of registered securities of the Registrant have been limited or qualified by the issuance or modification of any other class of securities of the Registrant.
- (c) There has been no withdrawal or substitution of assets securing any class of registered securities of the Registrant.

Item 8. Defaults upon Senior Securities

- (a) There has been no default in the payment of principal, interest, any sinking or purchase fund installment, or any other default, with respect to any indebtedness of the Registrant or its subsidiary, Research Center, Inc.
- (b) There has been no arrearage in the payment of dividends or any other delinquency with respect to any class of stock of the Registrant or its subsidiary, Research Center, Inc.

Item 9. Approximate Number of Equity Security Holders

Approximate number of holders of record of each class of equity securities of the Registrant as of December 31, 1978:

<u>Title of Class</u>	<u>Number Record Holders</u>
Preferred Stock, cumulative, \$100 par value	
4.35% - Series A	145

4.72% - Series B	35
4.64% - Series C	13
5-5/8% - Series D	11
7.60% - Series E	10
7.60% - Series F	10
Preferred Stock, cumulative, \$25 par value	
8.80%, 1976 Series	2,449
Common Stock, no par value	35,285

Item 10. Submission of Matters to a Vote of Security Holders

No matter has been submitted to a vote of security holders, through the solicitation of proxies or otherwise, except the election of directors and the approval of auditors. These matters were voted upon at the annual meeting of the shareholders, which was held on April 7, 1978 and for which proxies were solicited pursuant to Regulation 14 under the Securities Exchange Act of 1934. There was no solicitation in opposition to the management's nominees for directors or management's selection of auditors as listed in the proxy statement. Management's selection of auditors was approved, and the following persons were elected directors at the meeting: Angus N. Gordon, Jr., Albert L. Coles, John D. Fassett, D. Allen Bromley, John M. C. Betts, Norwick R. Goodspeed, Robert D. Russo, M. D., James F. Cobey, Jr., Leland W. Miles and Leon A. Morgan. There was no other person whose term of office as a director continued after the meeting.

Item 11. Indemnification of Directors and Officers

Section 33-320a of the Connecticut Stock Corporation Act, as amended, provides as follows:

- (a) Except as otherwise provided in this section, a corporation shall indemnify any person who was or is a party, or was threatened to be made a party, to any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of the corporation, by reason of the fact that he, or the person whose legal representative he is, (1) is or was a shareholder, director, officer, employee or agent of the corporation, or (2) is or was serving at the request of the corporation (A) as a director, officer or employee of another

corporation, partnership, joint venture, trust, or other enterprise, or (B) as an agent of such other corporation, partnership, joint venture, trust, or other enterprise other than an employee benefit plan or trust, or (3) is or was a director, officer or employee of the corporation serving at the request of the corporation as a fiduciary of an employee benefit plan or trust maintained for the benefit of employees of the corporation or employees of any such other corporation, partnership, joint venture, trust, or other enterprise, against judgments, fines, penalties, amounts paid in settlement and expenses, including attorneys' fees, actually and reasonably incurred by him and the person whose legal representative he is, in connection with such action, suit or proceeding, or any appeal therein. The corporation shall not so indemnify any such person unless it shall be concluded as provided in subsection (c) of this section that such person, and the person whose legal representative he is, acted in good faith and in a manner he reasonably believed to be in the best interest of the corporation or, in the case of a person serving as a fiduciary of an employee benefit plan or trust, either in the best interest of the corporation or in the best interest of the participants and beneficiaries of such employee benefit plan or trust and consistent with the provisions of such employee benefit plan or trust, and, with respect to any criminal action or proceeding, that he had no reasonable cause to believe his conduct was unlawful; except that, in connection with an alleged claim based upon his purchase or sale of securities of the corporation or of such other enterprise, the corporation shall only indemnify such person after the court shall have determined, on application as provided in subsection (d) of this section, that in view of all the circumstances such person is fairly and reasonably entitled to be indemnified, and then for such amount as the court shall determine. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea or nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith or in a manner which he did not reasonably believe to be in the best interests of the corporation or of the participants and beneficiaries of such employee benefit plan or trust and consistent with the provisions of such employee benefit plan or trust, or, with respect to any criminal action or proceeding, that he had reasonable cause to believe that his conduct was unlawful.

- (b) Except as otherwise provided in this section, a corporation shall indemnify any person who was or is a party, or was threatened to be made a party to any action, suit or proceeding, by or in the right of the corporation, to procure a judgment in its favor by reason of the fact that he, or the person whose legal representative he is, (1) is or was a shareholder, director, officer, employee or agent of the corporation, or

(2) is or was serving at the request of the corporation (A) as a director, officer or employee of another corporation, partnership, joint venture, trust, or other enterprise, or (B) as an agent of such other corporation, partnership, joint venture, trust, or other enterprise other than an employee benefit plan or trust, or (3) is or was a director, officer or employee of the corporation serving as a fiduciary of an employee benefit plan or trust maintained for the benefit of employees of the corporation or employees of any such other corporation, partnership, joint venture, trust, or other enterprise, against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with such action, suit or proceeding, or any appeal therein, in relation to matters as to which such person, or the person whose legal representative he is, is finally adjudged not to have breached his duty to the corporation, or where the court, on application as provided in subsection (d) of this section, shall have determined that in view of all the circumstances such person is fairly and reasonably entitled to be indemnified, and then for such amount as the court shall determine. The corporation shall not so indemnify any such person for amounts paid to the corporation, to a plaintiff or to counsel for a plaintiff in settling or otherwise disposing of a threatened action or a pending action, with or without court approval; or for expenses incurred in defending a threatened action or a pending action which is settled or otherwise disposed of without court approval.

- (c) The conclusion provided for in subsection (a) of this section may be reached by any one of the following: (1) The board of directors of the corporation by a consent in writing signed by a majority of those directors who were not parties to such action, suit or proceeding; (2) independent legal counsel selected by a consent in writing signed by a majority of those directors who were not parties to such action, suit or proceeding; or (3) the shareholders of the corporation by the affirmative vote of at least a majority of the voting power of shares not owned by parties to such action, suit or proceeding, represented at an annual or special meeting of shareholders, duly called with notice of such purpose stated. Such person shall also be entitled to apply to a court for such conclusion, upon application as provided in subsection (d), even though the conclusion reached by any of the foregoing shall have been adverse to him or to the person whose legal representative he is.
- (d) An application for indemnification or for a conclusion as provided in this section shall be made to the court in which the action is pending or to the superior court for the judicial district where the principal office of the corporation is located. The application shall be made in such manner and form as may be required by the applicable rules of the court or, in the absence thereof, by direction of the court. The

court may also direct that notice be given in such manner as it may require at the expense of the corporation to the shareholders of the corporation and to such other persons as the court may designate. In the case of an application to a court in which an action is pending in which the person seeking indemnification is a party by reason of the fact that he, or the person whose legal representative he is, is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or as a fiduciary of an employee benefit plan or trust maintained for the benefit of employees of any such other corporation, partnership, joint venture, trust or other enterprise, timely notice of such application shall be given by such person to the corporation.

- (e) Expenses which may be indemnifiable under this section incurred in defending an action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding as authorized by the board of directors upon agreement by or on behalf of the shareholder, director, officer, employee or agent, or his legal representative, to repay such amount if he is later found not entitled to be indemnified by the corporation as authorized in this section.
- (f) A corporation shall not indemnify any shareholder, director, officer, employee or agent or any director, officer or employee serving at the request of the corporation as a fiduciary of an employee benefit plan or trust, against judgments, fines, amounts paid in settlement and expenses, including attorneys' fees, to an extent greater than that authorized by this section, but the corporation may procure insurance providing greater indemnification and may share the premium cost with any shareholder, director, officer, employee or agent on such basis as may be agreed upon.
- (g) The rights and remedies provided in this section shall be exclusive. A corporation shall not indemnify any shareholder, director, officer, employee or agent or any director, officer or employee serving at the request of the corporation as a fiduciary of an employee benefit plan or trust, against judgments, fines, amount paid in settlement and expenses, including attorneys' fees, to an extent either greater or less than that authorized in this section, and no provision contained in the certificate of incorporation, the bylaws, a resolution of shareholders or directors, an agreement, or otherwise shall be valid unless consistent with this section.

The Company's excess liability insurance policy indemnifies its Directors and Officers for any and all sums which they shall be legally obligated to pay and shall pay or by final judgment be adjudged to pay as damages, judgments, settlements

and costs, charges and expenses arising from any claim or claims which may be made, and for which the Company has not provided reimbursement, by reason of such Director or Officer's being or having been a Director or Officer of the Company or of another corporation for which he is serving or has served at the request of the Company as a Director or Officer. The Directors and Officers of the Company pay a portion of the premium cost of the Company's excess liability insurance attributed to this coverage.

Executive Officers of the Registrant

- (a) The names and ages of all executive officers of the Registrant and all persons chosen to become executive officers, all positions and offices with the Registrant held by each such person, and the period during which he has served as an officer in the office indicated, are as follows:

<u>Name</u>	<u>Age</u>	<u>Positions and Offices Held</u>	<u>Period of Service in Office</u>
John D. Fassett	53	President	July 15, 1974 to date
Leon A. Morgan	44	Executive Vice President - Operations, Engineering and Customer Services	February 1, 1976 to date
James F. Cobey, Jr.	52	Executive Vice President - Finance and Administration and Treasurer	October 1, 1976 to date
Charles W. Cook, Jr.	47	Vice President - Customer Services	February 6, 1975 to date
Robert L. Fiscus	41	Vice President and Controller	October 1, 1976 to date
John V. Fratus, Jr.	55	Senior Vice President - Governmental Relations	January 1, 1978 to date
Richard J. Grossi	43	Vice President - Engineering and Planning	June 15, 1974 to date
Albert Harary	41	Vice President - Management Services	January 1, 1978 to date
David W. Hoskinson	43	Vice President - Operations	February 1, 1976 to date

<u>Name</u>	<u>Age</u>	<u>Positions and Offices Held</u>	<u>Period of Service in Office</u>
Marcus R. McCraven	55	Vice President - Environmental Engineering	January 1, 1978 to date
Anne G. Spinney	57	Vice President - Communications	April 20, 1977 to date
Earle G. Anderson	62	Assistant Vice President - Governmental Relations	February 23, 1976 to date
Harold J. Moore, Jr.	51	Assistant Vice President - Employee Relations	January 1, 1978 to date
Richard F. Skinner	49	Secretary	February 1, 1975 to date
William A. Elder	37	Assistant Treasurer	February 1, 1976 to date
James L. Benjamin	37	Assistant Controller	February 1, 1976 to date

There is no family relationship between any director, executive officer, or person nominated or chosen to become a director or executive officer, of the Registrant. All executive officers of the Registrant hold office during the pleasure of the Registrant's Board of Directors. There is no arrangement or understanding between any executive officer of the Registrant and any other person pursuant to which such officer was selected as an officer.

- (b) A brief account of the business experience during the past five years of each executive officer of the Registrant is as follows:

John D. Fassett. During the period January 1, 1974 to July 15, 1974, Mr. Fassett served as Vice President and General Counsel of the Registrant. He has served as President of the Registrant since July 15, 1974.

Leon A. Morgan. During the period January 1, 1974 to February 1, 1976, Mr. Morgan served as Vice President-Operations of the Registrant. He has served as Executive Vice President-Operations, Engineering and Customer Services of the Registrant since February 1, 1976.

James F. Cobey, Jr. During the period January 1, 1974 to February 1, 1975, Mr. Cobey served as Secretary and Treasurer of the Registrant. From February 1, 1975 to October 1, 1976, he served as Vice President-Finance and Accounting and Treasurer of the Registrant. He has served as Executive Vice President-Finance and Administration and Treasurer of the Registrant since October 1, 1976.

Charles W. Cook, Jr. During the period January 1, 1974 to February 6, 1975, Mr. Cook served as Vice President-Marketing of the Registrant. He has served as Vice President-Customer Services of the Registrant since February 6, 1975.

Robert L. Fiscus. During the period January 1, 1974 to October 1, 1976, Mr. Fiscus served as Controller of the Registrant. He has served as Vice President and Controller of the Registrant since October 1, 1976.

John V. Fratus, Jr. During the period January 1, 1974 to October 1, 1976, Mr. Fratus served as Vice President-Employee Relations of the Registrant. From October 1, 1976 to January 1, 1978, he served as Vice President-Governmental Relations of the Registrant. He has served as Senior Vice President - Governmental Relations of the Registrant since January 1, 1978.

Richard J. Grossi. During the period January 1, 1974 to March 1, 1974, Mr. Grossi served as Project Manager, New Haven Harbor Generating Station, of the Registrant. From March 1, 1974 to June 15, 1974, he served as Executive Assistant to the Vice President-Engineering and Planning of the Registrant. He has served as Vice President-Engineering and Planning of the Registrant since June 15, 1974.

Albert Harary. During the period January 1, 1974 to February 1, 1976, Mr. Harary served as Director of Management Information Systems of the Registrant. From February 1, 1976 to January 1, 1978, he served as Assistant Vice President-Computer Services of the Registrant. He has served as Vice President-Management Services of the Registrant since January 1, 1978.

David W. Hoskinson. During the period January 1, 1974 to April 1, 1974, Mr. Hoskinson served as Chief Mechanical Engineer of the Registrant. From April 1, 1974 to February 1, 1976, he served as Superintendent, Steel Point Generating Station, of the Registrant. He has served as Vice President-Operations of the Registrant since February 1, 1976.

Marcus R. McCraven. During the period January 1, 1974 to February 1, 1976, Mr. McCraven served as Director of Environmental Engineering of the Registrant. From February 1, 1976 to January 1, 1978, he served as Assistant Vice President-Environmental Engineering of the Registrant. He has served as Vice President-Environmental Engineering of the Registrant since January 1, 1978.

Anne G. Spinney. During the period January 1, 1974 to February 1, 1976, Mrs. Spinney served as Director of Information Services of the Registrant. From February 1, 1976 to April 20, 1977 she served as Assistant Vice President-Communications of the Registrant. She has served as Vice President-Communications of the Registrant since April 20, 1977.

Earle G. Anderson. During the period January 1, 1974 to February 23, 1976, Mr. Anderson served as Assistant Vice President-Community Affairs of the Registrant. He has served as Assistant Vice President-Governmental Relations (formerly Governmental Services) of the Registrant since February 23, 1976.

Harold J. Moore, Jr. During the period January 1, 1974 to October 1, 1976, Mr. Moore served as Labor Relations Manager of the Registrant. From October 1, 1976 to January 1, 1978, he served as Director of Employee Relations of the Registrant. He has served as Assistant Vice President-Employee Relations of the Registrant since January 1, 1978.

Richard F. Skinner. During the period January 1, 1974 to February 1, 1975, Mr. Skinner served as Administrative Assistant to the Secretary and Treasurer of the Registrant. He has served as Secretary of the Registrant since February 1, 1975.

William A. Elder. During the period January 1, 1974 to February 1, 1975, Mr. Elder served as Supervisor of Cash Records of the Registrant. From February 1, 1975 to February 1, 1976, he served as Manager-Financial Planning and Cash Management of the Registrant. He has served as Assistant Treasurer of the Registrant since February 1, 1976.

James L. Benjamin. During the period January 1, 1974 to February 1, 1976, Mr. Benjamin served as Accounting Manager of the Registrant. He has served as Assistant Controller of the Registrant since February 1, 1976.

Item 12. Financial Statements, Exhibits Filed, and Reports on Form 8-K.

(a) 1. Financial Statements

INDEX TO FINANCIAL STATEMENTS

The financial statements, the statement of accounting policies, the notes to financial statements and the related report thereon of Coopers & Lybrand, independent certified public accountants, appearing on pages 14 to 22 of the accompanying 1978 Annual Report to shareowners are incorporated by reference in this Form 10-K annual report. With the exception of the material incorporated by reference in Items 1 and 3 above, the aforementioned financial statements, statement of accounting policies, notes to financial statements and accountants' report thereon, and the management's discussion and analysis of financial results incorporated by reference in Item 2 above, no other data appearing in the accompanying 1978 Annual Report to shareowners is to be deemed filed as part of this Form 10-K annual report. The additional financial data indicated below should be read in conjunction with the financial statements in the accompanying 1978 Annual Report to shareowners.

	Reference	
	Form 10K (Page)	1978 Annual Report to shareowners (Page)
Report of independent certified public accountants		22
Consent of independent certified public accountants	F-1	
Statement of income for the years ended December 31, 1978 and 1977		14
Statement of retained earnings for the years ended December 31, 1978 and 1977		15
Statement of sources of funds for gross property additions for the years ended December 31, 1978 and 1977		15
Balance sheet, December 31, 1978 and 1977		16-17
Statement of accounting policies and notes to financial statements		18-22
Replacement cost information (unaudited)	F-2 to F-4	
Supplementary information to financial statements	F-5 and F-6	

	<u>Reference</u>
	1978
	Annual Report to shareowners
	<u>(Page)</u>
Schedules:	
V Property, plant and equipment for the years ended December 31, 1978 and 1977	F-7 and F-8
VI Reserve for depreciation of property, plant and equipment for the years ended December 31, 1978 and 1977	F-9
IX Bonds, mortgages and similar debt at December 31, 1978	F-10
XII Valuation and qualifying accounts and reserves for the years ended December 31, 1978 and 1977	F-11
XIII Capital shares at December 31, 1978	F-12
XVI Supplementary income statement information (included in Note F of Notes to Financial Statements appearing on page 21 of the accompanying 1978 Annual Report to shareowners)	

Schedules other than those listed above have been omitted since they are either not required or are inapplicable.

(2) 2. Exhibits

- 11 D 19 Detailed description relating to supplementary pensions being paid to certain retired employees, superseding Exhibit 11 D 18*.
- 11 F 8 Copy of Agreement, dated September 16, 1978, between The United Illuminating Company and Federation of Utility Employees, Affiliated with Utility Workers Union of America, AFL-CIO.
- 13 B 14m Copy of Signature Page, adding Town of Princeton Municipal Light Department as signatory to Exhibit 5.5-1**.
- 13 B 14n Copy of Agreement Amending NEPOOL Power Pool Agreement, dated as of August 15, 1978, amending Exhibit 5.5-1**.
- 13 C 2 Copy of Transmission Agreement, dated as of May 1, 1961, between The Connecticut Light and Power Company and The United Illuminating Company, relating to the transmission of electric energy on a portion of the lines of the latter company.
- 13 C 8 Copy of Amendment to Derby Junction Transmission Agreement between The Connecticut Light and Power Company and The United Illuminating Company, dated as of June 1, 1978, amending Exhibit 13 C 2.
- 13 D 5 Notice, dated April 24, 1978, of The United Illuminating Company's intention to extend term of Transmission Line Agreement, dated January 13, 1966, Exhibit 5.4**.
- 14 J Copies of significant rate schedules of The United Illuminating Company, superseding Exhibit 14 I*.

* This exhibit was filed with Annual Report (Form 10-K) for the fiscal year ended December 31, 1977.

** This exhibit was filed with Registration Statement No. 2-60849, effective July 24, 1978.

(b) The Registrant filed no reports on Form 8-K during the last quarter of the fiscal year ended December 31, 1978.

SIGNATURES

Pursuant to the requirement of Section 13 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.

THE UNITED ILLUMINATING COMPANY

By _____
James F. Cobey, Jr.
Executive Vice President-
Finance and Administration
and Treasurer

Date: March , 1979

COOPERS & LYBRAND

CERTIFIED PUBLIC ACCOUNTANTS

A MEMBER FIRM OF
COOPERS & LYBRAND (INTERNATIONAL)

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We consent to the incorporation by reference in this Annual Report on Form 10-K of our report dated January 26, 1979 appearing in the 1978 Annual Report to Shareowners of The United Illuminating Company.

In connection with our examinations referred to in our report appearing in the 1978 Annual Report to Shareowners, we have also examined the supplementary information and schedules listed in the foregoing index. In our opinion, such information and schedules, when read in conjunction with the financial statements, present fairly the information required to be included therein, and are in conformity with generally accepted accounting principles applied on a consistent basis.

COOPERS & LYBRAND

New York, New York
January 26, 1979.

THE UNITED ILLUMINATING COMPANY

REPLACEMENT COST INFORMATION
(UNAUDITED)

In accordance with the reporting requirements of the Securities and Exchange Commission, the Company has estimated the cost of replacing its productive capacity at December 31, 1977 and 1978. As a result of inflation and increased environmental and regulatory requirements, the estimated cost of replacing the Company's productive capacity would substantially exceed the historical cost of such facilities reported in the financial statements. Set forth below are the estimated replacement cost of utility plant at December 31, 1977 and December 31, 1978 and the calculated reserve for depreciation on a replacement cost basis in comparison to the historical cost of such plant and applicable reserve for depreciation as shown in the Company's balance sheets as of those dates:

	<u>December 31, 1977</u>		<u>December 31, 1978</u>	
	Estimated Replacement Cost	Historical Cost (Millions of Dollars)	Estimated Replacement Cost	Historical Cost
Utility plant:				
Replacement cost determined	\$1,086	\$495	\$1,156	\$508
Included at historical cost	<u>117</u>	<u>117</u>	<u>174</u>	<u>174</u>
	1,203	612	1,330	682
Less reserve for depreciation	<u>324</u>	<u>149</u>	<u>366</u>	<u>162</u>
Net utility plant	<u>\$ 879</u>	<u>\$463</u>	<u>\$ 964</u>	<u>\$520</u>

Land and land rights, plant under construction and a minor amount of plant not contemplated to be replaced have been included at historical cost. The replacement cost of fuel, materials and supplies inventories has not been estimated because inventories are insignificant in relation to total assets.

The replacement cost of the Company's utility plant does not reflect the current value of these assets; it simply represents management's estimate of the cost of replacing the Company's productive capacity at the respective dates on the assumption that all such capacity could be replaced at one time using current technology and construction methods, consistent with current environmental and regulatory requirements. The actual replacement of productive capacity will take place over many years. There is no assurance that such replacement will take place in the manner, or at the cost, assumed in developing these estimates.

For purposes of estimating replacement cost of electric production plant, it was assumed that the generation mix would consist of nuclear facilities to meet base load requirements, combined cycle units (gas turbines with exhaust

heat recovery boilers) to meet intermediate or cycling load requirements, and gas turbines for peaking loads. Substantially all of the Company's actual generating facilities at December 31, 1977 and 1978 were oil-fired. An assumed, rather than the actual, generation mix was used for purposes of estimating replacement cost of production plant for the following reasons:

1. The long range goals developed by and for the member companies of the New England Power Pool (NEPOOL) include substantial reliance on nuclear power to meet the region's base load energy requirements. The Company's support of these goals is evidenced by its participation as a joint owner in four nuclear generating units, either presently under construction or planned for construction, which are scheduled for commercial operation in the mid-1980's.
2. There is a decreasing possibility that oil will continue to be a dependable source of fuel supply for electric generation; the provisions of the National Energy Act effectively prohibit construction in New England of any base load generating plant designed to use oil as its primary energy source.
3. The Company had excess generating capacity at December 31, 1977 and 1978. This excess, included as peaking capacity in the development of estimated replacement cost, is expected to decline in future years to the extent that load growth occurs.

The replacement cost of production plant was determined by applying engineering estimates of December 31 construction costs per megawatt for each type of generating facility to the megawatts of capacity by type of facility assumed for replacement cost purposes. These cost estimates were based upon construction of economic size units, in which the Company would own a sufficient share to fulfill its generating mix requirements (an assumption which is consistent with the purposes of NEPOOL), and which meet current air and water pollution control requirements. A significant amount of the added investment on a replacement cost basis is attributable to costs of constructing nuclear plants which are higher than those for oil-fired plants. There is no assurance that the generation mix assumed for replacement cost purposes will eventually occur nor, if it does, is there any assurance that the actual cost of replacement will be that assumed in developing these estimates, because of uncertainties surrounding the construction of nuclear plants, changing technology, changing environmental and other regulatory requirements and other factors beyond management's control.

The cost of production plant on both a replacement cost basis and a historical cost basis excludes 54.6 megawatts of capacity in Connecticut Yankee Atomic Power Company's nuclear generating unit to which the Company is entitled as a result of its 9.5% stock ownership interest in that company. The investment in Connecticut Yankee is accounted for on an equity basis on

the Company's books. Therefore, the cost of the Company's equivalent share of Connecticut Yankee capacity is not included in the historical cost of utility plant, and, for that reason, this capacity was not included in the development of estimated replacement cost of production plant.

The replacement cost of transmission, distribution and general plant was determined principally by applying engineering estimates of current costs of construction to the various types of facilities. Where appropriate and consistent with management's plans for replacing existing facilities, technological improvements and modern construction methods were utilized in developing the cost estimates. Various indices were used to develop the estimated cost of replacing a small portion of distribution and general plant.

The reserve for depreciation on a replacement cost basis was developed by applying the same percentage relationship that existed between gross depreciable utility plant and reserve for depreciation by functional groups on a historical cost basis at December 31 of each year to the estimated replacement cost of productive capacity.

Depreciation expense on a replacement cost basis amounted to \$35 million for 1977 and \$37 million for 1978, compared to \$14 million in each year on a historical cost basis. Replacement cost depreciation for gas turbine production plant and transmission, distribution and general plant was developed by applying the actual functional class straight-line depreciation rates currently in use to the respective functional class averages of the beginning and end of year estimated replacement costs. Straight-line depreciation applicable to the cost of nuclear and combined cycle capacity assumed in developing the estimated replacement cost of production plant was based on a 30-year life, which in management's opinion is more representative of the life for plants of these types than the weighted average depreciable life of 38 years applicable to the Company's present oil-fired facilities. Depreciation on a replacement cost basis for nuclear units does not include an allowance for decommissioning costs since at the present time there is no reliable basis for determining either the type of decommissioning which may be required or its cost.

The difference between replacement cost basis depreciation and historical cost depreciation cannot be attributed solely to the impact of inflation on the Company's operations, nor can it be translated into a deduction from earnings. Such a simplistic interpretation is precluded since replacement cost data also includes the considerable additional costs of complying with more stringent environmental and regulatory requirements. Furthermore, the data presented do not reflect the substantial operating economies that would be realized by the use of equipment incorporating the latest technology and, most significantly, by the substitution of nuclear generating capacity for a portion of the Company's present oil-fired generating facilities. It is estimated that if the generating mix assumed in the development of estimated replacement cost of production plant had actually been in place in 1977 and 1978, fuel and interchange energy savings would have more than offset the increase in estimated replacement cost depreciation expense over historical cost depreciation expense. Most importantly, the data presented gives no recognition to the ratemaking process. Since the Company's rates for service to its customers have in the past been based on the cost of providing such service and have from time to time been revised 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.

THE UNITED ILLUMINATING COMPANY

SUPPLEMENTARY INFORMATION TO FINANCIAL STATEMENTS

Deferred Debits - Other:

Deferred debits - other include unamortized debt expense of \$607,098 in 1978 and \$657,297 in 1977 which pertain to outstanding issues; such amounts are being amortized ratably over the remaining lives of the respective issues.

Other Accrued Liabilities:

Other accrued liabilities include:

	<u>1978</u>	<u>1977</u>
Accrued payroll	\$1,947,227	\$1,843,788
Accrued pensions	3,706,089	3,488,789

Basis of Accounting for Connecticut Yankee Atomic Power Company Nuclear Fuel and Estimated Plant Decommissioning Costs:

The Connecticut Yankee Atomic Power Company (Connecticut Yankee), a nuclear generating company in which the Company has a 9.5% stock interest, has advised the Company as follows of its basis of accounting for nuclear fuel and estimated plant decommissioning costs:

The cost of nuclear fuel, based on a net salvage value of zero, is amortized to operation expense on a unit-of-production method at rates based on estimated kilowatt-hours of energy to be provided. Commencing January 1, 1979 a provision for estimated spent fuel disposal costs will be included in nuclear fuel expense. This will include a provision for prior period spent fuel cost recovery over a period of approximately 10 years on an assumption that a federal repository will be available in 1988, plus a current year provision for fuel assemblies in the reactor. The estimated unrecovered spent fuel disposal cost as of December 31, 1978 is \$18.2 million. Storage for such spent fuel at the Connecticut Yankee plant is sufficient until at least the mid 1990's.

A study completed in 1976 estimated decommissioning costs for the Connecticut Yankee unit at approximately \$29 million (1978 level dollars). This study contemplated a decommissioning method with an indefinitely long period of time between retirement and completion of the removal process. Preliminary results of a 1979 study indicate increased costs for three alternative methods of decommissioning. The complete removal of the facilities at the time of retirement method, with an estimated cost of \$57 million, is indicated by

the 1979 study to be the most viable and economic method of decommissioning the unit.

The depreciation rates recognized on the books and for regulatory rate setting, subject to approval of the Federal Energy Regulatory Commission (FERC), include an element based on the recovery of about \$29 million. The increased costs indicated by the 1979 study are not currently included in the Connecticut Yankee depreciation rates. It is estimated that if it had been allowed by FERC in 1978, depreciation expense applicable to decommissioning would have increased from approximately \$1.2 million per year to approximately \$2.8 million per year.

Jointly Owned Plant:

The Company owns the major portion of the operating electric generating unit at New Haven Harbor Station and is participating in the construction of four future jointly owned nuclear generating units. At December 31, 1978 the Company's applicable balance sheet captions included the following amounts, representing its share in these facilities:

<u>Facility</u>	<u>Share Owned</u>	<u>Utility Plant in Service</u>	<u>Reserve for Depreciation</u>	<u>Construction Work in Progress</u>
		(Thousands of Dollars)		
New Haven Harbor Station	93.705%	\$130,786	\$10,273	\$ 105
Seabrook Units 1 and 2	20%	-	-	116,589
Millstone Unit 3	3.685%	-	-	19,906
Pilgrim Unit 2	3.3%	-	-	8,238

Each participant has the responsibility for financing the cost of its ownership share in these units. The appropriate expense captions in the income statement include the Company's share of the operating costs of the plant in service.

In addition to its joint ownership interest in the above units, the Company owns 9½% of the common stock of Connecticut Yankee Atomic Power Company, which operates a nuclear generating unit, and is entitled to purchase the same percentage of the output of this unit. The Company accounts for this investment on an equity basis and includes the cost of its purchased share of the output of this unit in capacity purchased expense, except for the cost of fuel which is included in fuel and interchange energy expense.

Schedule V
Property, Plant
and Equipment

THE UNITED ILLUMINATING COMPANY
SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
for the year ended December 31, 1978

Col. A	Col. B	Col. C	Col. D	Col. E	Col. F
Classification	Balance at Beginning of Period	Additions at Cost	Retirements	Other Changes - Add (Deduct)	Balance at End of Period
UTILITY PLANT, at original cost:					
ELECTRIC PLANT IN SERVICE:					
Production Plant:					
Steam	\$294,583,258	\$ 1,308,034	\$ 31,069	\$ 231	\$295,860,454
Jet Turbine	<u>1,728,023</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,728,023</u>
Total Production Plant	296,311,281	1,308,034	31,069	231	297,588,477
Transmission Plant	51,201,393	6,411,420	-	18,104	57,630,917
Distribution Plant	159,066,015	5,853,532	1,384,949	(40,221)	163,494,377
General Plant	<u>12,426,513</u>	<u>558,980</u>	<u>64,900</u>	<u>(231)</u>	<u>12,920,362</u>
Total Electric Plant in Service	519,005,202	14,131,966	1,480,918	(22,117) (1)	531,634,133
ELECTRIC PLANT HELD FOR FUTURE USE - LAND	1,239,443	-	-	(44,056) (2)	1,195,387
CONSTRUCTION WORK IN PROGRESS	<u>91,710,103</u>	<u>56,730,864</u>	<u>-</u>	<u>113,520</u>	<u>148,554,487</u>
TOTAL UTILITY PLANT, at original cost	611,954,748	70,862,830	1,480,918	47,347	681,384,007
ACQUISITION ADJUSTMENTS, LESS AMORTIZATION	<u>282,000</u>	<u>-</u>	<u>-</u>	<u>(81,000) (3)</u>	<u>201,000</u>
TOTAL UTILITY PLANT	<u>\$612,236,748</u>	<u>\$70,862,830</u>	<u>\$1,480,918</u>	<u>\$ (33,653)</u>	<u>\$681,585,007</u>
NONUTILITY PROPERTY, at cost	<u>\$ 343,612</u>	<u>-</u>	<u>-</u>	<u>\$ (71,241) (4)</u>	<u>\$ 272,371</u>

Notes:

- (1) Represents transfer of customers' advances for construction
- (2) Represents transfer to construction work in progress
- (3) Amortization credited directly to the asset account and charged to amortization of acquisition adjustments. Acquisition adjustments are being amortized over a 20-year period.
- (4) Represents:

Transfer to construction work in progress	\$ (69,464)
Adjustment of cost basis of nonutility property	<u>(1,777)</u>
	<u>\$ (71,241)</u>

\$ (69,464)
(1,777)
\$ (71,241)

THE UNITED ILLUMINATING COMPANY
SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
for the year ended December 31, 1977

<u>Col. A</u>	<u>Col. B</u>	<u>Col. C</u>	<u>Col. D</u>	<u>Col. E</u>	<u>Col. F</u>
<u>Classification</u>	<u>Balance at Beginning of Period</u>	<u>Additions at Cost</u>	<u>Retirements</u>	<u>Other Changes - Add (Deduct)</u>	<u>Balance at End of Period</u>
UTILITY PLANT, at original cost:					
ELECTRIC PLANT IN SERVICE:					
Production Plant:					
Steam	\$292,613,816	\$ 2,264,756	\$ 295,314	\$ -	\$294,583,258
Jet Turbine	<u>1,728,023</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,728,023</u>
Total Production Plant	294,341,839	2,264,756	295,314	-	296,311,281
Transmission Plant	50,942,769	343,810	24,936	(60,250)	51,201,393
Distribution Plant	153,733,212	7,009,108	1,629,407	(46,898)	159,066,015
General Plant	<u>11,834,88</u>	<u>795,260</u>	<u>193,317</u>	<u>(10,118)</u>	<u>12,426,513</u>
Total Electric Plant in Service	510,852,508	10,412,934	2,142,974	(117,266)	519,005,202
ELECTRIC PLANT HELD FOR FUTURE USE - LAND	1,527,414	-	32,458	(255,513)	1,239,443
CONSTRUCTION WORK IN PROGRESS	<u>53,806,016</u>	<u>37,904,087</u>	<u>-</u>	<u>-</u>	<u>91,710,103</u>
TOTAL UTILITY PLANT, at original cost	566,185,938	48,317,021	2,175,432	(372,779) (1)	611,951,746
ACQUISITION ADJUSTMENTS, LESS AMORTIZATION	<u>363,000</u>	<u>-</u>	<u>-</u>	<u>(81,000) (2)</u>	<u>282,000</u>
TOTAL UTILITY PLANT	<u>\$566,548,938</u>	<u>\$48,317,021</u>	<u>\$2,175,432</u>	<u>\$ (453,779)</u>	<u>\$612,236,748</u>
NONUTILITY PROPERTY, at cost	<u>\$ 46,943</u>	<u>\$ 1,901</u>	<u>-</u>	<u>\$ 294,768 (1)</u>	<u>\$ 343,612</u>

Notes:

(1) Represents:

Transfer of customers' advances for construction	\$ (62,378)
Adjustments to operating expense	(1,332)
Amount transferred to nonutility property	(294,768)
Settlement of litigation	(14,301)
	<u>\$ (372,779)</u>

(2) Amortization credited directly to the asset account and charged to amortization of acquisition adjustments. Acquisition adjustments are being amortized over a 20-year period.

Schedule VI
Reserve for
Depreciation

THE UNITED ILLUMINATING COMPANY

SCHEDULE VI - RESERVE FOR DEPRECIATION
OF PROPERTY, PLANT AND EQUIPMENT

for the years ended December 31, 1978 and 1977

<u>Col. A</u>	<u>Col. B</u>	<u>Col. C</u>	<u>Col. D</u>	<u>Col. E</u>	<u>Col. F</u>
<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Additions Charged to Costs and Expenses</u>	<u>Retirements</u>	<u>Other Changes Add (Deduct)</u>	<u>Balance at End of Period</u>
Reserve for depreciation, utility plant:					
1978	\$149,039,090	\$14,030,000	\$1,423,631	\$ (1,817) (A)	\$161,643,642
1977	136,931,778	13,661,000	2,028,434	474,746 (A)	149,039,090
Reserve for depreciation, nonutility property:					
1978	32,110	1,032(B)		(1,777)(C)	31,365
1977	18,493	1,071(B)		12,546 (A)	32,110

Notes:

(A) Represents:

Government reimbursements in connection with relocation of plant in service transferred to reserve for depreciation, nonutility property

	<u>1978</u>	<u>1977</u>
	\$(1,817)	\$487,292
	-	(12,546)
	<u>\$(1,817)</u>	<u>\$474,746</u>

(B) Charged to other income in the statement of income

(C) Adjustment of cost basis of nonutility property

Schedule IX
Bonds, Mortgages
and Similar Debt

THE UNITED ILLUMINATING COMPANY
SCHEDULE IX - BONDS, MORTGAGES AND SIMILAR DEBT

December 31, 1978

Col. A Name of Issuer and Title of Each Issue (1)	Col. B Amount Authorized by Indenture (1)	Col. C Amount Issued and Not Retired or Canceled	Col. D Amount Included in Col. C. Which is		Col. E Amount Included in Sum Extended Under Caption "Long-term Debt" in Related Balance Sheet (2)
			Held by or for Account of Issuer Thereof	Not Held by or for Account of Issuer Thereof	
THE UNITED ILLUMINATING COMPANY:					
Thirty-Year 2-7/8% Debentures, 1981 Series, due March 1, 1981	\$ 8,000,000	\$ 8,000,000	None	\$ 8,000,000	\$ 8,000,000
Thirty-Year 3% Debentures, 1984 Series, due October 1, 1984	9,000,000	9,000,000	None	9,000,000	9,000,000
Thirty-Year 4-7/8% Debentures, 1987 Series, due November 1, 1987	10,000,000	10,000,000	None	10,000,000	10,000,000
Thirty-Year 4.65% Debentures, 1990 Series, due August 15, 1990	15,000,000	15,000,000	None	15,000,000	15,000,000
Thirty-Year 4-7/8% Debentures, 1991 Series, due July 15, 1991	10,000,000	10,000,000	None	10,000,000	10,000,000
Thirty-Year 5-3/4% Debentures, 1996 Series, due August 15, 1996	15,000,000	15,000,000	None	15,000,000	15,000,000
Thirty-Year 6% Debentures, 1997 Series, due June 15, 1997	22,500,000	22,500,000	None	22,500,000	22,500,000
Thirty-Year 7% Debentures, 1999 Series, due January 15, 1999	15,000,000	15,000,000	None	15,000,000	15,000,000
Thirty-Year 7-3/4% Debentures, 2002 Series, due October 1, 2002	25,000,000	25,000,000	None	25,000,000	25,000,000
Thirty-Year 8-1/4% Debentures, 2003 Series, due December 15, 2003	30,000,000	30,000,000	None	30,000,000	30,000,000
					159,500,000
Twenty-Five-Year 10-1/4% Debentures, 2000 Series, due June 15, 2000	30,000,000	30,000,000	None	30,000,000	30,000,000
Serial Debentures					
11%, maturing serially as to \$4,000,000 principal amount on September 15 in each of the years 1979 to 1983, inclusive	20,000,000	20,000,000	None	20,000,000	20,000,000
8%, maturing serially as to \$1,666,667 principal amount on November 15 in each of the years 1983 to 1997, inclusive	25,000,000	25,000,000	None	25,000,000	25,000,000
Unamortized debt discount less premium					(546,493)
Total Long-term debt					233,953,507
Less "current portion of long-term debt" in related Balance Sheet					4,000,000
"Long-term debt" in related Balance Sheet					\$229,953,507

Notes:

- (1) The indenture, as amended and supplemented, under which the Company's debentures are issued, specifies that no further debentures of the Thirty-Year 1981, 1984, 1987, 1990, 1991, 1996, 1997, 1999, 2002 or 2003 series or of the Twenty-Five-Year 2000 Series or of the 11% or 8% Serial Debentures may be issued, but provides for additional issues of debentures of other series as may be authorized from time to time by the Board of Directors to an amount unlimited except as provided in the indenture.
- (2) The currently maturing portion of the 11% Serial Debentures has been classified as a current liability in the Balance Sheet at December 31, 1978.
- (3) The answers to Columns F, G and H with respect to each issue are "None".

Schedule XII
Valuation and
Qualifying
Accounts and
Reserves

THE UNITED ILLUMINATING COMPANY
SCHEDULE XII - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
for the years ended December 31, 1978 and 1977

<u>Col. A</u>	<u>Col. B</u>	<u>Col. C</u>		<u>Col. D</u>	<u>Col. E</u>
<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Additions</u>		<u>Deductions (Note)</u>	<u>Balance at End of Period</u>
		<u>Charged to Costs and Expenses</u>	<u>Charged to Other Accounts</u>		
RESERVE DEDUCTION FROM ASSET TO WHICH IT APPLIES:					
Reserve for uncollectible accounts:					
1978	\$720,000	\$1,278,055		\$1,123,055	\$875,000
1977	865,000	1,001,711		1,146,711	720,000

Note: Accounts written off, less recoveries.

Schedule XIII
Capital Shares

THE UNITED ILLUMINATING COMPANY
SCHEDULE XIII - CAPITAL SHARES

December 31, 1978

Col. A Name of Issuer and Title of Issue	Col. C Number of Shares Issued and Not Retired or Canceled	Col. D Number of Shares Included in Col. C Which are		Col. E Shares Issued or Outstanding as Shown on or Included in Related Balance Sheet Under Caption "Capital Stock"	
		Held by or for Account of Issuer Thereof	Not Held by or for Account of Issuer Thereof	Number	Amount at Which Carried
THE UNITED ILLUMINATING COMPANY:					
4.35% Preferred Stock, Series A, cumulative, \$100 par value, callable at \$102.00 a share	50,000	None	50,000	50,000	\$ 5,000,000
4.72% Preferred Stock, Series B, cumulative, \$100 par value, callable at \$101.00 a share	75,000	None	75,000	75,000	7,500,000
4.64% Preferred Stock, Series C, cumulative, \$100 par value, callable at \$102.00 a share through January 15, 1980 and at \$101.00 a share thereafter	75,000	None	75,000	75,000	7,500,000
5-5/8% Preferred Stock, Series D, cumulative, \$100 par value, callable at \$103.00 a share through January 15, 1979, at \$102.00 a share thereafter through January 15, 1982 and at \$101.00 a share thereafter	75,000	None	75,000	75,000	7,500,000
7.60% Preferred Stock, Series E, cumulative, \$100 par value, callable at \$108.00 a share through April 15, 1982, at \$104.50 a share thereafter through April 15, 1985 and at \$101.00 a share thereafter	125,000	None	125,000	125,000	12,500,000
7.60% Preferred Stock, Series F, cumulative, \$100 par value, callable at \$108.00 a share through July 15, 1983, at \$104.50 a share thereafter through July 15, 1986 and at \$101.00 a share thereafter	150,000	None	150,000	150,000	15,000,000
8.80% Preferred Stock, 1976 Series, cumulative, \$25 par value, callable at \$27.20 a share through October 15, 1981, at \$26.55 a share thereafter through October 15, 1986 and at \$25.90 a share through October 15, 1991 and at \$25.25 a share thereafter (1)	600,000	None	600,000	600,000	<u>15,000,000</u>
					<u>\$70,000,000</u>
Common Stock, no par value	6,047,018	None	6,047,018	6,047,018	<u>\$106,472,301</u>

Notes:

- (1) With restrictions that no shares of the 1976 Series Stock may be refinanced at a lower interest or dividend rate prior to October 15, 1981.
- (2) In answer to Column B the Company's charter contains no limitation on the amount of its capital stock. See Note C of Notes to Financial Statements in the accompanying 1978 Annual Report to Shareowners.
- (3) The answers to Columns F and G with respect to each issue are "None".
- (4) No shares of capital stock are reserved for officers and employees or for options, warrants, conversions or other rights.