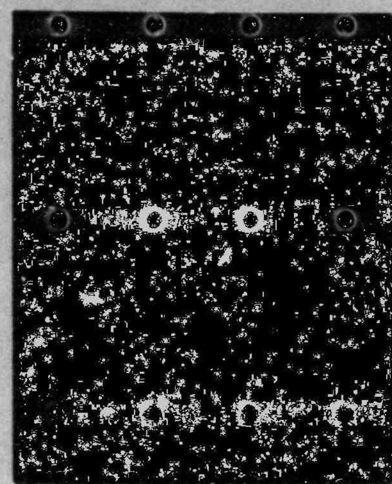
United Illuminating

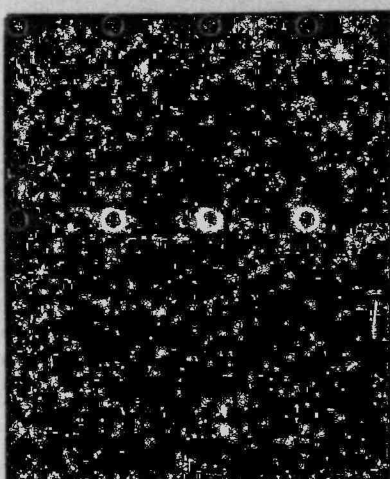
1983 Annual Report



In addition to being a financial success, 1983 was also a year of major achievements for UI.

Highlights

	1983	1982
Operating Revenues (000)	**$ 449,586**	$ 436,730
Net Income (000)	**$ 80,503**	$ 65,755
Earnings per Share of Common Stock (based on average number of shares outstanding)	**$ 5.67**	$ 5.39
Dividends Declared per Share of Common Stock	**$ 3.08**	$ 2.92
Utility Plant (000)	**$1,238,096**	$1,049,761
Sales of Energy — KWH (000)	**4,622,008**	4,475,164
Total Customers	**287,370**	284,586
Average Residential Use — KWH	**6,336**	6,213
Peak Load — KW	**969,500**	951,700
Number of Employees	**1,569**	1,517
Number of Common Shareowners	**41,067**	39,213



Annual Meeting Date:
The Company's Annual Meeting will be held in the auditorium at 80 Temple Street, New Haven, on Wednesday, April 18, 1984 beginning at 10 a.m.

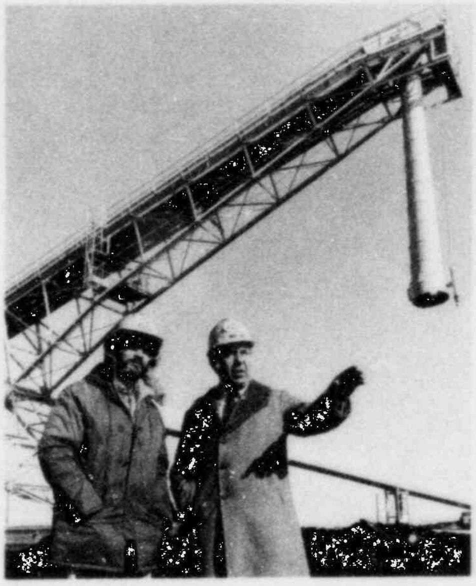
Contents

United Illuminating

UI's comprehensive energy diversity program includes the financial world of Wall Street, construction at the Seabrook nuclear plant site, an agreement to import hydropower from Canada and coal reconversion at Bridgeport Harbor Station to allow burning of coal or oil.

UI Chairman and Chief Executive Officer John D. Fassett, representing NEPOOL, and Hydro-Quebec President and CEO Guy Coulombe shake hands before an audience of international dignitaries moments after signing an historic agreement that will provide New England with Canadian hydropower.

Details on Page 8.



Letter to Shareowners

"During 1983 and the remaining few final years of the nuclear construction projects, a firm foundation for such a vigorous future is being constructed."

1983 was a year of exceptional achievements at UI!

As detailed in the text of this report, earnings reached a new high of $5.67 a share and encouraging advances were made in virtually every area of the Company's activities. Were it not for the gray cloud of uncertainty regarding nuclear generation construction projects throughout the nation — and the impact of that cloud on stock prices, financing costs and construction plans — 1983 clearly would have been the most outstanding for UI in at least a score of years.

Responding to troubling reports regarding nuclear projects in other regions of the country, the prices of stock in utilities with nuclear construction programs plummeted at year-end 1983. In their lemming-like response to some very real problems, traders of utility shares and their advisors to a large measure failed to distinguish realistically among companies and projects.

UI's very significant differences from most other utilities have been largely trampled in the stampede. The fact that, since UI's nuclear entitlements will replace expensive imported oil generation, commercial operation of Seabrook Unit 1 and Millstone Unit 3 will not precipitate "rate shock" for UI's customers comparable to that being forecast in other areas is ignored. The excellent records of these two projects for quality assurance, a major problem for some other projects, also seems unrecognized. And, inscrutably, the fact that the Company's participation and investment in these nuclear projects have been firmly recognized and endorsed by Connecticut's regulatory agency appears to have been overlooked.

Moreover, even as to Seabrook Unit 2, which the Company is seeking to have cancelled in compliance with the regulators' decision, UI has a regulatory commitment to "consider favorably recovery of prudent expenditures."

Perhaps it is too much to expect these distinguishing characteristics of UI to be properly weighed in the equity market in view of the emotionalism and media attention currently pervading every nuclear issue. Nevertheless, those who already are celebrating the demise of all aspects of the nuclear industry not only are sadly misguided, but flagrantly premature. Weaknesses in the industry must be corrected, but it surely would be absurd for this nation to panic into rejection of what is accepted in most of the other developed nations of the globe as the safest, most environmentally benign and most economic of currently viable base-load electric power supply options.

In the final analysis, it would appear highly improbable that this nation will act so irrationally as to abandon entirely the nuclear generation option. While the debate continues, and until UI's projects are in operation, full, robust corporate health undoubtedly will remain an unattainable goal for UI. However, during 1983 and the remaining few final years of the nuclear construction projects, a firm foundation for such a vigorous future is being constructed.

In addition to being a financial success, 1983 was also a year of major achievements for UI in operations, communications, planning, customer services and human resources, and recognitions thereof, many of which are described in ensuing text. Recognizing that these accomplishments would not have occurred without the determined efforts of UI's dedicated and able employees and officers, we take pride in acknowledging and thanking each of them for their contributions to a fruitful year.

1983 also was a year of important organizational changes at the Company, as summarized on subsequent pages of this report. Some organizational plans were expedited, others delayed, as a result of President Jim Cobey's heart attack in early June and his subsequent absence during cardiac surgery and recovery. Happily, Jim has recovered fully and has enthusiastically resumed the often arduous responsibilities of a utility executive in the 1980s.

Jim Cobey's return has permitted the Board to move forward with implementation of CEO Jack Fassett's long-standing plan to relinquish that office during 1984. This action reflects not only Jack's personal desire for early retirement, but a strong conviction that a program of changes in the top office of electric utilities at reasonable intervals will contribute to the health of these vital institutions. Jack has been CEO of UI since January 1, 1976.

To facilitate an orderly transition, Jack has agreed, subject to Board discretion, to continue as chairman and to provide part-time consulting services, primarily with respect to UI's participation in the New England Power Pool, the nuclear projects and purchases from Hydro-Quebec, for two years subsequent to retirement. The retirement currently is scheduled to commence June 1 and the Board plans formally to elect the successor CEO at its meeting following the shareowners' meeting on April 18.

The firm direction, sage advice and outstanding support provided by the Company's directors during this active year have been critically important to the Company's success and are heartily appreciated. We are also grateful for the understanding and support of UI's many long-standing shareowners and we solicit similar support from the significant group which became shareowners during 1983 and thus will be receiving their first UI annual report.

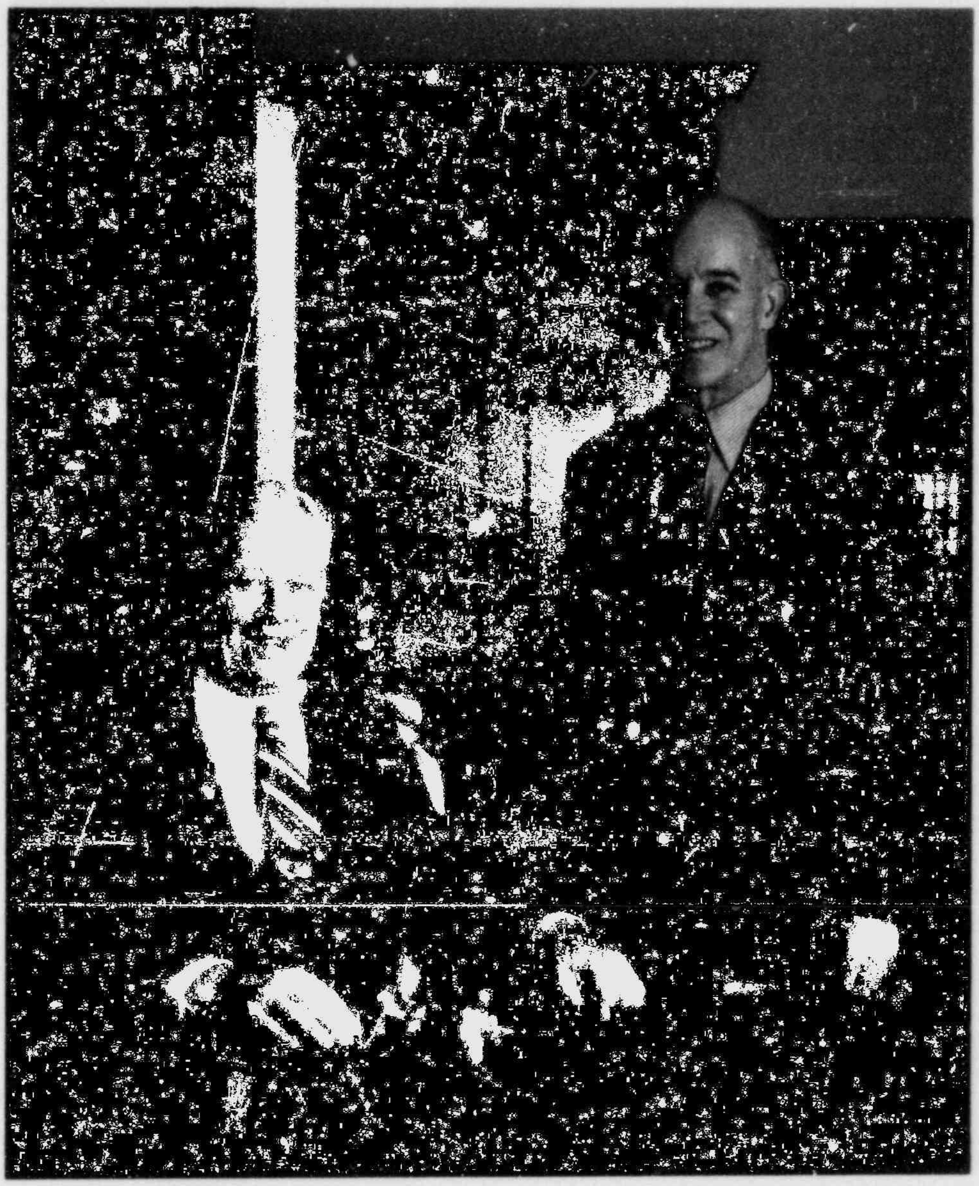
John D. Fassett

John D. Fassett
Chairman and
Chief Executive Officer

James F. Cobey, Jr.

James F. Cobey Jr.
President

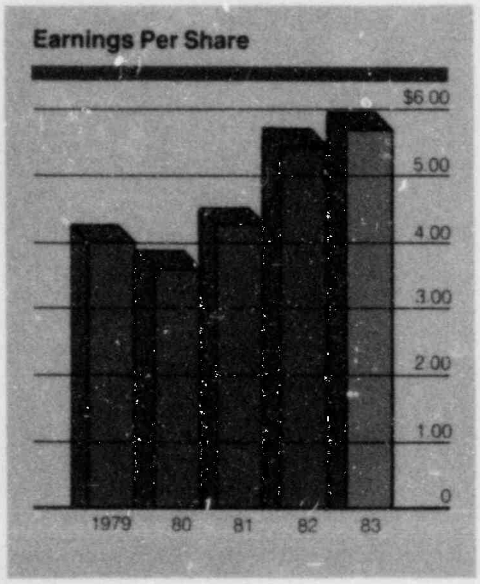
January 30, 1984

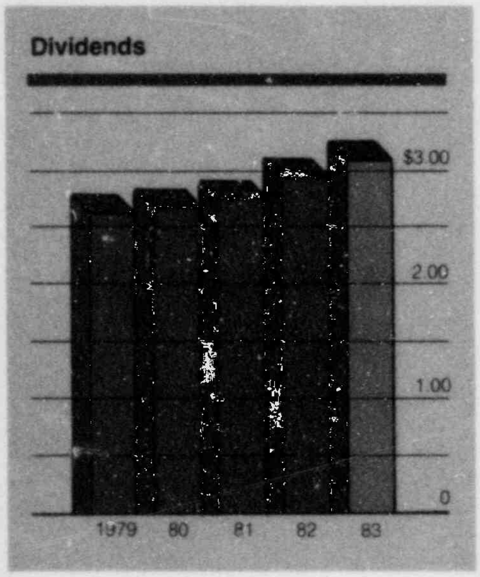


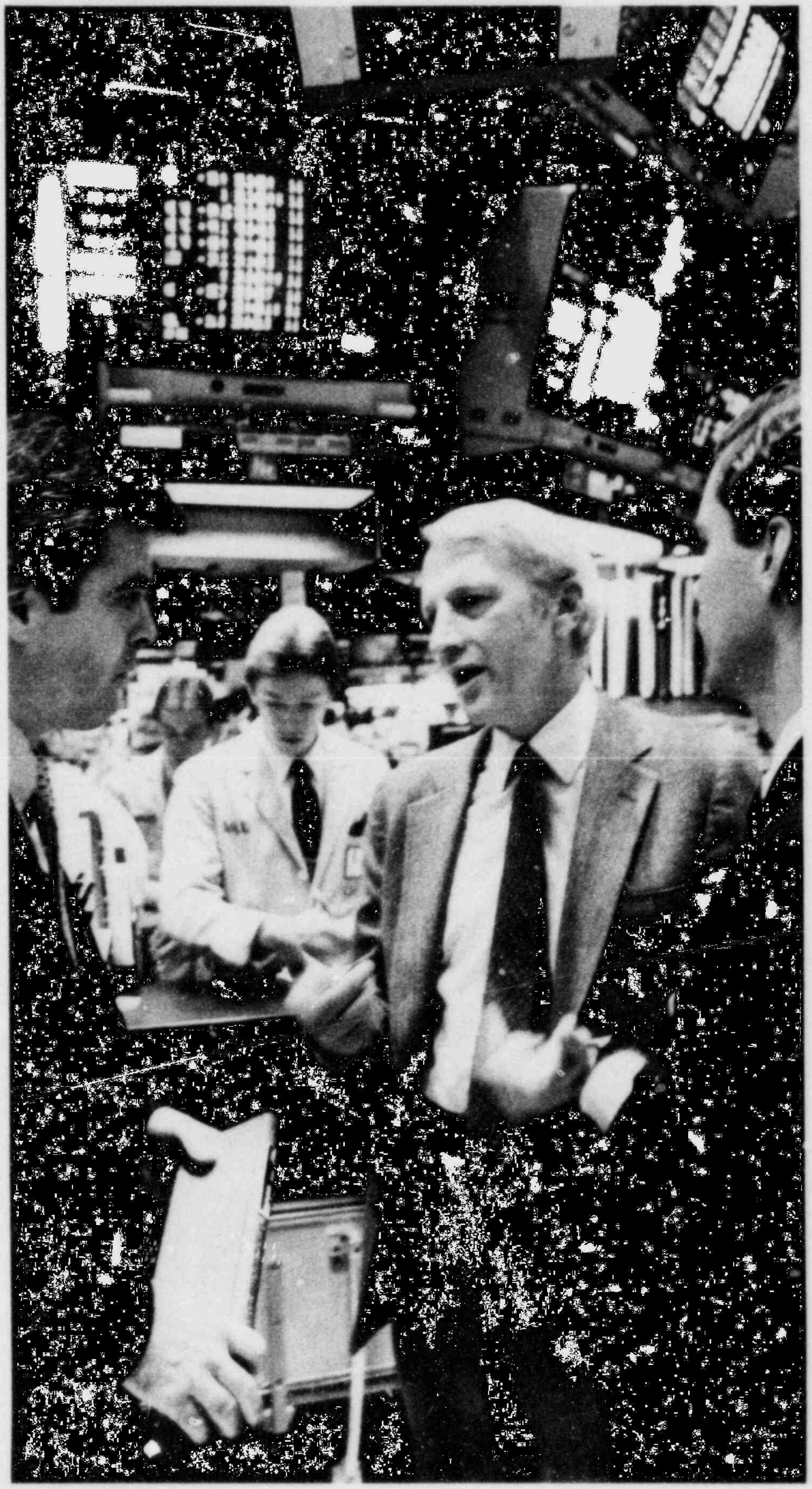
"Recognizing that these accomplishments would not have occurred without the determined efforts of UI's dedicated and able employees and officers, we take pride in acknowledging and thanking each of them for their contributions to a fruitful year."

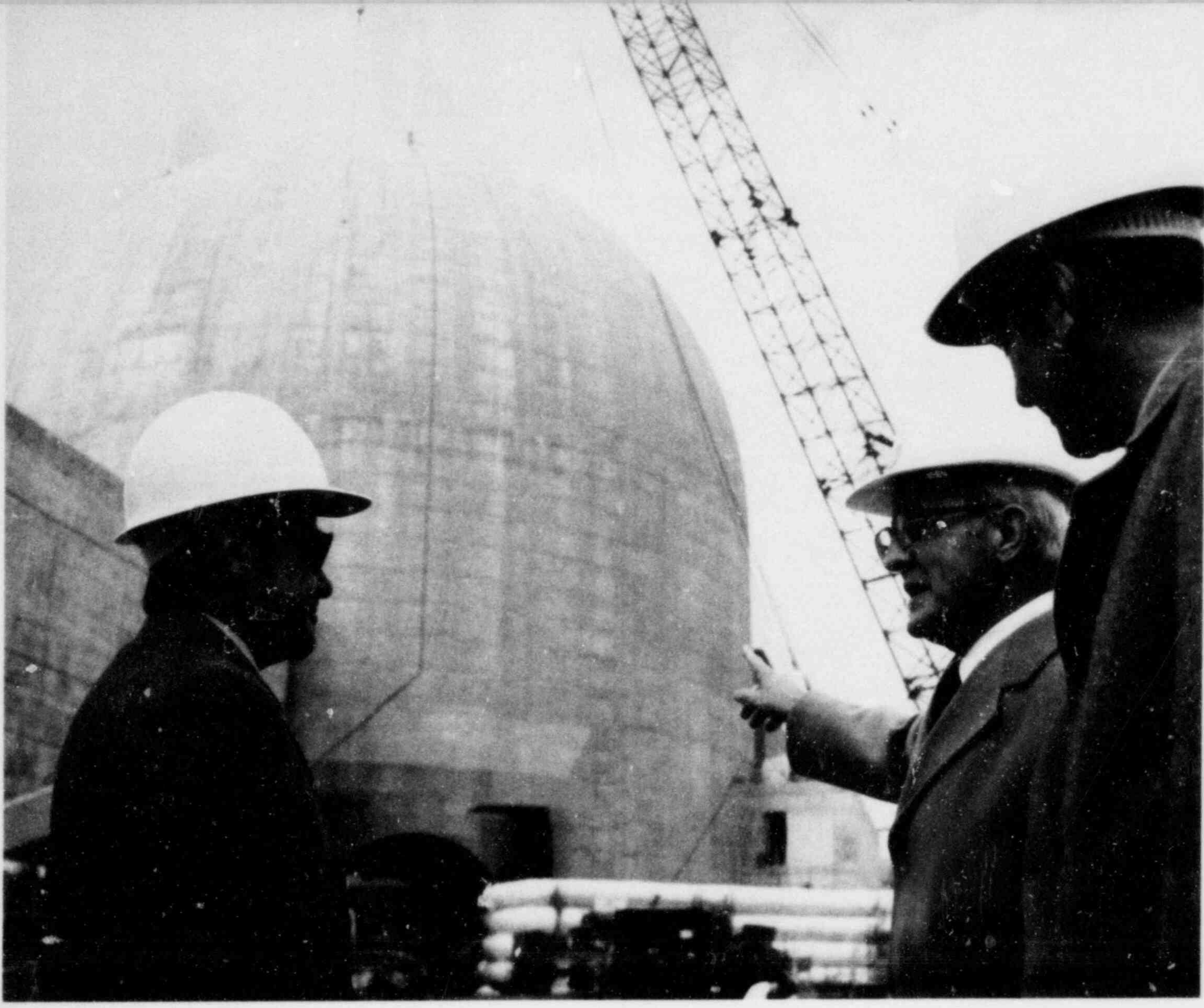
1983: An Excellent Financial Year

By most standards, 1983 was an excellent financial year for United Illuminating.









Executive Vice President and ▲ Chief Operating Officer Dick Grossi (left) and Vice President–Engineering Jim Crowe (right) review construction progress of Seabrook Unit 1 with Robert J. Harrison, president and chief executive officer of the project's lead participant, Public Service Company of New Hampshire.

Executive Vice President and Chief Financial Officer Bob Fiscus discusses UI's financing needs and plans with Robert Murray (right), principal of Morgan Stanley & Co., the Company's investment advisors, and Al Hayward (left), UI's trading specialist, from LaBranche & Co. during a visit to the floor of the New York Stock Exchange.

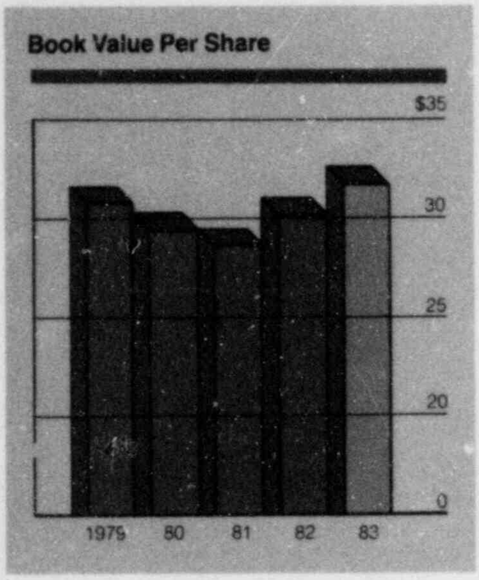
It was a year of record earnings, improved sales, an increase in the common stock dividend, a landmark regulatory decision, successful completion of a major annual financing program, encouraging achievements toward long-term financial goals, and the start of a transition from a utility with large financing requirements for construction programs to one with more modest construction budgets as the Company continues to solidify its financial health.

Earnings per common share rose for the third successive year to a record high of $5.67, 28 cents above the previous high of $5.39 earned in 1982. Increased sales and the absence of a non-recurring tax charge against 1982 earnings contributed heavily to the 1983 gain.

Effective with the April 1, 1983 quarterly common stock dividend, the rate was increased to 77 cents per share for a new indicated annual rate of $3.08 compared with the previous $2.92.

For the first time in four years, UI's kilowatt-hour sales increased. This jump of 3.3% over the previous year reflects an upward trend that began in April and continued throughout the remainder of the year due primarily to improved business activity and warmer-than-normal summer weather that increased air conditioner load. The economy in the State of Connecticut and UI's service territory showed marked improvement as the national economy began to turn upward during the year, and the unemployment rate dropped to among the lowest in the nation. The boost in sales contributed to a 2.9% increase in operating revenues to $449.6 million.

1983: An Excellent Financial Year...



Based on projected expenditures, 1983 is expected to be the peak year for UI's nuclear construction program, the major project being the Seabrook plant. To help raise capital for the program, the Company completed two sales of common stock during the year on better terms than virtually all of the nine prior such sales since the energy crisis began in 1973. On March 31, UI closed on the sale of 900,000 shares at $27.50 per share and on November 22, 750,000 shares were sold at $25.50. In addition, a shelf registration of 300,000 shares filed in mid-year permitted sales at various prices, averaging $26.40 per share, from time to time when market conditions were relatively favorable.

The Company's capitalization goal is 45% long-term debt, 40% common stock equity and 15% preferred and preference stock. The 1983 stock sales and earnings improvement helped UI end the year with a strong common equity proportion, over 42%, which will aid financing flexibility in 1984.

Another of the Company's financial goals is to earn a return that approximates its allowed return on equity, an aim that UI achieved in 1983 with a return on year end common stock equity of 16.3%.

Financing flexibility also characterized the past year. UI has utilized a greater range of options, both as to types of debt financings and the timing of various offerings, than at any time in the last dozen years. The Company continually seeks new ways to finance which will broaden the market for its securities while minimizing financing costs.

Other financial measurements also improved during 1983. Interest and preferred dividend coverage tests, critical to financing flexibility, closed the year at much more acceptable levels than in most of the last decade and, despite the substantial increase in outstanding shares of common stock, the book value of each share increased significantly. Internal cash generation, although less than in 1982, benefited from the regulatory improvements of recent years and improved in the latter part of the year as the result of a rate increase which went into effect on August 29.

An investor relations program, initiated in mid-1982, continued in the final quarter of 1983 as members of the Company's senior management met with representatives of the investment community. These meetings included a series of presentations in New York, Boston, Philadelphia, Hartford, Stamford and New Haven.

Rate Case

Provisions for inflationary cost increases incorporated in the 1981 rate decision of the Connecticut Department of Public Utility Control (DPUC) enabled the Company to improve earnings and maintain adequate levels of cash flow for two years without the necessity of additional rate relief. However, it became apparent that with the continuing high levels of construction requirements, rate relief would be needed before the end of 1983, particularly to improve cash flow. The rate application in March 1983, for an annual increase of $45 million, resulted in approval by the DPUC of new rates taking effect on August 29 reflecting an increase of $34.7 million, or 8%, in annual revenues.

A significant portion of the rate increase was based upon measures designed to improve cash flow, including over $28 million attributable to inclusion in rate base of a

▶ Contact with the investment community is a significant part of UI's investor relations program. Investor Relations Manager Mary Ellen Manthey, and Charles J. Noble, investment executive with the New Haven brokerage firm of Moseley, Hallgarten, Estabrook and Weeden, Inc., review *UI Financial News*.

▲ The decision by the Department of Public Utility Control in UI's 1983 rate case encompassed measures designed to improve cash flow.

portion of the construction costs of the Seabrook Unit 1 nuclear plant being built in New Hampshire. This marked the first instance of a Connecticut electric utility being allowed to earn a return on a portion of a project still under construction, and was consistent with a law passed by the Connecticut General Assembly in 1983. The DPUC decision also provided revenues to cover amortization over two years of the Company's share of the Pilgrim Unit 2 nuclear facility which was cancelled in 1981.

Further, the decision provided for inflation in expenses through the middle of 1984 and allowed a 16.4% return on common stock equity.

With reference to the Seabrook project, the DPUC's strong reaffirmation that the completion of Unit 1 is in the best interests of the Company and its customers was gratifying. The aspect of the decision directing UI to seek cancellation of Seabrook Unit 2 as a means of disengaging itself from that commitment was disappointing from the viewpoint of assuring an adequate long-term supply of electricity to the Company's customers and the New England region as a whole. However, the statement in the order that, "in view of its past support" for the project, the DPUC "will consider favorably recovery of prudent expenditures currently associated with Unit 2," was a welcome and most significant holding.

Connecticut participants are unique among all Seabrook participants in having an express recognition by their regulatory body regarding recoverability of investments in the project. While recovery of continued investment in Unit 2 is dependent on UI following the DPUC direction to work for the cancellation of that unit, the Company unequivocally accepted the DPUC decision with respect to Unit 2 and has and will continue to seek diligently to accomplish the DPUC objective. Planned expenditures on Unit 2 for 1984 have been cut from $153 million to $33 million, reflecting a September resolution sponsored by UI and Northeast Utilities (NU) to reduce work on the unit to the lowest feasible level. A prior UI-NU proposal to cancel Unit 2 was defeated by the joint owners.

Oil prices remained at about the $30 per barrel level with most experts predicting continued stability for the near future. In view of UI's present oil dependence, this will be beneficial for the Company in terms of electricity prices and cash flow.

Though UI obviously cannot control world oil prices, it can and does take aggressive actions to control the Company's total oil cost, exercising constant cost control initiatives and efficiencies in a variety of operating areas described elsewhere in this report.

Those actions, in combination with improving regulation and the Company's continued efforts to maintain financing flexibility, augur well for UI's future financial health.

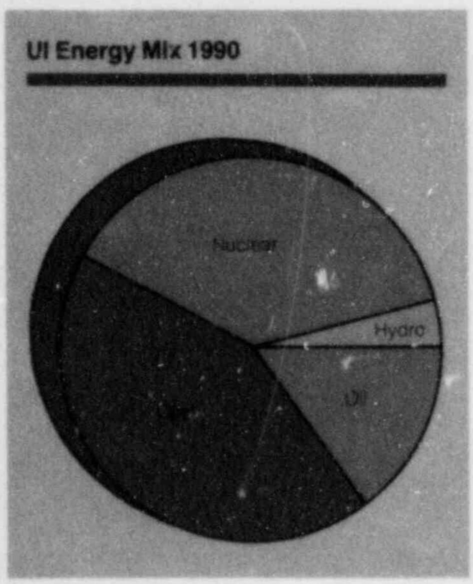
Assuring An Adequate, Diversified Energy Supply

UI's long-range goal is to secure an adequate and reliable energy supply for its customers by reducing its more than 90% dependency on imported oil and achieving a more diversified energy mix. In 1983, the Company made significant strides toward that goal.

Foremost in this plan is the Company's nuclear construction program, which includes the Seabrook, New Hampshire project, of which UI owns 17.5%, and Millstone Unit 3 in Waterford, Connecticut, of which UI owns 3.7%. Seabrook Unit 1, now about 88% complete, received strong endorsement from the DPUC during the Company's 1983 rate case. The DPUC panel hearing the case urged its completion as soon as possible.

Among the milestones reached on Unit 1 during 1983 was the completion of the deep-bedrock ocean cooling water tunnel system. The administration and turbine generator buildings also are virtually complete with remaining effort primarily required in the reactor containment building.

Even prior to its on-line operation, Seabrook serves as a major energy education center. In the more than four years since the station's nuclear information center opened, nearly 200,000 individuals have visited the center, representing all 50 States, and 82 foreign countries.



Work at Millstone Unit 3 is moving steadily toward its scheduled completion date of May 1986. The unit is more than 80% complete. Seabrook Unit 1 and Millstone Unit 3 are each expected to save the New England region about 12 million barrels of oil annually.

Converting To Coal

Another important step in UI's energy diversification plan is the reconversion of Bridgeport Harbor Station Unit 3 so that it will have the ability to burn coal as well as oil. The Company received confirmation in August from the federal Environmental Protection Agency that UI's plans meet all applicable environmental regulations – the final necessary approval – and site work began immediately. The approval allowed equipment modification contracts to be awarded, and construction to commence on an addition to the Bridgeport Harbor building which is integral to the project. Savings to customers from burning coal, scheduled to begin in January 1985, will depend on the difference between coal and oil prices then in existence. Estimates indicate that over the first 10 years of coal-burning, savings should be at least $135 million. Further, the Company should achieve a reduction in oil consumed of approximately two million barrels per year — about 25% of the more than eight million barrels the Company now burns annually. UI's plan to meet Connecticut's strict environmental emission standards for fossil fuels enables the unit to become the first utility boiler to burn coal in Connecticut since coal-burning was discontinued in favor of oil in the late 1960s.

Hydropower Pact Signed

Also significant to achieving UI's goal of a secure energy future for its customers, and for the region, is hydropower from Quebec. The New England Power Pool (NEPOOL), led by UI's chief executive officer John D. Fassett, signed a history-making contract with Hydro-Quebec in March to bring hydropower from that Canadian province to New England starting in 1986. The pact, signed by Mr. Fassett as chairman of the NEPOOL Executive Committee, and Guy Coulombe, chief executive officer of Hydro-Quebec, initially will provide nearly 700 megawatts of electricity to the region, and could be expanded to 2,000 megawatts, depending on future negotiations. The 700-megawatt interconnection will reduce the region's dependence on oil by about 4% and save more than five million barrels annually. UI's 5.75% share in the project is equivalent to about 4% of its energy requirements.

This international agreement, reached before Mr. Fassett completed his term as chairman of the NEPOOL Executive Committee, represents one example of recent efforts to advance the evolution of NEPOOL into the most sophisticated interconnected energy network in the nation. Others are:

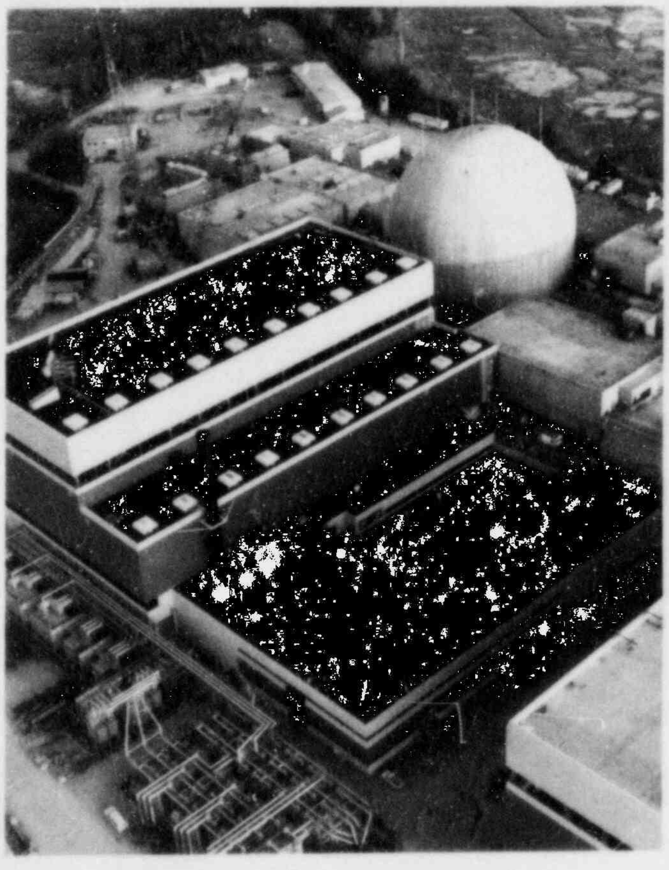
- Developing effective cooperation between NEPOOL and the Energy Planning Committee of the New England Governors' Conference that was formed by the six New England governors in December 1981.
- Initiating a reorganization of the NEPOOL staff to meet its constantly increasing responsibilities more effectively.
- Initiating a comprehensive review of the NEPOOL agreement which constitutes the basic charter of the operation, essentially unchanged since 1971.

In terms of oil supply and cost control, the Company negotiated new contracts with Amerada Hess and Scallop Petroleum following the expiration of its long-term contract with Texaco. Besides being economically competitive, the new agreements will allow the Company greater flexibility in making its oil purchases including buying a portion of its requirements on the spot market.

Also, UI continues to consult with the Connecticut Resources Recovery Authority regarding reestablishment of a refuse-burning facility in Bridgeport that would provide a ready fuel supply as well as meet the area's need for a more environmentally sound manner of refuse disposal than landfills. Although specific plans for a viable facility remain to be developed, the favorable results of refuse-derived fuel burning at Bridgeport Harbor Station prior to the demise of the original project in 1980 justify hope for the future.

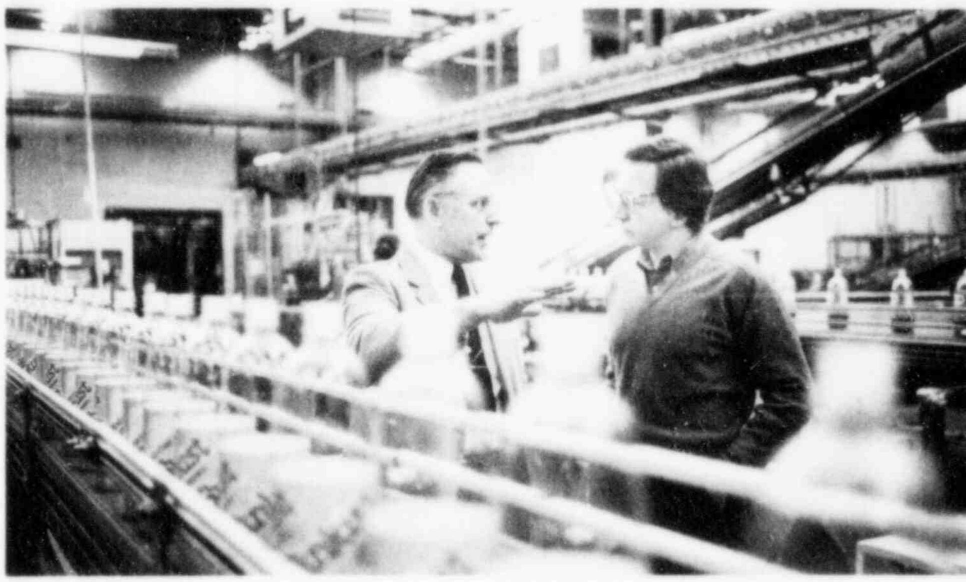
With the capability of generating electricity from nuclear, coal, and hydropower as well as oil, coupled with load management and conservation efforts by UI's customers, the Company is well positioned to meet current forecasts projecting relatively modest increased electricity use by UI's customers at least into the early 1990s.

▲ A contract was signed in March by John D. Fassett (seated, right), as chairman of the New England Power Pool Executive Committee, and Guy Coulombe, chief executive officer of Hydro-Quebec (seated, left), to provide electricity to New England starting in 1986. Witnessing (from left) are Rhode Island Governor Joseph Garrahy, Quebec Energy Minister Yves Duhaime, Vermont Governor Richard Snelling, Quebec Prime Minister Rene Levesque, Connecticut Governor William O'Neill, and Maine Governor Joseph Brennan.



▶ Foremost in UI's construction program is Seabrook Unit 1, in New Hampshire. The 1150-mw unit, of which UI owns 17.5%, is about 88% complete.

▲ Part of UI's energy diversification plan is the reconversion of Bridgeport Harbor Station Unit 3 to burn coal as well as oil. At the site are Phil Olson, special project manager (right), and Dave Marti, associate engineer.



Chemical and Combustion Tester Tony Robinson conducts water analysis at Bridgeport Harbor Station.

Employees like Fred Maturo, environmental lab supervisor, and Assistant Supervisor Kate Shanley (top photo) ensure that UI meets environmental responsibilities.

Jerry Osochowsky (middle photo), UI major accounts manager, discusses daily production of 500,000 plastic soda containers at Owens-Illinois plant.

Ray Brooks (bottom right), major accounts consultant, meets with chemists at Vicks Research Center. Knowing customers helps ensure their energy needs are met.

Electricity Sales Rise In Improving Business Climate

Increased electricity sales of 3.3% is one indication of the improvement that occurred in the area's economy during 1983. By year-end, unemployment in southern Connecticut was well below 5%, the lowest in nearly five years. This is due to the diversification in the industrial and commercial economy of the area as well as improvements in defense-related and capital goods segments which continue to form a substantial portion of the industrial base.

Activities in Bridgeport and New Haven, Connecticut's first and third largest cities, serve as prime examples of growth potential in UI's service area.

In Bridgeport, plans are under way for a $700 million redevelopment project for 135 acres on the East Side that includes office buildings, a sports arena, movie theaters and retail facilities to be built over a 20-year period. Construction of a 240-room hotel and conference center in downtown Bridgeport is scheduled to begin in July. Bridgeport's Downtown Council will focus in 1984 on a course of action for renewing that area of Bridgeport, while the Bridgeport Economic Development Corporation will consider revitalization of underutilized industrial properties.

In New Haven, work has begun on a $10 million conversion of the former Seamless Rubber Company plant in the Long Wharf area near Long Island Sound for light industrial, commercial and office use. Construction is progressing on the first building in an 80-acre Science Park near Yale University. Meanwhile, downtown New Haven renovation is continuing, with numerous individual projects, including the reopening of the historic Shubert Theater.

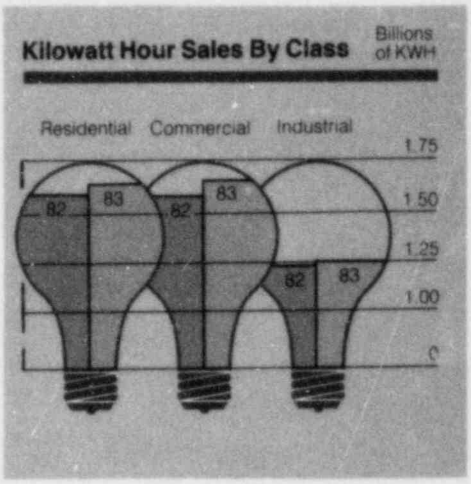
In towns surrounding these two major cities, many other projects also are under way or planned, including new offices, and retail and light industrial facilities, as UI's 17-town area evolves toward a more technological, service orientation rather than heavy industry.

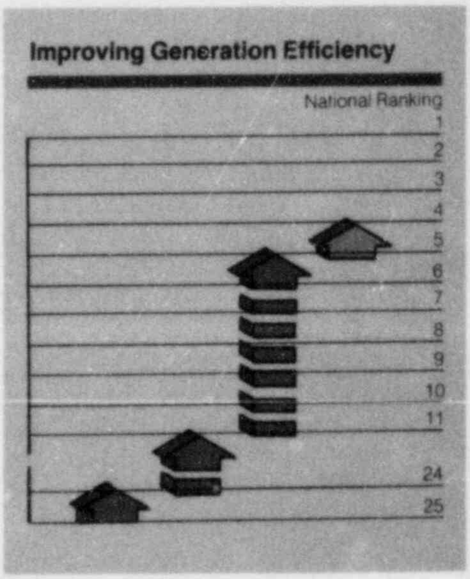
UI Ranked Fourth In U.S.

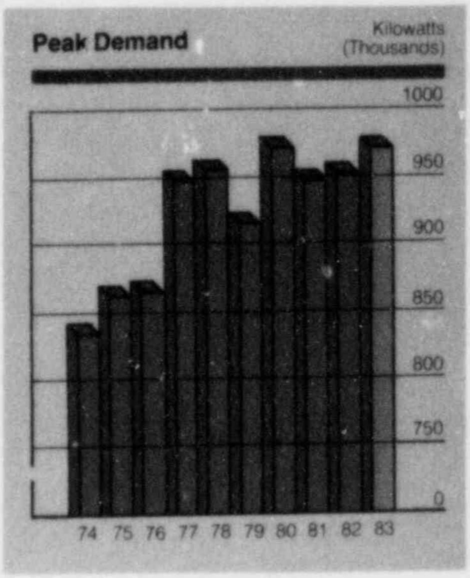
To meet this future energy demand, the Company is looking to add nuclear capacity and diversify its energy mix, and also to maximize the use of its present generating facilities through improved efficiency and preventive maintenance projects such as were undertaken during overhauls of New Haven Harbor Unit 1 and Bridgeport Harbor Station Unit 2 in 1983. The result of such attention to efficiency is evident from the annual survey of the country's top 100 utilities by *Electric Light and Power* magazine which listed UI's generating system as the fourth most efficient in the U.S. during 1982. The ranking shows steady improvement by UI, from rankings of 24th in 1979, 11th in 1980 and 5th in 1981 — improvement that could take place only with the dedicated, concerted effort of the Company's highly skilled employees.

Because of their efforts, the Company was able to meet the heavy demand placed on its system during the post-Labor Day weekend heat wave that resulted in near-record energy use on Tuesday, September 6. A peak of 969.5 megawatts of electricity was reached that day, second only to the all-time high of 971.1 megawatts set on July 21, 1980.

The electricity generating process also carries with it certain environmental responsibilities such as air quality monitoring and proper handling of oil to prevent major spills. The strength of UI's air quality monitoring system was confirmed by an agreement signed in 1983 permitting the State's Department of Environmental Protection (DEP) to utilize data from the Company's 10 monitoring sites. The agreement was the first of its kind in the State. This data will help the DEP develop and evaluate the State's ambient air quality attainment plan. To maintain UI's strong record of oil-spill prevention, the Company played a leading role in organizing a three-day spill control and hazardous materials conference in New Haven that involved more than 300 professionals in pollution control. The conference was coordinated by the New Haven Harbor Petroleum Cooperative, of which UI is a member.







Getting Close To The Customer

Jay Gallagher, general plant ▲ superintendent for Bridgeport's Carpenter Technology (right), is one of the many major commercial and industrial executives whom Bob Hyde, assistant vice president – customer services, and other members of UI's top management have met with in the past year. Meetings such as these give the Company a better understanding of customers' operations.

If the Company is to continue to prosper in the years ahead, it must remain close to its customers, know their needs, anticipate change and remain responsive. Meeting this challenge will require a balanced strategy that considers equally the demand, or customer side, as well as the more conventional supply side. This strategy will enable UI to develop programs diverse in scope, but common in purpose — serving the customer.

Reflecting this commitment, the Customer Services Department was reorganized in 1983, and customer services facilities centralized, as detailed later in this report. The customer-focused programs the Company is developing will augment and strengthen those already in place.

To determine if there are areas in which UI can assist its large industrial customers, UI has been meeting with the top managements of these organizations, which will give the Company a better understanding of their operations and energy-related problems. UI-sponsored efficient lighting seminars for commercial customers were heavily attended. The Company now offers energy-saving audits of industrial and commercial facilities. These audits are similar to those available to residential customers through the CONN SAVE program sponsored by UI and the State's electric and gas utilities.

Initially, CONN SAVE audits were limited to customers living in buildings of from one to four dwelling units. Late in 1983, however, the CONN SAVE program was expanded to include apartment dwellers, thus making audits available to every customer in UI's service territory.

Focus Now Program

UI has developed an extensive conservation and customer assistance program called *Focus Now*. This is a blend of proven programs for conserving energy and new and expanded programs that further stimulate conservation.

Included in *Focus Now* is a plan to wrap customers' water heaters for a nominal fee, low-cost energy-saving devices that can be purchased through a mail-order program, distribution of weatherization kits at no cost to customers who meet certain income guidelines, and a solar advisory service for customers interested in adding a solar-assisted water heater to their home. Details of these programs are being explained to customers through bill inserts as well as a series of advertisements appearing in local newspapers and airing on radio.

Often, customers simply want information about specific areas of energy use. The Company has taken steps to enhance its ability to satisfy such requests quickly and completely.

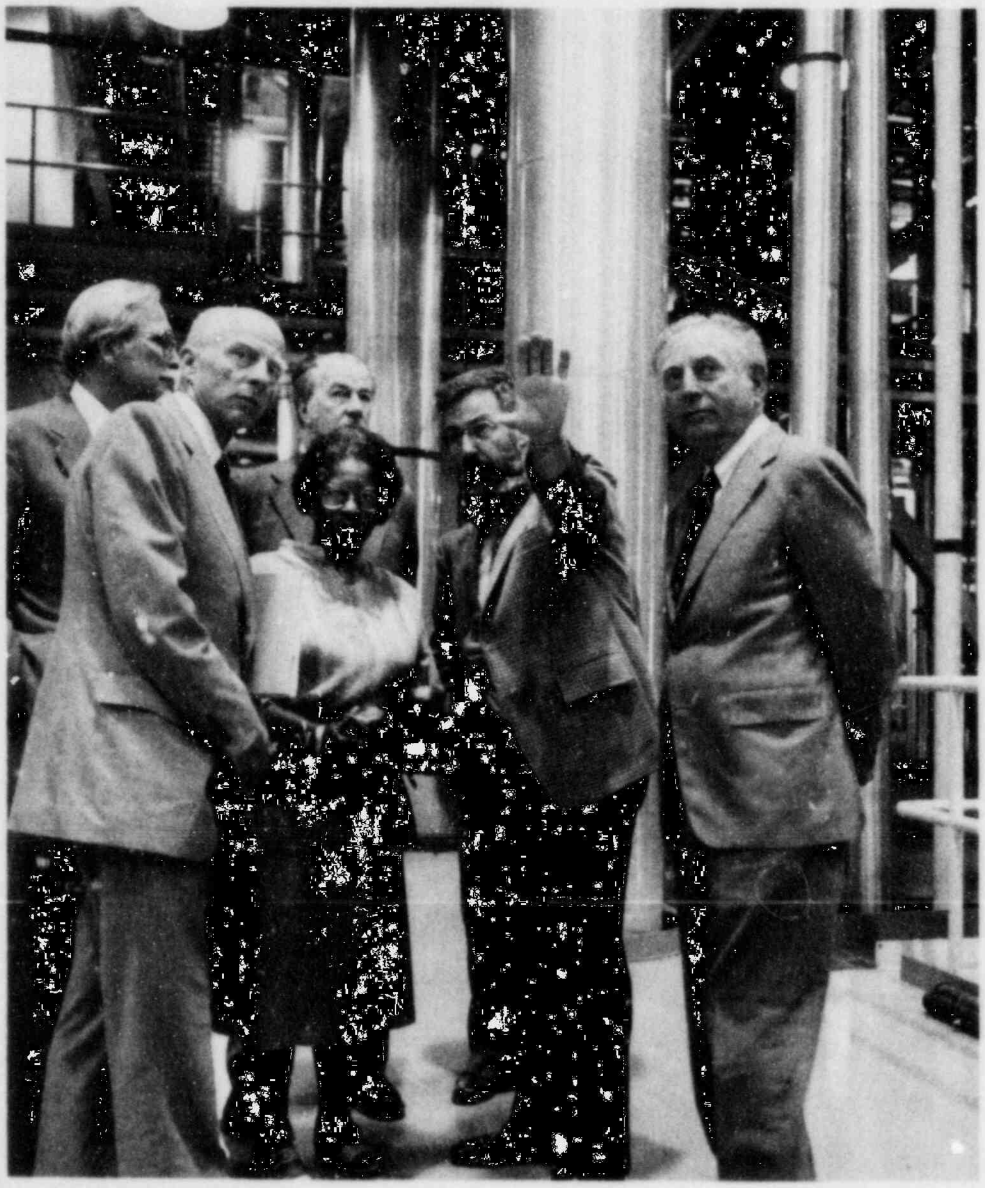
UI added four customer outreach representatives in 1983 to provide free energy-use seminars to low-income and elderly customers. Numerous informal meetings also were conducted with customers at UI booths located in malls, banks and other areas of public access in 1983. All of the face-to-face meetings include literature prepared on a wide variety of energy-saving subjects that is also available to any customer upon request.

All of these programs demonstrate to customers that UI cares — and can help. The programs emphasize that customers have the ability to conserve energy and use it wisely, and that UI is committed to help.

FOCUS NOW

Through *Focus Now*, UI is offering a blend of proven programs for conserving energy and new and expanded programs that further stimulate conservation. Ads like the one pictured above along with articles in customers' monthly bill inserts inform customers. Among the programs are the Hug 'N Snug water heater wrap such as the one Stan Barwick, senior residential customer services representative, is watching being installed (above photo) and the Energy Care weatherization program being explained to a customer by Diane Schneider, customer outreach representative.

Achieving More Effective Communications



Members of UI's board of ▲ directors were among many individuals given tours of the Company's generating stations and other facilities in 1983. Listening to New Haven Harbor Station Superintendent Mike Clarke are, from left, Leland W. Miles, J. Robert Gunther, Frank Kenna, Geraldine W. Johnson, Chairman John D. Fassett (partially hidden behind Clarke), and Robert D. Russo, M.D.

One of the Company's major strategic goals, stated in last year's Annual Report, was to conduct an analysis in 1983 of UI's communications programs and recommend means of achieving significantly more effective communications with various audiences.

A task force of individuals representing various Company disciplines was organized early in the year to make recommendations for achieving this goal. In September, they issued a comprehensive report and a proposed multi-year action plan. The foremost recommendation of the report calls for widespread communications with UI customers and the public-at-large on Company conservation activities and corporate issues, through a well-developed, cost-efficient media advertising campaign.

Management currently is reviewing the corporate advertising proposal, as well as a number of other innovative task force recommendations. While each of them must be evaluated in the light of budget constraints and the most effective allocation of resources, the report has served as a catalyst for achieving more effective communications in 1984 and beyond.

Annual Report Wins Award

Meanwhile, the Company's existing communications efforts continue at a vigorous pace. UI's 1982 Annual Report was cited for excellence by the National Association of Investors, Inc. The award from this organization, which strives to educate individuals about investments, is especially gratifying because the annual reports entered in this competition are reviewed and rated by individual investors. The Company's periodic newsletters for the investment community, *Focus* and *Financial News*, continue to be well received. UI's Speakers' Bureau and customer outreach representatives remain effective methods of reaching and informing a variety of audiences.

Another important external audience in UI's communications plan is students. In 1983, Thomas Hooker elementary school in Bridgeport became the fourth such institu-

◀ Strong Company-Union support for the United Way by employees throughout the Company resulted in national recognition along with this award presented by United Way's Hart Tarlton to employee coordinating committee chairman Bill McQuilton and other committee members (from left), Ralph Aiello, Karen Cholko, Bill Mendez, Ann Massimino, Dominic Palumbo and Joe Roppo.

The Company has expanded its Talking Energy contest on Bridgeport radio station WICC to include students from all schools in its service territory. In 1983, hundreds of students developed messages with energy themes with the best of the entries selected for airing.

tion to participate in the Company's Adopt-A-School program in which UI personnel offer their time and expertise in energy, electric safety and career opportunities. UI's 1983 Talking Energy contest on radio station WICC in Bridgeport, in which hundreds of students from kindergarten through high school developed messages with energy themes, will be repeated in 1984, along with tours of UI's facilities which are a popular way of educating youngsters about electric energy.

Each of these programs, especially those newly added and under consideration, are a result of communications needs that have been assessed by UI. They serve as examples of the importance UI places on communications, which increasingly is being targeted to specific audiences.

The Company maintains regular contact with the news media throughout the year. Here, President Jim Cobey (right) and Manager – Public Information Jack Dolan (foreground) meet with reporters and editorial writers to discuss the Company's 1983 rate case.

Planning For The Future

In 1983, the Company took a number of steps to prepare its work force more fully to meet the challenges of the future. Paramount among these was a restructuring of a number of top-management functions, including the naming of Robert L. Fiscus as executive vice president and chief financial officer, and Richard J. Grossi as executive vice president and chief operating officer. Mr. Fiscus has responsibility for finance and accounting, public affairs, management services and communications; Mr. Grossi for customer services, human resources, corporate planning and development, as well as operations, engineering and environmental engineering.

Other changes aimed at continuing to strengthen the Company's management team include the appointment of Leon A. Morgan, former executive vice president for operations, engineering and customer services, to senior vice president – finance and accounting; Charles W. Cook, former vice president – customer services, to senior vice president – corporate planning and development; E. Jon Majkowski, previously director of financial planning and control, to the new position of vice president – public affairs; and Robert H. Hyde, previously director of engineering services and special projects, to assistant vice president – customer services.

New Facilities

Significant progress was made during the year on construction of modern, efficient facilities to house the Company's operations. A new building, adjacent to UI's corporate headquarters in downtown New Haven, was completed in late 1983 and UI personnel from several corporate functions as well as customer contact personnel serving the greater New Haven area, have occupied the four floors the Company will be leasing. Ground was broken in the spring for the new Western Division Service Center in Shelton, which will be the base for about 300 operations and customer services personnel, as well as supporting personnel and facilities, that serve customers in the western half of UI's service territory. When the center is occupied in late 1984, two existing divisions in several scattered work locations will be combined, and both efficiency and quality of service to customers should be improved.

To ensure that the Company's work force continues to possess the skills needed to meet the challenges of tomorrow, UI has increased the amount of employee training. In 1983, the number of participant days of training in management development programs increased by more than 15%. Expanded job skills and technical training programs are available to every employee. One of these programs was a line school conducted in the fall, the first held by the Company since 1981, in which 10 graduates successfully completed four weeks of intensive training.

To remain abreast of rapidly changing computer hardware technology, Management Services installed an IBM 3083 computer in November 1983, to replace its five-year-old 3032 computer. The new computer functions about 2.2 times faster than the previous computer, which improves response time on its many important functions.

Employee Development Supervisor Laura Solomon is one of a number of individuals who help train UI employees to ensure that they continue to have the skills necessary to meet the challenges of tomorrow. In 1983, the number of participant days of training in management development programs increased 15%. ▲

High Marks In Audit

All of these developments reflect sound planning by UI's management, a strength cited in a report on the Company completed in early 1983 by Temple, Barker & Sloane (TB&S), management consultants. TB&S had undertaken a management audit of the Company in 1982 for the DPUC pursuant to the Connecticut statute requiring periodic audits. The report, which gave the Company high marks overall, stated that, "In the past two years, UI management has significantly strengthened the Company's corporate planning capability, and the status of planning at UI is good by industry standards."

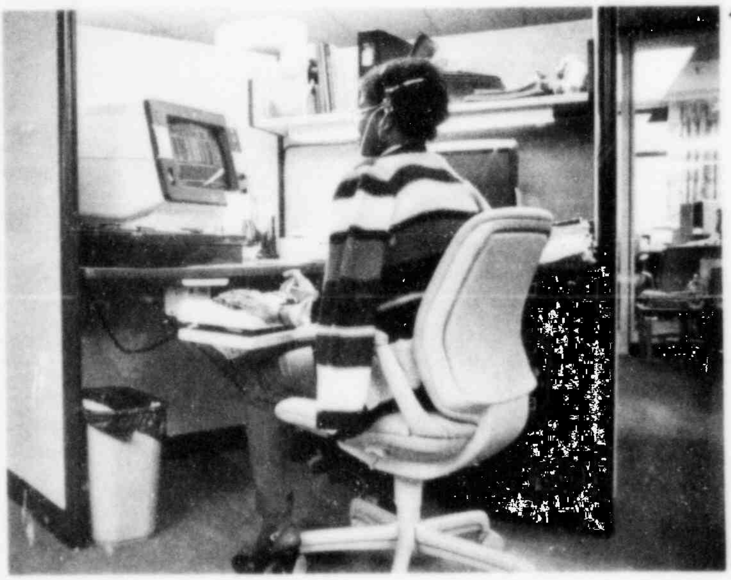
Also gratifying were awards received during 1983 by UI from the Edison Electric Institute (EEI) citing five of the Company's affirmative action programs. EEI, the trade association of the nation's electric utilities, presented the awards at its annual Affirmative Action Seminar in March. Among the awards, the Company's overall affirmative action program garnered top honors for a utility with less than 5,000 employees. Also, an outstanding achievement award was presented for a program entitled "Career Counseling For Female Employees."

These honors, along with the improvements noted in training, management structure and facilities, are indications of UI's commitment to provide high-quality service as well as reliable energy, through a well-trained, well-managed work force.

Board of Directors.

Frank Kenna, president of the Marlin Firearms Company of North Haven, and J. Robert Gunther, chairman and president of the George Schmitt & Company printing firm of Branford, were named to UI's Board of Directors at the Company's annual meeting in April. They were nominated to replace retired Senior Vice President John M. C. Betts and Senior Vice President Leon A. Morgan. Mr. Betts stepped down in accordance with the board's retirement policy and Mr. Morgan vacated his seat to enable a greater number of outside directors to hold membership on UI's board.

Mary Paquette, lead systems programmer, and Vin Pacelli, manager of data processing, are part of the team that brought a high-speed IBM 3083 computer on line in 1983. The new computer functions about 2.2 times faster than the previous computer. ▶



◀ Customer Inquiry Representative Carrie Ray and other customer contact personnel provide more efficient service to customers from modern quarters in a new building adjacent to UI's corporate headquarters.

▲ The Western Division Service Center in Shelton will be the base for serving customers in that half of UI's service territory. Walt Barker, transmission and distribution superintendent (left) and Henry Rotman, project manager, check plans anticipating opening late in 1984.

▲ Skilled lineworkers reflect UI's commitment to serving customers. Ten employees, including Jim Brennan (left) and Marilyn Nilsen were graduated from line school in 1983.

Ten-Year Summary of Selected Financial and Statistical Data

The United Illuminating Company

		1983	1982
Kilowatt-Hour Sales (000)			
	Residential	1,637,581	1,593,854
	Commercial	1,657,518	1,578,433
	Industrial	1,255,824	1,232,942
	Other	71,085	69,935
	Total	4,622,008	4,475,164
Financial Results (000)			
	Sales of electricity — Residential	$ 166,350	$ 161,237
	Commercial	163,458	156,902
	Industrial	107,724	106,788
	Other	9,771	9,652
	Other operating revenues	2,283	2,151
	Total operating revenues	449,586	436,730
	Operating expenses, excluding income tax expense	356,380	353,070
	Income tax expense (credit)	37,746	31,810
	Allowance for funds used during construction	52,407	40,349
	Other income	13,981	8,595
	Interest charges	41,345	35,039
	Cumulative effect of change in accounting	—	—
	Net income	80,503	65,755
	Preferred and preference dividends	14,084	14,084
	Income applicable to common stock	$ 66,419	$ 51,671
Capitalization (000)			
	Long-term debt	$ 394,115	$ 373,015
	Preferred and preference stock		
	Not subject to mandatory redemption	70,000	70,000
	Subject to mandatory redemption	65,000	65,000
	Common stock equity	408,331	319,720
	Total	$ 937,446	$ 827,735
Common Stock			
	Number of shares at year-end	12,972,344	10,693,605
	Average number of shares outstanding	11,708,570	9,579,312
	Earnings per share (a)		
	Before cumulative effect of change in accounting	$5.67	$5.39
	Cumulative effect of change in accounting	—	—
	Income applicable to common stock	$5.67	$5.39
	Dividends declared per share	$3.08	$2.92
	Book value per share	$31.48	$29.90
	Shareowners — Total	41,067	39,213
	In Connecticut	17,862	17,750
	In Company territory	13,742	13,439
General			
	Peak load — kilowatts	969,500	951,700
	Generating capability at year-end — kilowatts (c)	1,235,850	1,235,850
	Number of customers	287,370	284,586
	Kilowatt-hours per residential customer	6,336	6,213
	Number of employees	1,569	1,517
	Total payroll (000)	$ 44,114	$ 40,310
	Total taxes (000)	$ 66,300	$ 64,319
	Utility plant at year-end (000)	$ 1,238,096	$ 1,049,761
	Gross property additions (000)	$ 197,412	$ 167,924
	Total assets at year-end (000)	$ 1,179,409	$ 982,852

(a) Earnings per share based on the average number of shares outstanding.

(b) Relates to change in method of accounting for fossil fuel costs.

(c) Represents maximum dependable net load-carrying ability during the winter period for New England Power Pool purposes, including UI's share of capacity in Connecticut Yankee Atomic Power Company (55,290 KW).

	1981	1980	1979	1978	1977	1976	1975	1974
	1,611,212	1,660,353	1,677,431	1,683,363	1,664,029	1,660,733	1,627,194	1,601,131
	1,551,228	1,568,638	1,565,380	1,541,127	1,505,879	1,474,885	1,402,742	1,327,138
	1,315,172	1,415,274	1,467,969	1,419,297	1,356,652	1,298,990	1,241,912	1,453,283
	70,299	70,813	69,971	68,621	67,541	64,391	61,104	60,124
	4,547,911	4,715,078	4,780,751	4,712,408	4,594,101	4,498,999	4,332,952	4,441,676
	$ 164,595	$ 133,763	$ 104,512	$ 82,316	$ 84,099	$ 75,860	$ 74,684	$ 66,973
	157,386	122,904	94,400	72,361	73,323	64,623	62,175	54,165
	117,624	98,303	75,316	54,994	55,348	47,049	45,639	47,048
	9,613	7,697	6,330	5,463	5,530	5,096	5,003	4,732
	1,804	1,455	1,320	1,181	1,203	1,192	1,150	920
	451,022	364,122	281,878	216,315	219,503	193,820	188,651	173,838
	386,279	328,253	238,605	183,289	182,696	162,060	161,322	148,638
	22,454	(387)	4,963	(164)	2,259	466	(3,507)	98
	28,113	27,555	15,501	8,268	4,937	2,843	6,630	7,186
	9,040	710	1,102	740	143	528	292	546
	29,904	30,055	25,245	20,721	15,970	16,103	16,204	14,081
	—	—	—	—	—	—	—	1,884(b)
	49,538	34,466	29,668	21,477	23,658	18,562	21,554	20,637
	12,351	9,296	5,744	4,751	4,751	3,717	3,431	3,431
	$ 37,187	$ 25,170	$ 23,924	$ 16,726	$ 18,907	$ 14,845	$ 18,123	$ 17,206
	$ 303,648	$ 295,581	$ 251,976	$ 233,953	$ 241,931	$ 216,908	$ 216,885	$ 187,130
	70,000	70,000	70,000	70,000	70,000	70,000	55,000	55,000
	65,000	45,000	15,000	—	—	—	—	—
	262,198	222,861	186,326	177,526	149,099	142,104	139,764	106,814
	$ 700,846	$ 633,442	$ 523,302	$ 481,479	$ 461,030	$ 429,012	$ 411,649	$ 348,944
	9,154,578	7,660,132	6,090,448	6,047,018	5,020,119	4,999,514	4,999,514	3,804,514
	8,775,667	7,061,241	6,072,725	5,458,428	5,012,122	4,999,514	4,424,281	3,677,117
	$4.24	$3.56	$3.94	$3.06	$3.77	$2.97	$4.10	$4.17
	—	—	—	—	—	—	—	.51(b)
	$4.24	$3.56	$3.94	$3.06	$3.77	$2.97	$4.10	$4.68
	$2.76	$2.68	$2.62	$2.56	$2.47	$2.35	$2.32	$2.32
	$28.64	$29.09	$30.59	$29.36	$29.70	$28.42	$27.96	$28.08
	37,868	36,447	34,554	35,285	32,354	32,879	33,468	29,066
	17,765	18,372	18,439	19,018	18,695	19,484	20,355	19,783
	11,815	12,456	12,155	12,343	12,201	13,037	13,718	13,634
	949,100	971,100	915,300	952,900	944,100	862,500	859,100	829,800
	1,281,050	1,299,360	1,299,360	1,322,800	1,331,020	1,403,290	1,438,140	1,010,330
	282,890	280,800	278,523	276,289	274,432	271,871	270,109	268,511
	6,312	6,545	6,664	6,739	6,711	6,749	6,650	6,593
	1,514	1,481	1,460	1,424	1,421	1,422	1,449	1,516
	$ 35,581	$ 31,653	$ 28,405	$ 25,894	$ 23,317	$ 22,021	$ 20,613	$ 20,067
	$ 54,510	$ 34,777	$ 32,424	$ 23,180	$ 24,108	$ 21,583	$ 16,219	$ 18,112
	$ 922,734	$ 830,034	$ 764,651	$ 681,585	$ 612,237	$ 566,549	$ 534,156	$ 500,409
	$ 115,540	$ 98,413	$ 86,643	$ 70,731	$ 48,300	$ 35,396	$ 39,866	$ 73,608
	$ 836,508	$ 739,027	$ 666,387	$ 575,110	$ 515,037	$ 482,459	$ 458,617	$ 437,892

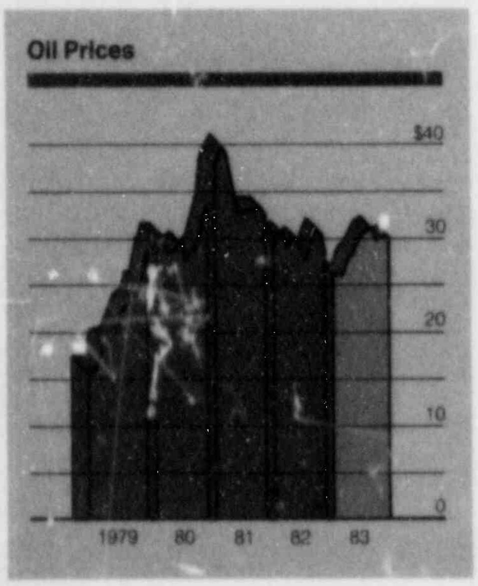
The United Illuminating Company

Major Influences On Financial Condition

In recent years, and particularly over the last few years, the financial condition of the Company has been affected by two interrelated factors — a heavy dependence on expensive foreign oil as a source of fuel to generate electricity and a large construction program to meet the objective of reducing the economic burden and reliability risks of this reliance on oil-fired generation. The Company's financial condition is expected to be sensitive to these factors until at least the mid-1980's, when the major portion of the present construction program is expected to be completed and dependence on oil substantially reduced.

Oil Dependence

Over 90% of the electricity sold by the Company is produced by burning residual fuel oil. Substantial changes have occurred in the price of this oil over the past three years. After reaching a peak of just over $40 per barrel in March of 1981, the price of oil has generally declined to the point where the average fuel oil price for 1983 was approximately $29 per barrel. This reduction reflected both a weakened demand for oil world-wide and the effect of a change in Connecticut's environmental standards that permitted the sulfur content of oil burned to be increased from 0.5% to 1%.



Although a fossil fuel adjustment clause in the Company's rates considerably mitigates the effects of oil price changes, there are three significant effects of price changes on the Company's financial condition. The effects are favorable when oil prices decrease below the base price included in the adjustment clause and unfavorable when oil prices increase.

First, there is a time lag in the operation of the adjustment clause, since changes in fuel costs are not reflected in customer billings until two months after the costs have been incurred. Second, the Company is required to pay the State of Connecticut a tax of 5% on all revenues, including the revenues resulting from the operation of the fuel adjustment clause. Third, there is the cost of financing oil purchases, which varies directly with the price of oil.

The Company's financial condition is sensitive to all of these factors; but only the last two factors influence results of operations, since the effect of the two-month billing lag is deferred for accounting purposes, pending regulatory approval of an amortization schedule and recovery through general rate revenues. Recovery of this deferral effectively reverses the effect on financial condition caused by the lag in billing changes in oil prices. Current general rates, which became effective on August 29, 1983, include a provision for an eighteen-month amortization of $6 million of deferred fuel cost credits. As a result of this amortization and increasing oil prices, there was a $3.7 million credit balance of deferred fossil fuel costs at the end of 1983.

Construction Program

The Company is engaged in a large construction program, the major portion of which consists of participation in the construction of three nuclear generating units: 17.5% shares in Seabrook Unit Nos. 1 and 2 in Seabrook, New Hampshire, and a 3.685% share in Millstone Unit No. 3 in Waterford, Connecticut. Through the end of 1983, the Company had invested $650 million in these three units under construction, an amount in excess of present net plant in service. Approximately 63% of this investment occurred during the last three years. Substantial additional investment will be required to complete construction of these units.

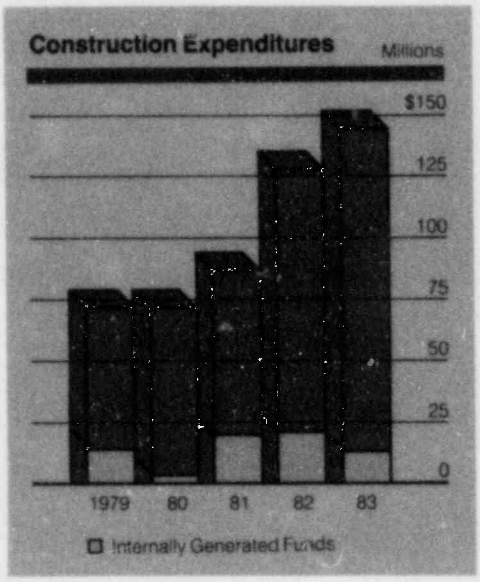
The Company's financial condition is influenced by both the size and the cost of financing its accumulated investment in construction. To the extent that this investment is not included in rate base, cash recovery applicable to the investment is limited to the income tax benefits of construction until such time as the plant is placed in operation and the investment reflected in rates charged to customers. However, from an earnings standpoint, the cost of financing such construction balances is offset by a non-cash credit to allowance for funds used during construction.

Connecticut law prohibits inclusion of construction work in progress in rate base, except in the case of Seabrook Unit No. 1 and Millstone Unit No. 3. Acting pursuant to this exception, the Connecticut Department of Public Utility Control (DPUC), in its August 1983 decision on the Company's request for a general rate increase, did allow the Company to include in rate base approximately $120 million of its investment in Seabrook Unit No. 1.

Also included in this rate decision was an order requiring the Company to make every effort to seek the cancellation of Seabrook Unit No. 2, in which the Company had invested $124 million through the end of 1983. The DPUC indicated that it will consider favorably recovery of prudent expenditures currently associated with the unit and further indicated that if an adequate effort to comply with its order were not made, it would consider seriously the partial disallowance of future costs for the unit. Therefore, the Company has been, and intends to continue, making every effort to obtain cancellation of the unit. To date, these efforts have resulted in unanimous agreement by the participants to reduce Unit No. 2 expenditures to the lowest feasible level until Unit No. 1 is ready for fuel loading, unless Unit No. 2 is cancelled prior to that date.

The Company currently estimates that its 1984 construction program will total $183 million, including $97 million for Seabrook Unit No. 1, $33 million for Seabrook Unit No. 2, and $28 million, including nuclear fuel costs, for Millstone Unit No. 3. These amounts, which assume a continuation of construction work on Seabrook Unit No. 2, and include allowance for funds used during construction, are based on cost estimates and completion schedules prepared by the lead participants in both the Seabrook and Millstone projects. The estimate of future construction expenditures is subject to the results of a comprehensive review of the estimated costs and in-service dates of both Seabrook Units, which review is now in progress. As a result of this review, expected to be completed by March 1, 1984, substantial increases in the current cost estimates and delays in the in-service dates are anticipated, particularly for Unit No. 2.

A smaller but nevertheless significant construction project which is also designed to reduce the Company's dependence on residual fuel oil is the reconversion of its Bridgeport Harbor Station Unit No. 3 to the dual-fired, coal/oil, fuel capability for which it was originally designed. This project, estimated to cost $45 million, offers potential fuel cost savings to the Company's customers of several million dollars per year, based on the current price differential between coal and oil. It is expected that this project, on which construction commenced in 1983, will be completed early in 1985.



Liquidity And Capital Resources

Current construction expenditures are financed through a combination of internally generated funds and short-term borrowings. Short-term borrowings are subsequently repaid through sales of equity securities and long-term debt or by means of other long-term arrangements.

In recent years, internally generated funds have provided varying percentages of construction expenditures, and the Company has been dependent on outside financing to provide a major portion of its capital requirements. From a low of 3% in 1980, the percentage of construction expenditures financed internally increased to 21% in 1981, primarily because of an improvement in the adequacy of rate relief. Although internally generated funds in 1982 increased over 1981, the high level of construction expenditures caused the percentage to decline to 16%. In 1983, an even higher level of construction expenditures and the impact of the carrying costs associated with higher construction balances combined to reduce the percentage to 8%.

Rate Relief

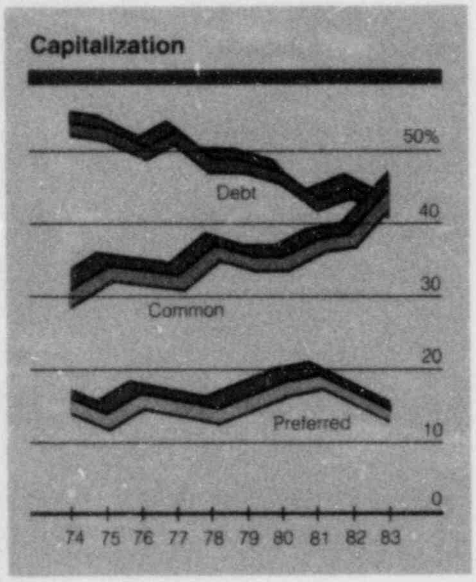
The Company's three most recent rate decisions have included significant steps in the direction of improving internal cash generation, return on investment and the opportunity for achieving allowed returns.

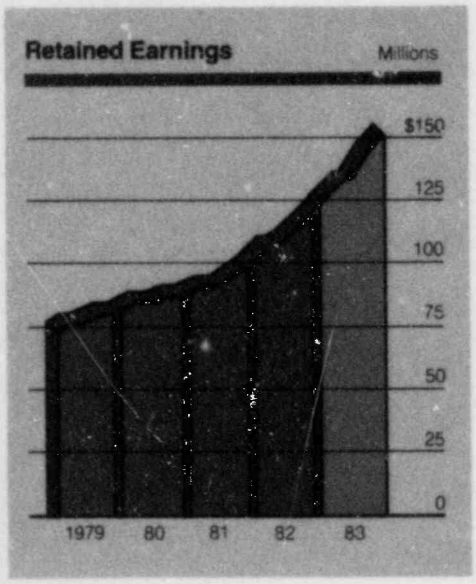
The first major step was the DPUC's adoption of full normalization accounting for income tax benefits applicable to post-1980 construction expenditures and additions to plant in service. This step was substantially effected in connection with a $36 million annual revenue increase obtained in December 1980. This increase also provided for a 15.1% return on a common stock equity capitalization ratio of 40% (increased from 35% used previously).

The allowed rate of return was raised to 16.5% in September 1981, when a general rate increase of $41 million in annual revenues became effective. Another significant element of this increase was its provision for anticipated high inflation in operating and financing costs through 1982, which, for the first time, afforded the Company a realistic opportunity to earn the allowed return under inflationary conditions. In view of these provisions, it was not necessary to request additional rate relief during 1982.

On August 29, 1983, a $35 million increase in annual revenues (allowing for a 16.4% return on common stock equity) became effective. A significant portion of this increase was based on measures designed to improve cash flow, including $28 million attributable to inclusion of a portion of Seabrook Unit No. 1 construction work in progress in rate base and $10 million for full recovery over a two-year period of the Company's investment in the cancelled Pilgrim Unit No. 2 nuclear project.

(Continued on Next Page)





Financing Program

The Company's financing program is structured around maintaining target capitalization ratios of approximately 40% common stock equity, 15% preferred and preference stock, and 45% long-term debt. These target ratios have been incorporated into the Company's rate decisions since December 1980, and have resulted in the generation of increased amounts of retained earnings, $30 million in 1983 alone. This, combined with the emphasis placed on common stock financing in view of relatively favorable market conditions during 1983, enabled the Company to end the year with a common stock capitalization ratio of 42.2%, up 3.6% from 1982. Year-end 1983 long-term and short-term debt capitalization was 43.9% and preferred and preference stock was 13.9%, both down from 1982.

Attaining this capitalization structure has increased financing flexibility, which the Company retains by limiting short-term borrowings to approximately 5% of capitalization and by following a regular pattern of replacing such borrowings with long-term financing.

During 1983, the Company issued 2.3 million shares of common stock, realizing proceeds of $59 million. In addition, the Company negotiated a $40 million term loan agreement with a commercial bank and made an initial drawdown of $20 million in September. The Company continues to utilize a lease arrangement for the financing of nuclear fuel for the Seabrook Units and, during 1983, entered into a fuel reserve and supply agreement with the same financial institution to finance fossil fuel purchases up to $100 million, less the outstanding nuclear fuel lease obligation. At December 31, 1983, an aggregate of approximately $36.4 million of nuclear fuel and $43 million of fossil fuel purchases was being financed under these arrangements.

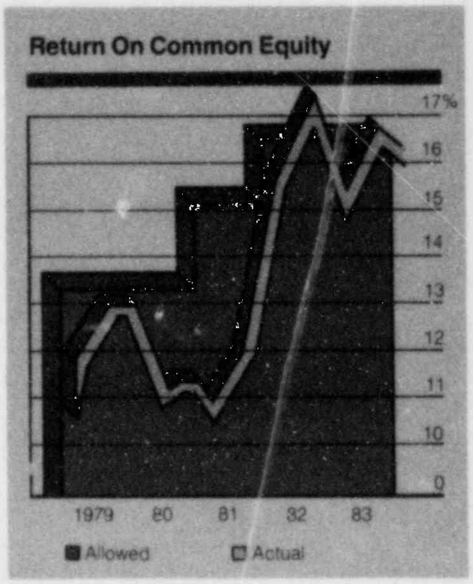
Results Of Operations

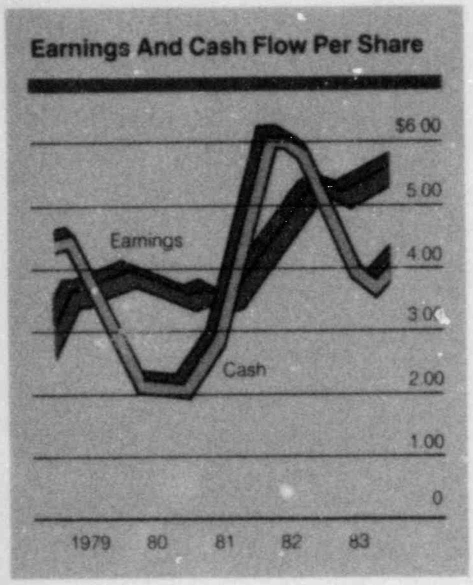
Income applicable to common stock for 1983 increased substantially over 1982 and 1981 to a record $66.4 million, or $5.67 per share. Return on year-end common stock equity reached 16.3%, approximately the level approved in the Company's 1983 rate decision. This marked the third successive year of improved earnings, although internally generated funds in 1983 were $8.9 million less than 1982 and $7.5 million less than 1981, due mainly to the increased carrying costs associated with large construction balances. The 1983 increase in earnings per share over the 1982 level can be attributed principally to an increase in 1983 kilowatt-hour sales and the negative impact on 1982 earnings of income taxes on a nonrecurring taxable gain on the sale of Seabrook nuclear fuel pursuant to the sale and leaseback financing agreement.

In 1983, kilowatt-hour sales increased 3.3% over the 1982 level, reflecting improved commercial activity and warmer than normal weather for the summer months. This reversed the downward trend in kilowatt-hour sales which began in late 1979 and continued through 1982 with successive annual decreases. These lower sales volumes appear to have been due to persistent depressed economic conditions in the Company's service territory, evidenced by a decline in industrial activity, including several plant closings, and by increased conservation of energy by customers in all rate classes.

In 1982, the rate increase of September 1981 added $28 million to operating revenues, but was more than offset by the impact on revenues of lower 1982 fuel oil prices through the operation of the fuel adjustment clause and the effect of decreased kilowatt-hour sales. However, operating revenues for 1983 exceeded those of 1982, due mainly to the increase in kilowatt-hour sales and the August 1983 rate increase.

Fuel and interchange energy expense declined by 17.8% in 1982 compared to the 1981 level, as the price of fuel oil decreased from a high of $40 per barrel in early 1981 to a low of just over $27 in December 1982.





Fuel and interchange energy declined slightly in 1983 as the effect of the decrease in the average price of fuel oil more than offset the increase due to higher kilowatt-hour sales.

Other operation and maintenance expenses increased in 1982 and 1983, due principally to the continuing effect of inflation on employment and other costs. Capacity purchased expense also rose each year, due to increases in operating and capital costs at the Connecticut Yankee nuclear unit.

In 1982, other taxes were slightly above 1981, due to increases in local property taxes and payroll taxes, partially offset by a drop in state gross earnings taxes associated with lower revenues. Higher state gross earning taxes, payroll taxes and local property taxes were principal causes of the 1983 increase in other taxes over the prior year.

Income tax expense rose in 1982 and 1983, reflecting increases in pre-tax income and the effect of income tax normalization accounting adopted in 1981.

In 1983, interest on long-term debt and other interest charges were 38.3% above the 1981 level, due to greater construction financing requirements and higher interest rates. However, net interest charges reflected in the statement of income for the same two-year period increased only 6.5% because the allowance for borrowed funds used during construction (including the tax benefits attributable to the adoption of net-of-tax treatment in 1981) partially offset the increases in interest on long-term debt and other interest charges.

Outlook

After seven successive years of increased nuclear construction expenditures, 1984 is expected to mark the beginning of a period of declining expenditures, as construction of the Seabrook and Millstone Units proceeds toward completion. The Company enters this period with the highest common equity ratio in more than ten years, a position which will allow flexibility in financing completion of the nuclear units.

Construction expenditures in 1984, primarily related to the nuclear units, are anticipated to be about 7% below 1983. Although expenditures are expected to decline further in 1985 and subsequent years, construction spending for these years will depend on the results of a revised Seabrook project cost and schedule estimate expected to be released to the participants on March 1, 1984, and on the future of the second Seabrook unit. In any event, the size of the Company's current investment in construction work in progress will increase, to as high as $1 billion, prior to the in-service date of Seabrook Unit No. 1, the unit which requires the largest investment.

This increasing construction balance will have major implications for earnings and internally generated funds until completion of Seabrook Unit No. 1 which, as a result of the revised schedule, is likely to be delayed beyond the currently scheduled date of July 1985.

Consistent with results for 1983, a major Company goal for 1984 and future years is to continue to realize returns on common stock equity approximating the returns allowed for rate purposes. During the time prior to completion of the first Seabrook unit, achievement of this goal will be facilitated by the large proportion of earnings that will be attributable to allowance for funds used during construction, which is based on the return currently allowed for rate purposes.

On the other hand, the cash outlays required to finance the increasing construction balance will exert a negative influence on internally generated funds to the extent that the construction balance is not included in the Company's rate base. Although DPUC permission may be sought during 1984 to increase the construction balance included in rate base, a change, if granted, is not likely to be effective before the beginning of 1985. Therefore, internally generated funds are expected to decline to a negative amount during the latter half of 1984.

From a financing standpoint, the Company plans to continue to preserve its financial flexibility through a regular pattern of replacing short-term borrowings with long-term financing in a manner consistent with maintenance of its target capitalization ratios. In so doing, the Company plans to continue to use the conventional sources used in the past as well as any other options that are consistent with the aim of accomplishing the required financing on reasonable terms. In accordance with these criteria, the Company expects to do as much as $170 million of external financing during 1984. The sale of substantial amounts of common stock in 1983 under relatively favorable market conditions is expected to permit the use of lower cost debt financing to meet most of 1984's requirements, although the sale of additional equity securities in 1984, in the event of favorable market conditions, remains a possibility.

The Company also expects to complete during 1984 a $50 million project financing arrangement to cover the cost of reconverting a generating unit in Bridgeport from an oil-burning to a coal/oil burning capability.

Revisions to cost estimates and scheduled operational dates of the nuclear units could change the Company's financing plans, the success of which is also dependent on other factors, including conditions in the securities markets, economic conditions, the level of the Company's sales and its ability to obtain adequate and timely rate relief.

Inflation

For further discussion of the effects of changing prices on the Company, see Supplementary Information/Inflation.

Statement of Income

For the Years Ended December 31, 1983, 1982 and 1981 *(Thousands except per share amounts)*

The United Illuminating Company

	1983	1982	1981
Operating Revenues	**$449,586**	$436,730	$451,022
Operating Expenses			
Operation			
Fuel and interchange energy — net	**200,377**	202,579	246,466
Capacity purchased — net	**11,148**	8,081	7,147
Other	**65,928**	59,140	52,737
Maintenance	**22,453**	23,471	18,464
Depreciation	**15,754**	15,409	15,736
Amortization of deferred fossil fuel costs	**(1,336)**	6,164	8,214
Amortization of cancelled Pilgrim nuclear project	**2,461**	—	—
Income taxes	**37,746**	31,810	22,454
Other taxes	**39,595**	38,226	37,515
Total	**394,126**	384,880	408,733
Operating Income	**55,460**	51,850	42,289
Other Income and Deductions			
Allowance for equity funds used during construction	**40,443**	31,631	21,022
Other — net	**910**	(625)	1,541
Total	**41,353**	31,006	22,563
Income Before Interest Charges	**96,813**	82,856	64,852
Interest Charges			
Interest on long-term debt	**38,862**	31,971	26,639
Other interest	**2,483**	3,068	3,265
Allowance for borrowed funds used during construction	**(11,964)**	(8,718)	(7,091)
Income tax benefits attributable to the allowance for borrowed funds	**(13,071)**	(9,220)	(7,499)
Net Interest Charges	**16,310**	17,101	15,314
Net Income	**80,503**	65,755	49,538
Dividends on Preferred and Preference Stock	**14,084**	14,084	12,351
Income Applicable to Common Stock	**$ 66,419**	$ 51,671	$ 37,187
Average Number of Common Shares Outstanding	**11,709**	9,579	8,776
Earnings per Share of Common Stock	**$5.67**	$5.39	$4.24
Dividends per Share of Common Stock	**$3.08**	$2.92	$2.76

The accompanying Statement of Accounting Policies and Notes to Financial Statements are integral parts of the financial statements.

Statement of Sources of Funds for Gross Property Additions

For the Years Ended December 31, 1983, 1982 and 1981 *(Thousands of Dollars)*

	1983	1982	1981
SOURCES OF FUNDS			
Internally Generated			
Net income	**$ 80,503**	$ 65,755	$ 49,538
Add (deduct)			
Depreciation and amortization	**17,352**	21,763	24,144
Deferred income taxes	**3,273**	(2,690)	2,613
Deferred investment tax credits — net	**13,091**	17,776	7,253
Allowance for funds used during construction	**(52,407)**	(40,349)	(28,113)
Funds provided from operations	**61,812**	62,255	55,435
Deduct dividends declared	**50,505**	42,097	36,672
Internally Generated Funds	**11,307**	20,158	18,763
External Financing			
Securities sold			
Common stock	**58,982**	34,102	27,675
Preferred and preference stock	**—**	—	20,000
Debentures	**—**	30,000	20,000
Expenses of issues	**(365)**	(2,527)	(1,341)
	58,617	61,575	66,334
Retirement of debentures	**(5,667)**	(4,000)	(12,000)
Nuclear fuel financing obligation	**5,332**	31,049	—
Increase in other long-term debt	**26,700**	43,300	—
Increase (decrease) in notes payable	**31,000**	(39,902)	21,375
Funds Obtained from External Financing	**115,982**	92,022	75,709
Other Sources (Uses)			
(Increase) decrease in working capital, excluding notes payable and current portion of long-term debt	**20,401**	11,927	(6,189)
Deferral of fossil fuel costs	**(1,334)**	3,171	273
Other changes in noncurrent balance sheet items	**(1,351)**	297	(1,129)
Other Sources (Uses)	**17,716**	15,395	(7,045)
Funds for Property Additions from Above Sources	**145,005**	127,575	87,427
Allowance for funds used during construction	**52,407**	40,349	28,113
GROSS PROPERTY ADDITIONS	**$197,412**	$167,924	$115,540

Statement of Retained Earnings

For the Years Ended December 31, 1983, 1982 and 1981 *(Thousands of Dollars)*

	1983	1982	1981
Balance, January 1	**$123,443**	$ 99,785	$ 86,919
Net Income	**80,503**	65,755	49,538
	203,946	165,540	136,457
Deduct Cash Dividends Declared			
Preferred and preference stock	**14,084**	14,084	12,476
Common stock	**36,421**	28,013	24,196
	50,505	42,097	36,672
Balance, December 31	**$153,441**	$123,443	$ 99,785

Balance Sheet

December 31, 1983, 1982 and 1981 *(Thousands of Dollars)*

The United Illuminating Company

ASSETS	1983	1982	1981
Utility Plant at Original Cost			
In service	**$ 571,852**	$564,070	$556,448
Less accumulated provision for depreciation	**213,987**	201,954	196,220
	357,865	362,116	360,228
Construction work in progress	**666,244**	485,691	366,286
Net Utility Plant	**1,024,109**	847,807	726,514
Other Property and Investments	**44,951**	38,031	7,023
Current Assets			
Cash	**3,526**	1,252	2,567
Accounts receivable			
Customers, less allowance for doubtful accounts of $1,680, $1,550 and $1,350	**47,892**	41,404	43,364
Other	**12,356**	5,292	8,412
Accrued utility revenues	**21,398**	21,659	20,841
Fuel, materials and supplies, at average cost	**7,815**	7,518	7,761
Prepayments	**695**	222	440
Total	**93,682**	77,347	83,385
Deferred Debits			
Unamortized cancelled Pilgrim nuclear project	**12,457**	14,907	14,643
Deferred fossil fuel costs	**—**	—	2,949
Other	**4,210**	4,760	1,994
Total	**16,667**	19,667	19,586
	$1,179,409	$982,852	$836,508

The accompanying Statement of Accounting Policies and Notes to Financial Statements are integral parts of the financial statements.

CAPITALIZATION AND LIABILITIES	1983	1982	1981
Capitalization			
Common stock	**$ 260,468**	$201,486	$167,384
Capital stock expense	**(5,578)**	(5,209)	(4,971)
Retained earnings	**153,441**	123,443	99,785
Common stock equity	**408,331**	319,720	262,198
Preferred and preference stock			
Not subject to mandatory redemption	**70,000**	70,000	70,000
Subject to mandatory redemption	**65,000**	65,000	65,000
Long-term debt	**383,448**	367,348	299,648
Total	**926,779**	822,068	696,846
Current Liabilities			
Current portion of long-term debt	**10,667**	5,667	4,000
Notes payable	**31,000**	—	39,902
Accounts payable	**67,937**	34,342	32,795
Dividends payable	**13,507**	11,325	9,838
Taxes accrued	**20,369**	20,052	18,589
Interest accrued	**4,217**	4,085	3,510
Other accrued liabilities	**10,813**	10,303	9,486
Total	**158,510**	85,774	118,120
Nuclear Fuel Financing Obligation	**36,381**	31,049	—
Deferred Credits			
Customers' advances for construction	**1,818**	1,763	875
Accumulated deferred investment tax credits	**42,275**	29,184	11,408
Deferred income taxes	**9,930**	6,628	9,259
Deferred fossil fuel costs	**3,716**	6,386	—
Total	**57,739**	43,961	21,542
Commitments and Contingencies	**—**	—	—
	$1,179,409	$982,852	$836,508

Statement of Accounting Policies

Accounting Records

The accounting records are maintained in accordance with the uniform systems of accounts prescribed by the Federal Energy Regulatory Commission (FERC) and the Connecticut Department of Public Utility Control (DPUC).

Utility Plant

The cost of additions to utility plant and the cost of renewals and betterments are capitalized. Cost consists of labor, materials, services and certain indirect construction costs, including an allowance for funds used during construction. The cost of current repairs and minor replacements is charged to appropriate operating expense accounts. The original cost of utility plant retired or otherwise disposed of and the cost of removal less salvage are charged to the accumulated provision for depreciation.

Allowance for Funds Used During Construction

In accordance with the applicable regulatory systems of accounts, the Company capitalizes an allowance for funds used during construction (AFUDC), which represents the approximate cost of debt and equity capital devoted to plant under construction. In accordance with FERC prescribed accounting, the portion of the allowance applicable to borrowed funds is presented in the statement of income as a reduction of interest charges, while the portion of the allowance applicable to equity funds is presented as other income. Although the allowance does not represent current cash income, it is recoverable under the rate-making process over the service lives of the related properties. The Company compounds semi-annually the allowance applicable to major construction projects. Pursuant to the DPUC's August 1983 rate decision, AFUDC has not been recorded on $120 million of construction work in progress allowed in rate base.

The Company accounts for the portion of the allowance applicable to borrowed funds on a net-of-tax basis, in accordance with a December 1980 rate decision by the DPUC. During 1981, 1982 and 1983, the average rates used for computing the allowance were 9%, 10% and 10.25%, respectively.

Depreciation

Provisions for depreciation on utility plant for book purposes are computed on a straight-line basis, using estimated service lives determined by independent engineers. One-half year's depreciation is taken in the year of addition and disposition of utility plant, except in the case of major operating units on which depreciation commences in the month they are placed in service and ceases in the month they are removed from service. The aggregate annual provisions for depreciation for the years 1981, 1982 and 1983 were equivalent to approximately 2.95%, 2.84% and 2.87%, respectively, of the original cost of depreciable property.

Income Taxes

The Company has adopted the policy of full normalization accounting for income tax benefits with respect to book-tax timing differences applicable to post-1980 property additions and all investment tax credits used to reduce current federal income taxes. The major portion of the credits generated results from the Company's election to take investment tax credits applicable to long-term projects on a progress-of-construction basis. These accounting policies were approved by the DPUC in a December 1980 rate decision and in a supplemental decision issued in December 1981, the purpose of which was to bring the Company into full conformity with the income tax normalization accounting provisions of the Economic Recovery Tax Act of 1981.

Accrued Utility Revenues

The estimated amount of utility revenues (less related expenses and applicable taxes) for service rendered but not billed is accrued at the end of each accounting period.

Investments

The Company's investment in Connecticut Yankee Atomic Power Company, a nuclear generating company in which the Company has a 9½% stock interest, is accounted for on an equity basis.

Fossil Fuel Costs

The amount of fossil fuel costs that, pursuant to the fuel adjustment clause in the Company's rates, cannot be reflected currently in customers' bills is deferred at the end of each accounting period. Since adoption of the deferred accounting procedure in 1974, rate decisions by the DPUC and its predecessors have consistently made specific provision for amortization and rate-making treatment of existing deferred fossil fuel balances.

Pension Plan

Annual pension cost, including amortization of prior service cost over 30 years, is accrued each year and funded in the following year.

Research and Development Costs

Research and development costs, including environmental studies, are capitalized if related to specific construction projects and depreciated over the lives of the related assets. Other research and development costs are charged to expense as incurred.

Notes to Financial Statements

(Dollar amounts, except per share amounts, are in thousands unless otherwise indicated)

(A) Capitalization at December 31, 1983

Common Stock Equity (a)		
Common stock, no par value		$260,468
Shares authorized	17,500,000	
Shares outstanding at December 31:		
1981	9,154,578	
1982	10,693,605	
1983	12,972,344	
Capital stock expense		(5,578)
Retained earnings (b)		153,441
Total common stock equity		408,331
Preferred and Preference Stock (c)		
Authorized:		
Cumulative preferred stock:		
$100 par value, 1,350,000 shares		
$25 par value, 2,400,000 shares		
Cumulative preference stock:		
$25 par value, 5,000,000 shares		
Outstanding at December 31, 1983:		
Not subject to mandatory redemption:		
Cumulative preferred stock, $100 par value:		
4.35%, Series A, 50,000 shares		5,000
4.72%, Series B, 75,000 shares		7,500
4.64%, Series C, 75,000 shares		7,500
5⅝%, Series D, 75,000 shares		7,500
7.60%, Series E, 125,000 shares		12,500
7.60%, Series F, 150,000 shares		15,000
Cumulative preferred stock, $25 par value,		
8.80%, 1976 Series, 600,000 shares		15,000
Total preferred stock not subject to mandatory redemption		70,000
Subject to mandatory redemption:		
Cumulative preferred stock, $100 par value,		
9⅛%, Series G, 150,000 shares		15,000
Cumulative preferred stock, $25 par value,		
16%, 1981 Series, 800,000 shares		20,000
Cumulative preference stock, $25 par value,		
15.88%, 1980 Series, 1,200,000 shares		30,000
Total preferred and preference stock subject to mandatory redemption		65,000

Long-term Debt (d)	
Long-term debentures:	
3%, 1984 Series, due October 1, 1984	$ 9,000
4⅞%, 1987 Series, due November 1, 1987	10,000
15¼%, 1988 Series, due December 6, 1988	20,000
13¼%, 1990 Series, due July 1, 1990	40,000
4.65%, 1990 Series, due August 15, 1990	15,000
4⅞%, 1991 Series, due July 15, 1991	10,000
5¾%, 1996 Series, due August 15, 1996	15,000
6%, 1997 Series, due June 15, 1997	22,500
7%, 1999 Series, due January 15, 1999	15,000
10¼%, 2000 Series, due June 15, 2000	30,000
7¾%, 2002 Series, due October 1, 2002	25,000
8¼%, 2003 Series, due December 15, 2003	30,000
Serial debentures:	
8½%, maturing serially as to $1,667 principal amount on November 15 in each of the years 1984 to 1997, inclusive	23,333
11%, maturing serially as to $2,000 principal amount on November 15 in each of the years 1985 to 1999, inclusive	30,000
16⅜%, maturing serially as to $5,000 principal amount on November 21 in each of the years 1987 and 1988, and as to $20,000 principal amount on November 21, 1989	30,000
	324,833
Long-term bank loans	70,000
	394,833
Unamortized debt discount less premium at December 31, 1983	(718)
Total long-term debt	394,115
Less current portion included in Current Liabilities	(10,667)
Total long-term debt included in Capitalization	383,448
Total Capitalization	$926,779

(a) Common Stock

Common stock, no par value, authorized at December 31, 1983, included 750,000 shares and 400,000 shares, respectively, reserved for the Company's Automatic Dividend Reinvestment and Common Stock Purchase Plan (DRP) and Tax Reduction Act Employee Stock Ownership Plan (TRAESOP).

Shares issued (000) during 1983, 1982 and 1981 and increases to the common stock account from the proceeds of these issues were as follows:

	1983		1982		1981	
	Amount	Shares	Amount	Shares	Amount	Shares
Balance, January 1	$201,486	10,694	$167,384	9,155	$139,709	7,660
Additions resulting from:						
Public offerings	50,375	1,950	28,964	1,300	25,914	1,400
DRP	6,174	236	3,600	173	1,761	95
TRAESOP	2,433	92	1,538	66	—	—
Balance, December 31	$260,468	12,972	$201,486	10,694	$167,384	9,155

Expenses related to these issues were charged to capital stock expense.

(b) Retained Earnings Restriction

The indenture under which all of the Company's debentures are issued places limitations on the payment of cash dividends on the common stock of the Company and on the amounts that can be expended to purchase or redeem shares of common stock. Under the most restrictive provision of the indenture, retained earnings in the amount of $104 million were free from such limitations at December 31, 1983.

(c) Preferred and Preference Stock

The aggregate redemption requirements for preferred and preference stock during each of the five years 1984-1988 are: 1984 — None; 1985 — $3,000; 1986 — $5,000; 1987 — $6,000 and 1988 — $6,000. The par value of each of these issues was credited to the appropriate stock account and expenses related to these issues were charged to capital stock expense.

Preference stock is a form of stock that is junior to preferred stock but senior to common stock. It is not subject to the earnings coverage requirements or minimum capital and surplus requirements governing the issuance of preferred stock.

Shares of preferred and preference stock have preferential dividend and liquidation rights over shares of common stock. Preferred and preference shareholders are not entitled to general voting rights. However, if any preference dividends are in arrears for six or more quarters, or if some other event of default occurs, preference shareholders are entitled to elect two members of the Board of Directors, until all dividend arrears are paid and any event of default is terminated. If similarly affected, preferred shareholders are entitled to elect a majority of the Board of Directors.

(d) Long-Term Debt

On February 1, 1983, the Company increased its borrowings under its seven-year agreement with a group of international banks from the original $30 million, borrowed in December 1982, to the full amount of $50 million, all at an annual rate of 13.035%. For the first three years this agreement provides for the loans to be on a revolving credit basis.

In August 1983, the Company entered into a term loan agreement with a commercial bank which enabled the Company to borrow prior to February 29, 1984, on a fixed-rate, non-revolving basis, up to an aggregate amount of $40 million. On September 30, 1983, the Company borrowed $20 million under this agreement at an annual rate of 12.9%, payable monthly, and on January 20, 1984, borrowed the remaining $20 million at an annual rate of 13.1%, payable monthly. Aggregate maturities of these loans are $15 million in 1992, $15 million in 1993 and $10 million in 1994.

The Company has registered $40 million of Debentures under the Securities Act of 1933 for public offering from time to time depending upon market conditions. When offered, the proceeds will be used for general corporate purposes.

The aggregate maturities of long-term debt during each of the five years 1984-1988 are: 1984 — $10,667; 1985 — $3,667; 1986 — $3,667; 1987 — $18,667 and 1988 — $28,667.

(B) Rate Proceedings

Rate increases, exclusive of amounts billed through fossil fuel cost adjustment rates, approved by the DPUC were as follows:

Application Dates	Effective Dates	Annual Increase Approved (Millions)	Percentage of Original Request Approved
May 21, 1981	September 1, 1981	$41.1	76%*
	December 10, 1981	.6	
March 22, 1983	August 29, 1983	34.7	77

*85% of adjusted request (see below)

The May 21, 1981 application addressed inflation in operating expenses and financing costs that had occurred since the previous rate application, and the level of costs expected to prevail over the time new rates were anticipated to be in effect. The DPUC decision on this application approved substantially all of the Company's inflation proposals and provided for a 16.5% return on common stock equity. This decision reflected a decline in fuel oil prices subsequent to filing the application that reduced the originally requested increase by $5.7 million. On this basis, 85% of the requested increase was approved. The approved increase also included provision for an annual amortization of the deferred fossil fuel balance in an amount equivalent to the actual June 30, 1981 debit balance of $10.5 million.

On October 9, 1981, the Company asked the DPUC to reopen its decision effective September 1, 1981 for the sole purpose of amending it to include approval of an income tax accounting change and a related revenue increase of approximately $.6 million. This change was necessary in order to bring the Company into full compliance with the provisions of the Economic Recovery Tax Act of 1981 (ERTA), signed into law on August 13, 1981. ERTA requires rates of regulated public utilities to be based on a normalization method of accounting as a condition of receiving accelerated depreciation and investment tax credit benefits for facilities constructed after 1980. The full request was approved by the DPUC.

On March 22, 1983, the Company filed a general rate application, with the DPUC, requesting an increase of approximately $45 million in annual revenues, or 9.9% over annualized current revenues, exclusive of fuel adjustment clause amounts. The major reason for the application was the need to maintain earnings and cash flow sufficient to attract the outside investment capital required to complete the Company's future energy supply programs. The DPUC decision provided for a 16.4% return on common stock equity, the recovery, over a two-year period, of all of the Company's investment in the cancelled Pilgrim Unit No. 2 nuclear project, the amortization of approximately $6 million of deferred fossil fuel credits over an eighteen-month period and the inclusion in rate base of approximately $120 million of the Company's ownership share of the construction costs associated with Seabrook Unit No. 1, a nuclear generating unit currently under construction. In addition, the DPUC included in its decision an order requiring the Company to make every effort to gain the support of the other joint owners of Seabrook Unit No. 2 for the cancellation of the Unit, and requiring that the Company submit a report, by November 15, 1983, outlining the steps taken to withdraw from participation in Unit No. 2 and its specific plans to complete its withdrawal from that Unit. The DPUC stated that it would consider favorably the recovery by the Company of prudent expenditures currently associated with Unit No. 2. However, the DPUC indicated that if an adequate effort to comply with the DPUC's order were not made, the DPUC would consider seriously partial disallowance of future costs incurred in connection with construction of Unit No. 2. See Note (J), "Commitments and Contingencies."

(C) Income Taxes

Income tax expense consists of:

	1983	1982	1981
Operating expenses:			
Current:			
Currently payable	$ 8,545	$ 7,739	$ 5,323
Income tax attributable to the allowance for borrowed funds	13,071	9,220	7,499
Total current	21,616	16,959	12,822
Deferred:			
Investment tax credits (net of amortization)	13,091	17,776	7,253
Construction overheads	1,654	1,375	1,380
Deferred fossil fuel costs	1,383	(4,780)	(4,337)
Accelerated depreciation	1,239	734	273
Cancelled Pilgrim nuclear project	(917)	97	5,552
Accrued utility revenues	(235)	(235)	(234)
Accelerated amortization	(57)	(57)	(57)
Other — net	(28)	(59)	(198)
Total deferred	16,130	14,851	9,632
Total operating income tax expense	37,746	31,810	22,454
Other income and deductions — current	(12)	1,813	591
Total income tax expense	$37,734	$33,623	$23,045
Accumulated deferred income taxes at December 31:			
Cancelled Pilgrim nuclear project	$ 4,732	$ 5,649	$ 5,552
Construction overheads	4,409	2,755	1,380
Accelerated depreciation	2,246	1,007	273
Deferred fossil fuel costs	(1,899)	(3,282)	1,498
Accelerated amortization	442	499	556
	$ 9,930	$ 6,628	$ 9,259

The amounts reported for federal income tax expense for the years 1983, 1982 and 1981 were less than the amounts computed by applying the federal income tax statutory rates to book income before federal income taxes. The reasons for such differences are as follows:

	1983	1982	1981
Net income	$80,503	$65,755	$49,538
Total income tax expense	37,734	33,623	23,045
Less state income tax expense	8,447	6,640	4,607
Federal income tax expense	29,287	26,983	18,438
Book income before federal income taxes	109,790	92,738	67,976
Federal income tax statutory rate	46%	46%	46%
Federal income taxes at statutory rate	50,503	42,659	31,269
Less tax effects of:			
Allowance for equity funds used during construction capitalized for book purposes, not taxable income	18,604	14,550	9,670
Tax depreciation in excess of book depreciation applicable to pre-1981 property additions	1,928	2,479	2,562
Taxable income resulting from the sale and leaseback of the Seabrook nuclear fuel	—	(2,051)	—
Equity in earnings of subsidiary companies for book purposes, not taxable income	731	549	353
Amortization of allowance for funds used during construction applicable to cancelled Pilgrim nuclear project	(302)	—	—
Investment tax credits	184	149	109
Other items — net	71	—	137
Federal income tax expense	$29,287	$26,983	$18,438
Effective federal income tax rates	26.7%	29.1%	27.1%

The 1975 Tax Reduction Act and succeeding amendments provide that up to 80% for 1981, 90% for 1982 and 85% for 1983 of federal income taxes currently payable may be offset by investment tax credits. The total credits utilized in 1981, 1982 and 1983 amounted to $7,362, $17,924 and $13,275, respectively.

The investment tax credits carried forward at December 31, 1983 amounted to approximately $13,500, of which $700 expires in 1997 and $12,800 in 1998.

All investment tax credits utilized for tax purposes in the future will be deferred and amortized to income ratably over the in-service lives of the related properties.

(D) Compensating Balances and Short-Term Borrowings

Substantially all cash serves the dual purpose of providing funds for operating requirements and for compensating balances to cover bank lines of credit. The Company's bank lines of credit, some of which are subject to renewal on April 30, 1984, amount to $70 million pursuant to individual arrangements with several banks. Compensating balances are required for $11 million of these lines of credit and fees in lieu of such compensating balances are paid for the remaining $59 million of the lines of credit.

Information with respect to short-term borrowings is as follows:

	1983	1982	1981
Maximum aggregate principal amount of short-term borrowings outstanding at any month-end	$44,500	$35,505	$45,500
Average aggregate short-term borrowings outstanding during the year*	17,805	18,195	14,661
Weighted average interest rate*	9.9%	13.2%	16.8%
Principal amounts outstanding at year-end:			
Bank borrowings	$31,000	$ —	$ —
Commercial paper borrowings	—	—	40,000
Total	$31,000	$ —	$40,000
Annualized interest rate on principal amounts outstanding at year-end	10.5%	—	13.5%

*Average short-term borrowings represent the sum of daily borrowings outstanding, weighted for the number of days outstanding and divided by the number of days in the period. The weighted average interest rate is determined by dividing interest expense by the amount of average borrowings.

(E) Supplementary Income Statement Information

The amount of maintenance, advertising costs, and the provisions for depreciation and amortization, other than set forth in the Statement of Income, are not significant, and there are no royalties.

Taxes, other than income taxes charged to costs and expenses, are set forth below:

	1983	1982	1981
State gross earnings	$22,489	$21,836	$22,553
Local real estate and personal property	16,022	15,210	13,954
Other, principally payroll	3,138	2,986	2,506
	$41,649	$40,032	$39,013
Charged to:			
Tax expense	$39,595	$38,226	$37,514
Other accounts	2,054	1,806	1,499
	$41,649	$40,032	$39,013

(F) Pension Plan

The Company has a pension plan covering substantially all its employees. The entire cost of the plan is borne by the Company and is paid into an irrevocable trust fund.

Pension costs for the years 1981, 1982 and 1983 were $4,217, $4,543 and $4,989, respectively.

Accumulated plan benefits and plan net assets at January 1 were:

	1983	1982
Actuarial present value of accumulated plan benefits:		
Vested benefits	$36,030	$29,403
Non-vested benefits	4,785	4,928
	$40,815	$34,331
Net assets available for benefits	$64,518	$50,341

The assumed weighted average rate of return used in determining the actuarial present value of accumulated plan benefits was 9% in 1983 and 9½% in 1982. The reduction in the assumed rate of return contributed to the increase in the present value of accumulated plan benefits.

(G) Jointly Owned Plant

The Company's 93.7% ownership share of the New Haven Harbor Station generating unit represented $131.8 million of utility plant in service and $27.8 million of accumulated provision for depreciation at December 31, 1983. The Company's share of the operating costs is included in the appropriate expense captions in the statement of income.

The Company also has ownership shares in three nuclear generating units under construction. See Note (J), "Commitments and Contingencies."

(H) Cancellation of Planned Pilgrim Nuclear Project

On September 24, 1981, Boston Edison Company announced its intention to cancel plans for the construction of its Pilgrim Unit No. 2, a proposed nuclear generating unit in which the Company had a 3.3% ownership interest. Cancellation of this project, effective October 22, 1981, was caused by escalating costs and continuing regulatory uncertainties. In March 1983, in its rate application to the Connecticut Department of Public Utility Control (DPUC), the Company requested recovery and amortization of $14.7 million in construction costs associated with this unit, less the related deferred taxes of $5.6 million. Pursuant to that request, in its August 22, 1983 rate decision, the DPUC allowed recovery and amortization of these amounts over a two-year period.

(I) Fuel Financing Obligation

On June 11, 1982, the Company entered into a sale and leaseback agreement which provides for financing the costs of its ownership share in the nuclear fuel of Seabrook Unit Nos. 1 and 2, currently under construction. Under this arrangement, the Company sold its interest in existing fuel for its book value of $27.9 million (including allowance for funds used during construction). This agreement provided for future purchases of nuclear fuel by the lessor up to an aggregate of $40 million, including the original purchase. In March 1983, the ceiling of this financing arrangement was extended to $60 million. When Seabrook Unit Nos. 1 and 2 begin producing electricity, the Company will commence paying rent based on the direct costs to the lessor of the fuel, plus the lessor's financing costs. A balance of $36.4 million as of December 31, 1983, including $6.0 million of accrued financing costs, is included as a capitalized lease in Other Property and Investments. In May 1983, the Company completed arrangements, with the same institutional lender, for the financing of its fossil fuel purchases by means of a fuel reserve and supply agreement covering up to $100 million, less the amount of the outstanding obligation under the nuclear fuel agreement.

(J) Commitments and Contingencies

The Company has entered into substantial commitments in connection with its continuing construction program, which is presently estimated at approximately $599 million, for 1984 through 1988. The major items in the construction program are $419 million, excluding nuclear fuel, for the Company's 17.5% ownership share in Seabrook Unit Nos. 1 and 2 presently scheduled for commercial operation in July 1985 and February 1988, respectively, and $58 million, including nuclear fuel, for the Company's 3.685% ownership share in Millstone Unit No. 3 presently scheduled for commercial operation in May 1986. These estimates, which include allowance for funds used during construction and assume a continuation of construction work on Seabrook Unit No. 2, do not include the possible effects that the minimization of construction on Seabrook Unit No. 2 will have on the 1985-1988 construction program and the completion dates of the units. The Company's estimates are based on cost estimates and completion schedules prepared by the lead participants constructing the units. However, the estimated costs and completion dates for Seabrook Unit Nos. 1 and 2 are currently under review, with revised estimates scheduled for release by Public Service Company of New Hampshire (PSNH) by March 1, 1984. Although the Company is unable to predict the result of this review, it anticipates a substantial increase in the estimated cost of the project and delays in the in-service dates, particularly for Seabrook Unit No. 2.

The current construction program costs reflect a late-1982 upward revision in the cost estimates for Millstone Unit No. 3. This revision assumes a continuation of a construction schedule to meet a 1986 in-service date. The 1984 construction program costs do not include $40 million associated with the reconversion of a generating unit at the Company's Bridgeport Harbor Station from oil to dual-fired oil and coal-burning operation because the Company is arranging for the financing of this project on a lease basis.

Pursuant to the DPUC's order to disengage from participation in Seabrook Unit No. 2 (see Note (B), "Rate Proceedings"), on September 8, 1983, at a special meeting of the owners of the Seabrook project, the Company and The Connecticut Light and Power Company (CL&P) sponsored a resolution to cancel Unit No. 2. Upon rejection of this resolution by participants owning 53% of Unit No. 2, the Company and CL&P then sponsored a resolution that would reduce construction on that unit to the lowest feasible level until Unit No. 1 has progressed to fuel loading, unless Unit No. 2 is cancelled prior to that event. The latter resolution was unanimously adopted.

On November 10, 1983, the Company filed with the DPUC the report required by its August, 1983 rate relief order to be submitted by November 15, 1983 concerning the steps taken by the Company to date, and its plans for future steps, to accomplish withdrawal from participation in Seabrook Unit No. 2. The report concludes that there is no prospective purchaser of the Company's 17.5% ownership interest in this unit, and that a change in the regulatory and political climate in New Hampshire and elsewhere in New England, which favors the current program of minimum construction on that unit until Unit No. 1 has progressed to fuel loading, will be necessary if the Company's efforts to obtain cancellation of Unit No. 2 are to succeed. In December 1983, the DPUC commenced hearings with respect to the Company's report. The Company believes that it has taken all of the steps reasonably available to it to date to implement the DPUC's order and that the DPUC will find that the Company's efforts have been sufficient in this respect; however, there is no assurance that the DPUC will be satisfied with the Company's efforts.

Since completion of construction of each of the three nuclear generating units in which the Company is participating is contingent, among other things, upon obtaining necessary regulatory approvals, permits and sufficient financing, it is possible that future developments could lead to cancellation of one or more of the units. If any of these units were cancelled, the Company estimates its share of the total cancellation costs would be substantial; the precise amount would depend upon a number of factors, including the amount of termination charges and salvage and the results of negotiations in connection with contract terminations. As in the case of the Pilgrim Unit No. 2 cancellation (see Note (B), "Rate Proceedings"), the Company would apply to the DPUC for permission to amortize its share of total costs over an appropriate future period and to recover such costs through its rates. The Company cannot predict whether and to what extent such recovery would be permitted. However, in the case of Seabrook Unit No. 2, the cancellation of which the Company is actively pursuing in compliance with the DPUC's order of August 22, 1983, the DPUC has indicated that it will consider favorably recovery of prudent expenditures currently associated with that unit. However, the DPUC indicated that if an adequate effort to comply with the DPUC's order were not made, the DPUC would consider seriously partial disallowance of future costs incurred in connection with construction of Seabrook Unit No. 2. The Company's investment in the three nuclear generating units was approximately $650 million at December 31, 1983, including $440 million invested in Seabrook Unit No. 1, $124 million invested in Seabrook Unit No. 2 and $86 million invested in Millstone Unit No. 3.

The generating units at the Company's Bridgeport Harbor Station are capable of burning either oil or coal. However, the largest unit has burned oil exclusively since it was placed in service in 1968. The Company has undertaken the modifications required by present-day strict environmental control regulations in order to restore this unit to a dual-firing capability, having determined that reconversion is environmentally, technically and financially feasible and offers potential fuel cost savings to the Company's customers of several million dollars annually, based on the current price differential between coal and oil. In 1982, the Company filed petitions with the state and federal agencies having jurisdiction over its operations, financial structure and rates, requesting approval with respect to the construction, environmental and siting matters, rate treatment, and a financing concept that would not require issuance of the Company's debt or equity securities in order to finance the estimated $45 million of required construction costs. The last of the several necessary approvals was received in August 1983. Accordingly, engineering, design and procurement activities on the project, which had been suspended since March 1983 pending receipt of final approval, have been reinstituted. It is estimated that the project will be completed in early 1985.

Connecticut Yankee Atomic Power Company (Connecticut Yankee), in which the Company has a 9.5% common stock ownership share, owns and operates a nuclear electric generating station in Haddam Neck, Connecticut. Connecticut Yankee has been engaged in an extensive construction program which is essential to maintaining its station as a dependable source of low-cost electric power in New England. As a condition of the debt financing arrangements for this construction program, the lenders have required guarantees from the shareowners of Connecticut Yankee. Accordingly, in December 1981, the Company guaranteed payment of its stock ownership percentage of a $50 million long-term debt issue of Connecticut Yankee and has agreed to furnish or guarantee payment of an equivalent percentage of a maximum of $25 million of short-term borrowings by Connecticut Yankee.

(K) Quarterly Financial Data (Unaudited)

Selected quarterly financial data for 1983 and 1982 are set forth below:

Quarter	Operating Revenues	Operating Income	Net Income	Earnings Per Share of Common Stock(1)
1983				
First	$108,601	$12,706	$19,035	$1.44
Second	98,506	9,731	16,843	1.14
Third	119,627	16,572	23,137	1.66
Fourth	122,852	16,451	21,488	1.43
1982				
First	$117,132	$14,800	$18,209	$1.60
Second	101,638	9,714	12,217	94
Third	109,543	14,385	17,570	1.51
Fourth	108,417	12,951	17,759	1.34

(1) Based on weighted average number of shares outstanding during each quarter.

Report Of Independent Certified Public Accountants

To the Shareowners and Directors of The United Illuminating Company:

We have examined the balance sheets of The United Illuminating Company as of December 31, 1983, 1982 and 1981, and the related statements of income, retained earnings and sources of funds for gross property additions for the years then ended. 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 our opinion, the financial statements referred to above present fairly the financial position of The United Illuminating Company as of December 31, 1983, 1982 and 1981, and the results of its operations and sources of funds for gross property additions for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand
New York, New York
January 23, 1984

Common Stock Data

UI's Common Stock is traded on the New York Stock Exchange, where the high and low sale prices during 1983 and 1982 were as follows:

	1983 Sale Price		1982 Sale Price	
	High	Low	High	Low
First Quarter	29	25⅛	22	18⅝
Second Quarter	28⅞	25½	23¼	20½
Third Quarter	27⅛	25⅛	23⅞	20⅝
Fourth Quarter	28½	19⅛	26⅝	22

UI has paid quarterly dividends on its Common Stock since 1900. Quarterly dividends were declared in 1982 and 1983 at the rates of 73¢ and 77¢ per share, respectively.

As of January 31, 1984, there were 41,229 Common Stock shareowners of record.

Supplementary Information/Inflation
(Unaudited)

The United Illuminating Company

Introduction
The following information is furnished as a supplement to the historical cost basis financial statements in order to convey the effects of certain price changes on selected balance sheet and income statement items. This information has been compiled in accordance with a requirement of the Financial Accounting Standards Board (FASB) that companies disclose certain effects of inflation on their operations. The data should be viewed as an estimate, rather than as a precise measure, of the approximate effect of price changes on money invested in plant over many years and on money borrowed to provide a substantial portion of the funds invested in plant.

Constant dollar amounts represent historical amounts stated in terms of dollars of equal purchasing power, as measured by the 1983 average of the Consumer Price Index for All Urban Consumers. Current cost amounts reflect the changes in specific prices of plant from the date the plant was acquired to the present, as measured by the Handy-Whitman Index of Public Utility Construction Costs. Current cost amounts of plant differ from constant dollar amounts to the extent that specific prices have increased more or less rapidly than prices in general.

Plant investment as referred to in the accompanying data includes utility plant in service, net of accumulated provision for depreciation, and construction work in progress. The constant dollar and current cost provisions for depreciation were determined by applying the Company's historical cost-basis depreciation rates to the indexed plant amounts.

Fuel, materials and supplies inventories and related expense categories have not been restated from historical amounts because, due to rapid turnover, especially of fuel inventory, these items are already stated at or near current cost.

The depreciation adjustments to 1983 reported net income and the similar adjustments used in calculating general and specific price level adjusted income applicable to common stock for 1979 through 1982, represent the additional cost of providing sufficient funds to replace, at the assumed price levels, the service potential of plant used up during those years.

As prescribed by the FASB, income tax expense is unadjusted for the effects of inflation.

Discussion
Of the two methods used to measure inflation, the more relevant to UI is the current cost method because it is based on the Handy-Whitman Index, which depicts the trend in public utility construction costs. The constant dollar data, because it is developed using the broad based Consumer Price Index, is not necessarily representative of the effects of inflation on the Company. A primary value of constant dollar data is that it provides a common basis for comparison of companies in various industries subject to the reporting requirements.

The purchasing power gain on net monetary liabilities shown in the accompanying data theoretically represents the extent to which equity investors were hedged against the risk of inflation in plant investment and other costs, primarily because a substantial portion of plant costs was financed by long-term debt. The Company cautions that such gains are unrealized and, therefore, do not contribute to cash flow or distributable income. Because depreciation on plant is limited to the recovery of historical costs, the Company does not have an opportunity to realize either the increase in specific prices of plant investment held (sometimes called holding gains) or the related gains on debt used to finance investment in plant assets.

The reduction of inflation-adjusted plant investment to net recoverable, or historical cost has been included in the 1983 data in view of the FASB's opinion that it may not be appropriate for companies limited to recovery of the historical cost of their plant investment through the regulatory process to state their assets above the recoverable amounts. This reduction should not be allowed to obscure the fact that inflation in prices affects virtually all the Company's operations. While it is true that future cash flows relative to the Company plant investment will be based upon recovery of historical cost plus a specified rate of return, it is equally true that the Company has the same problem as non-regulated businesses in maintaining its operating capability and avoiding erosion of capital. Furthermore, the Company and other utilities must compete in the same capital markets as non-regulated businesses and returns must be sufficient to raise the capital required. The reduction should be viewed in recognition of these facts.

Selected Supplementary Financial Data Adjusted for the Effects of Inflation

(Average 1983 dollars in thousands except per share amounts)

For the Year 1983:

	Constant Dollar	Current Cost
Net income, as reported in the statement of income	$80,503	$80,503
Adjustment to depreciation expense based on plant investment recalculated to recognize the effects of inflation in the general price level and in specific prices	23,541	28,216
Net income, as adjusted	56,962	52,287
Dividends on preferred and preference stock	14,084	14,084
Income applicable to common stock, as adjusted	$42,878	$38,203
Purchasing power gain on net monetary liabilities:		
Long-term debt	$15,055	$15,055
Other, principally net current liabilities	2,115	2,115
Total	$17,170	$17,170
Effect of inflation on plant investment held during the year as measured by changes in:		
Specific prices		$65,760
General price level		58,428
Inflation in specific prices of plant investment over general price level inflation		$ 7,332
Reduction of inflation-adjusted plant investment to net recoverable (historical) cost	$ 3,835	$15,992

At December 31, 1983, the current cost of plant investment was $1,588,112 as compared to historical cost of $1,024,109.

Five Year Summary

	1983	1982	1981	1980	1979
Operating revenues	$449,586	$450,930	$494,237	$440,400	$386,854
Historical cost information adjusted for inflation in the general price level (constant dollar information):					
Income applicable to common stock	$ 42,878	$ 30,104	$ 16,636	$ 6,934	$ 13,235
Earnings per share of common stock	$3.66	$3.14	$1.90	$.97	$2.17
Common stock equity at year-end (a)	$934,572	$849,054	$808,915	$759,314	$686,403
Historical cost information adjusted for inflation in specific prices (current cost information):					
Income applicable to common stock	$ 38,203	$ 25,757	$ 11,559	$ 489	$ 5,644
Earnings per share of common stock	$3.26	$2.68	$1.31	$.07	$.93
Inflation in specific prices of plant investment over (under) general price level inflation	$ 7,332	$ 482	$ (22,922)	$ (48,044)	$ (26,439)
Common stock equity at year-end (a)	$954,114	$865,782	$812,801	$776,637	$755,448
General information:					
Purchasing power gain on net monetary liabilities:					
Long-term debt	$ 15,055	$ 12,598	$ 28,098	$ 38,335	$ 41,784
Other, principally net current liabilities	2,115	1,107	2,104	8,375	10,186
Total	$ 17,170	$ 13,705	$ 30,202	$ 46,710	$ 51,970
Dividends declared per share of common stock	$3.08	$3.01	$3.03	$3.24	$3.59
Market price per common share at year-end	$20.24	$26.03	$20.01	$20.93	$27.41
Average Consumer Price Index (1967 = 100)	298.5	289.1	272.4	246.8	217.5

(a) Year-end data, stated in average 1983 dollars:

	1983	1982	1981	1980	1979
Common stock equity at net recoverable (historical) cost	$ 400,679	$ 326,389	$278,032	$257,347	$241,819
Net assets:					
Constant dollar	$1,067,043	$ 986,870	$952,068	$892,109	$796,716
Current cost	$1,086,585	$1,003,598	$955,954	$909,432	$865,762
Net recoverable (historical) cost	$ 533,150	$ 464,206	$421,185	$390,142	$352,135

Directors

Angus N. Gordon Jr.
Former Chairman of the Board, United Illuminating

John D. Fassett
Chairman of the Board and Chief Executive Officer, United Illuminating

D. Allan Bromley
Henry Ford II Professor and Director, A.W. Wright Nuclear Structure Laboratory, Yale University

Norwick R. Goodspeed
Chairman of the Board and Chief Executive Officer, People's Savings Bank — Bridgeport

Robert D. Russo, M.D.
Chairman, Department of Radiology, St. Vincent's Medical Center

James F. Cobey Jr.
President, United Illuminating

Leland W. Miles
President, University of Bridgeport

Geraldine W. Johnson
Former Superintendent of Schools, City of Bridgeport

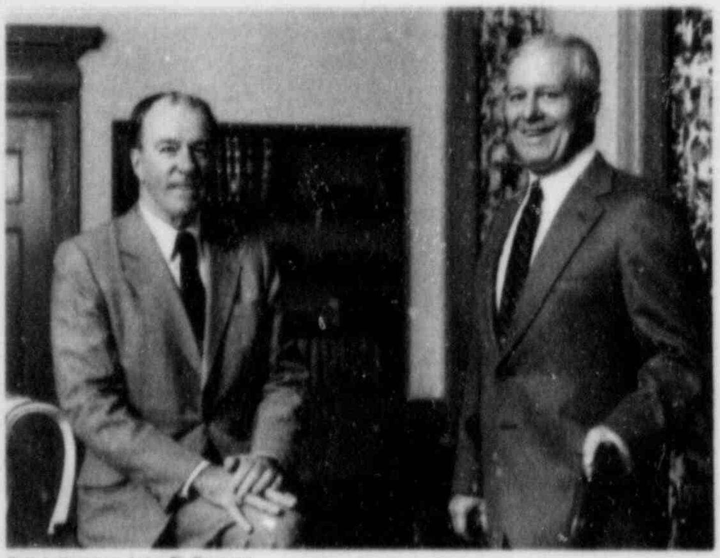
Virgil C. Dechant
Supreme Knight, Knights of Columbus

J. Robert Gunther
President, George Schmitt & Co., Inc.

Frank Kenna
President, Marlin Firearms Company

Left to right: James F. Cobey Jr., Leland W. Miles, D. Allan Bromley

Angus N. Gordon Jr., Norwick R. Goodspeed, J. Robert Gunther



Frank Kenna, John D. Fassett

Geraldine W. Johnson, Virgil C. De-hant, Dr. Robert D. Russo

Officers


Robert L. Fiscus


Richard J. Grossi


Leon A. Morgan


Charles W. Cook Jr.


James F. Crowe


Albert Harary


David W. Hoskinson


E. Jon Majkowski


Marcus R. McCraven


Harold J. Moore Jr.


Anne G. Spinney


Robert H. Hyde


James L. Benjamin


William A. Elder


Richard F. Skinner

John D. Fassett
Chairman of the Board and Chief Executive Officer

James F. Cobey Jr.
President

Robert L. Fiscus
Executive Vice President and Chief Financial Officer

Richard J. Grossi
Executive Vice President and Chief Operating Officer

Leon A. Morgan
Senior Vice President — Finance and Accounting

Charles W. Cook Jr.
Senior Vice President — Corporate Planning and Development

James F. Crowe
Vice President — Engineering

Albert Harary
Vice President — Management Services

David W. Hoskinson
Vice President — Operations

E. Jon Majkowski
Vice President — Public Affairs

Marcus R. McCraven
Vice President — Environmental Engineering

Harold J. Moore Jr.
Vice President — Human Resources

Anne G. Spinney
Vice President — Communications

Robert H. Hyde
Assistant Vice President — Customer Services

James L. Benjamin
Controller

William A. Elder
Treasurer

Richard F. Skinner
Secretary

General Counsel	Wiggin & Dana
Independent Certified Public Accountants	Coopers & Lybrand
Stock Transfer and Dividend Disbursing Agent, Registrar and Dividend Reinvestment Plan Agent	The Connecticut Bank & Trust Company, Hartford, Connecticut

Stock Listing

The New York Stock Exchange

Common Stock
8.80% Preferred Stock, 1976 Series

16% Preferred Stock, 1981 Series

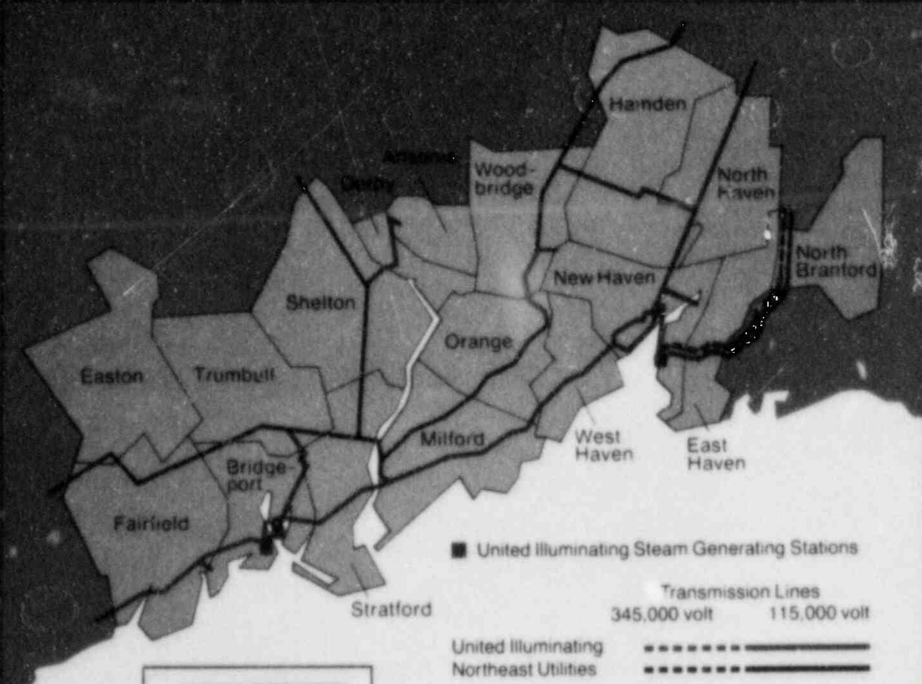
15.88% Preference Stock

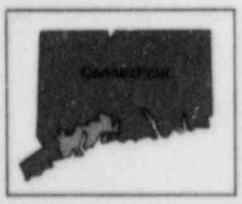
Dividend Reinvestment Plan

Common Stock shareowners interested in obtaining information regarding the benefits of participating in UI's dividend reinvestment plan may write either:

The Connecticut Bank
& Trust Company
P.O. Box 2699
Hartford, CT 06101

Mary Ellen Manthey
Investor Relations Manager
United Illuminating
P.O. Box 1564
New Haven, CT 06506



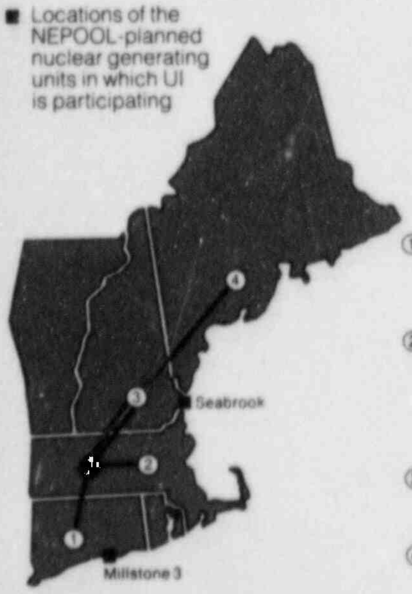


United Illuminating is an operating electric utility serving an area of about 335 square miles in the southwestern part of Connecticut. The Company's service area (about 7% of the state) includes the principal cities of Bridgeport and New Haven and their surrounding areas. The population of this area is approximately 707,000, or 23% of the population of the state.

The area NEPOOL serves

New England Power Exchange

- NEW ENGLAND POWER EXCHANGE (NEPEX)
- Locations of the NEPOOL-planned nuclear generating units in which UI is participating



NEPEX, the New England Power Exchange, is the operations arm of NEPOOL, coordinating and directing the operation of all major electric power generation and transmission facilities in New England from a master control center in West Springfield, Massachusetts. NEPEX directs four satellite control centers at key locations, which continuously monitor the operation of the six-state region's electric power system, selecting and implementing the best available combinations of generation and transmission from moment to moment to meet total power demands. Another function of NEPOOL is to provide a central planning staff, New England Power Planning (NEPLAN), which has the responsibility for preparing electric load forecasts, evaluating alternate generation and transmission plans, recommending reliability standards and facilitating the joint ownership of power plants through optimization of size and location.

The Satellite Control Centers are:

① CONNECTICUT VALLEY ELECTRIC EXCHANGE (CONVEX)
Southington, Connecticut. Controls power in Connecticut and western Massachusetts.

② RHODE ISLAND—EASTERN MASSACHUSETTS—VERMONT ENERGY CONTROL (REMVEC)
Westboro, Massachusetts. Controls power in Rhode Island, eastern Massachusetts and Vermont.

③ NEW HAMPSHIRE CONTROL CENTER
Manchester, New Hampshire. Controls power in most of New Hampshire.

④ MAINE POWER EXCHANGE
Augusta, Maine. Controls power in most of Maine.

UI United Illuminating
80 Temple Street
New Haven, Connecticut 06506
180 Fairfield Avenue
Bridgeport, Connecticut 06604

Bulk Rate
U.S. Postage Paid
Permit No. 20
New Haven, CT