SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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UNITED ILLUMINATING CO

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDING MARCH 31, 1994

OR

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

For the transition period from __________ to ___________

Commission file number 1-6788

THE UNITED ILLUMINATING COMPANY

(Exact name of registrant as specified in its charter)

Connecticut	06-0571640
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

157 Church Street, New Haven, Connecticut	06506
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 203-499-2000

None
(Former name, former address and former fiscal year, if changed since last report.)

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

Yes X No

The number of shares outstanding of the issuer's only class of common stock, as of April 30, 1994, was 14,084,291.

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PART I: FINANCIAL INFORMATION

ITEM I: FINANCIAL STATEMENTS

THE UNITED ILLUMINATING COMPANY

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CONSOLIDATED STATEMENT OF INCOME
(Thousands except per share amounts)
(Unaudited)

<CAPTION>

<S>	Three Months Ended March 31, 1994 <C>	Three Months Ended March 31, 1993 <C>
Operating Revenues (Note G)	$167,579	$161,936
Operating Expenses		
Operation		
Fuel and energy	38,275	36,965
Capacity purchased	11,576	10,204
Other	36,352	35,845
Maintenance	7,543	6,523
Depreciation	14,473	13,763
Amortization of cancelled nuclear project	293	293
Amortization of deferred fossil fuel costs	-	152
Income taxes (Note E)	11,098	11,310
Other taxes (Note G)	15,343	15,717
Total	134,953	130,772
Operating Income	32,626	31,164
Other Income and (Deductions)		
Allowance for equity funds used during construction	294	213
Deferred return - Seabrook Unit 1	-	1,874
Other-net (Note G)	201	388
Non-operating income taxes	645	2,094
Total	1,140	4,569
Income Before Interest Charges	33,766	35,733
Interest Charges		
Interest on long-term debt	18,875	20,404
Other interest (Note G)	2,321	3,353
Allowance for borrowed funds used during construction	(662)	(610)
Net Interest Charges	20,534	23,147
Income Before Cumulative Effect of Accounting Change	13,232	12,586
Cumulative effect for years prior to 1994 of accounting change for postemployment benefits (net of income taxes of $956)(Note H)	(1,294)	-
Net Income	11,938	12,586
Dividends on Preferred Stock	1,080	1,080
Income Applicable to Common Stock	$10,858	$11,506
Average Number of Common Shares Outstanding	14,084	14,043

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Earnings per share of Common Stock before cumulative effect of accounting change	$0.86	$0.82
Cumulative effect for years prior to 1994 of accounting change for postemployment benefits	(0.09)	-
Earnings per share of Common Stock	$0.77	$0.82
Cash Dividends Declared per share of Common Stock	$0.69	$0.665

</TABLE>

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

<TABLE>

THE UNITED ILLUMINATING COMPANY
CONSOLIDATED BALANCE SHEET

ASSETS
(Thousands of Dollars)

<CAPTION>

<S>	March 31, 1994 (Unaudited) <C>	December 31, 1993* <C>
Utility Plant at Original Cost		
In service	$1,705,403	$1,690,142
Less, accumulated provision for depreciation	459,484	446,716
	1,245,919	1,243,426
Construction work in progress	53,884	77,395
Nuclear fuel	36,047	40,285
Net Utility Plant	1,335,850	1,361,106
Other Property and Investments	18,234	17,811
Current Assets		
Cash and temporary cash investments	21,049	48,171
Accounts receivable		
Customers, less allowance for doubtful accounts of $4,600 and $4,700	67,025	62,703
Other	28,762	28,160
Accrued utility revenues	21,808	22,765
Fuel, materials and supplies, at average cost	23,294	21,178
Prepayments	17,390	4,963
Other	55	41
Total	179,383	187,981
Regulatory Assets (future amounts due from customers through the ratemaking process)		

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Income taxes due principally to book-tax differences (Note A)	407,640	408,272
Deferred return - Seabrook Unit 1	62,929	62,929
Unamortized cancelled nuclear projects	26,671	26,964
Unamortized redemption costs	30,917	32,573
Sales adjustment revenues	9,835	13,113
Uranium enrichment decommissioning cost	1,572	1,600
Deferred fossil fuel costs	198	198
Unamortized debt issuance expenses	6,380	6,631
Other	14,741	15,114
Total	560,883	567,394
	$2,094,350	$2,134,292

*Derived from audited financial statements
</TABLE>

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

<TABLE>

THE UNITED ILLUMINATING COMPANY
CONSOLIDATED BALANCE SHEET

CAPITALIZATION AND LIABILITIES
(Thousands of Dollars)

<CAPTION>

<S>	March 31, 1994 (Unaudited) <C>	December 31, 1993* <C>
Capitalization (Note B)		
Common stock equity		
Common stock	$284,059	$284,028
Paid-in capital	736	734
Capital stock expense	(3,163)	(3,163)
Retained earnings	142,865	141,725
	424,497	423,324
Preferred stock	60,945	60,945
Long-term debt	759,171	875,268
Total	1,244,613	1,359,537
Noncurrent Liabilities		
Obligations under capital leases	887	19,871
Uranium enrichment decommissioning reserve	1,486	1,486
Nuclear decommissioning obligation	6,078	5,606
Other	2,306	2,156
Total	10,757	29,119
Current Liabilities		

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Current portion of long-term debt	199,133	143,333
Notes payable	42,500	-
Accounts payable	36,959	49,424
Dividends payable	10,798	10,445
Taxes accrued	15,953	6,851
Pensions accrued	34,673	33,547
Interest accrued	19,775	21,972
Obligations under capital leases	1,808	1,838
Other accrued liabilities	28,805	26,813
	----------	----------
Total	390,404	294,223
	----------	----------
Customers' Advances for Construction	2,663	2,667
	----------	----------
Regulatory Liabilities (future amounts owed to customers through the ratemaking process)		
Accumulated deferred investment tax credits	19,243	19,433
Deferred gain on sale of utility plant	1,716	2,070
Other	1,834	1,837
	----------	----------
Total	22,793	23,340
	----------	----------
Deferred Income Taxes (future tax liabilities owed to taxing authorities)	423,120	425,406
Commitments and Contingencies	-	-
	----------	----------
	$2,094,350	$2,134,292
	==========	==========

*Derived from audited financial statements
</TABLE>

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

<TABLE>

THE UNITED ILLUMINATING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
(Thousands of Dollars)
(Unaudited)

<CAPTION>

	Three Months Ended March 31,	
	1994	1993
	----	----
<S>	<C>	<C>
Cash Flows From Operating Activities		
Net Income	$11,938	$12,586
	-------	-------
Adjustments to reconcile net income to net cash provided by operating activities:		

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Depreciation and amortization	16,486	16,151
Deferred income taxes	(699)	1,016
Deferred investment tax credits - net	(190)	(190)
Amortization of nuclear fuel	4,373	5,660
Cumulative effect for years prior to 1994 of accounting change for postemployment benefits-net	1,294	-
Allowance for funds used during construction	(956)	(823)
Deferred return - Seabrook Unit 1	-	(1,874)
Sales adjustment revenue	3,278	1,917
Changes in:		
Accounts receivable - net	(4,924)	2,130
Fuel, materials and supplies	(2,116)	(2,104)
Prepayments	(12,427)	(6,163)
Accounts payable	(12,465)	(27,501)
Interest accrued	(2,197)	(2,946)
Taxes accrued	9,102	8,018
Other assets and liabilities	3,260	6,772
	-------	-------
Total Adjustments	1,819	63
	-------	-------
Net Cash provided by Operating Activities	13,757	12,649
	-------	-------
Cash Flows from Financing Activities		
Common stock	33	661
Notes payable	42,500	6,073
Securities retired and redeemed, including premiums:		
Long-term debt	(60,333)	(62,833)
Lease obligations	(566)	(570)
Dividends		
Preferred stock	(1,080)	(1,080)
Common stock	(9,365)	(8,936)
	-------	-------
Net Cash used in Financing Activities	(28,811)	(66,685)
	-------	-------
Cash Flows from Investing Activities		
Plant expenditures, including nuclear fuel	(12,068)	(10,862)
Investment in debt securities	-	94,529
	-------	-------
Net Cash provided by (used in) Investing Activities	(12,068)	83,667
	-------	-------
Cash and Temporary Cash Investments:		
Net change for the period	(27,122)	29,631
Balance at beginning of period	48,171	11,102
	-------	-------
Balance at end of period	$21,049	$40,733
	=======	=======
Cash paid during the period for:		
Interest (net of amount capitalized)	$20,968	$22,244
	=======	=======
Income taxes	$2,000	$750
	=======	=======

</TABLE>

The accompanying Notes to Consolidated Financial

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Statements are an integral part of the financial statements.

THE UNITED ILLUMINATING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The consolidated financial statements of the Company and its wholly-owned subsidiaries, Bridgeport Electric Company, United Resources, Inc., Research Center, Inc. and United Energy International, Inc., have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. The statements reflect all adjustments that are, in the opinion of management, necessary to a fair statement of the results for the periods presented. All such adjustments are of a normal recurring nature. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The Company believes that the disclosures are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes to consolidated financial statements included in the annual report on Form 10-K for the year ended December 31, 1993. Such notes are supplemented as follows:

(A) STATEMENT OF ACCOUNTING POLICIES

Reclassification of Previously Reported Amounts

Certain amounts previously reported have been reclassified to conform with current year presentations.

Allowance for Funds Used During Construction (AFUDC)

The AFUDC rate applied in the first three months of 1994 and 1993 was 8.75% on a before-tax basis.

Cash and Cash Equivalents

For cash flow purposes, the Company considers all highly liquid debt instruments with a maturity of three months or less at the date of purchase to be cash equivalents.

Pension and Other Post-Employment Benefits

Effective January 1, 1994, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 112, "Employers' Accounting for Post-Employment Benefits." This statement establishes accounting standards for employers who provide benefits, such as unemployment compensation, severance benefits and disability benefits to former or inactive employees after employment but before retirement and requires recognition of the

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obligation for these benefits. The effect of adopting this statement is reported as a change in accounting principle and decreased first quarter 1994 earnings for common stock by $1.3 million or $.09 per share.

Nuclear Decommissioning Trusts

External trust funds are maintained to fund the estimated future decommissioning costs of the nuclear generating units in which the Company has an ownership interest. These costs are accrued as a charge to depreciation expense over the estimated service lives of the units and are recovered in rates on a current basis. The Company paid $417,000 and $404,000 in the first quarter of 1994 and 1993, respectively, into the decommissioning trust funds for Seabrook Unit 1 and Millstone Unit 3. At March 31, 1994, the Company's share of the trust fund balances, which included accumulated earnings on the funds, were $4.1 million and $2.0 million for Seabrook Unit 1 and Millstone Unit 3, respectively. These fund balances are included in "Other Property and Investments" and the accrued decommissioning obligation is included in "Noncurrent Liabilities" on the Company's Consolidated Balance Sheet.

(B) CAPITALIZATION

(a) Common Stock

The number of shares outstanding of the Company's common stock, no par value, at March 31, 1994 was 14,084,291.

In 1990, the Company's Board of Directors and the shareowners approved a stock option plan for officers and key employees of the Company. The plan provides for the awarding of options to purchase up to 750,000 shares of the Company's common stock over periods of from one to ten years following the dates when the options are granted. On June 5, 1991, the DPUC approved the issuance of 500,000 shares of stock pursuant to this plan. The exercise price of each option cannot be less than the market value of the stock on the date of the grant. Options to purchase 211,200 shares of stock at an exercise price of $30.75 per share, 2,800 shares of stock at an exercise price of $28.3125 per share, 1,800 shares of stock at an exercise price of $31.1875 per share, 4,000 shares of stock at an exercise price of $35.625 per share, 36,200 shares of stock at an exercise price of $39.5625 per share and 5,000 shares of stock at an exercise price of $42.375 per share have been granted by the Board of Directors and remain outstanding at March 31, 1994. Options to purchase 1,000 shares of stock at an exercise price of $30.75 per share were exercised during the first quarter of 1994.

(b) Retained Earnings Restriction

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The indenture under which the Company's Medium-Term Notes and Notes are issued places limitations on the payment of cash dividends on common stock and on the purchase or redemption of common stock. Retained earnings in the amount of $83.7 million were free from such limitations at March 31, 1994.

(c) Preferred and Preference Stock

On April 15, 1994, the Company redeemed all of the 600,000 outstanding shares of its 8.80% Preferred Stock, 1976 Series, at $25.25 per share plus accrued dividends.

(d) Long-term Debt

In January 1994, the Company repaid $60 million principal amount of maturing 10.32% First Mortgage Bonds of the Company's wholly-owned subsidiary, Bridgeport Electric Company, and a $5 million 13.1% term loan. These repayments were made with a portion of the net proceeds from the issuance and sale, in December 1993, of $100 million five-year and one month Notes at a coupon rate of 6.20%.

(D) ACCOUNTING FOR PHASE-IN PLAN

The Company has been phasing into rate base its allowable investment in Seabrook Unit 1, amounting to $640 million, since January 1, 1990. In conjunction with this phase-in plan, the Company has been allowed to record a deferred return on the portion of allowable investment excluded from rate base during the phase-in period. The accumulated deferred return has been added to rate base each year since January 1, 1991 in the same proportion as the phase-in installment for that year has borne to the portion of the $640 million remaining to be phased-in. On January 1, 1994, the Company phased into rate base the remaining $74.5 million of allowable investment, plus the remaining $28.2 million of accumulated deferred return. At December 31, 1993, the Company had recorded $62.9 million of accumulated deferred return and no additional deferred return on Seabrook Unit 1 will be recognized in income during 1994. The Company will recover the accumulated deferred return over a five-year period commencing January 1, 1995.

(E) INCOME TAXES

<TABLE>
<CAPTION>

	Three Months Ended March 31,	
	1994	1993
	----	----

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(000's)		
<S>	<C>	<C>
Income tax expense consists of:		
Income tax provisions:		
Current		
Federal	$ 8,373	$ 6,281
State	2,969	2,109
Total current	11,342	8,390
Deferred		
Federal	71	2,184
State	(1,726)	(1,168)
Total deferred	(1,655)	1,016
Investment tax credits	(190)	(190)
Total income tax expense	$ 9,497	$ 9,216
Income tax components charged as follows:		
Operating expenses	$11,098	$11,310
Other income and deductions - net	(645)	(2,094)
Cumulative effect of change in accounting for postemployment benefits	(956)	-
Total income tax expense	$ 9,497	$ 9,216
The following table details the components of the deferred income taxes:		
Accelerated depreciation	$ 2,898	$ 3,509
Tax depreciation on unrecoverable plant investment	2,042	2,010
Conservation & load management	691	800
Deferred fossil fuel costs	-	(300)
Seabrook sale/leaseback transaction	(2,682)	(2,621)
Premiums on BEC bond redemption	(428)	(622)
Sales adjustment revenues	(1,388)	(812)
Pension benefits	(548)	(399)
Postretirement benefits	(416)	(551)
Postemployment benefits	(956)	-
Other - net	(868)	2
Deferred income taxes - net	$(1,655)	$ 1,016

</TABLE>

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(F) SHORT-TERM CREDIT ARRANGEMENTS

The Company has a revolving credit agreement with a group of banks, which currently extends to January 19, 1995. The borrowing limit of this facility is $75 million. The facility permits the Company to borrow funds at a fluctuating interest rate determined by the prime lending market in New York, and also permits the Company to borrow money for fixed periods of time specified by the Company at fixed interest rates determined by the Eurodollar interbank market in London, by the certificate of deposit market in New York, or by bidding, at the Company's option. If a material adverse change in the business, operations, affairs, assets or condition, financial or otherwise, or prospects of the Company and its subsidiaries, on a consolidated basis, should occur, the banks may decline to lend additional money to the Company under this revolving credit agreement, although borrowings outstanding at the time of such an occurrence would not then become due and payable. As of March 31, 1994, the Company had $42.5 million in short-term borrowings outstanding under this facility.

The Company has a Fossil Fuel Supply Agreement with a financial institution providing for financing up to $37.5 million in fossil fuel purchases. Under this agreement, the financing entity acquires and stores natural gas, coal and fuel oil for sale to the Company, and the Company purchases these fossil fuels from the financing entity at a price for each type of fuel that reimburses the financing entity for the direct costs it has incurred in purchasing and storing the fuel, plus a charge for maintaining an inventory of the fuel determined by reference to the fluctuating interest rate on thirty-day, dealer-placed commercial paper in New York. The Company is obligated to insure the fuel inventories and to indemnify the financing entity against all liability, taxes and other expenses incurred as a result of its ownership, storage and sale of fossil fuel to the Company. This agreement currently extends to May 1995. At March 31, 1994, approximately $15.7 million of fossil fuel purchases were being financed under this agreement.

THE UNITED ILLUMINATING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

(G) SUPPLEMENTARY INFORMATION

<TABLE>
<CAPTION>

	Three Months Ended March 31,	
	1994	1993
	(000's)	
<S>	<C>	<C>
Operating Revenues		

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Retail - Base rates	$153,275	$147,336
Wholesale - capacity	1,835	1,389
- energy	11,778	12,198
Other	691	1,013
Total Operating Revenues	$167,579	$161,936
Other Income and (Deductions) - net		
Interest and dividend income	$ 451	$ 519
Equity earnings from Connecticut Yankee unit	348	367
Amortization of oil tank lease	(354)	(317)
Miscellaneous other income and (deductions) - net	(244)	(181)
Total Other Income and (Deductions) - net	$ 201	$ 388
Other Taxes		
Charged to:		
Operating:		
State gross earnings	$ 6,771	$ 6,784
Local real estate and personal property	6,681	7,197
Payroll taxes	1,889	1,733
Other	2	3
	15,343	15,717
Nonoperating & other accounts	223	247
Total Other Taxes	$ 15,566	$ 15,964
Other Interest Charges		
Notes payable	$ 365	$ 983
Amortization of debt expense and repurchase premiums	1,689	1,993
Other	267	377
Total Other Interest Charges	$ 2,321	$ 3,353

</TABLE>

(H) PENSION AND OTHER POST-EMPLOYMENT BENEFITS

Effective January 1, 1994, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 112, "Employers' Accounting for Post-Employment Benefits." This statement establishes accounting standards for employers who provide benefits, such as unemployment compensation, severance benefits and disability benefits to former or inactive employees after employment but before retirement and requires recognition of the

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obligation for these benefits. The effect of adopting this statement is reported as a change in accounting principle and decreased first quarter 1994 earnings for common stock by $1.3 million or $.09 per share.

(K) FUEL FINANCING OBLIGATIONS AND OTHER LEASE OBLIGATIONS

The Company has a Fossil Fuel Supply Agreement with a financial institution providing for financing up to $37.5 million in fossil fuel purchases. Under this agreement, the financing entity acquires and stores natural gas, coal and fuel oil for sale to the Company, and the Company purchases these fossil fuels from the financing entity at a price for each type of fuel that reimburses the financing entity for the direct costs it has incurred in purchasing and storing the fuel, plus a charge for maintaining an inventory of the fuel determined by reference to the fluctuating interest rate on thirty-day, dealer-placed commercial paper in New York. The Company is obligated to insure the fuel inventories and to indemnify the financing entity against all liability, taxes and other expenses incurred as a result of its ownership, storage and sale of fossil fuel to the Company. This agreement currently extends to May 1995. At March 31, 1994, approximately $15.7 million of fossil fuel purchases were being financed under this agreement.

In January 1994, the Company restructured a lease agreement for a service facility under which the Company had recognized an obligation of approximately $19 million representing an option to purchase the facility in 1994. The restructured lease is being treated as an operating lease. The effect of restructuring the lease was a noncash financing activity during the first quarter of 1994 and therefore not reflected in the Consolidated Statement of Cash Flows. The restructuring of the lease reduced the amounts recognized as obligations under capital leases and plant in service by approximately $19 million.

(L) COMMITMENTS AND CONTINGENCIES

Capital Expenditure Program

The Company has entered into commitments in connection with its continuing capital expenditure program, which is presently estimated at approximately $366.6 million, excluding AFUDC, for 1994 through 1998.

Seabrook

After experiencing increasing financial stress beginning in May 1987, Public Service Company of New Hampshire (PSNH), which held the largest ownership share (35.6%) in Seabrook, commenced a proceeding under Chapter 11 of the Bankruptcy Code in January of 1988. Under this statute, PSNH continued its operations while seeking a financial reorganization. A reorganization plan proposed by Northeast Utilities (NU) was confirmed by the bankruptcy court in April of 1990 and, on May 16, 1991, PSNH completed the financing required for payment of its pre-bankruptcy secured and unsecured debt under the first stage

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of the reorganization plan and emerged from bankruptcy. On May 19, 1992, the NRC issued the final regulatory approval necessary for the second stage of the NU reorganization plan, under which PSNH would be acquired by NU; and on June 5, 1992, this acquisition was completed. As part of the transaction, PSNH's ownership share of Seabrook Unit 1 was transferred to a wholly-owned subsidiary of NU. Two previous regulatory approvals of the NU reorganization plan for PSNH, by the Federal Energy Regulatory Commission (FERC) and the Securities and

Exchange Commission (SEC), continue to be challenged in court proceedings, and the Company is unable to predict the outcome of these proceedings.

On February 28, 1991, EUA Power Corporation (EUA Power), the holder of a 12.1% ownership share in Seabrook, commenced a proceeding under Chapter 11 of the Bankruptcy Code. EUA Power, a wholly-owned subsidiary of Eastern Utilities Associates (EUA), was organized solely for the purpose of acquiring an ownership share in Seabrook and selling in the wholesale market its share of the electric power produced by Seabrook. EUA Power commenced this bankruptcy proceeding because the cash generated by its sales of power at current market prices was insufficient to pay its obligations on its outstanding debt. Subsequently, EUA Power's name was changed to Great Bay Power Corporation (Great Bay). The official committee of Great Bay's bondholders (Bondholders Committee) proposed, and the bankruptcy court confirmed, a reorganization plan for Great Bay, under which substantially all of the equity ownership of Great Bay would have passed to its bondholders. However, on February 2, 1994, the Bondholders Committee accepted a financing proposal that would inject $35 million of new ownership equity into Great Bay in return for a 60% equity ownership position. The bankruptcy court is considering whether this alternative structure should be approved, in order that a revised reorganization plan can become effective. Further approvals are also required from the NRC, FERC and the New Hampshire Public Utilities Commission. The bankruptcy court has approved an agreement among Great Bay, the Bondholders Committee, UI and The Connecticut Light and Power Company (CL&P), under which UI and CL&P have been making, as needed until the reorganization plan becomes effective, advance payments against their respective future monthly Seabrook payment obligations. The maximum aggregate amount of advance payments by UI and CL&P that may be outstanding at any time under this agreement is $20 million, of which UI's share is $8 million. At April 30, 1994, $1.1 million of the Company's advances remained outstanding. This agreement can be terminated by UI and CL&P upon thirty days notice or upon failure of the reorganization process to achieve certain milestones by specified dates. UI is

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unable to predict what impact, if any, failure of the reorganization plan to become effective will have on the operating license for Seabrook Unit 1, or what other actions UI and the other joint owners of the unit may be required to take in response to developments in this bankruptcy proceeding as it may affect Seabrook.

Nuclear generating units are subject to the licensing requirements of the Nuclear Regulatory Commission (NRC) under the Atomic Energy Act of 1954, as amended, and a variety of other state and federal requirements. Although Seabrook Unit 1 has been issued a 40-year operating license, NRC proceedings and investigations prompted by inquiries from Congressmen and by NRC licensing board consideration of technical contentions may arise and continue for an indefinite period of time in the future.

Nuclear Insurance Contingencies

The Price-Anderson Act, currently extended through August 1, 2002, limits public liability resulting from a single incident at a nuclear power plant. The first $200 million of liability coverage is provided by purchasing the maximum amount of commercially available insurance. Additional liability coverage will be provided by an assessment of up to $75.5 million per incident, levied on each of the nuclear units licensed to operate in the United States, subject to a maximum assessment of $10 million per incident per nuclear unit in any year. In addition, if the sum of all public liability claims and legal costs resulting from any nuclear incident exceeds the maximum amount of financial protection, each reactor operator can be assessed an additional 5% of $75.5 million, or $3.775 million. The maximum assessment is adjusted at least every five years to reflect the impact of inflation. Based on its interests in nuclear generating units, the Company estimates its maximum liability would be $20.3 million per incident. However, assessment would be limited to $3.1 million per incident, per year. With respect to each of the operating nuclear generating units in which the Company has an interest, the Company will be obligated to pay its ownership and/or leasehold share of any statutory assessment resulting from a nuclear incident at any nuclear generating unit.

The NRC requires nuclear generating units to obtain property insurance coverage in a minimum amount of $1.06 billion and to establish a system of prioritized use of the insurance proceeds in the event of a nuclear incident. The system requires that the first $1.06 billion of insurance proceeds be used to stabilize the nuclear reactor to prevent any significant risk to public health and safety and then for decontamination and cleanup operations. Only following completion of these tasks would the balance, if any, of the segregated insurance proceeds become available to the unit's owners. For each of the nuclear

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generating units in which the Company has an interest, the Company is required to pay its ownership and/or leasehold share of the cost of purchasing such insurance.

Other Commitments and Contingencies

Hydro-Quebec

The Company is a participant in the Hydro-Quebec transmission intertie facility linking New England and Quebec, Canada. Phase II of this facility, in which UI has a 5.45% participating share, has increased the capacity value of the intertie from 690 megawatts to a maximum of 2000 megawatts. A ten-year Firm Energy Contract, which provides for the sale of 7 million megawatt-hours per year by Hydro-Quebec to the New England participants in the Phase II facility, became effective on July 1, 1991. The Company is obligated to furnish a guarantee for its participating share of the debt financing for the Phase II facility. Currently, the Company's guarantee liability for this debt amounts to approximately $9.7 million.

Reorganization Charge

During 1993, the Company undertook an in-depth organizational review with the primary objective of improving customer service. As a result of this review, the Company eliminated approximately 75 positions in a corporate reorganization.

In conjunction with this review and reorganization, the Company offered a voluntary early retirement program to non-union employees who were eligible to receive pension benefits. The early retirement offer was accepted by 103 employees and the Company incurred a one-time charge to 1993 earnings of approximately $13.6 million ($7.8 million, after-tax).

All non-retiring employees affected by the corporate reorganization have been placed in regular positions or assigned to special projects.

Site Remediation Costs

The Company has estimated that the cost of environmental remediation of its decommissioned Steel Point Station property in Bridgeport will be approximately $10.3 million and has recorded a liability for this cost. Following remediation, the Company intends to sell the property for development for a value it estimates will not exceed $6 million. In the Company's last rate decision, the DPUC provided additional revenues to recover the $4.3 million difference during the period 1993-1996, subject to true-up in the Company's next retail rate proceeding, based on actual remediation costs and the actual gain on the sale of the property.

Property Taxes

On November 2, 1993, the Company received "updated" personal property tax bills from the City of New Haven (the City) for the

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tax year 1991-1992, aggregating $6.6 million, based on an audit by the City's tax assessor. The Company anticipates receiving additional bills of this sort for the tax years 1992-1993 and 1993-1994, the amounts of which cannot be predicted at this time. The Company is contesting these tax bills vigorously and has

commenced a lawsuit in the Superior Court to enjoin the City from any effort to collect these tax bills. On May 7, 1994, the Company received a "Certificate of Correction....to correct a clerical omission or mistake" from the City's tax assessor relative to the assessed value of the Company's personal property for the tax year 1994-1995, which certificate purports to increase said assessed value by approximately 53% above the tax assessor's valuation at February 28, 1994. The Company expects to contest vigorously the assessed value of its personal property by the City for the tax year 1994-1995. It is not possible at this time to assess accurately the Company's liability in these matters, if any.

(M) NUCLEAR FUEL DISPOSAL AND NUCLEAR PLANT DECOMMISSIONING

New Hampshire has enacted a law requiring the creation of a government-managed fund to finance the decommissioning of nuclear generating units in that state. The New Hampshire Nuclear Decommissioning Financing Committee (NDFC) established $345 million (in 1993 dollars) as the decommissioning cost estimate for Seabrook Unit 1. This estimate premises the prompt removal and dismantling of the Unit at the end of its estimated 40-year energy producing life. Monthly decommissioning payments are being made to the state-managed decommissioning trust fund. UI's share of the decommissioning payments made during the first quarter of 1994 was $335,000. UI's share of the fund at March 31, 1994 was approximately $4.1 million.

Connecticut has enacted a law requiring the operators of nuclear generating units to file periodically with the DPUC their plans for financing the decommissioning of the units in that state. Current decommissioning cost estimates for Millstone Unit 3 and Connecticut Yankee are $421 million (in 1994 dollars) and $324 million (in 1994 dollars), respectively. These estimates premise the prompt removal and dismantling of each unit at the end of its estimated 40-year energy producing life. Monthly decommissioning payments, based on these cost estimates, are being made to decommissioning trust funds managed by Northeast Utilities. UI's share of the Millstone Unit 3 decommissioning payments made during the first quarter of 1994 was $82,000. UI's share of the fund at March 31, 1994 was approximately $2.0 million. For the Company's 9.5% equity ownership in Connecticut Yankee, decommissioning costs of $316,000 were funded by UI during the first quarter of 1994, and UI's share of the fund at March 31, 1994 was $9.8 million.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

MAJOR INFLUENCES ON FINANCIAL CONDITION

The Company's financial condition should continue to improve as a result of the December 16, 1992 rate decision by the DPUC. The DPUC decision granted levelized rate increases of 2.66% ($15.8 million) in 1993 and 2.66% (an additional $17.3 million) in 1994.

However, the Company's financial condition will continue to be dependent on the level of retail and wholesale sales. The two primary factors that affect sales volume are economic conditions and weather. The regional recession has restricted retail sales growth and been largely responsible for a weak wholesale sales market during the past two years. Sales increases due to economic recovery would help to increase the Company's earnings.

Another major factor affecting the Company's financial condition will be the Company's ability to control expenses. A significant reduction in interest expense has been achieved since 1989, and additional savings of $9-$10 million are expected in 1994 due to debt refinancing. Since 1990, annual growth in total operation and maintenance expense, excluding one-time items and cogeneration capacity purchases, has averaged approximately 2.7%, and the Company hopes to restrict future increases to less than the rate of inflation.

CAPITAL EXPENDITURE PROGRAM

The Company's 1994-1998 capital expenditure program, excluding allowance for funds used during construction (AFUDC) and its effect on certain capital related items, is presently budgeted as follows:

<TABLE>
<CAPTION>

	1994	1995	1996	1997	1998	Total
			(000's)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Production	$23,688	$19,428	$22,308	$ 4,824	$15,180	$ 85,428
Distribution	10,140	21,840	21,288	22,164	21,588	97,020
Transmission	12,096	16,980	10,800	6,336	11,376	57,588
Conservation and Load Management	11,988	11,892	10,860	10,716	10,320	55,776
Nuclear Fuel	4,980	6,756	11,280	1,248	11,820	36,084
Other	10,532	7,981	6,096	6,036	4,020	34,665
Total Expenditures	$73,424	$ 84,877	$82,632	$51,324	$74,304	$366,561

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	=======	========	=======	=======	=======	========
AFUDC (Pre-tax)	$4,934	$3,431	$2,474	$1,940	$1,968	
Capitalized Interest	4,151	2,890	2,084	1,638	1,669	
Book Depreciation	57,053	62,438	66,425	69,382	72,288	
Decommissioning (1)	2,741	2,794	2,851	1,841	1,909	
Normalized Tax Depreciation	33,086	36,392	38,708	40,194	41,368	
Accelerated Tax Depreciation	74,722	69,548	60,738	62,214	61,424	
Amortization of Deferred Return on Seabrook Unit 1 Phase-In (2)	0	(12,635)	(12,635)	(12,635)	(12,635)	
Estimated Rate Base (end of period)	$1,218,137	$1,239,962	$1,254,603	$1,227,959	$1,203,104	

<FN>
(1) Steel Point Station environmental remediation costs of $1,075,000 per year are included each year through 1996.

(2) Deferred return will be amortized over the period 1995-1999.
</TABLE>

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1994, the Company had $21.1 million of cash and temporary cash investments, a decrease of $27.1 million from the balance at December 31, 1993. The components of this decrease, which are detailed in the Consolidated Statement of Cash Flows, are summarized as follows:

<TABLE>
<CAPTION>

<S>	(Millions) <C>
Balance, December 31, 1993	$ 48.2
Net cash provided by operating activities	13.8
Net cash provided by (used in) financing activities:	
- Financing activities, excluding dividend payments	(18.4)
- Dividend payments	(10.4)
Cash invested in plant, including nuclear fuel	(12.1)
Net Decrease	(27.1)
Balance, March 31, 1994	$ 21.1

</TABLE>

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The Company's capital requirements are presently projected as follows:

	1994	1995	1996	1997	1998
	(000's)				
Capital Expenditure Program	$ 73,424	$ 84,877	$82,632	$ 51,324	$ 74,304
Long-term Debt Maturities	53,000	97,000	-	50,000	100,000
Mandatory Redemptions/ Repayments	60,333	66,134	12,770	15,171	15,562
Optional Redemptions	15,150	-	-	-	-
Total Capital Requirements	$201,907	$248,011	$95,402	$116,495	$189,866

The Company presently estimates that its cash on hand and temporary cash investments at the beginning of 1994, totaling $48.2 million, and its projected net cash provided by operations, less dividends, of $102.2 million will be sufficient to fund the Company's entire capital expenditure program of $73.4 million and $77.0 million of the $128.5 million necessary to satisfy the 1994 requirements for maturing long-term debt and mandatory and optional redemptions and repayments. The Company presently estimates that its projected net cash provided by operations for 1995, less dividends, of $106.7 million will be sufficient to fund the Company's entire capital expenditure program of $84.9 million and $21.8 million of the $163.1 million necessary to satisfy the 1995 requirements for maturing long-term debt and mandatory redemptions and repayments. The Company presently estimates that its projected net cash provided by operations for 1996 through 1998, less dividends of about $280 million, will be sufficient to fund the entire capital expenditure program of about $210 million and about $70 million of the $193.5 million necessary to satisfy the Company's 1996 through 1998 requirements for maturing long-term debt and mandatory redemptions and repayments. All of the Company's capital requirements that exceed available net cash will have to be provided by external financing; and the Company has no commitment to provide such financing from any source of funds. The Company expects to be able to satisfy its external financing needs by issuing common stock and additional short-term and long-term debt, although the continued

availability of these methods of financing will be dependent on many factors, including conditions in the securities markets, economic conditions, and the level of the Company's income and cash flow.

The Company has a revolving credit agreement with a group of banks, which currently extends to January 19, 1995. The

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borrowing limit of this facility is $75 million. This facility permits the Company to borrow funds at a fluctuating interest rate determined by the prime lending market in New York, and also permits the Company to borrow money for fixed periods of time specified by the Company at fixed interest rates determined by the Eurodollar interbank market in London, by the certificate of deposit market in New York, or by bidding, at the Company's option. If a material adverse change in the business, operations, affairs, assets or condition, financial or otherwise, or prospects of the Company and its subsidiaries, on a consolidated basis, should occur, the banks may decline to lend additional money to the Company under this revolving credit agreement, although borrowings outstanding at the time of such an occurrence would not then become due and payable. As of March 31, 1994, the Company had $42.5 million in short-term borrowings outstanding under this facility.

The Company has a Fossil Fuel Supply Agreement with a financial institution providing for financing up to $37.5 million in fossil fuel purchases. Under this agreement, the financing entity acquires and stores natural gas, coal and fuel oil for sale to the Company, and the Company purchases these fossil fuels from the financing entity at a price for each type of fuel that reimburses the financing entity for the direct costs it has incurred in purchasing and storing the fuel, plus a charge for maintaining an inventory of the fuel determined by reference to the fluctuating interest rate on thirty-day dealer-placed commercial paper in New York. The Company is obligated to insure the fuel inventories and to indemnify the financing entity against all liability, taxes and other expenses incurred as a result of its ownership, storage and sale of fossil fuel to the Company. This agreement, currently extends to May 1995. At March 31, 1994, approximately $15.7 million of fossil fuel purchases were being financed under this agreement.

UI has four wholly-owned subsidiaries. Bridgeport Electric Company, a single-purpose corporation, owns and leases to UI a generating unit at Bridgeport Harbor Station. Research Center, Inc. has been formed to participate in the development of one or more regulated power production ventures, including possible participation in arrangements for the future development of independent power production and cogeneration facilities. United Energy International, Inc. has been formed to facilitate participation in a proposed joint venture relating to power production plants abroad. United Resources, Inc. (URI) serves as the parent corporation for UI's unregulated businesses, each of which is incorporated separately to participate in business ventures that will complement and enhance UI's electric utility business and serve the interests of the Company and its shareholders and customers.

Four wholly-owned subsidiaries of URI have been incorporated. Souwestcon Properties, Inc. is participating as a 25% partner in the ownership of a medical hotel building in New Haven. A second wholly-owned subsidiary of URI is Thermal Energies, Inc., which is participating in the development of district heating and cooling water facilities in the downtown New Haven area,

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including the energy center for a new office tower and participation as a 37% partner in the energy center for a new city hall and office tower complex. A third URI subsidiary, Precision Power, Inc., provides power-related equipment and services to the owners of commercial buildings and industrial facilities. A fourth URI subsidiary, American Payment Systems, Inc., manages agents and equipment for electronic data processing of bill payments made by customers of utilities, including UI, at neighborhood businesses. In addition to these subsidiaries, URI also has an 82% ownership interest in Ventana Corporation, which offers energy conservation engineering and project management services to governmental and private institutions.

The Board of Directors of the Company has authorized the investment of a maximum of $13.5 million, in the aggregate, of the Company's assets in all of URI's ventures, UEI and RCI, and, at March 31, 1994, approximately $11.5 million had been so invested.

RESULTS OF OPERATIONS

First Quarter 1994 vs. First Quarter 1993

Earnings for the first quarter of 1994 were $10.9 million, or $.77 per share, down $0.6 million, or $.05 per share, from the first quarter of 1993. Absent a one-time charge of $1.3 million, or $.09 per share, to implement Statement of Financial Accounting Standards (SFAS) No. 112, taken in the first quarter of 1994, earnings per share from operations were up 4.9% to $.86 per share.

Retail operating revenues were up about $5.9 million in the first quarter of 1994 over the prior year. Retail revenues increased $2.7 million due to rate changes granted by the Department of Public Utility Control (DPUC) effective January 1, 1994 ($13 million expected for the full year) and a net $0.2 million due to pass-through charges for certain expense changes, mostly fuel. Also as a result of the rate decision, an increase in the amortization of deferred revenues for sales adjustments reduced retail revenues by $1.4 million ($5.4 million reduction expected for the year).

A retail sales increase of 3.2% over the prior year added $4.4 million to retail operating revenues. About 2.1% of the 1994 retail sales growth was attributable to colder weather. However, the 1.1% "real" growth marked the third consecutive quarter of retail sales increases attributable to increased economic activity.

The retail sales increase during the first quarter of 1994 added about $3.4 million to sales margin (revenue minus fuel expense and revenue-based taxes) compared to the first quarter of 1993. However, if normal weather had been experienced in the 1994 period, sales margin would have increased by only about $1.0

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million.

Wholesale capacity revenues increased by $0.4 million during the first quarter of 1994 compared to 1993. Wholesale energy revenues (directly offset by fuel expense and not a contributor to sales margin) decreased as a result of lower demand by other New England utilities.

Operating expense for operations and maintenance, including purchased capacity charges, increased by $2.9 million, or 5.5%, in the first quarter of 1994 compared to 1993. Purchased capacity charges increased $1.4 million due to an unscheduled outage at the Connecticut Yankee nuclear plant and increased generation by a cogeneration facility. Other operating expense for operations and maintenance expense increased by a combined $1.5 million, due primarily to an increase of $1.8 million in operating and repair costs at the Seabrook nuclear plant, which also experienced an unscheduled outage in the first quarter of 1994, and slightly higher transmission and general expenses. These were partly offset by lower operating costs at the Company's fossil fuel generating plants during the 1994 quarter. The unscheduled outages at both nuclear plants ended in the first quarter of 1994 and, in the case of Connecticut Yankee, will shift seven weeks of scheduled refueling outage (about $2 million of expense) from the end of 1994 to the first quarter of 1995. Employment costs held even during the first quarter of 1994 compared to 1993, as savings from the Company's 1993 reorganization and early retirement program have not yet been fully realized.

Other operating expenses declined slightly in the first quarter of 1994 from the first quarter of 1993. Operating income taxes declined overall, although pre-tax operating book income increased and tax rates were higher, due to additional tax benefits gained from adding the fifth and final Seabrook phase-in increment to rate base. This phase-in to rate base has the effect of associating more of the interest tax deduction with operating income (shifted from "other income"). Depreciation expense increased about as projected, and property taxes declined due to lower municipal tax rates resulting from phase-ins of residential property tax increases.

Other income and (deductions) decreased $3.4 million in the first quarter of 1994 from the first quarter of 1993, due principally to the elimination of the deferred returns (after-tax and not representing current cash income) related to the portion of the cost of Seabrook Unit 1 that had not been phased into the Company's rate base in 1993 and the elimination of the income tax benefits associated with the interest costs of carrying that portion of the unit's cost. The revenues to support the increased rate base in 1994, and the income tax benefits of the associated cost of debt, are reflected in operating revenues and expenses in the 1994 quarter.

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Interest costs declined, as expected, by $2.6 million for the first quarter of 1994 from the first quarter of 1993, due to debt refinancings.

OUTLOOK

The Company's financial condition should continue to improve as a result of the December 16, 1992 retail rate decision by the DPUC. The DPUC decision granted levelized rate increases of 2.66% ($15.8 million) in 1993 and 2.66% (an additional $17.3 million) in 1994. However, the Company did not realize the full anticipated benefit of the 1993 rate increase, realizing about $4 million less than granted due to differences between the sales realized in individual rate classes and the sales projections used for rate case purposes. The differences arose principally from rate class shifting by customers and differential growth in sales among rate classes. A similar shortfall may develop in 1994.

The Company's financial condition will continue to be dependent on the level of retail and wholesale sales. The two primary factors that affect sales volume are economic conditions and weather. The regional recession has restricted retail sales growth and been largely responsible for a weak wholesale sales market during the past two years. Sales increases due to economic recovery would help to increase the Company's earnings. A 1% increase in sales would add about $6 million in revenue and about $5 million in sales margin (revenue minus fuel expense and revenue-based taxes). Wholesale capacity sales are expected to be approximately $6 million in 1994.

Another major factor affecting the Company's financial condition will be the Company's ability to control expenses. Fuel expense, excluding wholesale fuel expense, is expected to decline by approximately $2.3 million in 1994 from the 1993 level, reflecting significantly lower nuclear fuel prices. Also, significant reductions in interest expense have been achieved since 1989, and additional savings of $9-$10 million are expected in 1994 due to debt refinancing. For 1994, operation and maintenance expenses are expected to increase from normal inflationary pressures, but these increases should be substantially offset by savings from the phase-in of the Company's corporate structure reorganization. Since 1990, annual growth in total operation and maintenance expense, excluding one-time items and cogeneration capacity purchases, has averaged approximately 2.7%, and the Company hopes to restrict future increases to less than the rate of inflation.

The final portion of the cost of Seabrook Unit 1 has been added to rate base (and retail revenues) for 1994. This will eliminate deferred revenues of $7.4 million (after-tax) booked in 1993 for the cost of the Seabrook plant excluded from rate base.

Compared to 1993, the Company expects 1994 quarterly earnings to shift somewhat to the third and fourth quarters from the first and second quarters. There will be a major refueling outage at

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the Seabrook nuclear plant in the second quarter of 1994, while the major nuclear outage in 1993 occurred in the second and third quarters. Overhauls for fossil plants are minor in 1994 compared to a major overhaul in the fourth quarter of 1993. Additionally, the rate increase granted by the DPUC effective January 1, 1994 continues the shift that has been occurring in recent years to summer seasonal pricing. Higher than expected sales in the first quarter of 1994 caused first quarter earnings for 1994 to exceed first quarter earnings for 1993.

Although the Company believes that its financing outlook and plans are unlikely to be adversely affected by further developments with respect to the licensing and operation of Seabrook Unit 1, the Company's financial status and financing capability will continue to be sensitive to any such developments and to many other factors, including conditions in the securities markets, economic conditions, the level of the Company's income and cash flow, and legislative and regulatory developments, including the cost of compliance with increasingly stringent environmental legislation and regulations and competition within the electric utility industry.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On November 2, 1993, the Company received "updated" personal property tax bills from the City of New Haven (the City) for the tax year 1990, aggregating $6.6 million, based on an audit by the City's tax assessor. The Company anticipates receiving additional bills of this sort for the tax years 1991-1992, 1992-1993 and 1993-1994, the amounts of which cannot be predicted at this time. The Company is contesting these tax bills vigorously and has commenced a lawsuit in the Superior Court to enjoin the City from any effort to collect these tax bills. It is not possible at this time to assess accurately the Company's liability, if any.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

Exhibit Table Item Number	Exhibit Number	Description
(10)	10.20	Copy of The United Illuminating Company Dividend Equivalent Program.

(b) Reports on Form 8-K.

None

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE UNITED ILLUMINATING COMPANY

Date May 13, 1994 Signature /s/Robert L. Fiscus

Robert L. Fiscus
President and
Chief Financial Officer

EXHIBIT INDEX

(a) Exhibits

Exhibit Table Item Number	Exhibit Number	Description	Page No.
(10)	10.20	Copy of The United Illuminating Company Dividend Equivalent Program	

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Exhibit 10.20

THE UNITED ILLUMINATING COMPANY
DIVIDEND EQUIVALENT PROGRAM

(as adopted November 22, 1993)

I. PURPOSE

The purpose of The United Illuminating Company Dividend Equivalent Program is (i) to promote the long-term success of The United Illuminating Company by providing financial incentives to company officers who are in a position to make significant contributions toward that success, (ii) to link the interests of these officers to the interests of the shareholders, and (iii) to encourage these officers to maintain proprietary interests in the Company and achieve extraordinary job performance levels.

II. DEFINITIONS

When used herein, each of the following terms shall have the corresponding meaning set forth below unless a different meaning is plainly required by the context in which a term is used:

(a) "Board" shall mean the Board of Directors of the Company.

(b) "Chief Executive Officer" shall mean the chief executive officer of the Company.

(c) "Total Shareholder Return" shall mean a value determined pursuant to the formula prescribed in Section V(c) hereof.

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(d) "Company" shall mean The United Illuminating Company and/or any subsidiaries adopting the Program with approval of the Board.

(e) "Dividend Equivalent Unit" shall mean an amount equal to the cash value of the sum of all dividends per share of Common Stock paid by the Company during the performance Period.

(f) "Effective Date" shall mean January 1, 1994; the date as of which the first Performance Period will commence and Dividend Equivalent Units may be assigned to Participants and the Program will become operational.

(g) "Officers" or "Company Officers" shall mean those officers of the Company who are identified by the Board as being in a position to make significant contributions to the growth and long-term success of the Company.

(h) "Participant" shall mean an Officer who is selected by the Board for participation in the Program for a specific Performance Period pursuant to Section V(b) hereof.

(i) "Peer Group" shall mean those comparable investor-owned electric utility companies that are selected as members of a comparison group for a Performance Period pursuant to Section V(b) hereof.

(j) "Performance Period" shall mean a three-year period over which the Company's Total Shareholder Return will be measured and the Participants' Dividend Equivalent Units may be earned. To introduce the Program, however, an initial two-year "Performance Period" will commence on the Effective Date concurrently with the first normal three-year "Performance Period." A new three-year "Performance Period" will commence on January 1, 1995 and every year thereafter to and including the Termination Date. Performance Periods will overlap.

(k) "Dividend Equivalent Units Earned Percentages" shall mean the percentages applicable to potential percentile rankings of the Company among the Peer Group for a Performance Period, for purposes of calculating Dividend Equivalent Unit payments, determined pursuant to Section V(c) hereof.

(l) "Program" shall mean The United Illuminating Company Dividend Equivalent Program.

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(m) "Termination Date" shall mean January 1, 2003; the date as of which the last Performance Period will commence, the last Dividend Equivalent Units may be assigned to Participants and the Program terminates with respect to the further assignment of Dividend Equivalent Units.

III. ADMINISTRATION OF THE PROGRAM

The Program shall be administered by the Board. The Board may adopt rules and practices for carrying out the Program and may take such action in the administration of the Program not inconsistent with the terms hereof as it shall deem appropriate. Such rules and practices shall be considered as incorporated into this Program by reference. All questions of interpretation and construction of the Program, and of the existence and extent of any rights arising by reason of the Program, and of the intent and meaning of the provisions of any instrument or document used in connection with the Program, shall be determined by

the Board. The Board shall determine (i) the eligibility requirements and the identity of the Participants, if any, for each Performance Period; (ii) the Dividend Equivalent Units granted to each Participant for each Performance Period; (iii) the Peer Group for each Performance Period; (iv) the Dividend Equivalent Units Earned Percentages for each Performance Period; and (v) such other matters as may be necessary or appropriate in connection with the administration of the

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Program consistent and in accordance with the provisions hereof. The Board may delegate some or all of its authority with respect to the Program to a Committee appointed by the Board. No member of the Board or Committee who is a Participant in the Program shall vote on, act upon or decide any matter relating to such member or such member's rights or benefits under the Program.

IV. SELECTION OF PARTICIPANTS

At or prior to the commencement of each Performance Period, after having received the recommendations of the Chief Executive Officer, the Board may select Company Officers to be Participants in the Program for the Performance Period. No person shall at any time have a right to be selected as a Participant for any Performance Period nor, having been selected as a Participant for one Performance Period, shall have the right to be selected as a Participant for any other Performance Period. The fact that a person is selected as a Participant for any Performance Period shall not mean that such person will necessarily be granted Dividend Equivalent Units for that Performance Period.

V. DETERMINATION OF PARTICIPANTS' EARNED DIVIDEND EQUIVALENT UNITS

(a) At or prior to the commencement of each Performance

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Period for which the Board selects one or more Participants, each such Participant will be credited with the number of Dividend Equivalent Units determined by the Board.

(b) At or prior to the commencement of each Performance Period for which the Board selects one or more Participants, the Board shall select a Peer Group of comparable investor-owned electric utility companies. When selecting the membership of a Peer Group for a Performance Period, the Board shall not be bound by any decisions regarding the composition of any Peer Group selected for a prior or overlapping Performance Period.

(c) As soon as practicable after the end of each Performance Period, the number of Dividend Equivalent Units earned by each Participant in the Program for such Performance Period shall be determined by ranking the Company's Total Shareholder Return among the Total Shareholder Returns of the Peer Group for that Performance Period. The Total Shareholder Return of a company shall be measured by the following formula (with appropriate adjustment for changes in capital structure due to stock dividends, stock splits, recapitalization, mergers, or other events having a significant distorting effect):

1) subtracting the closing Market Price of a share of such company's Common Stock on the last trading day prior to the beginning of the Performance Period from the closing Market Price of such company's Common Stock on the last trading day of the

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Performance Period;

2) adding to the result obtained in step (1) the cash value of the sum of all dividends paid by such company with respect to its Common Stock during the Performance Period; and

3) dividing the result obtained in step (2) by the closing Market Price of a share of such company's Common Stock on the last trading day prior to the beginning of the Performance Period.

Using the percentile ranking of the Company's Total Shareholder Return among the Total Shareholder Returns of the Peer Group, each Participant in the Program for the Performance Period will be determined to have earned a number of Dividend Equivalent Units equal to the whole number nearest to the product of such Participant's Dividend Equivalent Units granted at the beginning of the Performance Period multiplied by the applicable Dividend Equivalent Units Earned Percentage for that Performance Period. The Dividend Equivalent Units Earned Percentages for the Performance Periods beginning January 1, 1994 (and for subsequent Performance Periods if the Board takes no action to change the percentages) are as follows:

<TABLE>
<CAPTION>

Percentile Rank of Company among Peer Group Companies	Dividend Equivalent Units Earned Percentages*
<S>	<C>
30th percentile or lower	0%
60th percentile	100%
90th percentile or higher	200%

*Percentages earned at percentiles between the

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percentiles specified herein shall be calculated by interpolating on a straight-line basis between the percentiles specified herein.

</TABLE>

The Board may change the Dividend Equivalent Units Earned Percentages scale, including the percentile at which no units are earned, for any Performance Period beginning after the date of such change.

(d) Notwithstanding the foregoing, no Dividend Equivalent Units shall be earned for a Performance Period unless the Company achieves a Total Shareholder Return at least equal to the average Ask Yield quoted, on the first trading day of the

Performance Period, for all United States Treasury Notes maturing during the month of January following the end of the Performance Period.

(e) In the event of any change in the outstanding shares of Common Stock by reason of stock dividend or stock split, recapitalization, merger, consolidation, combination or exchange of shares, stock issue, or other similar change, the Board may make such adjustments as it deems equitable in the number of Dividend Equivalent Units assigned at such time to the Participants in any one or more of the Performance Periods then in progress.

VI. PAYMENT OF DIVIDEND EQUIVALENT UNITS

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(a) On the first business day of March immediately after the end of a Performance Period (or as soon thereafter as practicable), earned Dividend Equivalent Units shall be paid by the Company to Participants for the Performance Period, in cash. The Board may order deferred payments in its discretion. Furthermore, the Company may deduct from any payment the amount of taxes, if any, which the Company is required to withhold with respect to the Dividend Equivalent Units.

(b) Any Participant may elect to defer receipt of any portion of his or her earned Dividend Equivalent Units payment under the Company's Officers' Deferred Compensation Plan. Any such deferral election must be made before the applicable Performance Period begins.

(c) If a Participant's employment is terminated due to death, total disability, or retirement prior to the end of a Performance Period, the Participant or his or her estate shall be entitled to payment of a prorata share of the earned Dividend Equivalent Units that would have been earned by such Participant if employment

had continued to the end of the Performance Period. Proration of an earned Dividend Equivalent Unit payment in such an event shall be calculated by multiplying the earned Dividend Equivalent Unit payment by a fraction,

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the numerator of which will be the number of calendar months that have been completed during the Performance Period prior to the termination of the Participant's employment and the denominator of which will be the total number of calendar months in the Performance Period. If a Participant's employment terminates prior to the end of a Performance Period for any reason other than those described above, or if a Participant at any time after his or her retirement, engages in any occupation or business that, in the opinion of the Board, is a competitor of the Company or any of its Subsidiaries, the Participant's entitlement to earn Dividend Equivalent Units for that Performance Period will be forfeited, unless the Board determines otherwise.

VII. MISCELLANEOUS

(a) Assignments and Transfers.

The rights and interests of a Participant under the Program may not be assigned, encumbered, or transferred; provided however, that in the event of the Participant's death, any award payable hereunder shall be paid to the executor or administrator of the Participant's estate.

(b) Program Creates No Employment Rights.

Neither the establishment of the Program nor any action taken thereunder shall be construed as creating a

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contract of employment, or as a term or provision of any

such contract, or as giving any employee any right to be retained in the employ of the Company.

(c) Nature of Participant's Interest.

Any amounts payable to a Participant under the Program shall constitute solely a general, unsecured liability of the Company, payable exclusively out of the Company's general assets; and in no event shall the Company be obligated to segregate any funds or assets to secure the payment of any such amount. No action pursuant to the Program shall confer upon any Participant any right, title, or interest in any assets of the Company.

(d) Amendment, Suspension or Termination of the Program.

The Board may amend, suspend or terminate the Program prospectively at any time.

(e) Change of Circumstances.

In the event of a corporate change of control, reorganization, merger or other event making it difficult or impractical to continue the Program, the Board may (1) revoke the grant of outstanding Dividend Equivalent Units, (2) accelerate the earning of Dividend Equivalent Units, or (3) take such other action as it may deem appropriate.

(f) Applicable Law.

The interpretation of the provisions hereof and the

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administration of the Program shall be governed by the laws of Connecticut.

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