PSNH

Public Service of New Hampshire 1983 Annual Report to Shareowners

DEAR SHAREOWNERS:

Recent events surrounding the Company's financial position are indeed the most serious challenges ever faced by PSNH.

In that light, the Company has elected to forego the more traditional Annual Report to Shareowners. In its place we are providing to each shareowner a copy of the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on April 2 and amended on April 27, 1984.

We urge shareowners to carefully read this document and the accompanying proxy statement for the Annual Meeting to be held on June 7, 1984, as they depict, in detail, the current status of the Company.

In the Annual Report on Form 10-K the Company stated that, if additional financial support could not be obtained and its commercial banks declined to advance funds under the existing revolving credit agreement, the Company would within three weeks be forced to seek protection from its creditors under the Bankruptcy Code.

Since that time, the Company and its Board of Directors have made a number of difficult decisions, including: the omission of the May 15, 1984 dividends on shares of the Company's common and preferred stock; reduction of workforce and management salary levels at the Company; a temporary halt of construction at Seabrook Station; a suspension of the Company's Seabrook Station construction payments pending resolution of the Company's financial problems; and a determination to cease construction work on the oil-to-coal conversion at our Schiller Station.

Each of these decisions was made in an attempt to maintain the viability of the Company and its shareowners' investment. It must be understood that, while the Company has continued, and will continue, to work to avoid seeking the protection of the bankruptcy court, and while the earlier projected filing date has passed, the possibility still exists that the Company could seek this protection.

On a positive note, the Company on April 18, 1984 released revised completion cost and schedule estimates for Seabrook Station. These new estimates indicate that Seabrook Unit 1 will cost $4.1 billion and will begin operating in February, 1986, about one-half billion dollars less and five months sooner than the March 1, 1984 estimates.

Throughout this period of crisis the directors, management and all employees of the Company have worked together in an exemplary fashion to meet unprecedented challenges. Many more challenges will arise which must be overcome in the weeks and months ahead. We will continue to put forth our best efforts to meet those challenges and to protect the interests of the Company, its shareowners and customers.

R.J. Harrison
President and
Chief Executive Officer

W.C. Tallman
Chairman

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

As Amended by Form 8 dated April 27, 1984

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

For the fiscal year ended December 31, 1983	**Commission File Number 1-6392**

Public Service Company of New Hampshire

(Exact name of registrant as specified in charter)

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

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $5 Par Value	New York Stock Exchange
Preferred Stock, $25 Par Value, 11% Dividend Series	New York Stock Exchange
Sinking Fund Preferred Stock, $25 Par Value, 11.24% Dividend Series	New York Stock Exchange
Sinking Fund Preferred Stock, $25 Par Value, 17% Dividend Series	New York Stock Exchange
Sinking Fund Preferred Stock, $25 Par Value, 15% Dividend Series	New York Stock Exchange
Sinking Fund Preferred Stock, $25 Par Value, 15.44% Dividend Series	New York Stock Exchange
Sinking Fund Preferred Stock, $25 Par Value, 13% Dividend Series	New York Stock Exchange
Sinking Fund Preferred Stock, $25 Par Value, 13.80% Dividend Series	New York Stock Exchange
General and Refunding Mortgage Bonds, Series B 12% due 1999	New York Stock Exchange
General and Refunding Mortgage Bonds, Series C 14½% due 2000	New York Stock Exchange
General and Refunding Mortgage Bonds, Series E 18% due 1989	New York Stock Exchange
15¾% Debentures due 1988	New York Stock Exchange
14⅞% Debentures due 1991	New York Stock Exchange
15% Debentures due 2003	New York Stock Exchange

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

Title of Class

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

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

Yes √ . No_____.

The aggregate market value of the shares of Common Stock, $5 par value, of the Company held by non-affiliates of the Company was $325,305,776 on March 29, 1984.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the close of the period covered by this report.

Class	Outstanding at December 31, 1983
Common Stock, $5 Par Value	**36,996,327 Shares**

Documents Incorporated by Reference

Portions of the definitive proxy statement to be dated April 27, 1984 for the Company's Annual Meeting of Stockholders to be held June 7, 1984. (Part III)

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

1983 FORM 10-K ANNUAL REPORT

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PART I

Item 1. BUSINESS

Introduction

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

The area served by the Company experienced relatively rapid population and economic growth during the 1970's and continues to experience one of the lowest unemployment rates in the nation. As a result, the Company's kilowatt-hour sales increased substantially during the 1970's, but, as in the case of most other utilities, sales have flattened in recent years. However, the Company has experienced increased sales growth during 1983 and in the first quarter of 1984.

Prior to the developments noted below under *Seabrook Nuclear Plant* the Company had planned to meet a major portion of the needs of its customers after 1986 through its share of the Seabrook Plant. The Company's share (35.56942%) of the two units of the Seabrook Plant would have entitled the Company to 409 MW of the capacity of each unit. With the Seabrook Plant, the Company believed that its goals of emphasizing conservation and load management would obviate the need for construction by it of any further base load generating plants for a considerable period.

At the present time, the Company is facing serious financial problems. Of immediate concern is the Company's need for short-term credit within three weeks and the uncertainty that funds will be available to the Company under its revolving credit facility if the Company is unable to obtain additional back-up sources of credit as requested by its commercial banks. See *Financing — Bank Financing* below. There also exists the possibility that the Company will ultimately be unable to recover its investment in Unit 2 of the Seabrook Plant, which the participants have voted to cancel as of December 1, 1984 subject to the condition described below under *Seabrook Nuclear Plant — Seabrook Unit 2*.

Industry Problems

Electric utilities throughout the United States which are constructing nuclear generating plants have been the subject of extensive adverse publicity and criticism. Some nuclear projects have been discovered to have unanticipated construction defects and quality assurance deficiencies which have led to substantial cost overruns and significant construction delays, resulting in some cases in project abandonments and, in at least one instance, the denial of an operating license by the Nuclear Regulatory Commission ("NRC"). Several electric utilities have announced licensing problems with and cancellations of unfinished nuclear plants, which, absent recovery of costs from ratepayers, could result in substantial write-offs and dividend reductions. In the case of one utility, delay in obtaining an operating license from the NRC as a result of, among other things, difficulties in completing emergency procedures has forced the utility to omit its common stock dividend and is threatening the utility's financial viability. In addition, various state regulatory agencies are reviewing alternatives for the moderation of the effect on rates of placing major generating facilities in service upon commencement of commercial operation by, for example, phasing the cost of such facilities into rate base over a period of years rather than recognizing the full cost immediately. All of these events have adversely affected the price of securities of utilities with nuclear investments, including the Company, and all of these problems may affect the Company in the future.

For a further discussion of certain of these problems as they affect the Company, see *Seabrook Nuclear Plant* below, Item 2 *Properties* and Item 3 *Legal Proceedings*.

Seabrook Nuclear Plant

The Company is the lead owner of a nuclear-fueled steam electric generating plant under construction at a site located in Seabrook, New Hampshire (the "Seabrook Plant"), which was planned to have two Westinghouse pressurized water reactors (each with a rated capacity of 1,150 megawatts), utilizing ocean water for condenser cooling purposes. Various other New England utilities are participating in the ownership of the Seabrook Plant under a Joint Ownership Agreement. The ownership interests in the Seabrook Plant are as follows:

Public Service Company of New Hampshire	35.56942%
The United Illuminating Company	17.50000
Massachusetts Municipal Wholesale Electric Company	11.59340
New England Power Company	9.95766
Central Maine Power Company	6.04178
The Connecticut Light and Power Company	4.05985
Canal Electric Company	3.52317
Montaup Electric Company	2.89989
Bangor Hydro-Electric Company	2.17391
New Hampshire Electric Cooperative, Inc.	2.17391
Central Vermont Public Service Corporation	1.59096
Maine Public Service Company	1.46056
Fitchburg Gas and Electric Light Company	0.86519
Vermont Electric Generation and Transmission Cooperative, Inc.	0.41259
Taunton Municipal Lighting Plant	0.10034
Hudson Light and Power Department	0.07737
	100.00000%

The Seabrook Plant has experienced persistent and substantial cost increases. The increased costs have been due, among other reasons, to design changes, revisions of regulations of the NRC and other regulatory bodies, extraordinarily high interest rates, inflation and construction delays, all of which have resulted in total costs (including carrying costs and taxes) far higher than planned and far higher than for nuclear plants currently operating, although comparable to certain other nuclear plants currently under construction. The cost estimate for both Units of the Seabrook Plant issued on March 1, 1984 is approximately $9 billion with an estimated July 1986 in-service date for Unit 1 and a December 1990 in-service date for Unit 2. These latest estimates of cost and completion dates are about 75% greater and 18 months later, respectively, than those made by the Plant's architect/engineer in November, 1982, which were in turn 43% greater and 10 months later, respectively, than previous estimates. Management Analysis Company ("MAC"), an independent consulting firm retained in early 1983 by the Seabrook participants to analyze the November, 1982 estimate, reviewed the latest estimates and recommended that they be further reviewed and analyzed by the Company. These estimates were analyzed by MAC as being within the optimistic area of probability as to schedule and the middle range of probability as to cost, provided that the construction methods upon which the analysis is based remain unchanged. The Company believes that substantial efficiencies in the construction methods can be achieved resulting in the earlier completion of Unit 1 and significant cost savings; however, there can be no assurance that the efficiencies will be achieved or that the Unit will be completed within the cost and schedule estimates. Certain Seabrook participants have estimated that the total cost of constructing both Units of the Seabrook Plant could exceed $10 billion and that the completion dates could be later than those reflected in the above estimates.

On March 30, 1984, the Seabrook Plant participants voted to cancel construction of Unit 2 at December 1, 1984, subject to the successful implementation of the NEPOOL Shared Savings Plan described below under *Seabrook Unit 2*. Cancellation of Unit 2 (assuming no other arrangements are made for continuation of construction as described under *Seabrook Unit 2* below) and failure of the Company to recover a significant portion of its investment in the Unit either from ratepayers or through the NEPOOL Shared Savings Plan could prevent the Company from financing its share of the remaining cost of constructing Unit 1. At February 29, 1984 the Company's investment in Unit 1 and common facilities was $1,051,300,000, including the allowance for funds used during construction ("AFUDC"), described in Note 1 of Notes to Financial Statements, and uranium fuel. Cancellation of Unit 1 would threaten the financial viability of the Company.

Even if reasonable arrangements can be made either to recover the Company's investment in Unit 2 after its cancellation or to complete construction without further financing from the Company and those participants which seek to cancel Unit 2, financing of Unit 1 will be a major undertaking for the Company, particularly if it is not included in rate base promptly upon its completion but phased in as suggested by New Hampshire authorities. See *Financing* below.

As a result of the substantial increase in the estimated cost of Unit 1 reflected in the latest cost estimates, the commercial banks which have provided the Company with its revolving credit facility (under which no amounts are currently outstanding) have requested the Company to obtain additional back-up sources of credit. It is not clear that the banks will make funds available under the existing revolving credit facility without the additional credit. This additional credit would provide the Company with increased financial support in the event that the Company is unable to access the public securities markets for any significant period and the Company has exhausted its bank lines of credit. The Company is seeking this additional support, including specifically support from the other Seabrook participants. If such support cannot be obtained in the next three weeks and the commercial banks decline to advance funds to the Company under the revolving credit facility, the Company would be forced to seek protection from its creditors under the Bankruptcy Code. The Company has temporarily instituted stringent cash conservation as well as other expenditure curtailment measures.

Seabrook Unit 2. The March 1, 1984 estimate of the cost and completion date of Unit 2 were $4.4 billion and December 1990, respectively. Budgeted expenditures for construction of Unit 2 since September 1983 have been at the "lowest feasible level" and during 1984 are anticipated to be minimal.

Even before the latest cost estimates, certain Seabrook participants, either on their own volition or in response to suggestions or orders from their regulators, had been attempting unsuccessfully to sell some or all of their interest in the Seabrook Plant or had been seeking mothballing or cancellation of Unit 2 because of concern by the participants or their regulators as to increases in the projected costs, delays in scheduled completion and their own need for its power. At a meeting of the participants held on March 1, 1984, six participants holding a total of about 40% of the ownership interests in the Plant voted in favor of cancellation of Unit 2, four participants holding about 18% abstained on that vote, and the remaining five participants, including the Company, voted against cancellation.

Under the Joint Ownership Agreement, cancellation of Unit 2 can only be effected by the vote of at least 80% of the ownership interests, so that cancellation required the Company's concurrence in such a vote. However, in view of the determination of a number of the participants and the state regulatory agencies having jurisdiction over them to cancel Unit 2, it became apparent that it was no longer possible to complete construction of Unit 2 under the Joint Ownership Agreement.

Consequently, on March 30, 1984, the Company joined with the other Seabrook participants and voted to cancel Unit 2 on December 1, 1984 on the condition that there have been obtained all necessary regulatory approvals of arrangements for sharing with the Company the savings on Canadian power under a proposed NEPOOL Shared Savings Plan; at that same meeting, participants holding about 59% of the ownership interests had voted to cancel Unit 2 immediately without any such condition. (See *New England Power Pool* below for a description of NEPOOL.) The NEPOOL Shared Savings Plan was approved in concept by a unanimous vote of the NEPOOL Executive Committee on March 23, 1984. Under the Plan, savings from the purchase of Canadian power would be channeled by the NEPOOL members to the Company over a period of years commencing in 1987 in order to compensate in part for the Company's lost investment in Unit 2. The amount of such savings which would be so channeled has not yet been agreed upon.

The Company is also seeking to make other arrangements for the completion of Unit 2. These arrangements could include the financing of construction of Unit 2 under a fixed price contract by a major construction company, but would not involve financing of such costs by the Company. Participants desiring to cancel Unit 2 would in any event be relieved of any further obligations for construction costs of Unit 2, but would remain obligated for Unit 1 costs. There can be no assurance that the NEPOOL Shared Savings Plan will receive the requisite regulatory approvals or will channel sufficient savings to the Company, or that the Company will be able to make arrangements to complete construction of Unit 2. Consequently, the Company may be in the difficult position of attempting to continue construction of Unit 2 in the face of the nearly unanimous determination of the other Seabrook participants and regulatory authorities that Unit 2 should be cancelled.

The Company cannot predict whether it would be possible to continue construction of Unit 2 in such circumstances.

Cancellation of Unit 2 could in certain circumstances also jeopardize the Company's financing of its share of Unit 1 and its financial viability if the Company were not granted some recovery on its investment in Unit 2 in addition to the NEPOOL Shared Savings Plan. This recovery could take the form of direct rate recovery if the New Hampshire anti-CWIP statute is not construed to prevent recovery through rates of a utility's investment in a cancelled plant. There is currently pending before the New Hampshire Public Utilities Commission ("NHPUC") the Company's request for recovery with respect to the Company's share of the cancelled Pilgrim Unit 2 nuclear generating plant. The NHPUC has certified to the New Hampshire Supreme Court the question of whether the New Hampshire anti-CWIP statute prevents such recovery. The Court has ordered an accelerated briefing schedule with oral argument tentatively scheduled for May 1984.

The Company cannot predict what action the NHPUC would take regarding the Company's Seabrook Unit 2 investment. If the NHPUC denied recovery the Company would be required to charge the unrecovered cost of Unit 2 against earnings in the period in which such denial became final; the Company does not believe that a final determination of the question will be made before the second half of 1985. At February 29, 1984, the Company's investment in Unit 2 was $316,000,000 including AFUDC and uranium fuel. While the Company believes that in the event of cancellation it would be entitled to allocate some part of this investment to the cost of Unit 1, the amount charged against earnings in the event it is denied recovery could, depending upon the amount not recovered, eliminate the Company's retained earnings, thereby effectively precluding the Company from paying dividends on its Common and Preferred Stocks. In these circumstances, the Company would in all probability be unable to access the public securities markets.

Effective March 1, 1984, the Company ceased capitalization of all costs, including AFUDC, related to Unit 2. The accrual of AFUDC on Unit 2 had been approximately $3,000,000 per month. The effect of this decision will be to reduce 1984 net income by approximately $33,000,000.

Seabrook Unit 1. At March 1, 1984 Unit 1 of the Seabrook Plant was estimated to be approximately 73% complete based upon the latest cost estimate. The principal concerns of the Company with respect to Unit 1 are its cost, commercial operation date, licensing and inclusion in rate base.

Cost. At February 29, 1984, the Company had invested in Unit 1 and common facilities approximately $1,051,300,000 (including AFUDC and uranium fuel). The March 1, 1984 estimate of the total cost upon completion of Unit 1 and common facilities was $4.6 billion, including a management contingency allowance of $200,000,000 and AFUDC estimated at $1.5 billion but excluding the initial cores of uranium fuel. The Company's share of this cost would be $1,954,000,000. This estimate assumed the eventual completion of Unit 2, and this estimate of the cost of Unit 1 will be approximately $400,000,000 higher if Unit 2 is not completed. As indicated above, MAC recommended that this cost estimate be further analyzed and refined by the Company. The Company expects to complete this review by June 1984.

The Company cannot predict what effect further delays in completion of construction, licensing or inclusion of Unit 1 in rate base, the cancellation of Unit 2, adverse regulatory or legislative action, financing problems of the Company or other Seabrook Plant participants, work stoppages, labor or material shortages or further administrative or court decisions relating to actions of regulatory agencies, may have on the completion of Unit 1 or on its cost or on the Company.

Commercial Operation Date. A principal factor affecting the cost of Unit 1 is its commercial operation date. Substantial revisions to all prior estimates of commercial operation of Unit 1 have been made from time to time. The March 1, 1984 estimate of the commercial operation date of Unit 1 is July 1986 and is eighteen months later than previously estimated. Various other completion dates for Unit 1 have been estimated by other participants, construction consultants and regulatory bodies.

Licensing. Timely receipt from the NRC of an operating license is necessary in order to commence commercial operation of Unit 1. Formal hearings were held in the summer of 1983 and further hearings are expected to be held in the spring of 1984. The Company's request for the operating license is being opposed by active intervenors, including the Attorney Generals of the State of New Hampshire and The Commonwealth of Massachusetts. In the course of the proceedings for the issuance of the operating license, it is anticipated that the New Hampshire Civil Defense Agency, the Massachusetts Civil Defense Agency and the Federal Emergency Management Agency will develop emergency response and evacuation plans in conjunction with 17 municipalities in New Hampshire and 7 municipalities in Massachusetts in proximity to the Plant. Most of the responsible governmental entities appear to be proceeding with the development of emergency procedures and evacuation plans, although several Massachusetts and New Hampshire municipalities and the Massachusetts Attorney General are opposing such development or the adequacy of the proposed procedures and plans. The Company cannot predict whether such opposition, or that of other intervenors, might delay completion or acceptance of the plans, and the Governor of Massachusetts has indicated that he will not certify the Massachusetts plan to the Federal Emergency Management Agency unless all affected Massachusetts municipalities have approved their respective plans. State and local opposition has delayed licensing of another nuclear generating plant located on Long Island, New York for such an extended period that the inability of the constructing utility to earn a cash return on its investment in the plant threatens that utility's financial viability.

Inclusion in Rate Base. Under a so-called anti-CWIP statute enacted into New Hampshire law in 1979 prohibiting the inclusion in rate base of construction work in progress, Unit 1 of the Seabrook Plant may not be included in rate base until completion of its construction and commencement of commercial operation. At that time, the Company expects that a retail rate increase currently estimated to be about 65% would be required in order to place the entire cost of Unit 1 in rate base. The Company's estimates of future revenues have attempted to reflect the dampening effects of the expected rate increases on power sales. The Company cannot predict what rate increases will be granted, including the extent to which the Unit might be phased into rate base as suggested by New Hampshire authorities, or whether the dampening effect will be more substantial than anticipated. The NHPUC has instituted a proceeding to explore whether an agreement can be negotiated as to the cost of Unit 1 of the Seabrook Plant, with incentives and penalties for variations from agreed upon cost. The Company intends to reopen discussions with the Commission in this proceeding immediately after the conclusion of the Company's review of the latest estimates, now expected to be accomplished by June 1984. The timing and extent of recovery by the Company of the cost of the Seabrook Plant from ratepayers has become a major political issue in New Hampshire.

The Company's cash flow should be substantially improved and its permanent financing requirements reduced after Seabrook Unit 1 is included in rate base. Delays in commercial operation of Unit 1 or in rate base treatment of the costs of the Unit would require the Company to maintain high levels of financing. See *Financing* below. The Company's financing requirements would also remain high if the NHPUC should decide not to permit inclusion in rate base of substantially all of the costs of Unit 1. Even after inclusion of Unit 1 in rate base, any outage of the Unit of such a nature or duration as to result in its removal from rate base would impose significant burdens on the Company because Unit 1 and common facilities will constitute more than half of the Company's total assets and will be the source of a significant portion of its electric generating capacity.

Regulatory Approvals. The Seabrook Plant has required numerous approvals and permits from various state and federal regulatory bodies, consisting primarily of a certificate authorizing construction of the plant (which incorporates related state permits) issued in 1974 by the NHPUC under New Hampshire's power plant siting law; approval of the once-through cooling system for the plant by the Environmental Protection Agency first granted in 1975, reaffirmed in 1978 and affirmed upon court appeal in 1979; and construction permits from the NRC issued in 1976 and ultimately affirmed by the NRC and the courts, although there were temporary suspensions of construction in 1977 and 1978 as a result of administrative proceedings and court appeals. The process of obtaining these approvals and permits has been long and complex, has been consistently opposed by a number of intervening groups, has witnessed demonstrations at the Seabrook Plant site, and has been plagued by lengthy delays which have resulted in greatly increased costs for the Seabrook Plant. All of the approvals and permits required for construction have been obtained and, except as described below, there are no appeals or proceedings related thereto currently being actively prosecuted. However, continued opposition at the regulatory level and through court appeals is likely.

By their terms the NRC construction permits in the case of Unit 1 expired on June 30, 1983 and in the case of Unit 2 will expire on October 31, 1984. Timely applications to the NRC have been made for extension of the construction permits which, pursuant to NRC regulations, extended the permits until the NRC acts on the applications.

In addition to the issues relating to emergency procedures mentioned above under *Seabrook Unit 1 — Licensing*, on February 10, 1984 one intervenor moved to reinstate a contention challenging the financial qualifications of the Company and certain other unnamed joint owners in light of the February 7, 1984 decision of the United States Court of Appeals for the District of Columbia Circuit in *New England Coalition of Nuclear Pollution* v. *NRC* (No. 82-1581). That decision remanded to the NRC a regulation promulgated in 1982 which eliminated a prior requirement for demonstrating that an electric utility applicant possessed reasonable assurance of obtaining funds to cover estimated operation costs and costs of permanently shutting the facility down. The NRC has since issued a Statement of Policy indicating that an expedited rulemaking will be held to address the problems perceived by the court and directing NRC licensing boards to treat the remanded regulation as valid until the court's mandate issues. The Company cannot predict what effect this decision will have on the licensing proceeding.

An addition to the 345 KV transmission grid in Massachusetts is needed in connection with the operation of the Seabrook Plant. The addition had been approved by Massachusetts regulatory authorities, but there are court appeals opposing it, and additional regulatory proceedings are pending.

Other Participants. On February 27, 1984, the Massachusetts Department of Public Utilities ("MDPU") denied permission to Eastern Utilities Associates ("EUA") to advance up to $16,000,000 from the proceeds of an EUA financing to its subsidiary, Montaup Electric Company. A portion of these funds would have been used by Montaup to pay for its share of Seabrook construction costs. The MDPU ruled that EUA would be required to establish that the Seabrook Plant is a reasonable investment before financing proceeds could be used for construction. The Company is unable to predict the effect this decision or subsequent decisions by the MDPU will have on the ability of the participants subject to MDPU jurisdiction to finance their share of construction costs of the Seabrook Plant.

Regulatory authorities in other jurisdictions have taken other actions concerning the Seabrook Plant. On August 22, 1983, the Connecticut Department of Public Utility Control ("CDPUC") ordered The United Illuminating Company and The Connecticut Light and Power Company to "make every effort to disengage" from Unit 2, including taking active steps to effect cancellation of the Unit; this proceeding is continuing before the CDPUC. In late 1982, the Maine Public Utilities Commission ordered Maine Public Service Company to sell a portion of its interest in Units 1 and 2 on the basis that it did not need the power. The Vermont Public Service Board ("VPSB"), which has been investigating the Vermont participants' continued participation in the Seabrook Plant as part of an overall study of power supply, issued an order on February 2, 1984, approving continuation and expeditious completion of Unit 1 and directing the Vermont participants to take all reasonable action to ensure such completion; as to Unit 2, the VPSB concluded that delay but not cancellation was appropriate until uncertainties of power supply were resolved. More recently, in light of the March 1, 1984 estimates, the Chairman of the VPSB has stated that she expects the VPSB to support cancellation of Unit 2.

If one or more of the other Seabrook Plant participants should be unable to obtain sufficient or timely rates and financing and consequently are unable to fulfill their contractual commitments to pay their share of Seabrook Plant construction costs when due, or if by reason of action by a regulatory agency such participants fail to fulfill such commitments, completion of Unit 1 would be jeopardized and the continuation of the Company's business operations threatened.

Insurance. The Federal Price-Anderson Act provides, among other things, that the maximum liability for damages resulting from a nuclear incident would be the greater of the maximum amount of financial protection required by the NRC to be carried by licensees or $560,000,000, to be provided by private insurance and governmental sources. As required by NRC regulations, prior to operation of the Seabrook Plant, the owners of the Seabrook Plant will insure against this exposure by purchasing the maximum available private insurance (presently $160,000,000), the balance to be covered by retrospective premium insurance and by an indemnity agreement with the NRC. Under amendments to that Act, owners of operating nuclear facilities may be assessed a retrospective premium of up to $5,000,000 for each reactor owned in the event of any one nuclear incident occurring at any reactor in the United States, with a maximum assessment of $10,000,000 per year per reactor owned. As a part owner of other operating New England facilities (see *Joint Projects* below), the Company would be obligated to pay its proportionate share of any such assessments, which presently amounts to a maximum of $1,050,000 per incident. While no final evaluation of the claims being asserted as a result of the incident at Three Mile Island is yet possible, the Company does not anticipate any assessments being levied under these provisions as a result of that incident.

Construction Program

The Company's aggregate construction program for the five-year period 1984 through 1988, which will be subject to continuing review and adjustment throughout the period, is currently estimated to be about $888,100,000 (excluding AFUDC) assuming that the Company has no obligation for construction costs of Unit 2 of the Seabrook Plant after December 1984. The following table sets forth the Company's estimated construction expenditures for the period 1984-1988 and is based on current construction schedules and cost projections (excluding AFUDC of approximately $492,500,000):

	Estimated Construction Expenditures 1984-1988 (Millions of Dollars)	
	1984	1985-1988
Generating Facilities		
Company's Share of the Seabrook Plant		
Plant	$226.5	$346.3
Nuclear Fuel	11.6	47.4
Total	238.1	393.7
Other Generation	49.7	59.6
Total Generating Facilities	287.8	453.3
Transmission Facilities	2.0	20.8
Distribution and General Facilities	25.0	99.2
Total	$314.8	$573.3

The following table shows the aggregate amount for each of the years 1984-1988 of the Company's estimated construction program and is based on the same assumptions as in the immediately preceding table:

1984	$314,800,000
1985	254,800,000
1986	168,600,000
1987	81,800,000
1988	68,100,000
Total	$888,100,000

Actual construction expenditures have exceeded past estimates and could exceed these estimates because of changes in the Company's plans and load forecasts, cost increases, delays resulting from, among other things, regulatory and licensing proceedings, expiration and renegotiation of labor contracts, and other factors. It is also possible that additional expenditures may be required to meet regulatory and environmental requirements at the Seabrook Plant and the Company's other generating facilities.

Financing

The Company's 1984-1988 construction program is estimated at $888,100,000 excluding AFUDC of approximately $492,500,000. Financing of this construction program, refinancing at maturity of certain long-term debt and meeting required sinking fund payments (together aggregating $360,000,000), and financing working capital and other uses (approximately $123,000,000 assuming phase-in rate base treatment of Unit 1), represent a major undertaking for the Company.

The table below sets forth the Company's estimated requirements for external financing (including short-term credit) during the 1984-1988 period assuming that the entire cost of Unit 1 is placed in rate base upon commencement of commercial operation (estimated to be July 31, 1986) and assuming that the rate increase associated with the Seabrook Plant will be no greater than 10% per year (and in addition that the Company's rates are increased 5% per year to reflect inflation):

	Immediate Rate Base Treatment Unit 1	Phase-In Rate Base Treatment Unit 1
1984	$ 477,900,000	$ 477,900,000
1985	451,500,000	451,500,000
1986	302,600,000	433,100,000
1987	—	243,400,000
1988	—	257,500,000
Totals	$1,232,000,000	$1,863,400,000

In view of the present political environment in New Hampshire, the Company considers some phase-in rate base treatment to be likely, but is unable to predict the extent of such phase-in.

In 1983, the Company raised an aggregate of approximately $562,000,000 through the sale of an aggregate of 10,000,000 shares of Common Stock by public offerings in January and June and through operation of the Company's Dividend Reinvestment and Common Stock Purchase Plan, the sale of $200,000,000 of Debentures in February and November, the sale of an aggregate of 3,800,000 shares of Preferred Stock in April and October, the extension of the Company's $25,000,000 term loan, the completion of a $50,000,000 nuclear fuel financing and the sale of $20,000,000 of Pollution Control Revenue Bonds.

The Company's 1984 financing plan calls for approximately $477,900,000 of external financing to be obtained through the issuance of preferred and common stock, bonds, debentures, pollution control revenue bonds and other financings. Accomplishing these planned financings depends in the first instance upon the successful implementation of the back-up credit facilities referred to below under *Bank Financing* and the availability to the Company within three weeks of funds under its revolving credit facility with commercial banks. If the Company is able to obtain these additional sources of credit and borrow from its revolving credit banks, the success of the balance of the Company's financing plan and the nature, size and timing of future securities issues will depend on securities market factors, the favorable resolution of uncertainties regarding Unit 2, the amount and timing of needed rate increases, satisfaction of earnings coverage tests, the level of construction costs at the Seabrook Plant, the commercial operation date of Unit 1, economic conditions, the Company's level of sales and other factors. Adequate and timely rate increases, successful financings in the capital markets and continued availability of short-term credit facilities are essential to enable the Company to maintain its construction program and continue its business operations.

Mortgage Bonds. Due to certain restrictions in the Company's First Mortgage Indenture, no significant amount of First Mortgage Bonds may be issued thereunder until an operating license is obtained for Unit 1 of the Seabrook Plant.

Because of the restrictions in the Company's First Mortgage Indenture, the Company entered into the General and Refunding Mortgage Indenture dated as of August 15, 1978 (the "G&R Indenture"), constituting a second mortgage on the Company's properties to secure General and Refunding Mortgage Bonds, pursuant to which the Company has issued and sold an aggregate of $223,000,000 of such Bonds. The G&R Indenture requires that, in order to issue additional General and Refunding Mortgage Bonds, the earnings coverage of interest on the First Mortgage Bonds and General and Refunding Mortgage Bonds be at least 2.0. At February 29, 1984, approximately $142,000,000 of G&R Bonds can be issued under the earnings coverage test (17% annual interest rate assumed).

Debentures. The Company has outstanding $275,000,000 principal amount of Debentures. The Debentures are unsecured long-term obligations of the Company and do not require the Company to maintain any asset ratio or cash reserves. Under limitations contained in Preferred Stock provisions in the Company's Articles of Agreement, the Company could issue at February 29, 1984 approximately $293,000,000 of Debentures and other long-term unsecured indebtedness.

Bank Financing. The Company has a $160,000,000 revolving credit facility with a group of nine commercial banks under which no amounts are currently outstanding. As a result of the substantial increase in the estimated cost of Unit 1 reflected in the latest cost estimates, the commercial banks which have provided the Company with its revolving credit facility have requested the Company to obtain additional back-up sources of credit. It is not clear that the banks will make funds available under the existing revolving credit facility without the additional credit. This additional credit would provide the Company with increased financial support in the event that the Company is unable to access the public securities markets for any significant period and the Company has exhausted its own lines of credit. The Company is seeking this additional support, including specifically support from the other Seabrook participants. If such support cannot be obtained in the next three weeks and the commercial banks decline to advance funds to the Company under the revolving credit facility, the Company would be forced to seek protection from its creditors under the Bankruptcy Code. The Company has temporarily instituted stringent cash conservation as well as other expenditure curtailment measures.

The Company also has lines of credit aggregating approximately $3,000,000 with other banks and a term loan of $25,000,000 maturing on June 24, 1984 with most of the banks party to the revolving credit agreement. Under the Company's Articles of Agreement, the Company is currently permitted to incur about $304,000,000 of short-term unsecured indebtedness; the NHPUC has approved up to $190,000,000 of such short-term borrowings.

Preferred Stock. Under the Company's Articles of Agreement, additional shares of Preferred Stock may be issued without the affirmative vote of the holders of a majority of the outstanding shares of either class of the Preferred Stock provided that the ratio of earnings to fixed charges and preferred dividends, including dividends on shares of Preferred Stock to be issued, is at least 1.50. At February 29, 1984, the Company could issue, without such vote of the holders of shares of Preferred Stock, approximately $286,000,000 of Preferred Stock (16% annual dividend rate assumed).

New England Power Pool

A New England Power Pool ("NEPOOL") Agreement, to which the major investor-owned utilities in New England, including the Company, and certain municipal and cooperative utilities are parties, has been in effect since 1971. The NEPOOL Agreement provides for joint planning and operation of generating and transmission facilities and also incorporates generating capacity reserve obligations and provisions regarding the use of major transmission lines and payment for such use.

Substantially all planning, operation and dispatching of electric generating capacity for New England is done on a regional basis under the NEPOOL Agreement. At the time of the 1983-1984 NEPOOL winter peak, the New England utilities had about 21,158 MW of installed capacity and purchases to meet the New England peak load of about 15,838 MW.

The Company's capability responsibility under the NEPOOL Agreement involves carrying an allocated share of a New England capacity requirement which is determined for each period based on certain regional reliability criteria. It is expected that the Company's capacity will be sufficient, through its own generating facilities, through its participation in certain jointly-owned generating facilities, and through purchases of capacity and energy from other utilities, to meet its NEPOOL Agreement obligations at least until the 1990's.

Canadian Power. NEPOOL, on behalf of its members including the Company, has entered into an Interconnection Agreement with Hydro-Quebec, a Canadian utility operating in the Province of Quebec, which provides for construction of an interconnection between the electrical systems of New England and Quebec. Those parties have also entered into an Energy Contract and an Energy Banking Agreement; the former obligates Hydro-Quebec to offer NEPOOL participants up to 33 million MWH of surplus energy during an eleven-year term commencing September 1, 1986, and the latter provides for energy transfers between the two systems. Negotiations are continuing with Hydro-Quebec for additional power arrangements.

In March 1984 Hydro-Quebec and the Vermont Department of Public Service signed a letter of intent to negotiate a contract for the sale by Hydro-Quebec to Vermont for a ten-year period beginning September 1, 1985 of 150 MW of firm power.

Joint Projects

The Company is a part owner with other New England electric utilities of four nuclear generating companies. The Company owns a 7% interest in Yankee Atomic Electric Company, a 5% interest in Connecticut Yankee Atomic Power Company, a 5% interest in Maine Yankee Atomic Power Company and a 4%

interest in Vermont Yankee Nuclear Power Corporation, each of which owns an operating nuclear generating plant with present net capabilities of 176 MW, 582 MW, 846 MW and 528 MW, respectively. The stockholders of each of the four nuclear generating companies are entitled to the entire output of the plant in proportion to their respective ownerships, subject to certain sales agreements with other utilities, and are obligated to pay for such output their proportionate shares of the generating company's operating expenses and returns on invested capital. They are also obligated to pay, when called upon by the individual generating company, their proportionate shares of such generating company's capital requirements not provided from outside financing.

The Company is participating on a tenancy-in-common basis with other New England utilities in the ownership of two nuclear generating units under construction (assuming no further construction expenditures by the Company for Seabrook Unit 2):

				Company Share			
						Estimated Construction Cost(2)(4)	
	Type	Scheduled Completion Date(1)	Capacity MW	Percent(2)	Capacity MW(2)(3)	Total (Millions)	Per KW
Seabrook Unit 1 .... (New Hampshire)	Nuclear	7/31/86	1,150	35.56942	409.05	$1,954.0	$4,777
Millstone Unit 3 .... (Connecticut)	Nuclear	5/1/86	1,150	2.8475	32.7	$ 115.6	$3,535

(1) These completion dates have been deferred from time to time in the past, and additional deferrals may occur due to licensing and regulatory delays, economic conditions and other factors.

Due to the time required for the construction of generating facilities and the completion of licensing and regulatory proceedings relating thereto, substantial investments in the above units have been and will be required prior to the completion of licensing and regulatory proceedings. There is no assurance that all necessary approvals, permits or licenses will be obtained or, if obtained, will not be modified or revoked.

(2) See *Seabrook Nuclear Plant* and *Construction Program* above and Item 3, *Legal Proceedings — Other New Hampshire Proceedings*.

(3) Pursuant to arrangements with two Seabrook participants, the Company is obligated to purchase from such participants, if so requested, up to a total of 75 megawatts of capacity and related energy from Unit 1 for the first three years of commercial operation and 54 megawatts of capacity and related energy from Unit 1 for the next seven years.

(4) Including the cost of the initial nuclear fuel and AFUDC on the estimated costs of unfinished construction.

Fuel Supply

For the year ended December 31, 1983, the Company's firm net output was derived 49.6% from oil, 34.0% from coal, 10.3% from nuclear, 5.9% from hydro and 0.2% from other sources.

Oil. The New England electric utilities, including the Company, make greater use of fuel oil for generation of power than utilities in any other region of the country. Most fuel oil supplies of the New England utilities are derived from foreign sources and are subject to price fluctuations and interference by foreign governments. Fuel oil for the Company's two large oil burning plants is supplied under arrangements with two suppliers which will expire on January 31, 1986. The storage capacity for these two plants is approximately 30 days operating at full load, and inventory varies substantially depending upon oil shipments. During the 52-week period ending December 31, 1983, the average inventory was approximately 15 days operating at full load.

Coal. Coal for the Company's only plant which currently burns coal, the two unit Merrimack Station, is presently being furnished from West Virginia sources under a contract which expires in April, 1988. The contract generally provides that a 60-90 day supply of coal is to be maintained for the Company, that the base price of the coal may be changed by the seller annually but that the Company's disagreement with the change will result in termination of the contract at the end of the contract year, and that the price of the coal is subject to certain adjustments for changes in the seller's costs. The Company's policy is to maintain a 60-90 day supply of coal on hand for the Merrimack Station depending on time of year and potential mine labor work stoppages. At December 31, 1983, an 89-day supply was on hand. The Merrimack Station presently requires a total of approximately 1,000,000 tons of coal per year. During 1984, three oil-burning units at the Company's Schiller Station are scheduled for conversion to coal burning. After conversion it is estimated that Schiller Station will require 360,000 tons of coal per year, making the Company's total annual tonnage requirements approximately 1,360,000 tons of coal for 1985 and thereafter.

The Company's approximate average costs of oil and coal for 1979 through 1983 were as follows:

	Oil Per Barrel	Oil Per Million BTU	Coal Per Ton	Coal Per Million BTU
1979	$15.62	$2.51	$41.39	$1.53
1980	22.86	3.67	43.57	1.60
1981	30.58	4.92	47.14	1.71
1982	26.49	4.24	51.79	1.89
1983	26.55	4.52	53.17	1.99

Nuclear. The nuclear fuel cycle consists of (1) the mining and milling of uranium ore into uranium concentrates, (2) the conversion of uranium concentrates to uranium hexafluoride, (3) the enrichment of uranium hexafluoride, (4) the fabrication of nuclear fuel assemblies and (5) the reprocessing, storage, or disposal of spent nuclear fuel.

The Company has contracted for all of the uranium concentrates required to commence operation of both Units at the Seabrook Plant and to meet all of its requirements through 1990. Options under some contracts permit the Company to increase quantities and extend deliveries until 1995.

With respect to the Seabrook Plant, the Company has contracts for conversion services, for enrichment and for the fabrication of the initial cores and six reload regions (each region consisting of one-third of complete core). These contracts are expected to meet the Company's requirements for nuclear fuel cycle services as follows: conversion through 1987, enrichment through 2008, and fabrication through 1986.

As provided by the Nuclear Waste Policy Act of 1982, the Company plans to enter into a contract with the United States Department of Energy ("DOE"), prior to plant operation, for the transport and disposal of Seabrook spent fuel at a national nuclear waste repository. Under the Act a national repository will be in operation by 1998. The Seabrook Plant will have enough on-site storage to accommodate all spent fuel accumulated through the year 2000.

The Company has been advised by the companies operating or constructing the other nuclear generating stations in which the Company has an interest that they have contracted for certain segments of the nuclear fuel cycle through various dates. The Company has further been advised that these four operating nuclear generating stations have or will have storage capacity to meet the spent fuel storage needs of the units through various dates ranging from 1985 to the late 1990s. Contracts for other segments of the nuclear fuel cycle will be required in the future, and their availability, prices and terms cannot be predicted.

Conversion from Oil to Coal

Pursuant to orders of the NHPUC and the Economic Regulatory Administration of DOE, the Company is in the process of converting three units at its Schiller Station from burning oil to burning coal as their primary fuel source. The Company estimates that the conversion efforts will require the expenditure of approximately $55,000,000, of which the Company has expended approximately $25,000,000 as of February 29, 1984.

Regulation

The Company, as to retail rates, security issues, and various other matters, is subject to the regulatory authority of the NHPUC. The Connecticut Department of Public Utility Control has limited jurisdiction over the Company based on the Company's ownership as a tenant-in-common of a portion of Millstone Unit 3. See *Joint Projects* above. Based upon the Company's ownership of generating and transmission facilities in

Vermont and Maine, the Company is subject to limited regulatory jurisdiction in those states. The Company is also subject, as to some phases of its business, including accounts, certain rates, and licensing of its hydroelectric generating plants, to the jurisdiction of the Federal Energy Regulatory Commission ("FERC") under the Federal Power Act. The various nuclear generating units in which the Company has an ownership interest are subject in their construction and operation to the broad regulatory jurisdiction of the NRC under the Atomic Energy Act of 1954, particularly in regard to public health, safety, environmental and antitrust matters. See also *Environmental Matters* below.

National Energy Policy

The Federal Public Utility Regulatory Policies Act of 1978 ("PURPA") requires state utility regulatory commissions to make determinations with respect to certain issues of utility regulation. The NHPUC has accepted the recommendations of parties to a consultative process to adopt the PURPA Section 111 rate-making standards and the additional rate-making objectives of rate continuity, revenue stability and practicality of rates in principle and to the design of the lifeline rate for residential customers ordered by the NHPUC. Implementation of certain of the PURPA rate-making standards has begun in accordance with the results of the consultative process. Further decisions with respect to implementation were made in the Company's most recent retail rate case including the approval of a settlement agreement regarding rate structure, conservation and load management. Lifeline rate issues were also addressed in the proceeding. See Item 3, *Legal Proceedings — New Hampshire — Retail Rate Proceedings*.

The NHPUC has also initiated a proceeding to revise existing short-term rates and to establish long-term avoided cost rates to be paid for energy sold to the Company by small power producers and cogenerators. The parties to the proceeding have entered into settlement negotiations. Until a final NHPUC order is issued in the case, the existing short-term avoided cost rates and interim long-term avoided cost rates ordered by the NHPUC are expected to remain in effect.

Environmental Matters

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

The application of federal, state and local standards to protect the environment, including but not limited to those hereinafter described, involves or may involve review, certification or issuance of permits by various federal, state and local authorities. Such standards, particularly in regard to emissions into the air and water, thermal mixing zones and water temperature variations, may halt, limit or prevent operations, or prevent or substantially increase the cost of construction and operation of installations and may require substantial investments in new equipment at existing installations. They may also require substantial investments above the figures stated under *Construction Program* above.

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

Pursuant to the 1977 amendments to the Clean Air Act, ARA has proposed lists showing those areas of New Hampshire which have attained or failed to attain national ambient air quality standards, and revised the State implementation plan, which the EPA has accepted. It does not appear that the revised State implementation plan will require the Company either to modify operations at any of its fossil fuel generating plants or to expend funds for additional air pollution control equipment.

While coal now available and expected to be available in the future for the Company's Merrimack Station presently meets all applicable requirements, if more stringent requirements become effective which could not be met by such coal, the Company might have to install sulfur removal equipment at substantial capital cost or take such other actions as may be required by regulatory authorities. The installation of such equipment would increase operating costs and reduce the net capability of the units.

The permits for Unit 2 of the Company's Merrimack Station were amended in early 1984 to further limit the opacity of the smokestack discharge of the Unit. While the Unit's operation to date has been unable to meet this limitation, the Company will make the necessary repairs expected to meet the limitation during the annual maintenance outage of the Unit in 1984.

The conversion of Schiller Station from oil to coal discussed under *Conversion from Oil to Coal* above will require the Company to make expenditures for air quality control equipment.

Water Quality Control. The Company has received from EPA, or from the Maine Department of Environmental Protection in the case of one generating station located in the State of Maine in which the Company has an ownership interest, all permits required under the Federal Water Pollution Control Act, as amended, for discharges of thermal and other effluents from its generating stations. Such permits have varying expiration dates and the Company has made and expects to make timely applications for renewal. The EPA issued effluent limitations guidelines for steam electric power plants based on application of the best practicable control technology (to be met by July 1, 1977) and of the best available technology economically achievable (to be met by July 1, 1984), and alternate effluent standards with respect to thermal discharges from steam electric power plants. The guidelines and standards impose rigorous limitations upon the industry. An industry group filed an appeal in a Federal Court of Appeals challenging the guidelines and standards, and the Court of Appeals remanded the guidelines and standards to the EPA for reconsideration of certain of them. The Company is in compliance with the July 1, 1977 guidelines.

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

The Company's construction and operation of the Seabrook Plant, including environmental considerations, is subject to regulation by the NRC and the EPA. See *Seabrook Nuclear Plant* above.

Resource Conservation and Recovery Act. Pursuant to the Resource Conservation and Recovery Act of 1976, the EPA has issued regulations relative to the generation, transportation and disposal of certain wastes. In addition, the New Hampshire Bureau of Hazardous Waste Management has similar regulations which are currently at the interim stage in the EPA approval process. The Company has reviewed the application of these regulations to its operations and has complied with the applicable EPA and New Hampshire Bureau of Hazardous Waste Management regulations.

Other Environmental Expenditures. At December 31, 1983, the Company's share of expenditures for environmental protection facilities at the Seabrook Plant amounted to approximately \$79,300,000, the major portion of which was for facilities to reduce the thermal effect of the discharge of the Seabrook Plant condenser cooling systems.

In 1984 there will be approximately \$14,000,000 of expenditures for other pollution control facilities, and relatively minor amounts in 1985. The foregoing amounts are included in the construction expenditures set forth above under *Construction Program*.

Employees, Salaries and Wages

The Company has approximately 2,400 employees of whom 26% are represented by unions with which the Company has contracts expiring on May 31, 1985. These contracts provided for salary increases of 5.0% for the first year of the contract and an additional 5.0% effective June 1, 1984. Salary increases are granted from time to time on a comparable basis to nonrepresented employees.

Municipalities and Cooperatives

New Hampshire law permits municipalities to engage in the production and sale of electricity, including the power to condemn the plant and property of any existing public utility which is located in the municipality, and to finance through the issuance of revenue bonds the ownership of new generating units of at least 25 MW and new transmission facilities of at least 69 KV.

The New Hampshire Electric Cooperative, Inc. ("NHCoop"), a cooperative association financed by the Rural Electrification Administration, as well as five small municipal electric utilities, operate in areas adjacent to areas served by the Company. The NHCoop, which has a 2.17391% ownership interest in the Seabrook Plant, currently purchases, as a wholesale customer, most of its electricity from the Company and is subject to regulation by the NHPUC as a public utility.

Seasonal Nature of Business

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

Item 2. PROPERTIES

The electric properties of the Company form a single integrated system including transmission facilities which are part of the New England-wide transmission grid. On December 20, 1983, the Company experienced its maximum one-hour prime peak load of 1,220 net MW, which includes 10 MW of interruptible load, and the Company had available to meet such load 1,174 MW of its own generating capacity, 98 MW from its participations in the four Yankee nuclear generating companies described under *Joint Projects* in Item 1 above and 124 MW of purchased capacity. The generation and transmission systems of the major New England utilities, including the Company, are operated as if they were a single system. See *New England Power Pool* under Item 1.

The Company has one coal-fired 465 MW electric generating station (Merrimack Station), from which the Company has agreed to sell to another utility 100 MW on a single unit basis from unit 2 through April, 1998, and two oil-fired electric generating stations with an aggregate effective capability of 611 MW, consisting of the Newington plant (428 MW) and the Schiller plant (183 MW). See Item 1, *Conversion from Oil to Coal* and *Environmental Matters*, with respect to the Schiller plant. The Company also has other generating units with an aggregate effective capability of 203 MW as follows: hydro-electric (65.5 MW), combustion turbine (115 MW), diesel (3 MW) and its share (19.5 MW) of Wyman Unit 4, a 620 MW oil-fired generating plant jointly-owned with other utilities and located in the State of Maine.

The Company is also participating with other New England utilities in the design and construction of two additional nuclear-fueled generating units, including the Seabrook Plant. See Item 1, *Introduction, Seabrook Nuclear Plant,* and *Joint Projects*.

On December 31, 1983, the Company had about 1,714 pole-miles of overhead transmission lines, 9,231 pole-miles of overhead distribution lines, minor underground distribution and transmission facilities, and 230 transmission and distribution substations having an aggregate capacity of 5,356,707 KVA.

The Company owns office buildings in Manchester, Portsmouth and Keene. It rents space in an office building in Manchester for its principal offices under a 30-year lease expiring in 2002. Annual base rentals under this lease are approximately $1,330,000 subject to annual escalation. In 1983 the Company paid approximately $2,050,000. The Company also owns other structures used as service buildings, storehouses and garages and leases space for offices and other purposes at various locations in its service area.

Item 3. LEGAL PROCEEDINGS

New Hampshire — Retail Rate Proceedings

On January 30, 1984, the New Hampshire Public Utilities Commission ("NHPUC") in a 2 to 1 decision authorized a $24,700,000 permanent annual increase in the Company's retail rates (which amounts to 74% of the $33,400,000 increase originally requested). Because rates had been collected under bond at the $33,400,000 level since August 1, 1983, the Company refunded approximately $5,000,000 in February 1984 representing the difference between the amounts collected under the bonded rates and the amount that would have been collected had the permanent rates then been in effect. Certain intervenors have appealed the decision to the New Hampshire Supreme Court.

The NHPUC allowed the Company a 16.1% return on common equity. While the Company's requested attrition allowance of 1.25% was not accepted, the decision provided for a step increase in revenues, as of July 1, 1984, for certain rate base additions and increased expenses.

The majority decision stated that the NHPUC was entitled to review the Company's management of construction at the Seabrook Project and that, should the circumstances warrant, a proceeding would be opened to investigate the management of the Seabrook construction program. In a dissenting opinion, one commissioner stated that she would lower the allowed return on common equity to 14.54% (which would reduce the rate increase to $19,500,000) to reflect a judgment that management of the Company has been deficient in that, among other things, it failed to develop more current and definitive cost and schedule estimates than those contained in the November 1982 estimates developed by United Engineers & Constructors Inc., the Seabrook Plant's architect/engineer.

Other New Hampshire Proceedings

The NHPUC has instituted a proceeding to explore whether an agreement could be negotiated as to the cost and completion date for Unit 1 of the Seabrook Plant, with incentives and penalties for variations from agreed upon cost. This proceeding was suspended pending completion of cost and schedule estimates for the Seabrook Plant. The Company intends to reopen discussions with the Commission in the proceeding immediately after the conclusion of the Company's review of the March 1, 1984 estimates, now expected to be accomplished by June 1984.

The Company's request for recovery through its rates of its share of the cancelled Pilgrim 2 nuclear plant is currently pending before the NHPUC. The NHPUC certified to the New Hampshire Supreme Court the question of whether the New Hampshire anti-CWIP statute prevents such recovery. (The so-called anti-CWIP statute, which was enacted into New Hampshire law in 1979, prohibits inclusion in rate base of construction work in progress.) See Item 1, *Seabrook Nuclear Plant*.

In September 1983, the NHPUC initiated an audit of the construction costs for the Seabrook Plant for the purposes of verification that the reported costs of the Plant are includable and appropriate as part of the Company's rate base and that proper compliance with the applicable NHPUC accounting rules and regulations has in the past been and will hereafter be achieved. The Company is in a continual process of supplying data in response to numerous data requests of the NHPUC Audit Staff.

On April 29, 1983, the NHPUC issued Report and Sixteenth Supplemental Order No. 16,374 in its Docket DE 81-312 Investigation Into the Supply and Demand for Electricity. In this Report and Order, the NHPUC concluded, among other things, that the most likely completion dates for Seabrook Unit 1 and Seabrook Unit 2 were March, 1986 and March, 1990, respectively, and that a cost estimate of at least $8 billion for the Seabrook Project was probable based on the NHPUC's findings as to completion dates. The NHPUC has since indicated that it would open investigatory dockets to consider: (i) methods to reduce or spread out the impact of the "rate shock" due to the pending inclusion of Seabrook in rate base; and (ii) long-term conservation and load management programs. The Company presently cannot predict when these investigations will be commenced or what effect their outcome will have on the Company.

Other

The Company has received letters on behalf of a purported stockholder demanding that the Board of Directors of the Company commence a lawsuit against a number of the present and former directors and officers of the Company and United Engineers & Constructors Inc. to recover damages in an unspecified amount for their actions in connection with the construction and financing of the Seabrook Plant. If the requested action is not taken promptly, the letters threaten that a stockholders' derivative lawsuit will be filed. The Board has declined to take such action against the officers and directors.

Late in March 1984, two suits denominated as class actions on behalf of persons who purchased shares of the Company's Common Stock through the Company's Dividend Reinvestment and Common Stock Purchase Plan during the period from February 15, 1983 through November 15, 1983 were filed by purported stockholders of the Company in the United States District Court for the District of New Hampshire against the Company, certain officers and directors of the Company, and Peat, Marwick, Mitchell & Co., the Company's independent certified public accountants. The complaints allege that the named defendants violated the Securities Act of 1933 by not divulging information allegedly known by them and by making allegedly untrue statements in the Company's registration statements and prospectuses concerning the estimated cost and completion dates for the Seabrook Plant. The plaintiffs are seeking damages in an unspecified amount.

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

There was no matter submitted to a vote of the Company's security holders during the fourth quarter of fiscal 1983.

Item 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

Information is set forth below as to the names and ages of the executive officers of the Company, including certain executive officers who are also directors of the Company, their positions as officers of the Company both current and for the past five years, their length of service with the Company, and in the case of Messrs. Bayless, Cameron, Derrickson, Hamerlinck, Johnson, Thomas and Branscombe, a brief explanation of their respective prior five years' business positions and responsibilities.

Name	Position	Age and (Years of Service)
William C. Tallman	Chairman since March, 1983; Chairman and Chief Executive Officer (1980-1983); President and Chief Executive Officer (1969-1980)	63 (37)
Robert J. Harrison	President and Chief Executive Officer since March, 1983; President and Chief Operating Officer (1981-1983); President and Chief Financial Officer (1980-1981); Financial Vice President (1978-1980)	52 (27)
Charles E. Bayless	Financial Vice President since March, 1981; Director of Special Corporate Projects, Consumers Power Company, Jackson, Michigan (1978-1981); Director of Nuclear Fuel Supply, Consumers Power Company (1976-1978)(2)	41 (3)
D. Pierre G. Cameron, Jr.	Vice President and General Counsel since September, 1980; Treasurer and Assistant Secretary, Baltimore Gas and Electric Company, Baltimore, Maryland (1979-1980); Associate General Counsel–Corporate, Baltimore Gas and Electric Company (1971-1979)(3)	49 (3)
William B. Derrickson	Senior Vice President — Nuclear Energy since March 1984; Director of Projects, Florida Power & Light Company, Miami, Florida (1982-1983); Project General Manager, Florida Power & Light Company (1977-1982)(4)	43
Dallas K. Hamerlinck	Vice President for Public Affairs since August, 1982; Assistant Vice President–Communications, Iowa Power and Light Company, Des Moines, Iowa (1978-1982)(5)	41 (2)
John C. Duffett	Senior Vice President since December, 1982; Vice President (1978-1982)	56 (30)
Henry J. Ellis	Senior Vice President since December, 1982; Vice President (1976-1982)	63 (37)

Name	Position	Age and (Years of Service)
Roy G. Barbour	Vice President since December, 1982; Director–General Engineering Division (1981-1982); Director–System Planning (1977-1981)	56 (20)
Raymond E. Closson	Vice President since November, 1978(1)	64 (37)
William T. Frain, Jr.	Vice President since December, 1982; Comptroller (1979-1982); Assistant Comptroller (1971-1979)	42 (19)
Warren A. Harvey	Vice President since December, 1976(1)	57 (36)
Wendell P. Johnson	Vice President since July, 1983; Vice President, Yankee Atomic Electric Company, Framingham, Massachusetts (1974-1983)(6)	61 (1)
James L. Nevins	Vice President since November, 1978(1)	49 (15)
Robert A. Parks	Vice President since December, 1982; Director of Management Information Systems (1979-1982); Systems and Programming Manager (1976-1979)	38 (15)
George S. Thomas	Vice President — Nuclear Production since May, 1982; Nuclear Production Superintendent (1980-1982); Manager, Startup Test Group, Yankee Atomic Electric Company, Framingham, Massachusetts (1978-1980)(7)	41 (3)
John J. Lampron	Assistant Vice President since December, 1982; Treasurer (1978-1982)	39 (12)
George Branscombe	Treasurer since December, 1982; Internal Audit Manager (1980-1982); Senior Auditor (1979-1980); Auditor (1979); Senior Accountant, Smith, Batchelder & Rugg, CPA's, Manchester, N. H. (1975-1979)(8)	36 (4)
Robert G. Ouellette	Comptroller since December, 1982; Assistant Comptroller (1979-1982); Accounting Manager (1979); Property Accounting Manager (1973-1979)	52 (32)
Russell A. Winslow	Secretary(1)	49 (22)

(1) Has held same position for at least 5 years.

(2) As Director of Special Corporate Projects for Consumers Power Company, Mr. Bayless was responsible for specialized financing projects, including nuclear fuel leases, leveraged and single investor leases, pollution control financing and acceptance facility agreements. As Director of Nuclear Fuel Supply, Mr. Bayless was responsible for the procurement of nuclear fuel and related services for Consumers Power Company.

(3) As Treasurer and Assistant Secretary of Baltimore Gas and Electric Company, Mr. Cameron had supervisory responsibility for the Finance Department of Baltimore Gas and Electric Company, including all financial planning, cash management, stockholder records, insurance, employee benefit plan administration, and financial documents (statistical reports) activities. As Associate General Counsel–Corporate of Baltimore Gas and Electric Company, Mr. Cameron had both supervisory and primary responsibility for all legal aspects of equity and debt financings (including pollution control financings), proxy solicitation/annual meeting preparation, negotiation and preparation of major construction and equipment procurement contracts and federal government agency liaison.

(4) As Director of Projects for Florida Power & Light Company, Mr. Derrickson was responsible for all major power plant capital projects and project services, including cost and schedule control and esti-

mating. Mr. Derrickson, in his position as Project General Manager for Unit 2 of the St. Lucie Plant of Florida Power & Light Company (an 800 megawatt pressurized water nuclear power plant) had the responsibility for the management of all phases of that project, which encompassed planning and scheduling, engineering, procurement of material, construction, licensing and startup.

(5) As Assistant Vice President–Communications of Iowa Power and Light Company, Mr. Hamerlinck had supervisory responsibility for all internal and external financial, employee, news media, consumer, educational and governmental communications activities. In addition, Mr. Hamerlinck was the principal direct media contact and spokesperson for Iowa Power and Light Company on the entire spectrum of individual company, as well as general electric utility industry, issues.

(6) As Vice President of Yankee Atomic Electric Company, Mr. Johnson had overall responsibilities for project engineering, construction, project management and quality assurance. Mr. Johnson has also been in charge of the nuclear construction and quality assurance activities being performed by Yankee Atomic Electric Company for the Seabrook Project.

(7) As Manager, Startup Test Group of Yankee Atomic Electric Company, Mr. Thomas was stationed at the Seabrook Plant with the responsibility for development of programs for all post construction testing activities, including startup testing. During 1978 and 1979 Mr. Thomas also participated in the startup activities at the North Anna Nuclear Power Station of Virginia Electric and Power Company, in activities associated with the Three Mile Island Recovery Operation and in the evaluation by the Electric Power Research Institute of the Three Mile Island incident.

(8) As a senior accountant at Smith, Batchelder & Rugg, CPA's, Mr. Branscombe's duties consisted of the preparation and review of financial statements and corporate tax returns, the conduct and administration of financial audits and other duties, primarily in the area of federal government accounting and employee benefit plans.

PART II

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

The Company's shares of Common Stock are traded on the New York Stock Exchange, where the high and low sales prices during 1983 and 1982 were as follows:

	High	Low		High	Low
1983			1982		
First Quarter	19¼	17½	First Quarter	15⅞	12¾
Second Quarter	20	16¾	Second Quarter	16½	14¼
Third Quarter	17¼	16	Third Quarter	16⅜	14
Fourth Quarter	18⅛	10⅞	Fourth Quarter	18¼	16⅛

The Company has paid regular quarterly dividends on shares of its Common Stock since 1946 when shares of its Common Stock first became publicly held. Quarterly dividends of 53¢ per share were paid during 1983 and 1982.

Subject to the prior rights of shares of the Preferred Stock, $100 par value, and shares of Preferred Stock, $25 par value, to dividends and to the limitations set forth in the next succeeding paragraph of this Item 5, shares of Common Stock are entitled to dividends when and as declared by the Board of Directors out of any remaining funds legally available therefor. See Item 1, *Seabrook Nuclear Plant* for a description of circumstances which could adversely affect the ability of the Company to declare dividends on its capital stock. Future dividends will be dependent on the Company's future earnings, its cash position, financial condition and other factors.

The Articles of Agreement contain certain limitations, applicable so long as any shares of the Preferred Stock are outstanding, on the Company's right to declare dividends on shares of Common Stock out of net income (similar limitations are contained in certain indentures supplemental to the First Mortgage, applicable so long as any bonds of Series H through V are outstanding), or in the event Common Stock Equity (as defined) is less than 25% of Total Capitalization (as defined). Pursuant to terms of the Company's General and Refunding Mortgage Indenture, dividends may not be paid on shares of Common Stock in excess of the Company's Net Income accumulated after January 1, 1978 less the aggregate amount of all dividends paid or declared on the Preferred Stock of the Company during such period plus $32,000,000. At February 29, 1984, $142,000,000 of Retained Earnings was not subject to dividend restriction.

At March 29, 1984, there were 73,633 record owners of shares of the Company's Common Stock.

Item 6. SELECTED FINANCIAL DATA

	1983	1982	1981	1980	1979
	(Thousands except Per Share Amounts and Ratios)				
Operating Revenues	$ 463,484	$ 423,290	$ 440,884	$ 351,247	$ 292,814
Fuel and Purchased Power Expenses	234,971	224,830	255,247	187,248	147,502
Operating Income	68,150	43,469	47,051	47,307	44,428
Total AFUDC	137,347	97,672	78,619	71,729	36,954
Net Income	151,658	91,623	77,187	59,847	40,719
Earnings Per Share of Common Stock	3.49	2.73	2.65	2.77	2.56
Dividends Per Share of Common Stock	2.12	2.12	2.12	2.12	2.12
Unfinished Construction	1,398,134	1,027,608	772,526	724,150	518,880
Total Assets	2,085,783	1,615,523	1,328,349	1,254,228	1,010,787
Long-Term Debt	726,777	637,808	449,071	398,856	344,829
Preferred Stock with Mandatory Redemption Requirements	271,280	177,840	120,000	120,000	60,000
Total Capitalization	1,811,408	1,465,102	1,090,535	957,604	770,103
Notes Payable — Banks	—	—	125,600	108,350	114,100
Shares of Common Stock Outstanding (Average)	34,026	25,458	21,883	16,539	12,643
Ratio of Earnings to Fixed Charges	2.96	2.47	2.36	2.32	2.29

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

CONSTRUCTION PROGRAM

The Company is engaged in a large construction program, the major component of which is its 35.56942% share of the Seabrook Nuclear Power Plant located at Seabrook, New Hampshire (the "Seabrook Plant"). Unit 1 is estimated to commence commercial operation in July, 1986. (See Note 7 of Notes to Financial Statements).

In March, 1984, a review of the Seabrook Plant construction schedule and cost estimate was completed. As a result of this review, the total cost of the plant upon completion was increased to $9,000,000,000, an increase of approximately 75% over the previous estimate completed in November 1982. Approximately one-half of the increase was due to increased AFUDC on the project, the result of construction delays experienced on Unit 1 and the decision by the Seabrook participants to reduce the level of expenditures on Unit 2 to the lowest feasible level until fuel loading for Unit 1. The remainder of the increase is primarily attributable to later completion dates. Thus 81% of the increase in the estimate is a factor of time delay. The Company believes that recent changes in management structure and technique can reduce the time to completion and thus reduce the largest component of the increase. Pursuant to the recommendation of the construction consultant hired to oversee construction of the Plant this estimate is being further reviewed and analyzed by the Company.

The Company's current estimated construction expenditures, excluding AFUDC, and assuming the Company has no obligation for construction costs of Unit 2 of the Seabrook Plant after December 1984 (as described below), for 1984 through 1988 (approximately 71% of which are for the Seabrook Plant and the remainder for other projects) are as follows:

1984	$314,800,000
1985	254,800,000
1986	168,600,000
1987	81,800,000
1988	68,100,000
Total	$888,100,000

Actual construction expenditures have substantially exceeded past estimates and could exceed present estimates because of changes in the Company's plans, cost increases, delays resulting from regulatory and licensing proceedings, expiration and renegotiation of labor contracts, and other factors. It is also possible that additional expenditures may be required to meet regulatory and environmental requirements at the Seabrook Plant and at the Company's other generating facilities.

On March 30, 1984, the Company and the other Seabrook participants voted to cancel Unit 2 on December 1, 1984 on the condition that there have been obtained all necessary regulatory approvals of arrangements for sharing with the Company the savings on Canadian power under a proposed NEPOOL Shared Savings Plan. This Plan was approved in concept by a unanimous vote of the NEPOOL Executive Committee on March 23, 1984. Under the Plan, savings from the purchase of Canadian power would be channeled by the NEPOOL members to the Company over a period of years commencing in 1987 in order to compensate in part for the Company's lost investment in Unit 2. The amount of such savings which would be so channeled has not yet been agreed upon.

Even if reasonable arrangements can be made either to recover the Company's investment in Unit 2 after its cancellation or to complete construction without further financing from the Company and those participants which seek to cancel Unit 2, financing of Unit 1 will be a major undertaking for the Company, particularly if it is not included in rate base promptly upon its completion but phased in as suggested by New Hampshire authorities.

In order for the Company to be able to complete construction of the Seabrook Plant, it is necessary for the Company to be assured of the availability of funds under its revolving credit facility with commercial banks, which may require that the Company obtain the back-up credit facilities referred to below under *Financing Requirements*. Throughout the period of construction of the Seabrook Plant, the Company must continue its permanent and long-term financing program in order to repay short-term bank borrowings incurred largely to finance such construction. Adequate and timely rate increases, continued availability of short-term bank credit and external financing are essential to enable the Company to continue its construction program and its business operations.

The Company's earnings will, until completion of Unit 1 of the Seabrook Plant and its inclusion in rate base, consist primarily of AFUDC. AFUDC is the current cost of funds invested in a construction project expected to be recovered from customers over the service life of the project through revenues when the project is completed and included in rate base. Since AFUDC does not represent cash earnings, cash for the payment of interest and dividends will need to be provided in large part by external financing until Unit 1 is included in rate base.

The Company's cash flow should be substantially improved and its permanent financing requirements reduced after Seabrook Unit 1 is included in rate base. Delays in the commercial operation of Unit 1 or in rate base treatment of the costs of the Unit would require the Company to maintain high levels of financing. The Company's financing requirements would also remain high if the NHPUC should decide not to permit inclusion in rate base of substantially all of the costs of Unit 1. Even after inclusion of Unit 1 in rate base, any outage of the Unit of such a nature or duration as to result in its removal from rate base would impose significant financial burdens on the Company because Unit 1 and common facilities will constitute more than half of the Company's total assets and will be the source of a significant portion of its electric generating capacity.

FINANCING REQUIREMENTS

The Company's 1984-1988 construction program is estimated, as indicated above, at $888,100,000 excluding AFUDC of approximately $492,500,000. Financing of this construction program, refinancing at maturity of certain long-term debt and meeting required sinking fund payments (together aggregating $360,000,000), and financing working capital and other uses (approximately $123,000,000 assuming phase-in rate base treatment of Unit 1), represent a major undertaking for the Company.

In 1983, the Company raised an aggregate of approximately $562,000,000 through the sale of an aggregate of 10,000,000 shares of Common Stock by public offerings in January and June and through operation of the Company's Dividend Reinvestment and Common Stock Purchase Plan, the sale of $200,000,000 of Debentures in February and November, the sale of an aggregate of 3,800,000 shares of Preferred Stock in April and October, the extension of the Company's $25,000,000 term loan, the completion of a $50,000,000 nuclear fuel financing and the sale of $20,000,000 of Pollution Control Revenue Bonds. In 1982 the Company raised an aggregate of approximately $248,000,000.

During 1984 through 1988 the Company currently plans to raise approximately $1,863,400,000 through the issuance of preferred and common stock, bonds, debentures, pollution control revenue bonds and other financings approximately as follows:

1984	$ 477,900,000
1985	451,500,000
1986	433,100,000
1987	243,400,000
1988	257,500,000
Total	$1,863,400,000

As a result of the substantial increase in the estimated cost of Unit 1 reflected in the latest cost estimates, the commercial banks which have provided the Company with its $160,000,000 revolving credit facility (under which no amounts are currently outstanding) have requested the Company to obtain additional back-up sources of credit. It is not clear that the banks will make funds available under the existing revolving credit facility without the additional credit. This additional credit would provide the Company with increased financial support in the event that the Company is unable to access the public securities market for any significant period and the Company has exhausted its bank lines of credit. The Company is seeking this additional support, including specifically support from the other Seabrook participants. If such support cannot be obtained within three weeks and the commercial banks decline to advance funds to the Company under the revolving credit facility, the Company would be forced to seek protection from its creditors under the Bankruptcy Code. The Company has temporarily instituted stringent cash conservation as well as other expenditure curtailment measures. (See Note 4 of Notes to Financial Statements for a discussion of restrictions to borrowings under this agreement).

As indicated above, a delay in the completion of Unit 1 and its inclusion in rate base can adversely affect the Company's cash flow and its financing requirements. The Company cannot predict the extent to which prolonged delays resulting in further substantial cost increases might affect the availability to the Company of financing sources, including short-term credit facilities.

RESULTS OF OPERATIONS

Revenues increased 9% in 1983 reflecting the general economic recovery in the area served by the Company. This increase followed the 4% decline in revenues of 1982 and the 26% increase of 1981. The increase in 1983 revenues was primarily the result of a 3.6% growth in megawatt-hour sales and the rate changes which are discussed in Note 2 of Notes to Financial Statements. The revenue changes of 1982 and 1981 were primarily the result of rate changes as megawatt-hour sales declined slightly in those years.

Fuel and purchased power expenses, on which energy cost recovery revenues are based, are the major component of operating expenses comprising 59% of total operating expenses for 1983 and 1982 and 65% for 1981. While the effect of variations in energy costs can have, and has had, a significant effect on the Company's revenues, the relative stability of energy prices in recent years has produced small energy related changes in revenues and expenses.

Operating expenses other than energy costs increased 3% for 1983; significantly smaller than the 12% and 19% increases of 1982 and 1981. This declining rate of increase reflects the lessened impact of inflation and the continuing development of strict cost control and efficiency measures in all areas of the Company's operations.

The increase in operating revenues exceeded operating expense increases, producing a significant improvement in operating income. AFUDC increased in all years due to the increase in unfinished construction at the Seabrook Plant.

Effective March 1, 1984, the Company ceased capitalization of all costs, including AFUDC, related to Unit 2 of the Seabrook Plant. The accrual of AFUDC on Unit 2 had been approximately $3,000,000 per month. The effect of this decision will be to reduce 1984 net income by approximately $33,000,000.

Interest expense has increased each year as the balance of debt outstanding has increased due to the capital requirements of the construction program. Other interest expense declined in 1983 as the use of short-term borrowings was reduced.

Net income increased in all three years, but in 1983 the improvement was more pronounced primarily due to increased AFUDC and increased megawatt-hour sales. The capital requirements of a large construction program have resulted in increases in preferred dividend requirements and the average number of common shares outstanding.

Inflation continued to affect Company operations, since under current regulatory practice the investment in utility plant is recovered at historical cost but replaced, as necessary, at current cost. See Note 9 of Notes to Financial Statements, which reflects the approximate effects of inflation on Company operations. The data provided in Note 9 have been prepared and presented in conformity with guidelines established by the Financial Accounting Standards Board and should be viewed as experimental and only approximations of certain effects of inflation on operations of the Company.

The results of operations discussed above are not necessarily indicative of future earnings. It is expected that higher operating costs and carrying charges on increased investment in plant, if not offset by a similar increase in operating revenues (produced either by periodic rate relief or increases in megawatt-hour sales), will adversely affect future earnings. Continued growth in megawatt-hour sales will be dependent on the rate of economic growth in New Hampshire, weather and the use of alternate energy sources.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

STATEMENTS OF EARNINGS

	For the Year Ended December 31,		
	1983	1982	1981
	(Thousands of Dollars)		
Operating Revenues (Note 2)			
Residential	$166,058	$153,184	$155,145
Industrial	119,958	114,380	128,262
Other	177,468	155,726	157,477
Total Operating Revenues	463,484	423,290	440,884
Operating Expenses			
Operation			
Fuel	127,504	113,091	176,665
Purchased and Interchanged Power	107,467	111,739	78,582
Other Operating Expenses	56,608	57,890	47,199
Maintenance	27,000	29,642	27,162
Depreciation	21,016	19,558	18,663
Federal and State Taxes on Income (Note 3)	34,968	29,425	28,215
Other Taxes, Principally Property Taxes	20,771	18,476	17,347
Total Operating Expenses	395,334	379,821	393,833
Operating Income	68,150	43,469	47,051
Other Income and Deductions			
Allowance for Equity Funds Used During Construction (Note 1)	104,146	67,624	50,053
Taxes on Income (Note 3)	30,185	24,661	23,527
Equity in Earnings of Affiliated Companies	2,856	3,099	1,536
Other — Net	4,891	2,906	2,672
Total Other Income and Deductions	142,078	98,290	77,788
Income Before Interest Charges	210,228	141,759	124,839
Interest Charges			
Interest on Long-Term Debt	85,649	61,169	50,229
Other Interest	6,122	19,015	25,989
Allowance for Borrowed Funds Used During Construction (Note 1)	(33,201)	(30,048)	(28,566)
Net Interest Charges	58,570	50,136	47,652
Net Income	151,658	91,623	77,187
Preferred Dividend Requirements	32,996	22,153	19,169
Earnings Available for Common Stock	$118,662	$ 69,470	$ 58,018
Weighted Average Shares Outstanding (000's)	34,026	25,458	21,883
Earnings Per Share of Common Stock	$3.49	$2.73	$2.65
Dividends Per Share of Common Stock	$2.12	$2.12	$2.12

See accompanying Notes to Financial Statements.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

BALANCE SHEETS

	December 31, 1983	December 31, 1982
	(Thousands of Dollars)	
ASSETS		
Utility Plant at Original Cost		
Electric Plant	$ 639,688	$ 593,455
Less: Accumulated Provision for Depreciation	201,044	188,697
	438,644	404,758
Unfinished Construction (Principally the Seabrook Plant)	1,398,134	1,027,608
Net Utility Plant	1,836,778	1,432,366
Investments		
Nuclear Generating Companies	11,544	10,695
Finance Subsidiary	13,258	12,358
Real Estate Subsidiary	8,227	7,042
Other, at Cost	185	185
Total Investments	33,214	30,280
Current Assets		
Cash and Temporary Investments	82,487	1,760
Accounts Receivable (Net of Allowance of $875 and $510 in 1983 and 1982, respectively)	50,277	43,711
Unbilled Revenue	9,220	7,527
Fuel, Materials and Supplies, at Cost (Note 4)	45,840	46,162
Other	5,093	9,077
Total Current Assets	192,917	108,237
Other Assets		
Funds Deposited with Trustee	205	18,133
Cost of Cancelled Pilgrim Unit 2 Project (Note 7)	15,931	15,924
Other	6,738	10,583
Total Other Assets	22,874	44,640
	$2,085,783	$1,615,523

See accompanying Notes to Financial Statements.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

BALANCE SHEETS

	December 31, 1983	December 31, 1982
	(Thousands of Dollars)	
CAPITALIZATION AND LIABILITIES		
Capitalization (See separate statements)		
Common Stock Equity	$ 764,368	$ 535,625
Preferred Stock		
With Mandatory Redemption Requirements	271,280	177,840
Without Mandatory Redemption Requirements	48,983	49,229
Long-Term Debt	726,777	637,808
Notes Payable Refinanced by Common Stock Issue	—	64,600
Total Capitalization	1,811,408	1,465,102
Current Liabilities		
Long-Term Debt to be Retired Within One Year	96,439	6,087
Preferred Stock Redemption Due Within One Year	1,560	1,080
Accounts Payable	75,910	59,915
Accrued Taxes	8,113	1,953
Accrued Interest	23,194	18,167
Other	8,953	1,666
Total Current Liabilities	214,169	88,868
Deferred Credits		
Accumulated Deferred Investment Tax Credits	18,562	19,060
Accumulated Deferred Taxes on Income	38,722	26,446
Other	2,922	16,047
Total Deferred Credits	60,206	61,553
Commitments and Contingencies (Note 7)	—	—
	$2,085,783	$1,615,523

See accompanying Notes to Financial Statements.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

STATEMENTS OF CAPITALIZATION

				December 31, 1983	December 31, 1982
				(Thousands of Dollars)	
Common Stock Equity					
Common Stock — $5 Par Value					
Authorized — 60,000,000 Shares					
Outstanding — 36,996,327 Shares in 1983 and 26,523,683 in 1982				$184,982	$132,618
Other Paid-In Capital				428,753	295,583
Capital Stock Expense				(15,478)	(10,901)
Retained Earnings (a)				166,111	118,325
Total Common Stock Equity				764,368	535,625
Cumulative Preferred Stock					
Par Value $100 Per Share — Authorized 1,350,000 Shares, Outstanding 618,228 Shares					
Par Value $25 Per Share — Authorized 14,000,000 Shares, Outstanding 10,400,000 Shares					
Dividend	**Par Value**	**Shares Outstanding**	**Call Price**		
With Mandatory Redemption Requirements (b)					
7.64%	$100	120,000	$105.10	12,000	12,000
9.00	100	158,400	106.75	15,840	16,920
11.24	25	1,200,000	27.81	30,000	30,000
17.00	25	1,200,000	29.25	30,000	30,000
15.00	25	1,200,000	28.75	30,000	30,000
15.44	25	2,400,000	28.86	60,000	60,000
13.00	25	1,400,000	28.25	35,000	—
13.80	25	2,400,000	28.45	60,000	—
				272,840	178,920
Less: Preferred Stock Redemption Due Within One Year				(1,560)	(1,080)
				271,280	177,840
Without Mandatory Redemption Requirements					
3.35%	$100	102,000	$100.00	10,200	10,200
4.50	100	75,000	102.00	7,500	7,500
5.50(Convertible)	100	12,828	100.00	1,283	1,529
7.92	100	150,000	103.96	15,000	15,000
11.00	25	600,000	27.00	15,000	15,000
				48,983	49,229
Total Cumulative Preferred Stock — Net				320,263	227,069
Notes Payable Refinanced by Common Stock Issue				—	64,600

See accompanying Notes to Financial Statements and to Statements of Capitalization.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

STATEMENTS OF CAPITALIZATION

	December 31, 1983	December 31, 1982
	(Thousands of Dollars)	
Long-Term Debt (c)		
First Mortgage Bonds (d)		
Series / Rate / Maturity		
H 3¼% 1984	$ 10,080	$ 10,080
I 3⅞ 1986	6,710	6,866
M 4⅝ 1992	21,259	21,468
N 6⅛ 1996	15,345	15,423
O 6¼ 1997	13,624	13,642
P 7⅛ 1998	13,705	13,815
Q 9 2000	18,490	18,569
R 7⅝ 2002	18,705	18,996
S 9 2004	18,957	19,070
U 10¾ 1985	14,128	14,421
V 9⅛ 2006	14,478	14,557
W 10⅛ 1993	9,864 *	10,000 *
X 12 1999	9,302 *	9,302 *
Y 18 1989	24,135 *	24,135 *
	208,782	210,344
Less: First Mortgage Bonds(*) Pledged as Security for General and Refunding Mortgage Bonds	(43,301)	(43,437)
Total First Mortgage Bonds	165,481	166,907
General and Refunding Mortgage Bonds		
A 10⅛% 1993	54,540	60,000
B 12 1999	60,000	60,000
C 14½ 2000	30,000	30,000
D 17 1990	23,000	23,000
E 18 1989	50,000	50,000
Promissory Note; Interest at 116% of a Specific Bank's Prime Rate Plus 0.25%; Due 1984	25,000	—
Eurodollar Term Loan; Interest at the Rate of ¾% over the London Inter-bank Offered Rate for Three or Six Month Eurodollar Deposits; Due 1984	50,000	50,000
Promissory Notes, 17%, Due 1986	30,000	30,000
Pollution Control Revenue Bonds		
9 % 1984	5,800	5,800
12¼ 1988	3,250	—
13¼ 1993	7,250	—
13¾ 2003	8,000	—
12¾ 2003	1,500	—
Debentures		
15¾% 1988	75,000	75,000
14⅜ 1991	100,000	—
15 2003	100,000	—
Nuclear Fuel Obligation (e)	50,000	—
Notes Payable Refinanced by Debenture Sale	—	100,000
Total Long-Term Debt	838,821	650,707
Less: Long-Term Debt to be Retired Within One Year	(96,439)	(6,087)
Unamortized Premium and Discount	(15,605)	(6,812)
Long-Term Debt — Net	726,777	637,808
Total Capitalization	$1,811,408	$1,465,102

See accompanying Notes to Financial Statements and to Statements of Capitalization.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

NOTES TO STATEMENTS OF CAPITALIZATION

(a) Pursuant to terms of the General and Refunding Mortgage Indenture, dividends may not be paid on the Common Stock in excess of net income accumulated after January 1, 1978 less the aggregate amount of all dividends paid or declared on the preferred stock of the Company during such period plus $32,000,000. At December 31, 1983, retained earnings of $139,400,000 were not subject to dividend restriction.

(b) The annual Sinking Fund requirements for Preferred Stock with mandatory redemption requirements are as follows: 1984 – $1,560,000, 1985 – $6,060,000, 1986 – $6,060,000, 1987 – $9,060,000 and 1988 – $10,810,000.

(c) The Long-Term Debt Maturities and annual Sinking Fund requirements are as follows: 1984 — $96,439,000, 1985 — $21,220,000, 1986 — $43,725,000, 1987 — $7,058,000 and 1988 — $85,308,000. Under the terms of the First Mortgage Indenture and the General and Refunding Mortgage Indenture, substantially all utility property of the Company is subject to the liens thereof.

(d) Due to certain restrictions in the Company's First Mortgage Indenture, no significant amount of First Mortgage Bonds may be issued until an operating license is obtained for Seabrook Unit 1, not anticipated before 1986.

(e) The Company has entered into a leasing agreement which provides for the financing of the cost of up to $50,000,000 of nuclear fuel to be used in the Seabrook Plant. Borrowings under the agreement are secured by a lien on designated nuclear fuel. Interest on the borrowings is assessed at 2½% above the 30-day commercial paper rate on commercial paper issued by an affiliate of the lessor. In 1983, the Company capitalized related interest costs of $1,466,000 based on an average interest rate of 12%. Amortization of principal coincides with the burn-up of the nuclear fuel.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
STATEMENTS OF CHANGES IN FINANCIAL POSITION

	For the Year Ended December 31,		
	1983	1982	1981
	(Thousands of Dollars)		
Source of Funds			
From Operations			
Net Income	$151,658	$ 91,623	$ 77,187
Principal Non-Cash Charges (Credits) to Income			
Depreciation	21,016	19,558	18,663
Allowance for Equity Funds Used During Construction	(104,146)	(67,624)	(50,053)
Deferred Taxes and Investment Credit Adjustments	11,778	(192)	4,205
Total from Operations	80,306	43,365	50,002
From Outside Sources			
Sale of Long-Term Debt	235,413	141,050	57,000
Sale of Preferred Stock	95,000	60,000	—
Sale of Common Stock	185,288	49,886	70,214
Nuclear Fuel Obligation	50,000	—	—
Funds Deposited with Trustee	18,133	—	—
Change in Short-Term Borrowings	—	(164,600)	17,250
Sale of Portion of Millstone Unit 3	—	15,353	—
Subsequent Financings Used to Reduce Notes Payable — Banks	(164,600)	164,600	—
Total from Outside Sources	419,234	266,289	144,464
Decrease in Working Capital	40,621	23,720	—
Total	$540,161	$333,374	$194,466
Application of Funds			
Property Additions	$425,909	$304,968	$124,816
Allowance for Equity Funds Used During Construction	(104,146)	(67,624)	(50,053)
Dividends	103,865	75,200	64,112
Reduction of Long-Term Debt	97,238	13,930	5,986
Reduction of Preferred Stock	1,560	2,160	—
Repayment of Advances from Joint Project Participants	—	—	4,595
Increase in Working Capital	—	—	36,414
Funds Deposited with Trustee	205	15,092	3,041
Deferred Collection of Fuel Costs	—	(2,875)	(6,901)
Increase in Investments	2,934	3,074	12,427
Other Applications — Net	12,596	(10,551)	29
Total	$540,161	$333,374	$194,466
Increase (Decrease) in Working Capital Other than Notes Payable — Banks and Advances from Participants			
Cash and Temporary Investments	$ 80,727	$ (3,359)	$ 1,390
Receivables	6,566	(291)	1,617
Inventories	(322)	16,125	(7,085)
Long-Term Debt to be Retired Within One Year	(90,352)	(1,087)	19,467
Preferred Stock Redemption Due Within One Year	(480)	(1,080)	—
Accounts Payable	(15,995)	(28,307)	25,644
Accrued Taxes	(6,160)	4,456	(228)
Other	(14,605)	(10,177)	(4,391)
Total	$(40,621)	$(23,720)	$ 36,414
Composition of Property Additions			
Jointly-Owned Nuclear Facilities	$365,752	$255,988	$ 91,600
Nuclear Fuel	12,305	10,843	6,669
Other	47,852	38,137	26,547
Total	$425,909	$304,968	$124,816

See accompanying Notes to Financial Statements.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

STATEMENTS OF CHANGES IN COMMON STOCK EQUITY
For the Three Years Ended December 31, 1983

		(Thousands of Dollars)				
	Shares	Amount at Par Value	Other Paid-In Capital	Capital Stock Expense	Retained Earnings	Total
Balance — December 31, 1980	18,203,922	$ 91,020	$214,994	$ (7,416)	$ 88,834	$387,432
Add (Deduct)						
Net Income					77,187	77,187
Cash Dividends —						
Common Stock					(44,933)	(44,933)
Preferred Stock					(19,179)	(19,179)
Issuance of Common Stock	4,991,717	24,958	46,930	(453)		71,435
Issuance Cost of Preferred Stock				(121)		(121)
Balance — December 31, 1981	23,195,639	$115,978	$261,924	$ (7,990)	$101,909	$471,821
Add (Deduct)						
Net Income					91,623	91,623
Cash Dividends —						
Common Stock					(54,202)	(54,202)
Preferred Stock					(20,998)	(20,998)
Issuance of Common Stock	3,328,044	16,640	33,659	(380)		49,919
Issuance Cost of Preferred Stock				(2,538)		(2,538)
Amortization of Redeemed Preferred Stock Issuance Cost ...				7	(7)	—
Balance — December 31, 1982	26,523,683	$132,618	$295,583	$(10,901)	$118,325	$535,625
Add (Deduct)						
Net Income					151,658	151,658
Cash Dividends —						
Common Stock					(72,458)	(72,458)
Preferred Stock					(31,407)	(31,407)
Issuance of Common Stock	10,472,644	52,364	133,170	(499)		185,035
Issuance Cost of Preferred Stock				(4,085)		(4,085)
Amortization of Redeemed Preferred Stock Issuance Cost ...				7	(7)	—
Balance — December 31, 1983	36,996,327	$184,982	$428,753	$(15,478)	$166,111	$764,368

See accompanying Notes to Financial Statements.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

1. Summary of Accounting Policies

Regulations and Operations

The Company is subject, as to rates, accounting and other matters, to the regulatory authority of the New Hampshire Public Utilities Commission (NHPUC), the Federal Energy Regulatory Commission (FERC) and, to a lesser extent, the public utilities commissions in other New England states where the Company does business.

Investments

The Company follows the equity method of accounting for its investments in nuclear generating companies, a wholly-owned overseas finance subsidiary and a wholly-owned real estate subsidiary. The Company owns four to seven percent of each of four New England nuclear generating companies and, pursuant to purchased power contracts, is entitled to its ownership percent of total plant output and is obligated to pay a similar share of operating expenses and returns on invested capital. Approximately 9.5%, 9.9% and 9.7% of the Company's total energy requirements were furnished by these companies in 1983, 1982 and 1981, respectively.

Utility Plant

Provision for depreciation of utility plant is computed on a straight-line method at rates based on estimated service lives and salvage values of the several classes of property. The depreciation provisions were equivalent to overall effective rates of 3.70%, 3.65% and 3.61% of depreciable property for 1983, 1982 and 1981, respectively.

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

Operating Revenues

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

Allowance for Funds Used During Construction (AFUDC)

AFUDC is the estimated cost, during the period of construction, of funds invested in the construction program which is not recovered from customers through current revenues. Such allowance is not realized in cash currently but under the rate-making process the amount of the allowance is expected to be recovered in cash over the service life of the plant in the form of increased revenue collected as a result of higher plant costs.

The Company capitalized AFUDC at average net-of-tax annual rates of 12.0%, 11.6% and 11.0% for 1983, 1982 and 1981, respectively.

Ratio of Earnings to Fixed Charges

Earnings represent the aggregate of net income, less undistributed income of unconsolidated companies, plus provisions for federal and state taxes on income and fixed charges. Fixed charges represent interest, related amortization and the interest component of annual rentals.

2. Rate-Making Matters

On January 30, 1984 the NHPUC issued a rate order designed to increase annual non-energy revenues by approximately $24,700,000. The order was issued in response to the Company's request, filed December

2. Rate-Making Matters — Continued

30, 1982, to increase annual revenues by $33,400,000. The requested rates were placed into effect under bond effective August 1, 1983. In 1983, the Company recognized a provision for estimated refunds based on the difference between temporary rates billed and the permanent rates. The amount billed in excess of permanent rates was refunded to customers in February, 1984.

During 1982, the NHPUC issued rate orders designed to increase annual non-energy revenues by approximately $9,500,000 effective July, 1982 and $28,900,000 effective May, 1981.

In 1983 and 1982, New Hampshire retail customers were billed a levelized energy cost rate based on six-month projected data for fuel and purchased power expenses. In 1981 energy costs were billed based on estimates adjusted quarterly. Wholesale customers are billed under fuel adjustment clauses. The proportion of revenues from prime sales associated with energy costs was 46.0% in 1983, 47.8% in 1982 and 54.2% in 1981. The differences primarily reflect changes in the cost of energy.

3. Income Taxes

The components of income tax expense are as follows:

	1983	1982	1981
		(Thousands of Dollars)	
Included in Operating Expenses			
Current — Federal	$ 31,536	$ 24,630	$ 22,153
State	(5,674)	3,082	3,834
	25,862	27,712	25,987
Deferred — Federal	9,605	3,109	5,533
Investment Tax Credit Adjustments	(499)	(1,396)	(3,305)
	$ 34,968	$ 29,425	$ 28,215
Included in Other Income and Deductions			
Current — Federal	$(28,672)	$(24,706)	$(23,733)
Current — State	(5,056)	—	—
Deferred — Federal	3,543	45	206
	$(30,185)	$(24,661)	$(23,527)
Total Income Tax Expense — Federal	$ 15,513	$ 1,682	$ 854
State	(10,730)	3,082	3,834
	$ 4,783	$ 4,764	$ 4,688

State tax expense for 1982 and 1981 is primarily New Hampshire franchise tax. In October 1982, the New Hampshire Supreme Court rescinded the basis for determining this tax. At that time the Company ceased accrual of the tax and classified its liability for the tax of $13,200,000 as a deferred credit.

In 1983 the Company eliminated this deferred credit by reducing state tax expense $6,900,000 (corresponding to a refund to retail customers ordered by the NHPUC), reducing state tax expense an additional $4,000,000 (corresponding to the accrual of the tax in excess of the amount collected in rates) and recording a liability of $2,300,000 for potential wholesale refunds, which have not been determined. Effective July 1, 1983, the State of New Hampshire replaced the previous franchise tax with a 1% franchise tax on gross operating receipts which the Company has recognized in other taxes — operating.

Beginning in 1983, the Company has allocated to operating income taxes approximately $5,100,000 of New Hampshire business profits tax. An offsetting state tax benefit was allocated to other income and deductions, based upon the reduction in such tax attributable to the excess, on a tax basis, of other deductions over other income.

3. Income Taxes — Continued

Investment tax credits utilized are deferred and amortized to income over the lives of the related properties. At December 31, 1983 the Company had investment tax credits available to carry forward of approximately $77,500,000 which expire between 1994 and 1998.

The tax effect of differences between pretax income in the financial statements and income subject to tax, which are the result of timing differences, are accounted for as prescribed by and in accordance with the rate-making policies of the NHPUC. Accordingly, provisions for deferred income taxes are recognized for all specified timing differences. Taxes attributable to other timing differences are flowed through to net income as adjustments to income tax expense. Provisions for deferred income taxes are recognized for the following timing differences:

	1983	1982	1981
		(Thousands of Dollars)	
Normalized Timing Differences Relating to Plant	$ 8,488	$ 7,910	$ 4,554
Accrued and Unbilled Fuel Adjustment Charges	(188)	(301)	(298)
Deferred Fuel Costs	(479)	2,104	(5,443)
Costs Associated with the Cancellation of Pilgrim Unit 2 (Note 7)	3	124	5,326
Recoupment Revenue Recoverable	—	(3,302)	3,302
Accrued State Taxes	2,618	(1,419)	(1,772)
Used (Unused)Tax Net Operating Loss Carry Forward	3,480	(1,642)	—
Other	(774)	(320)	70
	$ 13,148	$ 3,154	$ 5,739

The principal reasons for the differences between total income tax expense and the amount calculated by applying the federal income tax rate (46%) to income before income tax are as follows:

	1983	1982	1981
		(Thousands of Dollars)	
Income Before Income Tax	$156,441	$ 96,387	$ 81,875
Expected Tax Expense	$ 71,963	$ 44,338	$ 37,663
Increases (Reductions) in Taxes Resulting from			
Overheads Charged to Construction and Expensed for Tax Purposes	(47,907)	(31,107)	(23,025)
Net-of-Tax Method of Recording AFUDC	(15,273)	(13,822)	(13,140)
Difference between Book and Tax Depreciation — Not Normalized	1,829	1,505	1,343
State Income Taxes Net of Federal Income Tax	(5,794)	1,665	2,070
Other Deductions	(35)	2,185	(223)
Total Income Tax Expense	$ 4,783	$ 4,764	$ 4,688

4. Short-Term Borrowings

From time to time the Company uses borrowings from banks as an interim method of financing construction and working capital needs. At February 29, 1984, the Company had line of credit agreements with New Hampshire banks aggregating approximately $3,000,000 and a revolving credit agreement with a group of nine commercial banks. The Company's revolving credit agreement, under which each advance is currently subject to review by the banks, specifies that if at the time an advance is requested, the Company's cash flow, cumulative financings, total expenditures or construction expenditures for 1984 vary by certain specified amounts or percentages from projections set forth in schedules furnished to the banks, waivers of such variations by banks holding two-thirds in principal amount of the credit are a prerequisite to such advance. There must also not be any material adverse change in the Company's business or financial condition. These

4. Short-Term Borrowings — Continued

schedules call for advances outstanding at any one time under the revolving credit to be substantially less than the $160,000,000 maximum specified in the credit. Amounts outstanding under the agreement mature on December 7, 1984. The Company pays commitment fees on the revolving credit agreement and maintains compensating balances for certain line of credit agreements. The effective cost of borrowing under the revolving credit agreement, including fees and assuming the available credit is fully utilized, is 116% of the prime interest rate of a specified bank. See Note 7 for a discussion of subsequent events affecting the availability of short-term credit.

The Company has a financing arrangement with a group of banks, expiring June, 1984, which enables the Company to borrow up to $20,000,000 by collateralizing its fossil fuel inventories, subject to there not being a material adverse change in the Company's business or financial condition. Rates of the loans are based upon the current bankers' acceptance discount rate plus an acceptance commission and facility and agency fees.

Information regarding short-term borrowings is as follows:

	1983	1982	1981
		(Thousands of Dollars)	
Maximum Short-Term Borrowings	$142,100	$141,600	$145,600
Average Amount Outstanding (Based on Month-End Balances)	$ 10,147	$104,683	$110,475
Average Interest Rate (Including Fees)			
At Year End	—	13.72%	18.59%
During the Year	24.40%(1)	18.66%	22.57%

(1) The rate including fees is significantly higher than 116% of the prime rate (12.52%) due to low borrowing levels relative to fees which are calculated as a percentage of the available credit line.

5. Pension Plan

The Company has a non-contributory pension plan covering substantially all employees. The Company's policy is to fund current pension costs accrued. Costs were $5,386,000, $5,242,000, and $4,229,000, in 1983, 1982, and 1981, respectively, and include amortization of past service costs over 25 years. Accumulated plan benefits and plan net assets for the Company's defined benefit plan as of January 1 of each year is as follows:

	1983	1982
	(Thousands of Dollars)	
Actuarial Present Value of Accumulated Plan Benefits:		
Vested	$34,339	$34,242
Nonvested	1,578	1,771
	$35,917	$36,013
Net Assets Available for Benefits	$52,057	$38,460

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 9% in 1983 and 1982.

6. Leases

The Company has certain financing leases for property and equipment which are accounted for as operating leases. The capitalization of such leases would not have a material effect on the financial statements. Costs associated with leased equipment utilized in construction are capitalized as a cost of construction.

Rentals charged to expense in 1983, 1982 and 1981 were $4,344,000, $4,463,000 and $3,545,000, respectively. The Company rents properties from a wholly-owned real estate subsidiary at current annual rentals of $1,337,000. At December 31, 1983, estimated future minimum lease payments for noncancellable leases were as follows:

1984	$ 4,975,000
1985	4,089,000
1986	3,461,000
1987	3,337,000
1988	2,684,000
Thereafter	27,729,000
	$46,275,000

7. Commitments and Contingencies

The Company's shares of total expenditures included in Unfinished Construction for the jointly-owned nuclear facilities in which it is participating are as follows:

	December 31, 1983	December 31, 1982
	(Thousands of Dollars)	
Seabrook Unit 1 and Common Facilities	$1,011,900	$ 745,600
Seabrook Unit 2	303,100	223,100
Millstone Unit 3	65,600	48,400
	$1,380,600	$1,017,100

The Company's construction program expenditures (excluding AFUDC) are estimated to be $314,800,000 for 1984, $254,800,000 for 1985 and $318,500,000 for 1986 through 1988. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Construction Program and Financing Requirements" for a discussion of the Company's projected financing plan and problems concerning the Seabrook Plant.

The Seabrook Plant has experienced persistent and substantial cost increases. The increased costs have been due, among other reasons, to design changes, revisions of regulations of the Nuclear Regulatory Commission and other regulatory bodies, extraordinarily high interest rates, inflation and construction delays, all of which have resulted in total costs (including carrying costs and taxes) far higher than planned and far higher than for nuclear plants currently operating, although comparable to other nuclear plants currently under construction. The cost estimate for both Units of the Seabrook Plant issued on March 1, 1984 is approximately $9 billion with an estimated July 1986 in-service date for Unit 1 and a December 1990 in-service date for Unit 2. These latest estimates of cost and completion dates are about 75% greater and 18 months later, respectively, than those made by the Plant's architect/engineer in November, 1982. Management Analysis Company, an independent consulting firm retained in early 1983 by the Seabrook participants to analyze the November, 1982 estimate, reviewed the latest estimates and recommended that they be further reviewed and analyzed by the Company. Financing of Unit 1 will be a major undertaking for the Company, particularly if it is not included in rate base promptly upon its completion but phased in as suggested by New Hampshire authorities.

As a result of the substantial increase in the estimated cost of Unit 1 reflected in the latest cost estimates, the commercial banks which have provided the Company with its revolving credit facility (under which no

7. Commitments and Contingencies — Continued

amounts are currently outstanding) have requested the Company to obtain additional back-up sources of credit. It is not clear that the banks will make funds available under the existing revolving credit facility without the additional credit. This additional credit would provide the Company with increased financial support in the event that the Company is unable to access the public securities markets for any significant period and the Company has exhausted its bank lines of credit. The Company is seeking this additional support, including specifically support from the other Seabrook participants. If such support cannot be obtained in the next three weeks and the commercial banks decline to advance funds to the Company under the revolving credit facility, the Company would be forced to seek protection from its creditors under the Bankruptcy Code. The Company has temporarily instituted stringent cash conservation as well as other expenditure curtailment measures.

If the Company is able to obtain these additional sources of credit and borrow from its revolving credit banks, the success of the balance of the Company's financing plan and the nature, size and timing of future securities issues will depend on securities market factors, the favorable resolution of uncertainties regarding Unit 2 described below, the amount and timing of needed rate increases, satisfaction of earnings coverage tests, the level of construction costs at the Seabrook Plant, the commercial operation date of Unit 1, economic conditions, the Company's level of sales and other factors. Adequate and timely rate increases, successful financings in the capital markets and continued availability of short-term credit facilities are essential to enable the Company to maintain its construction program and continue its business operations.

On March 30, 1984 the Company and the other Seabrook participants voted to cancel Unit 2 on December 1, 1984 on the condition that there have been obtained all necessary regulatory approvals of arrangements for sharing with the Company the savings on Canadian power under a proposed NEPOOL Shared Savings Plan. This Plan was approved in concept by a unanimous vote of the NEPOOL Executive Committee on March 23, 1984. Under the Plan, savings from the purchase of Canadian power would be channeled by the NEPOOL members to the Company over a period of years commencing in 1987 in order to compensate in part for the Company's lost investment in Unit 2. The amount of such savings which would be so channeled has not yet been agreed upon.

The Company is also seeking to make other arrangements for the completion of Unit 2. These arrangements could include the financing of construction of Unit 2 under a fixed price contract by a major construction company, but would not involve financing of such costs by the Company. Participants desiring to cancel Unit 2 would in any event be relieved of any further obligations for construction costs of Unit 2, but would remain obligated for Unit 1 costs. There can be no assurance that the NEPOOL Shared Savings Plan will receive the requisite regulatory approvals or will channel sufficient savings to the Company, or that the Company will be able to make arrangements to complete construction of Unit 2. Consequently, the Company may be in the difficult position of attempting to continue construction of Unit 2 in the face of the nearly unanimous determination of the other Seabrook participants and regulatory authorities that Unit 2 should be cancelled. The Company cannot predict whether it would be possible to continue construction of Unit 2 in such circumstances.

Effective March 1, 1984, the Company ceased capitalization of all costs, including AFUDC, related to Unit 2 of the Seabrook Plant. The accrual of AFUDC on Unit 2 has been approximately $3,000,000 per month. The effect of this decision will be to reduce 1984 net income by approximately $33,000,000.

As indicated above, cancellation of Unit 2 could in certain circumstances also jeopardize the Company's financing of its share of Unit 1 and its financial viability if the Company were not granted some recovery on its investment in Unit 2 in addition to the amounts presently being discussed as being made available to the Company under the proposed NEPOOL Shared Savings Plan. This recovery could take the form of direct rate recovery if the New Hampshire anti-CWIP statute is not construed to prevent recovery through rates of a utility's investment in a cancelled plant. There is currently pending before the NHPUC the Company's request for recovery with respect to the Company's share of the cancelled Pilgrim Unit 2 nuclear generating

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS — Continued

7. Commitments and Contingencies — Continued

plant, as discussed below. The NHPUC has certified to the New Hampshire Supreme Court the question of whether the New Hampshire anti-CWIP statute prevents such recovery.

The Company cannot predict what action the NHPUC would take regarding the Company's Unit 2 investment. If the NHPUC denied recovery the Company would be required to charge the unrecovered cost of Unit 2 against earnings in the period in which such denial became final; the Company does not believe that a final determination of the question will be made before the second half of 1985. At February 29, 1984, the Company's investment in Unit 2 was $316,000,000 including AFUDC and uranium fuel. While the Company believes that in the event of cancellation it would be entitled to allocate some part of this investment to the cost of Unit 1, the amount charged against earnings in the event it is denied recovery could, depending upon the amount not recovered, eliminate the Company's retained earnings, thereby effectively precluding the Company from paying dividends on its Common and Preferred Stocks. In these circumstances, the Company would in all probability be unable to access the public securities markets.

Under the anti-CWIP statute prohibiting the inclusion in rate base of construction work in progress, Unit 1 of the Seabrook Plant may not be included in rate base until completion of its construction and commencement of commercial operation. At that time, the Company expects that a substantial retail rate increase would be required in order to place the entire cost of Unit 1 in rate base. The Company's estimates of future revenues have attempted to reflect the dampening effects of the expected rate increases on power sales. The Company cannot predict what rate increases will be granted, including the extent to which the Unit might be phased into rate base as suggested by New Hampshire authorities, or whether the dampening effect will be more substantial than anticipated.

The Company's cash flow should be substantially improved and its permanent financing requirements reduced after Seabrook Unit 1 is included in rate base. Delays in commercial operation of Unit 1 or in rate base treatment of the costs of the Unit would require the Company to maintain high levels of financing. The Company's financing requirements would also remain high if the NHPUC should decide not to permit inclusion in rate base of substantially all of the costs of Unit 1.

If one or more of the other Seabrook Plant participants should be unable to obtain sufficient or timely rates and financing and consequently are unable to fulfill their contractual commitments to pay their share of Seabrook Plant construction costs when due, or if by reason of action by a regulatory agency such participants fail to fulfill such commitments, completion of the Plant would be jeopardized and the continuation of the Company's business operations threatened.

Timely receipt from the NRC of an operating license is necessary in order to commence commercial operation of Unit 1. Formal hearings were held in the summer of 1983 and further hearings are expected to be held in the spring of 1984. The Company's request for the operating license is being opposed by active intervenors, including the Attorney Generals of the State of New Hampshire and The Commonwealth of Massachusetts.

In October, 1981, the lead owner of the Pilgrim Unit 2 jointly-owned nuclear generating plant cancelled construction of this facility. The Company has a 3.47% interest in the plant and at December 31, 1983, had expended approximately $15,900,000 as its share of the costs. The Company filed a petition with the NHPUC on December 30, 1983, seeking recovery of the investment. Concurrent with this filing, the Company submitted a request to the NHPUC to certify to the New Hampshire Supreme Court the question of whether the anti-CWIP statute precludes recovering through rates the costs of abandoned plants. On March 9, 1984, the NHPUC certified and transferred to the New Hampshire Supreme Court the question of law concerning the anti-CWIP statute; the Court has ordered an accelerated briefing schedule with oral argument tentatively scheduled for May 1984. The Company cannot predict whether and to what extent regulatory authorities would permit such recovery; the Company does not believe that a final determination of the question will be made before the second half of 1985. Any amounts not so recoverable would be charged against earnings in the period in which such determination or denial becomes final.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS — Continued

8. Unaudited Quarterly Information

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

	Three Months Ended							
	December 31,		September 30,		June 30,		March 31,	
	1983	1982	1983	1982	1983	1982	1983	1982
	(Thousands except Per Share Amounts)							
Operating Revenues	$126,773	$102,510	$117,247	$101,800	$98,829	$95,736	$120,635	$123,244
Operating Income	19,545	9,902	17,674	10,158	15,091	6,804	15,840	16,605
Net Income	43,701	24,281	40,628	23,020	33,682	17,985	33,647	26,337
Preferred Dividend Requirements	9,701	7,103	8,204	5,488	8,022	4,780	7,069	4,782
Earnings Available for Common Stock	34,000	17,178	32,424	17,532	25,660	13,205	26,578	21,555
Average Shares of Common Stock Outstanding	36,926	26,482	36,788	26,394	31,777	25,682	30,510	23,228
Earnings Per Average Share of Common Stock	$ 0.92	$ 0.65	$ 0.88	$ 0.66	$ 0.81	$ 0.51	$ 0.87	$ 0.93

9. Unaudited Information on the Effects of Changing Prices

The following supplementary information is supplied in accordance with the requirements of the Statement of Financial Accounting Standards No. 33, Financial Reporting and Changing Prices. These data are not intended as substitutes for earnings reported on a historical basis; they do, however, offer some perspective of the approximate effects of inflation rather than a precise measurement of the effects.

	Conventional Historical Cost	Constant Dollar Average 1983 Dollars	Current Cost Average 1983 Dollars
		(Thousands of Dollars)	
Operating revenues	$463,484	$463,484	$463,484
Operation and maintenance expense	318,579	318,579	318,579
Depreciation expense	21,016	50,135	54,793
Federal and state taxes on income	34,968	34,968	34,968
Other taxes	20,771	20,771	20,771
Interest expense — net	58,570	58,570	58,570
Other income and deductions — net	(142,078)	(142,078)	(142,078)
	311,826	340,945	345,603
Income from continuing operations (excluding reduction to net recoverable cost)	$151,658	$122,539*	$117,881*
Reduction to net recoverable cost		$(31,102)	$(26,444)
Gain from decline in purchasing power of net amounts owed		35,831	35,831
Net		$ 4,729	$ 9,387
Increase in specific prices (current cost) of property, plant, and equipment held during the year			$120,961
Effect of increase in general price level			94,049
Excess of increase in specific prices over increase in general price level			$ 26,912

*Including the reduction to net recoverable cost, the income from continuing operations on a constant dollar and a current cost basis would have been $91,437.

Constant dollar amounts represent historical cost stated in terms of dollars of equal purchasing power, as measured by the Consumer Price Index for all Urban Consumers (CPI-U). The current cost of plant was determined by indexing each major class of plant using the Handy-Whitman Index of Public Utility Construction Costs. Current cost does not necessarily represent the replacement cost of existing productive capacity since utility plant is not expected to be replaced precisely in kind. The current year's provisions for

9. Unaudited Information on the Effects of Changing Prices — Continued

depreciation on the constant dollar and current cost amounts of utility plant were determined by applying the Company's depreciation rates to the indexed plant amounts. Current cost amounts reflect changes in specific prices of plant from the date the plant was acquired to the present. They differ from constant dollar amounts to the extent that specific prices have increased more rapidly than the general rate of inflation ($26,912,000). At December 31, 1983, current cost of property, plant and equipment, net of accumulated depreciation, was $2,791,609,000 while historical net cost was $1,836,778,000.

Fuel inventories, the cost of fuel used in generation, and the energy component of purchased power costs have not been restated from their historical cost in nominal dollars. Regulation limits the recovery of fuel and purchased power costs to actual cost incurred during the period. For this reason fuel inventories are effectively monetary assets.

Under current rate-making policies prescribed by the regulatory commissions to which the Company is subject, only the historical cost of utility property is included in the rate base upon which the Company is allowed to earn a return. Therefore, the cost of plant stated in terms of constant dollars or current cost that exceeds the historical cost of plant is not presently recoverable in rates, and is reflected as a reduction to net recoverable costs.

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

STATED IN AVERAGE 1983 DOLLARS

	Year Ended December 31,				
	1983	1982	1981	1980	1979
	(Thousands except Per Share Amounts)				
Operating revenues	$463,484	$436,920	$482,944	$424,693	$401,916
Historical cost information adjusted for general inflation					
Income from continuing operations (excluding reduction to net recoverable cost)	122,539	66,948	59,217	49,530	36,979
Income per average common share (after dividend requirements on preferred stock and excluding reduction to net recoverable cost)	2.63	1.73	1.74	1.97	2.02
Net assets at year-end at net recoverable cost	798,724	595,762	554,304	506,671	474,734
Current cost information					
Income from continuing operations (excluding reduction to net recoverable cost)	117,881	62,424	54,599	42,864	28,612
Income per average common share (after dividend requirements on preferred stock and excluding reduction to net recoverable cost)	2.49	1.56	1.53	1.57	1.36
Increase in general price level over (under) increase in specific prices	(26,912)	(64,019)	19,882	96,977	86,348
Net assets at year-end at net recoverable cost	798,724	595,762	554,304	506,671	474,734
General information					
Gain from decline in purchasing power of net amounts owed	35,831	28,902	62,498	86,604	84,062
Cash dividends declared per common share	$ 2.12	$ 2.19	$ 2.32	$ 2.56	$ 2.91
Market price per common share at year-end	$ 11.31	$ 17.86	$ 15.77	$ 16.60	$ 20.44
Average consumer price index	298.4	289.1	272.4	246.8	217.4

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

We have examined the balance sheets and statements of capitalization of Public Service Company of New Hampshire as of December 31, 1983 and 1982 and the related statements of earnings, changes in financial position and changes in common stock equity for each of the years in the three-year period ended December 31, 1983. Our examinations were made in accordance with generally accepted auditing standards, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. In connection with our examinations of the financial statements, we also examined the supporting schedules as listed in the index under Item 14.

As more fully discussed in Note 7, the Company has approximately $1.3 billion invested in the two units of the Seabrook Plant, an amount which represents approximately 60% of its total assets. On March 1, 1984, the Company released new completion dates for the Seabrook Plant and a new cost estimate which is 75% higher than the November 1, 1982 estimate. On March 30, 1984 the Company and the other participants in the Seabrook Plant voted to cancel Unit 2 of the Plant (a $303 million investment for the Company at December 31, 1983), subject to certain conditions. The Company intends to seek recovery of all its costs associated with Unit 2 from its customers and other sources, but there is no assurance that the recovery of substantially all costs of Unit 2 will be achieved.

Financing Unit 1 will be a major undertaking for the Company because the new schedule and cost estimate for Unit 1 have increased the required level of external financings. The commercial banks in the Company's revolving credit agreement have requested that the Company obtain additional back-up sources of credit to increase the Company's financial flexibility during periods when the Company is unable to access the public securities markets. It is not clear that the banks will make funds available under the existing revolving credit facility without the additional credit. If such additional sources cannot be obtained within three weeks and the commercial banks decline to advance funds to the Company under the revolving credit agreement, the Company would be forced to seek protection from its creditors under the Bankruptcy Code and may be unable to continue in existence. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

In our opinion, subject to the effects on the 1983 financial statements of such adjustments, if any, as might have been required had the outcome of (1) the uncertainty about the recoverability and classification of recorded asset amounts and the amounts and classification of liabilities, referred to in the preceding paragraph, and (2) the uncertainty about the recovery of Unit 2 costs, referred to in the second preceding paragraph, been known, the aforementioned financial statements present fairly the financial position of Public Service Company of New Hampshire at December 31, 1983 and 1982 and the results of its operations and changes in its financial position for each of the years in the three-year period ended December 31, 1983, in conformity with generally accepted accounting principles applied on a consistent basis. Also in our opinion, subject to the effects on the 1983 schedules of such adjustments, if any, as might have been required had the outcome of the uncertainties described above been known, the related supporting schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

PEAT, MARWICK, MITCHELL & CO.

Boston, Massachusetts
March 12, 1984, except as to
Note 7 which is as of
March 31, 1984

Item 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

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

Name, age and the year first became a Director	*Common Shares Beneficially Owned March 30, 1984(1)(2)*
HILARY P. CLEVELAND (56 years) *1984*	100 Shares

Lecturer in the Department of Social Sciences, Colby-Sawyer College, New London, N. H. since September, 1981. Associate Professor of History and Political Science, Colby-Sawyer College, for more than five years prior to that date. Also a Director of Center for New Hampshire's Future, Concord, N. H., an Incorporator of New Hampshire Charitable Fund, Concord, N. H., and a Commissioner of the New Hampshire Commission on the Arts, Concord, N.H.

GEORGE A. DORR, JR. (67 years) *1954* — 625 Shares

President and a Director of Dorr Fabrics, Inc., a textile factory outlet, Newport, N. H. President and a Director of Dorr Woolen Company, Newport, N.H. and Pinnacle Manufacturing Co., Newport, N.H. for more than five years prior to July 1983. Also a Trustee of Sugar River Savings Bank, Newport, N. H., and a Director of International Packings Corporation, Bristol, N. H. and Roymal Coatings and Chemical Company, Inc., Newport, N. H.

JOHN C. DUFFETT (56 years) *1984* — 1,404 Shares

Senior Vice President of the Company since December 1, 1982. A Vice President of the Company from 1978 to 1982.(3)

PHILIP S. DUNLAP (65 years) *1982* — 318 Shares

Vice President and a Director of Morrill and Everett, Inc., a real estate and insurance firm, Concord, N. H. Also Vice President and a Director of Union Realty, Inc., Concord, N. H., and Northern Railroad, Concord, N. H., President and a Director of Concord Builders, Inc., Concord, N. H., Treasurer and a Director of N. H. Automatic Equipment Corp., Concord, N. H., a Director of Concord National Bank, Concord, N. H. and Aerotronic Associates, Inc., Contoocook, N. H. and a Trustee of Downtown Concord Revitalization Corporation, Concord, N. H.(3)

PRISCILLA K. FRECHETTE (63 years) *1977* — 150 Shares

A Director of Kingsbury Machine Tool Corp., a manufacturer of machine tools, Keene, N. H. Also a Director of Ashuelot National Bank, Keene, N. H., and of Center for New Hampshire's Future, Concord, N. H., and a Trustee of Dartmouth College, Hanover, N. H., and New England College, Henniker, N. H.

ROBERT J. HARRISON (52 years) *1979* — 1,879 Shares

President and Chief Executive Officer of the Company since March 1, 1983. President and Chief Operating Officer from 1981 to 1983. President and Chief Financial Officer from 1980 to 1981. Financial Vice President from 1978 to 1980. Also a Director of Merchants Savings Bank, Manchester, N. H., Maine Yankee Atomic Power Company, Augusta, Me., Vermont Yankee Nuclear Power Corporation, Rutland, Vt., Edison Electric Institute, Washington, D. C., Atomic Industrial Forum, Washington, D. C., Business & Industry Association of New Hampshire, Concord, N. H., Governor's Management Review, Inc., Concord, N. H., and Amoskeag Industries, Inc., Manchester, N. H.

ANN R. MOODY (67 years) *1975* — 385 Shares

A Director of Edgcomb Steel of New England, Inc., a distributor of metal products, Nashua, N. H. since October, 1983. Vice President and a Director of Edgcomb Steel of New England, Inc. for more than five years prior to that date. Also a Director of Souhegan National Bank, Milford, N. H., and a Trustee of Wells College, Aurora, N. Y. and White Pines College, Chester, N. H.

Name, age and the year first became a Director	*Common Shares Beneficially Owned March 30, 1984(1)(2)*
JOHN J. REILLY, JR. (55 years) *1980*	700 Shares

President and Treasurer and a Director of John J. Reilly, Inc., an electrical contracting firm, Manchester, N. H. Also Chairman of the Board of Directors of Merchants Savings Bank, Manchester, N. H., and Chairman of the Board of Trustees of St. Anselm College, Manchester, N. H.

PHILIP B. RYAN (41 years) *1983* — 115 Shares

Vice President of The Bigelow Company, Inc., a management consulting firm, Manchester, N. H. since July, 1982. Partner in Bigelow & Company for more than five years prior to that date. Also Chairman of the Board of Trustees of Elliot Hospital, Manchester, N. H. and a Director of Amoskeag National Bank and Trust Company, Manchester, N. H.

JOHN T. SCHIFFMAN (43 years) *1983* — No Shares

Partner of Smith, Batchelder & Rugg, a firm of certified public accountants, Hanover, N. H., a Director of Business & Industry Association of New Hampshire, Concord, N. H., an Incorporator of Mary Hitchcock Hospital, Hanover, N. H., and a Director of Ford Sayre Ski Council, Hanover, N. H.

WILLIAM M. SCRANTON (63 years) *1971* — 324 Shares

Management Consultant since October, 1982. President and a Director of Beede Electrical Instrument Co., Inc., a manufacturer of electrical indicating instruments, Penacook, N. H., from February, 1977 to October, 1982. President of MPB Corporation, Keene, N. H., for more than five years prior to that date. Also a Director of Indian Head National Bank of Keene, International Packings Corporation, Bristol, N. H., O.K. Tool Company, Inc., Milford, N. H., and Summa Four, Inc., Manchester, N. H.

EDWARD M. SHAPIRO (50 years) *1983* — 1,991 Shares

President of New Hampshire College, Manchester, N. H. Also President of N. H. College and University Council, member of New Hampshire Post-Secondary Education Commission, and a Trustee of Elliot Hospital, Manchester, N. H.

WILLIAM C. TALLMAN (63 years) *1965* — 4,593 Shares

Chairman of the Company since March 1, 1983. Chairman and Chief Executive Officer from 1980 to 1983. President and Chief Executive Officer from 1969 to 1980. President from 1965 to 1969. Also Chairman and a Director of Yankee Atomic Electric Company, Westborough, Mass., and a Director of Amoskeag National Bank and Trust Company, Manchester, N. H., Amoskeag Industries, Inc., Manchester, N. H. and Federated Arts of Manchester, Inc., Manchester, N. H., and a Trustee of Young Men's Christian Association, Manchester, N. H.

HUGH C. TUTTLE (63 years) *1971* — 400 Shares

Treasurer and a Director of Tuttle Market Gardens, Inc., a farm operator, Dover, N. H. Also a Trustee of Southeast Bank for Savings, Dover, N. H.

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(1) No nominee's ownership constitutes as much as 5/100ths of 1% of the outstanding shares of the Common Stock. No nominees, except Mr. Dorr, Mr. Scranton and Mr. Shapiro, own any shares of any series of the Preferred Stock of the Company. Mr. Scranton owns 10 shares of Preferred Stock, $100 par value, Mr. Dorr owns 400 shares of Preferred Stock, $25 par value, and Mr. Shapiro is the beneficial owner of 100 shares of Preferred Stock, $25 par value.

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

(3) Philip S. Dunlap, a Director of the Company, and John C. Duffett, a Senior Vice President and Director of the Company, are brothers-in-law.

References should be made to *Item 4A. Executive Officers of the Registrant* on Pages 16-18 of the Annual Report on Form 10-K for information as to the names and ages of the executive officers of the Company, including certain officers who are also directors of the Company, their positions with the Company both current and for the past five years as applicable, their length of service with the Company and in the case of certain officers who have been employed by the Company less than five years, a brief explanation of the respective prior five years' business positions and responsibilities.

Item 11. EXECUTIVE COMPENSATION

Cash Compensation

All remuneration of each of the five most highly compensated executive officers of the Company for services in all capacities to the Company and its subsidiaries for the fiscal year ended December 31, 1983, whose remuneration exceeded $60,000 and of all executive officers of the Company as a group is as follows:

CASH COMPENSATION TABLE

(A) Name of Individual or number in group	(B) Capacities in which served	(C) Cash and cash-equiv[illegible]lent forms of remuneratio[illegible](3)
Robert J. Harrison	President and Chief Executive Officer	$ 157,624
William C. Tallman	Chairman	147,352
David N. Merrill	Executive Vice President	117,086(4)
Charles E. Bayless	Financial Vice President	93,683(5)
D. Pierre G. Cameron, Jr.	Vice President and General Counsel	88,851
All Executive Officers as a Group (20 Persons)		1,586,378

(1) Except for Mr. Bayless as set forth in (5) below, no Executive Officer received cash or cash-equivalent remuneration other than salaries and the cost of certain insurance premiums under group plans available generally to all employees.

(2) The Company has an Employee Stock Ownership Plan to which it contributes in years in which the additional 1% investment tax credit can be utilized as a Federal income tax reduction. No Company contributions were made in 1983.

(3) No amounts were deferred pursuant to the Deferred Compensation Plan for Directors and Officers by any of the five most highly compensated officers. The total amount deferred by all Officers in 1983 was $16,200.

(4) Mr. Merrill retired as Executive Vice President of the Company effective February 29, 1984. Supplemental compensation at the rate of $7,000 per year will be paid to Mr. Merrill beginning in 1984.

(5) Includes the third of three annual payments under the Company's Mortgage Rate Interest Assistance Plan for relocating employees.

Pension Plan

The Pension Plan of Public Service Company of New Hampshire (Pension Plan) is a trusteed, non-contributory service annuity plan which was established by the Company to provide pension benefits to its employees and is applicable to all employees meeting a minimum period of service requirement, including officers. The Company makes annual contributions ($5,385,883 in 1983) to the Pension Plan. Annuities are paid from the trust fund under the Pension Plan and are determined under formulas applicable to all employees regardless of position, the amounts depending on length of service and earnings prior to retirement. Mr. Tallman is one of the five members of the Retirement Board of the Pension Plan.

The Pension Plan provides pension benefits which are currently accrued pursuant to the following formula: 60% of the annual average January 1 base salary in the highest paid five consecutive years out of the last ten years preceding retirement (exclusive of salary amounts elected to be deferred under the Company's Deferred Compensation Plan for Directors and Officers), offset by 50% of the estimated Primary Social Security Benefits, prorated for those employees who have not attained age 62 and completed 30 years of service.

The following table illustrates the amount of annual pension benefit under the Pension Plan to an employee in specified average salary and years-of-service classifications. Such benefit amounts have been calculated as though each employee selected a straight life annuity and retired on December 31, 1983, at age 65.

Annual Average January 1 Base Salary in Five Consecutive Highest Paid Years Out of Last Ten Years Preceding Retirement	Estimated Maximum Annual Retirement Benefits Service Years				
	15	20	25	30	35
$ 75,000	$20,760	$27,332	$33,980	$40,770	$40,770
100,000	28,260	37,332	46,480	55,770	55,770
125,000	35,760	47,332	58,980	70,770	70,770
150,000	43,260	57,332	71,480	8[illegible] 770	85,770
200,000	58,260	77,332	90,000	90,000	90,000

The estimated credited years of service for the individuals named in the Cash Compensation Table, assuming retirement as at March 30, 1984, are as follows: R. J. Harrison: 27 years; W. C. Tallman: 37 years; D. N. Merrill: 34 years; C. E. Bayless: 3 years; D. P. G. Cameron, Jr.: 3 years.

Employee Stock Ownership Plan

The Company has an Employee Stock Ownership Plan ("ESOP"). Pursuant to the ESOP, the Company contributes for the benefit of all participating employees an amount up to an additional 1% investment tax credit for each calendar year the ESOP is in effect. Company contributions to its ESOP reduce the Company's federal income tax liability by the amount so contributed. Contributions by the Company for any year may be deferred until the Company can so utilize these federal income tax reductions. In general, shares of Common Stock accumulated under the ESOP may not be distributed to participants until termination of employment with the Company. No Company contributions were made in 1983.

Deferred Compensation Plan for Directors and Officers

The Company has a Deferred Compensation Plan for Directors and Officers ("Deferred Compensation Plan"). Under the Deferred Compensation Plan, Directors and Officers of the Company may elect to defer portions of their fees or salaries until in the case of an officer retirement from such position or in the case of a Director ceasing to be a member of the Board of Directors. Portions of salaries deferred by Officers are not included in their base salaries for purposes of determining the amounts of their annual retirement benefits under the Pension Plan. Deferred payments accrue interest at the rate of 1/12 of 90% of the floating prime rate at The First National Bank of Boston as of the beginning of each month, compounded semiannually. There is no matching or contribution by the Company for the portions of salaries deferred. Under the Deferred Compensation Plan, participants may elect an amount to be deferred annually and indicate preferences as to the method of payment and names of beneficiaries. Payments begin for Directors when they cease to be Directors of the Company and for Officers upon or after their retirement under the Pension Plan of the Company or upon leaving employment with the Company.

Remuneration of Directors

Prior to the action described below, Directors who are not employees of the Company received an annual retainer of $5,000, as well as a fee of $300 for each Board and Committee meeting attended, except that they received a fee of $150 for a Committee meeting attended on the same day as a Board meeting. Directors who are full-time employees of the Company receive no fees for service on the Board of Directors. Committee Chairmen received an additional annual retainer of $500. Effective May 1, 1984, the annual retainer and fees for attendance at Board and Committee meetings were reduced by 15% by vote of the Board.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Reference should be made to the information furnished in the tabular listing of Directors of the Company under *Item 10. Directors and Officers of the Registrant* for information as to the shares of stock owned by the Directors of the Company.

The Company is unaware that any person owns beneficially as much as 5% of the outstanding shares of either Common Stock or Preferred Stock, $25 par value. The following table sets forth information with respect to shares of Preferred Stock, $100 par value, owned beneficially as of March 30, 1984, by all persons who are known by the Company to own beneficially more than 5% of the outstanding shares of that class.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership		Percent of Class
Preferred, $100 par value	The Prudential Insurance Company of America Box 7119 Church Street Station New York, New York 10249	90,000	Record and Beneficial	14.61%
Preferred, $100 par value	The Mutual Benefit Life Insurance Company 520 Broad Street Newark, New Jersey 17101	56,400	Record and Beneficial	9.16%

The following table sets forth information as of March 30, 1984, with respect to the number of shares of Common Stock owned beneficially by all Directors and Officers as a group:

Number of Shares	Percent of Outstanding Shares
18,873	0.05%

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

PART IV

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

The following documents are filed as a part of this report:

Financial Statements (see Item 8):

Statements of Earnings, Years ended December 31, 1983, 1982 and 1981

Balance Sheets, December 31, 1983 and 1982

Statements of Capitalization, December 31, 1983 and 1982

Notes to Statements of Capitalization

Statements of Changes in Financial Position, Years ended December 31, 1983, 1982 and 1981

Statements of Changes in Common Stock Equity, Years ended December 31, 1983, 1982 and 1981

Notes to Financial Statements

Report of Independent Certified Public Accountants

Financial Statement Schedules

Schedule V — Utility Plant, Years ended December 31, 1983, 1982 and 1981

Schedule VI — Accumulated Provision for Depreciation, Years ended December 31, 1983, 1982 and 1981

Schedule VIII — Valuation and Qualifying Accounts, Years ended December 31, 1983, 1982 and 1981

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

Exhibits

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

Reports on Form 8-K

Current Reports on Form 8-K were filed during the fourth quarter of 1983 as follows:

Date of Report	Item Reported
December 9, 1983	Item 5. Other Materially Important Events

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

SCHEDULE V — UTILITY PLANT

Years Ended December 31, 1983, 1982 and 1981

Classification	Balance at Beginning of Period	Additions at Cost	Retirements	Other Changes — Add (Deduct)	Balance at End of Period
	(Thousands of Dollars)				
YEAR ENDED DECEMBER 31, 1983					
Intangibles	$ 45	$ —	$ —	$ —	$ 45
Generating Plant — Steam	197,414	7,039	3,338	(793)	200,322
Generating Plant — Hydro	23,544	6,753	45	5	30,257
Generating Plant — Other	8,408	3	—	—	8,411
Transmission	133,496	18,268	257	100	151,607
Distribution	201,484	15,776	2,332	(651)	214,277
General	27,119	7,545	1,790	—	32,874
Plant Held for Future Use	1,944	—	—	(49)	1,895
Unfinished Construction	961,350	358,220	—	—	1,319,570
Nuclear Fuel	66,259	12,305	—	—	78,564
TOTAL	$1,621,063	$425,909	$7,762	$ (1,388)	$2,037,822
YEAR ENDED DECEMBER 31, 1982					
Intangibles	$ 45	$ —	$ —	$ —	$ 45
Generating Plant — Steam	189,077	9,301	964	—	197,414
Generating Plant — Hydro	22,861	837	154	—	23,544
Generating Plant — Other	8,409	—	1	—	8,408
Transmission	125,008	9,035	230	(317)	133,496
Distribution	192,426	11,134	2,171	95	201,484
General	23,561	4,252	694	—	27,119
Plant Held for Future Use	1,684	(57)	—	317	1,944
Unfinished Construction	716,531	259,623	—	(14,804)	961,350
Nuclear Fuel	55,995	10,843	—	(579)	66,259
TOTAL	$1,335,597	$304,968	$4,214	$(15,288)	$1,621,063
YEAR ENDED DECEMBER 31, 1981					
Intangibles	$ 45	$ —	$ —	$ —	$ 45
Generating Plant — Steam	190,198	1,538	2,336	(323)	189,077
Generating Plant — Hydro	15,740	7,177	56	—	22,861
Generating Plant — Other	8,393	16	—	—	8,409
Transmission	124,482	1,035	306	(203)	125,008
Distribution	186,288	12,280	2,361	(3,781)	192,426
General	21,425	3,094	958	—	23,561
Plant Held for Future Use	1,830	(1)	—	(145)	1,684
Unfinished Construction	671,951	95,881	—	(51,301)	716,531
Nuclear Fuel	52,199	3,796	—	—	55,995
TOTAL	$1,272,551	$124,816	$6,017	$(55,753)	$1,335,597

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

SCHEDULE VI — ACCUMULATED PROVISION FOR DEPRECIATION

Years Ended December 31, 1983, 1982 and 1981

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Retirements	Other Changes — Add (Deduct)	Balance at End of Period
	(Thousands of Dollars)				
Accumulated Provision for Depreciation of Electric Plant:					
1983	$188,697	$21,016	$7,734	$(935)(A)	$201,044
1982	173,695	19,558	4,201	(355)(A)	188,697
1981	161,703	18,663	5,836	(835)(A)	173,695

(A) Represents:

	1983	1982	1981
Depreciation charged to automotive clearing	$ 1,006	$ 906	$ 825
Depreciation on plant units acquired	2	3	—
Depreciation charged to construction	163	51	10
Net salvage	(1,135)	(1,352)	(240)
Non-operating reserve transfer	(754)	—	(409)
Plant sold	(217)	37	(1,021)
	$ (935)	$ (355)	$ (835)

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

SCHEDULE VIII — VALUATION AND QUALIFYING ACCOUNTS

Years Ended December 31, 1983, 1982 and 1981

		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
			(Thousands of Dollars)		
Reserves Deducted From Related Assets:					
Provision for Uncollectible Accounts					
1983	$510	$1,400	$ —	$1,035(A)	$ 875
1982	330	1,695	—	1,515(A)	510
1981	320	1,284	—	1,274(A)	330
Accumulated Provision for Depreciation of Non-Operating Property					
1983	$944	$ 26	$754(B)	$ 355(E)	$1,369
1982	947	22	—	25(E)	944
1981	533	5	409(B)	—	947
Reserve Included Under "Deferred Credits – Other":					
Reserve for Injuries and Damages					
1983	$616	$ 480	$ —	$ 466(D)	$ 630
1982	441	680	178(C)	683(D)	616
1981	399	250	108(C)	316(D)	441

(A) Accounts written off, net of recoveries.

(B) Non-operating reserve transferred to operating.

(C) Charged principally to construction and retirement accounts.

(D) Losses charged to reserve.

(E) Sale of non-operating property.

SIGNATURES

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

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

By R. J. HARRISON
R. J. HARRISON, *President*

Date: March 31, 1984

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

Signature	Title	Date
W. C. TALLMAN W. C. TALLMAN	Chairman; Director	March 31, 1984
R. J. HARRISON R. J. HARRISON **(Principal Executive Officer)**	President and Chief Executive Officer; Director	March 31, 1984
C. E. BAYLESS C. E. BAYLESS **(Principal Financial Officer)**	Financial Vice President	March 31, 1984
W. T. FRAIN, JR. W. T. FRAIN, JR. **(Principal Accounting Officer)**	Vice President	March 31, 1984
HILARY P. CLEVELAND	Director	March , 1984
GEORGE A. DORR, JR. GEORGE A. DORR, JR.	Director	March 31, 1984
PHILIP S. DUNLAP PHILIP S. DUNLAP	Director	March 31, 1984
PRISCILLA K. FRECHETTE	Director	March , 1984
ANN R. MOODY ANN R. MOODY	Director	March 31, 1984
JOHN J. REILLY, JR. JOHN J. REILLY, JR.	Director	March 31, 1984
PHILIP B. RYAN PHILIP B. RYAN	Director	March 31, 1984

Signature	Title	Date
________________ JOHN T. SCHIFFMAN	Director	March , 1984
WILLIAM M. SCRANTON — WILLIAM M. SCRANTON	Director	March 31, 1984
EDWARD M. SHAPIRO — EDWARD M. SHAPIRO	Director	March 31, 1984
________________ HUGH C. TUTTLE	Director	March , 1984
________________ RALPH P. WHITE	Director	March , 1984

EXHIBIT INDEX

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

		Exhibit	SEC Docket	Form 10-K Page Nos.
Exhibit 3.	***Articles of Incorporation and by-laws***			
Incorporated herein by reference:				
3.1.	Articles of Agreement, as amended.	4.1	2-86798	
3.2.	By-laws, as amended.	4.2	2-78696	
Exhibit 4.	***Instruments defining the rights of security holders, including indentures***			
Incorporated herein by reference:				
4.1.	General and Refunding Mortgage Indenture dated as of August 15, 1978 between the Company and New England Merchants National Bank, Trustee.	2.32	2-62856	
4.1.1.	First Supplemental Indenture to the General and Refunding Mortgage Indenture dated as of September 15, 1979.	2.32	2-65427	
4.1.2.	Second Supplemental Indenture to the General and Refunding Mortgage Indenture dated as of January 15, 1980.	2.5	2-66334	
4.1.3.	Third Supplemental Indenture to the General and Refunding Mortgage Indenture dated as of December 1, 1980.	2.3.3	2-69947	
4.1.4.	Fourth Supplemental Indenture to the General and Refunding Mortgage Indenture dated as of June 1, 1982.	4.1.4	2-77577	
4.2.	First Mortgage dated as of January 1, 1943 between the Company and Old Colony Trust Company, Trustee.	4.4	2-81165	
4.2.1.	First Supplemental Indenture to the Company's First Mortgage dated as of December 1, 1943.	A-1a	70-684	
4.2.2.	Second Supplemental Indenture to the Company's First Mortgage dated as of June 1, 1947	7.3	2-7066	
4.2.3	Third Supplemental Indenture dated as of January 1, 1948.	7.4	2-7324	
4.2.4.	Fourth Supplemental Indenture dated as of October 1, 1948.	7.5	2-7658	
4.2.5.	Fifth Supplemental Indenture dated as of June 1, 1949.	7.6	2-7985	
4.2.6.	Sixth Supplemental Indenture dated as of June 1, 1951.	7.7	2-8969	
4.2.7.	Seventh Supplemental Indenture dated as of September 1, 1953.	4.9	2-10426	

		Exhibit	SEC Docket	Form 10-K Page Nos.
4.2.8.	Eighth Supplemental Indenture dated as of November 1, 1954.	4.4.8	2-81165	
4.2.9.	Ninth Supplemental Indenture dated as of June 1, 1956.	4.4.9	2-81165	
4.2.10.	Tenth Supplemental Indenture dated as of October 1, 1957.	2.12	2-15260	
4.2.11.	Eleventh Supplemental Indenture dated as of July 1, 1959.	2.13	2-17162	
4.2.12.	Twelfth Supplemental Indenture dated as of November 1, 1960.	2.14	2-20451	
4.2.13.	Thirteenth Supplemental Indenture dated as of July 1, 1962.	4.4.13	2-81165	
4.2.14.	Fourteenth Supplemental Indenture dated as of January 1, 1966.	4.4.14	2-81165	
4.2.15.	Fifteenth Supplemental Indenture dated as of October 1, 1966.	4.4.15	2-81165	
4.2.16.	Sixteenth Supplemental Indenture dated as of June 1, 1967.	4.4.16	2-81165	
4.2.17.	Seventeenth Supplemental Indenture dated as of November 1, 1968.	2.19	2-30554	
4.2.18.	Eighteenth Supplemental Indenture dated as of November 1, 1970.	4.20	2-38646	
4.2.19.	Nineteenth Supplemental Indenture dated as of June 15,1972.	2.22	2-50198	
4.2.20.	Twentieth Supplemental Indenture dated as of March 1, 1974.	2.23	2-50198	
4.2.21.	Twenty-First Supplemental Indenture dated as of October 15, 1974.	2.24	2-51999	
4.2.22.	Twenty-Second Supplemental Indenture dated as of December 1, 1974.	2.25	2-54646	
4.2.23.	Twenty-Third Supplemental Indenture dated as of March 1, 1975.	2.26	2-54646	
4.2.24.	Twenty-Fourth Supplemental Indenture dated as of October 15, 1975.	2.27	2-57289	
4.2.25.	Twenty-Fifth Supplemental Indenture dated as of October 15,1976.	2.28	2-59516	
4.2.26.	Twenty-Sixth Supplemental Indenture dated as of November 1, 1976.	2.29	2-59516	
4.2.27.	Twenty-Seventh Supplemental Indenture dated as of May 1, 1978.	2.30	2-61924	
4.2.28.	Twenty-Eighth Supplemental Indenture dated as of August 15,1978.	2.31	2-62856	

		Exhibit	SEC Docket	Form 10-K Page Nos.
4.2.29.	Twenty-Ninth Supplemental Indenture dated as of September 15, 1979.	2.33	2-65427	
4.2.30.	Thirtieth Supplemental Indenture dated as of January 15, 1980.	2.4.30	2-66492	
4.2.31.	Thirty-First Supplemental Indenture dated as of December 1, 1980.	2.4.31	2-69947	
4.2.32.	Thirty-Second Supplemental Indenture dated as of June 1, 1982.	4.2.32	2-77577	
4.3.	Indenture dated as of August 15, 1981 among PSNH International Finance N.V. and PSNH International Finance B.V., as Issuers; the Company, as Guarantor; and Morgan Guaranty Trust Company of New York, as Trustee.	4.3	Annual Report 1-6392 for 1981	
4.4.	Promissory Note dated August 15, 1981, from the Company to PSNH International Finance N.V.	4.4	Annual Report 1-6392 for 1981	
4.5.	Promissory Note dated August 15, 1981, from the Company to PSNH International Finance B.V.	4.5	Annual Report 1-6392 for 1981	
4.6.	Indenture dated as of October 1, 1982 between the Company and Manufacturers Hanover Trust Company, Trustee, relating to the 15¼% Debentures due 1988.	4.3	2-79411	
4.7.	Indenture dated as of February 1, 1983 between the Company and Manufacturers Hanover Trust Company, Trustee, relating to the 14⅜% Debentures due 1991.	4.6	2-81367	
4.8.	Indenture dated as of November 1, 1983 between the Company and Manufacturers Hanover Trust Company, Trustee, relating to the 15% Debentures due 2003.		Registration Statement on Form 8-A relating to 15% Debentures due 2003 (File No. 1-6392)	

Filed herewith:

		Exhibit	SEC Docket	Form 10-K Page Nos.
4.9.	Trust Indenture dated as of December 1, 1983 between the New Hampshire Industrial Development Authority and State Street Bank and Trust Company, Trustee, relating to the Pollution Control Revenue Bonds, 1983 Series A (Public Service Company of New Hampshire Project).			
4.9.1.	Loan Agreement dated as of December 1, 1983 between the Company and the New Hampshire Industrial Development Authority relating to loans to the Company of the proceeds of the bonds issued under Exhibit 4.9.			

Exhibit 10. ***Material Contracts***

		Exhibit	SEC Docket	Form 10-K Page Nos.
Incorporated herein by reference:				
10.1.	Acceptance and Stand-by Revolving Credit Facility Agreement dated as of June 18, 1982 among the Company and four banks.	10.20	Annual Report 1-6392 for 1982	
Filed herewith:				
10.1.1.	Amendment No. 1 to Exhibit 10.1 dated as of March 7, 1983.			
10.2.	Nuclear Material Lease and Security Agreement dated as of June 15, 1983 between the Company and Prulease, Inc.			
10.3.	Form of New England Power Pool Agreement dated as of September 1, 1971 as amended to November 15, 1983.			
Incorporated herein by reference:				
10.4.	Agreement dated October 13, 1972 for Joint Ownership, Construction and Operation of Pilgrim Unit No. 2 among Boston Edison Company and other utilities including the Company.	5.3(d)	2-45990	
10.4.1.	Amendments Nos. 1 and 2 to Exhibit 10.4 dated September 20, 1973 and September 15, 1974, respectively.	5.14	2-51999	
10.4.2.	Amendment No. 3 to Exhibit 10.4 dated December 1, 1974.	13-45	2-54449	
10.4.3.	Amendments Nos. 4 and 5 to Exhibit 10.4 dated February 15, 1975 and April 30, 1975, respectively.	13-52-A 13-52-B	2-53819	
10.4.4.	Amendment No. 6 to Exhibit 10.4 dated June 30, 1975.	13-45(a)	2-54449	
10.4.5.	Amendment No. 7 to Exhibit 10.4 dated November 30, 1975.	5.9(f)	2-55748	
10.4.6.	Addendum to Exhibit 10.4 dated as of October 1, 1976.	10.1	Annual Report 1-2301-2 for 1976	
10.5.	Agreement for Sharing Costs Associated with Pilgrim Unit No. 2 Transmission dated October 13, 1972 among Boston Edison Company and other utilities including the Company.	5.3(e)	2-45990	
10.5.1.	Addendum to Exhibit 10.5 dated as of January 17, 1975.	1.5.1	Annual Report 1-2301-2 for 1975	
10.5.2.	Addendum to Exhibit 10.5 dated as of October 1, 1976.	10.2	Annual Report 1-2301-2 for 1976	

		Exhibit	SEC Docket	Form 10-K Page Nos.
10.6.	Agreement dated as of May 1, 1973 for Joint Ownership, Construction and Operation of New Hampshire Nuclear Units among the Company and other utilities.	13-57	2-48966	
10.6.1.	Amendments to Exhibit 10.6 dated May 24, 1974, June 21, 1974 and September 25, 1974.	5.15	2-51999	
10.6.2.	Amendments to Exhibit 10.6 dated October 25, 1974 and January 31, 1975.	5.23	2-54646	
10.6.3.	Sixth Amendment to Exhibit 10.6 dated as of April 18, 1979.	5.4.3	2-64294	
10.6.4.	Seventh Amendment to Exhibit 10.6 dated as of April 18, 1979.	5.4.4	2-64294	
10.6.5.	Eighth Amendment to Exhibit 10.6 dated as of April 25, 1979.	5.4.5	2-64815	
10.6.6.	Ninth Amendment to Exhibit 10.6 dated as of June 8, 1979.	5.4.6	2-64815	
10.6.7.	Tenth Amendment to Exhibit 10.6 dated as of October 10, 1979.	5.4.2	2-66334	
10.6.8.	Eleventh Amendment to Exhibit 10.6 dated as of December 15, 1979.	5.4.8	2-66492	
10.6.9.	Twelfth Amendment to Exhibit 10.6 dated as of June 16, 1980.	5.4.9	2-68168	
10.6.10.	Thirteenth Amendment to Exhibit 10.6 dated as of December 31, 1980.	10.6.10	2-70579	
10.6.11.	Fourteenth Amendment to Exhibit 10.6 dated as of June 1, 1982.	10.6.11	Annual Report 1-6392 for 1982	
10.7.	Transmission Support Agreement dated as of May 1, 1973 among the Company and other utilities with respect to New Hampshire nuclear units.	13-58	2-48966	
10.8.	Sharing Agreement — 1979 Connecticut Nuclear Unit dated September 1, 1973 to which the Company is a party.	6.43	2-50142	
10.8.1.	Amendment to Exhibit 10.8 dated August 1, 1974.	5.45	2-52392	
10.8.2.	Amendment to Exhibit 10.8 dated December 15, 1975.	7.47	2-60806	
10.9.	Agreement executed on January 23, 1973 for the design and furnishing of the nuclear steam supply systems for the Company's Seabrook plant between the Company and Westinghouse Electric Corporation.	C	Annual Report 1-6392 for 1972	
10.10.	Agreement dated November 1, 1974 for Joint Ownership, Construction and Operation of William F. Wyman Unit No. 4 among Central Maine Power Company and other utilities including the Company.	5.16	2-52900	

		Exhibit	SEC Docket	Form 10-K Page Nos.
10.10.1.	Amendment to Exhibit 10.10 dated June 30, 1975.	5.48	2-55458	
10.10.2.	Amendment to Exhibit 10.10 dated as of August 16, 1976.	5.19	2-58251	
10.10.3.	Amendment to Exhibit 10.10 dated as of December 31, 1978.			
10.11.	Transmission Support Agreement dated November 1, 1974 among Central Maine Power Company and other utilities including the Company.	13-57	2-54449	
10.12.	Transmission Support Agreement dated August 9, 1974 between the Connecticut Light and Power Company and other utilities including the Company.	5.24	2-54646	
10.13.	Pension Plan of Public Service Company of New Hampshire, amended effective as of January 1, 1981.	10.14	Annual Report 1-6392 for 1981	
10.14.	Amended and Restated Revolving Credit Agreement dated as of November 30, 1982, among the Company and nine Banks.	10.15.13	Annual Report 1-6392 for 1982	

Filed herewith:

10.14.1.	Amendment No. 1 to Exhibit 10.14 dated as of April 25, 1983.			
10.14.2.	Amendment No. 2 to Exhibit 10.14 dated as of November 16, 1983.			
10.14.3.	Amendment No. 3 to Exhibit 10.14 dated as of December 13, 1983.			

Incorporated herein by reference:

10.15.	Term Loan Agreement dated as of December 28, 1977, among the Company and seven Banks.	F	Annual Report 1-6392 for 1977	
10.15.1.	Amendment No. 1 to Exhibit 10.15 dated as of December 26, 1978.	5.16.1	2-62856	
10.15.2.	Amendment No. 2 to Exhibit 10.15 dated as of December 28, 1979.	5.15.2	2-66334	
10.15.3.	Amendment No. 3 to Exhibit 10.15 dated as of December 1, 1980.	10.17.3	2-70579	
10.15.4.	Amendment No. 4 to Exhibit 10.15 dated as of December 30, 1981.	10.16.4	Annual Report 1-6392 for 1981	
10.15.5.	Amendment No. 5 to Exhibit 10.15 dated as of January 7, 1983.	10.16.5	Annual Report 1-6392 for 1982	
10.15.6.	Amendment No. 6 to Exhibit 10.15 dated as of February 4, 1983.	10.16.6	Annual Report 1-6392 for 1982	
10.15.7.	Amendment No. 7 to Exhibit 10.15 dated as of March 7, 1983.	10.16.4	Annual Report 1-6392 for 1982	

		Exhibit	SEC Docket	Form 10-K Page Nos.
Filed herewith:				
10.15.8.	Amendment No. 8 to Exhibit 10.15 dated as of April 11, 1983.			
10.15.9.	Amendment No. 9 to Exhibit 10.15 dated as of April 25, 1983.			
Incorporated herein by reference:				
10.16.	Eurodollar Loan Agreement dated August 25, 1980.	5.16	2-69370	
10.16.1.	Amendment and Restatement to Exhibit 10.16 dated as of December 8, 1981.	10.17.1	Annual Report 1-6392 for 1981	
10.16.2.	Amendment No. 1 to Exhibit 10.16.1 dated as of August 23, 1982.	10.17.2	Annual Report 1-6392 for 1982	
10.17.	Employee Stock Ownership Plan and Trust.	10.19	2-70579	

Exhibit 12. ***Statement re computation of ratios***

Filed herewith:

12.1. Calculation of Ratios of Earnings to Fixed Charges.

EXHIBIT 12.1

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

CALCULATION OF RATIOS OF EARNINGS TO FIXED CHARGES

	Year Ended December 31,				
	1983	1982	1981	1980	1979
			(Thousands of Dollars)		
Net Income	$151,658	$ 91,623	$ 77,187	$ 59,847	$40,719
Add: Provision for Taxes Based on Income	4,783	4,764	4,688	5,526	5,410
Taxes Applicable to AFUDC	28,282	25,596	24,333	17,093	9,987
Fixed Charges	93,209	81,667	77,459	62,681	43,614
	277,932	203,650	183,667	145,147	99,730
Deduct: Undistributed Earnings of Affiliated Companies	2,096	2,313	790	(48)	(92)
Earnings Available for Fixed Charges	$275,836	$201,337	$182,877	$145,195	$99,822
Fixed Charges					
Interest on Long-Term Debt	$ 85,649	$ 61,169	$ 50,229	$ 39,711	$28,247
Other Interest	6,122	19,015	25,989	21,847	14,465
Interest Component of Rental Charges	1,438	1,483	1,241	1,123	902
Total Fixed Charges	$ 93,209	$ 81,667	$ 77,459	$ 62,681	$43,614
Ratios	2.96	2.47	2.36	2.32	2.29

General Information

Annual Meeting of Shareowners

All shareowners are urged to attend the Annual Meeting to be held on Thursday, June 7, 1984, at 9:30 a.m., Eastern Daylight Saving Time, at the Sheraton-Tara Hotel Ballroom, Nashua, NH (Route 3-Everett Turnpike, Exit 1 to Tara Boulevard). During the meeting there will be an opportunity to discuss matters of interest pertaining to the Company.

Description of Business

Public Service of New Hampshire is the largest electric utility in New Hampshire, supplying electricity to approximately three-quarters of the state's population. The Company distributes and sells electricity at retail in approximately 200 cities and towns in the state. The Company also sells electricity at wholesale to seven other utilities.

Annual Report and Statistical Supplement

This 1983 Annual Report has been approved by the Board of Directors. The 1983 Statistical Supplement, containing corporate statistics for the last 10 years, is also available. If you would like a copy, or have questions about the Annual Report or the Company, please write to Russell A. Winslow, Secretary, Public Service of New Hampshire, P.O. Box 330, Manchester, NH 03105.

Stock Exchange Listing

Shares of $5 par value common stock and $25 par value preferred stock are listed on the New York Stock Exchange. The Company's symbol on the exchange is PNH.

Common Stock Ownership

As of December 31, 1983, there were 75,396 record owners of the Company's common stock.

Shareowner Information

Shareowner inquiries regarding change of address, dividends, stock transfer requirements, lost or stolen certificates, or other account information should be directed to the Transfer Agent and dividend disbursing agent as follows:

The First National Bank of Boston
Shareholder Services Division
P.O. Box 644
Boston, MA 02102

PSNH
Public Service of New Hampshire
1000 Elm Street, Manchester, New Hampshire 03105

* * * * * * * *

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC.

FINANCIAL STATEMENTS

PLYMOUTH, NEW HAMPSHIRE

DECEMBER 31, 1983

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CONTENTS

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(603) 434-0549

Mulrennan, Tyrrell & Gleason

Certified Public Accountants

James J. Mulrennan, C.P.A.
Norman K. Tyrrell, C.P.A.
Philip E. Gleason, C.P.A.

88 Nashua Road — Route 102
Londonderry, New Hampshire 03053

The Board of Directors
New Hampshire Electric Cooperative, Inc.
Plymouth, New Hampshire

We have examined the accompanying balance sheet of New Hampshire Electric Cooperative, Inc. as of December 31, 1983 and 1982 and the related statements of revenues and expenses and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of New Hampshire Electric Cooperative, Inc. at December 31, 1983 and 1982, and the results of its operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis with that of the preceding year, except for accounting changes in 1982 (in which we concur) described in Note A to the financial statements.

Mulrennan, Tyrrell + Gleason

February 24, 1984

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC.

BALANCE SHEET

DECEMBER 31, 1983 AND 1982

ASSETS

	Current Year	Prior Year	Increase (Decrease)
UTILITY PLANT (Notes A, B and F)			
Electric plant in service	$ 60,476,645	$ 56,125,336	$ 4,351,309
Construction work in process	70,625,436	50,710,870	19,914,566
	131,102,081	106,836,206	24,265,875
Accumulated depreciation	(14,469,536)	(13,508,486)	(961,050)
	116,632,545	93,327,720	23,304,825
OTHER PROPERTY AND INVESTMENT (Note C)			
Non-utility property, net of accumulated depreciation (1983 - $108,742 and 1982 - $91,129)	195,876	202,284	(6,408)
Investments in associated organizations	1,499,880	1,246,722	253,158
Other investments	2,000	2,000	
	1,697,756	1,451,006	246,750
CURRENT ASSETS			
Cash - general funds	532,799	425,144	107,655
Cash - loan funds	385,779	12,818	372,961
Temporary investment	4,445,001	1,217,549	3,227,452
Accounts receivable, less allowance for doubtful accounts (1983 - $126,055 and 1982 - $107,926)	2,954,662	2,827,377	127,285
Material and supplies (at average cost)	1,086,799	888,524	198,275
Prepaid expenses	386,689	320,225	66,464
Other current and accrued assets	60,241	14,270	45,971
	9,851,970	5,705,907	4,146,063
DEFERRED CHARGES (Note A)	609,307	2,035,787	(1,426,480)
TOTAL ASSETS	$ 128,791,578	$ 102,520,420	$ 26,271,158

LIABILITIES

	Current Year	Prior Year	Increase (Decrease)
PATRONAGE CAPITAL (Note D)			
Patronage capital assignable	$ 5,424,168	$ 3,105,687	$ 2,318,481
LONG TERM DEBTS (Note E)			
Rural Electrification Administration	47,981,362	45,343,317	2,638,045
Due on Seabrook, NH nuclear project	69,613,991	49,330,864	20,283,127
Associated organization	1,935,821	324,485	1,611,336
Bank mortgage note payable	185,645	199,428	(13,783)
	119,716,819	95,198,094	24,518,725
CURRENT LIABILITIES			
Accounts payable	2,593,089	3,360,836	(767,747)
Customer deposits	146,795	121,974	24,821
Interest on long term debt	338,982	312,714	26,268
Accrued taxes	158,426	131,414	27,012
Other current liabilities	252,294	226,705	25,589
	3,489,586	4,153,643	(664,057)
DEFERRED CREDITS	161,005	62,996	98,009
COMMITMENTS (Notes A, C, F and G)			
TOTAL LIABILITIES	$128,791,578	$102,520,420	$ 26,271,158

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

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC.

STATEMENT OF REVENUES AND EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 1983 AND 1982

	Current Year	Prior Year	Increase (Decrease)
Operating revenues			
Electric energy revenue	$ 32,026,335	$ 29,810,264	$ 2,216,071
Rent from electric property	378,439	363,585	14,854
Other electric revenue	267,592	210,428	57,164
	32,672,366	30,384,277	2,288,089
Operating expenses (Note A)			
Cost of purchased power	21,505,187	21,634,095	(128,908)
Distribution expense -			
Operation	682,096	668,322	13,774
Maintenance	927,236	842,118	85,118
Consumer account expense	927,010	840,468	86,542
Administrative and general expense	1,777,049	1,667,242	109,807
Provision for depreciation and amortization	1,983,215	1,833,399	149,816
Taxes	925,368	573,913	351,455
Interest	8,874,902	7,453,622	1,421,280
Allowance for borrowed funds used during construction	(6,851,765)	(5,670,714)	(1,181,051)
	30,750,298	29,842,465	907,833
Operating margin	1,922,068	541,812	1,380,256
Nonoperating revenues			
Interest income	399,331	354,890	44,441
Net income (loss) on nonoperating sales	532	(2,450)	2,982
Net gain on rental operations	7,981	8,243	(262)
Net loss on property disposition	(981)		
Nonoperating margin	406,863	360,683	46,180
Net margin for year	$ 2,328,931	$ 902,495	$ 1,426,436

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

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC.

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 1983 AND 1982

	Current Year	Prior Year
SOURCE OF FUNDS		
From operations		
Operating margin	$ 1,922,068	$ 433,216
Nonoperating margin	406,863	360,683
Expenses not requiring use of funds		
Depreciation and amortization	1,991,972	1,842,156
Items not providing funds		
Patronage certificates	(1,272)	
	4,319,631	2,636,055
Depreciation capitalized	91,757	130,086
Long term debt incurred due to Seabrook nuclear project	20,283,127	40,479,625
Advances from Rural Electrification Administration	3,789,000	4,593,000
Cooperative Finance Corporation advances	1,617,000	
Material returned to stock from retirement	182,783	163,240
Net increase (decrease) to deferred credits	98,009	(81,749)
Payment on prior year patronage certificate	1,684	2,891
Decrease to:		
Deferred charges	1,426,480	44,767
	$ 31,809,471	$ 47,967,915
APPLICATION OF FUNDS		
Extension and replacement of plant	$ 25,561,386	$ 46,010,940
Payments on long term debt		
REA notes payable and deferred interest	1,150,955	1,101,451
CFC notes payable	5,663	13,142
Bank mortgage note	13,784	15,761
Plant removal costs net of sale proceeds	3,543	177,619
Investments in associated organizations	253,570	157,153
Redemption of capital credits	10,450	
Increase in:		
Working capital	4,810,120	491,849
	$ 31,809,471	$ 47,967,915

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

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1983

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The financial accounts of the Cooperative are maintained in accordance with the system of accounts as prescribed by the Rural Electrification Administration and the Federal Energy Regulatory Commission.

1. Revenue:

Customers are billed monthly on a cycle basis and the Cooperative records revenue at date of billing. No estimated revenue is recorded for electicity delivered, however not billed.

In the year ended December 31, 1982, the Cooperative's accounting procedures were changed on the following category resulting in additional income being recorded for the respective year.

All New Hampshire real estate tax bills are for the fiscal year from April 1 through March 31. Starting in 1982, the Cooperative's management charged 75% of the real estate bills to operating expenses and classified the remaining 25% as prepaid expense. This amount or $130,532 is to be amortized over the three month period ending March 31, 1983. The net effect to the financial statements was a decrease to 1982 tax expense of $130,532 resulting in an increase to operating margins by the same amount.

In 1983, the cooperative discovered that the 1982 cost for purchased power was overstated in error by $108,596 and deferred fuel charges at December 31, 1982 was understated by the same amount. As a result of this discrepancy, the financial statement for 1982 has been restated to reflect this correction.

2. Joint participation in Seabrook, NH nuclear plant:

In 1981, The Cooperative and Public Service Company of New Hampshire signed an agreement for joint ownership, construction and operation of Seabrook, NH nuclear plant. The Cooperative is limited to 2.17391 percent ownership, the cost of which was estimated to be approximately $186,750,000 in 1983. This amount also included interest charges on borrowed funds. There are fifteen other utilities participating in the joint ownership. Each participant provides its own financing. The first unit of the Seabrook plant is estimated to be completed by 1986 and the second final unit in approximately three years. The Cooperative is obligated for the proportionate share of the carrying and progress costs in the nuclear projects. Due to the project cost increases and construction delays, there is considerable debate as to the feasibility to complete unit two, however the majority of the participants have recently voted to continue construction at the lowest possible level.

The financing on this project will be by a Rural Electrification Administration (REA) guaranteed $186,250,000 loan with the Federal Financing Bank (FFB). The interest rate of the loan will be based upon FFB's established rate at the time of each advance. The maturity of each advance shall not be less than two years nor more than thirty-four years, such period to be designated by the Cooperative at time of advance. The Rural Electrification Administration has also approved a 5 percent $500,000 loan for transmission support payments during the construction period.

3. Depreciation:

Depreciation is provided annually on a straight line basis using the composite method. Gains or losses on the disposition of utility plant are processed through the accumulated depreciation accounts. The composite rates are as follows:

Transmission plant	2.75%
Distribution plant	3.48
General plant	
Structures and improvements	3.00
Transportation equipment	20.00
Communication equipment	5.00
Data processing equipment	12.50
All other general plant	6.00
Non-utility plant	3.00

4. Deferred charges:

This category represents payments for various items that will be charged or amortized to operation in the future plus items that will eventually be capitalized after all the respective charges are accumulated. The major component of this category is -

Deferred Fuel Costs of $458,079 - In prior years, accelerating fuel costs, together with the lag in billing current costs to customers caused a mismatching of costs with related revenues. The deferral of these costs until the month of billing achieves a better matching of costs and revenues. The monthly amortization of these costs is closely regulated by the Public Utilities Commission.

5. Allowance for borrowed funds used during construction:

Interest paid for funds borrowed to finance the construction on the Cooperative's Seabrook NH nuclear plant participation is charged to construction work in process. The total interest transferred in 1983 and 1982 was $6,851,765 and $5,670,714 respectively.

6. Federal Income Tax Status:

Since 1969 the Cooperative's operating margins has been exempt from Federal Income tax under Section 501(c)(12) of the Internal Revenue Code.

NOTE B - UTILITY PLANT

All existing properties, except non-utility property, are pledged as security for long-term debt to the Rural Electrification Administration and the National Rural Utilities Cooperative Finance Corporation. The major classes of utility plant at December 31, 1983 and 1982 are as follows:

	1983	1982
Transmission plant	$ 1,058,795	$ 911,980
Distribution plant	55,206,772	51,112,004
General plant	4,211,078	4,101,352
	60,476,645	56,125,336
Construction work in process		
Seabrook nuclear plant participation	69,715,606	49,480,606
Jobs in process	909,830	1,230,264
	70,625,436	50,710,870
	$131,102,081	$106,836,206

NOTE C - INVESTMENTS IN ASSOCIATED ORGANIZATIONS

Investments in associated organizations at December 31, 1983 includes certificates on the National Rural Utilities Cooperative Finance Corporation as follows - capital term $1,489,029, patronage capital $9,851 and membership fee to the same organization for $1,000. The Cooperative is obligated to purchase additional certificates each year based on estimates of revenues for those years, also 5% of borrowings from CFC is issued as a certificate. The total capital term certificates acquired in 1983 amounted to $254,842. In 1983 there was a refund of 50% of the 1978 certificate totaling $1,684.

NOTE D - PATRONAGE CAPITAL AND OTHER MARGINS

The reconciliation of these accounts are as follows:

	Patronage Capital
Balances, December 31, 1982	$3,105,687
1983 Transactions -	
Operating margin	1,922,068
Nonoperating margin	406,863
Capital credits redeemed due to sale of Vermont distribution line	(10,450)
Balances, December 31, 1983	$5,424,168

Capital is credited to the amount of each patron and may not be retired unless it comes under one of the stipulations of the bylaws of the cooperative.

NOTE E - LONG TERM DEBT

The long term debt to the Rural Electrification Administration is represented by 2% and 5% mortgage notes payable to the United States of America. The notes are for 35 years periods each, and principal and interest installments are due quarterly in amounts of approximately $810,000. It is estimated that installments of $3,245,000 which are payable within the next twelve months will include $1,194,351 in principal repayment. The notes are scheduled to be fully repaid at various times from May 1984 to November 2017. Unadvanced loan funds of $8,739,000 were available to the Cooperative at December 31, 1983 on loan commitments from REA. All existing cooperative utility property is pledged as security for long term debt to REA.

The Cooperative has incurred debt totaling $69,613,991 at December 31, 1983 on the Seabrook, NH nuclear project. This amount is comprised of the following payables -

The total approved Seabrook financing with the Federal Financing Bank, as explained in Note A, of $186,250,000 has been drawn down by advances totaling $68,583,000 leaving unadvanced loan funds of $117,667,000. The interest rate on each advance is based upon the Treasury borrowing rate, which range from a low 9.121% to a high of 14.685%. Principal payments are not to begin until 7 years from the date of advance.

The remaining balance due on Seabrook is $1,030,991 construction requisition payable to the Public Service Company of NH. This amount was paid in January of 1984 by additional funds borrowed through the Federal Financing Bank.

The associated organization debt is to the National Rural Utilities Cooperative Finance Corporation. There are two 35 year notes totaling $1,935,821 at 7% and 10.12%. Quarterly payments totaling $196,600 for the next twelve months will include $4,725 approximately in principal. The National Rural Utilities Cooperative Finance Corporation has approved an additional loan of $3,576,000. These funds are unadvanced as of December 31, 1983.

The bank mortgage note payable is to the Plymouth NH Guaranty Savings Bank totaling $185,645. It is a 8 1/2% 20 year note on the non-utility property noted in the other property asset category; monthly installment payments totaling $30,200 for the next twelve months will include approximately $15,000 in principal.

NOTE F - PENSION PLAN

The Cooperative has in effect a non contributory pension plan covering all employees who have completed one year of continuous service and who have attained the age of 25 years. Total pension costs charged to operations and utility plant for the years 1983 and 1982 were $370,017 and $363,414 respectively. The National Rural Electrical Cooperative Association (NRECA) is administering this plan and prior service costs are being amortized over 30 years.

NOTE G - DEFERRED COMPENSATION

The Cooperative has in effect a deferred compensation agreement with the manager that will commence upon this retirement in 1988. The total deferred compensation amounts to approximately $180,000 plus cash values of currently existing life insurance policies. The Cooperative began in 1981 to accrue this future expense. The total amount charged to construction and operations in 1983 and 1982 was $25,714 for each year.

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OTHER FINANCIAL INFORMATION

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ACCOUNTANTS' REPORT ON OTHER FINANCIAL INFORMATION

New Hampshire Electric Cooperative, Inc.
Plymouth, New Hampshire

The audited financial statements of the Cooperative and our report thereon are presented in the preceding section. The financial information presented hereinafter was derived from the accounting records tested by us as part of the auditing procedures followed in our examination of the aforementioned financial statements, and in our opinion it is fairly presented in all material respects in relation to the financial statements taken as a whole; however, this information is not necessary for a fair presentation of the financial position, results of operations and changes in financial position of the Cooperative.

Mulhennan, Tyrrell & Gleason

February 24, 1984

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC.

SUPPORTING SCHEDULES TO STATEMENT OF REVENUES AND EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 1983 AND 1982

	Current Year	Prior Year	Increase (Decrease)
ELECTRIC ENERGY REVENUE (Note A)			
Residential sales	$20,900,451	$19,843,282	$ 1,057,169
Industrial sales	10,505,932	9,391,151	1,114,781
Area lighting sales	364,317	338,150	26,167
Street and highway sales	255,635	237,681	17,954
	$32,026,335	$29,810,264	$ 2,216,071
DISTRIBUTION EXPENSE - OPERATION			
Supervision and engineering	$ 33,932	$ 32,559	$ 1,373
Overhead line expense	231,992	231,405	587
Meter expense	190,902	162,993	27,909
Station expense	21,699	21,623	76
Underground lines	8,406	9,325	(919)
Street lighting and signal systems	12,157	9,826	2,331
Consumer installation expense	21,091	18,955	2,136
Rent	67,087	52,196	4,379
Miscellaneous distribution expense	94,830	129,440	(34,610)
	$ 682,096	$ 668,322	$ 3,262
DISTRIBUTION AND TRANSMISSION EXPENSE - MAINTENANCE			
Overhead line expense	$ 858,122	$ 787,515	$ 70,607
Supervision and engineering	8,153	5,907	2,246
Station equipment	11,849	7,695	4,154
Underground line	11,677	11,826	(149)
Line transformers	2,555	1,311	1,244
Street lighting and signal systems	4,735	3,808	927
Meters	25,877	22,225	3,652
Miscellaneous distribution - plant	4,268	1,831	2,437
	$ 927,236	$ 842,118	$ 85,118
CONSUMER ACCOUNT EXPENSE			
Billing and accounting	$ 423,075	$ 381,098	$ 41,977
Meter reading	311,292	310,352	940
Consumer collection	40,926	39,588	1,338
Uncollectible accounts	130,042	89,377	40,665
Supervision	21,675	20,053	1,622
	$ 927,010	$ 840,468	$ 86,542

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC.

SUPPORTING SCHEDULES TO STATEMENT OF REVENUES AND EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 1983 AND 1982

	Current Year	Prior Year	Increase (Decrease)
ADMINISTRATIVE AND GENERAL EXPENSE			
Administrative salaries	$ 468,616	$ 472,898	$(4,282)
Office salaries	212,833	182,750	30,083
Office supplies	138,572	123,944	14,628
Professional services	44,598	51,326	(6,728)
Injuries, damages and property insurance	178,410	168,970	9,440
Employee pension	213,372	237,614	(24,242)
Employee benefits	606,623	518,101	88,522
Regulatory commission expenses	66,388	28,116	38,272
Miscellaneous general expense	101,798	74,403	27,395
Customer service and informational expense	30,642	32,833	(2,191)
Maintenance of general plant	53,365	49,124	4,241
Administrative expenses transferred	(338,168)	(272,837)	(65,331)
	$ 1,777,049	$ 1,667,242	$ 109,807
TAXES			
Property	$ 595,520	$ 419,390	$ 176,130
Payroll taxes	171,015	156,749	14,266
State franchise and other	158,833	(2,226)	161,059
	$ 925,368	$ 573,913	$ 351,455
NONOPERATING SALES AND EXPENSES			
Revenue	$ 52,217	$ 19,141	$ 33,076
Cost of sales and expenses	51,685	21,591	30,094
	$ 532	$(2,450)	$ 2,982
RENTAL OPERATIONS			
Revenue	$ 33,742	$ 33,742	None
Interest	16,423	16,040	383
Depreciation	8,757	8,757	
Insurance and maintenance	581	702	(121)
	25,761	25,499	262
	$ 7,981	$ 8,243	$ 262