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NIAGARA MOHAWK POWER CORPORATION

NIAGARA MOHAWK

300 ERIE BOULEVARD WEST
SYRACUSE, N.Y. 13202

THOMAS E. LEMPGES
VICE PRESIDENT—NUCLEAR GENERATION

50-220

March 22, 1984

Director
Office of Nuclear Reactor Regulations
c/o Distribution Services Branch, DDC, ADM
U.S. Nuclear Regulatory Commission
Washington, DC 20555

Dear Sir:

As required in Title 10, Chapter I, Code of Federal Regulations, Section 50.71(b), and compiled in Regulatory Guide 10.1, enclosed are ten (10) copies of Niagara Mohawk Power Corporation's 1983 Annual Report.

Cordially,

Thomas E. Lempges

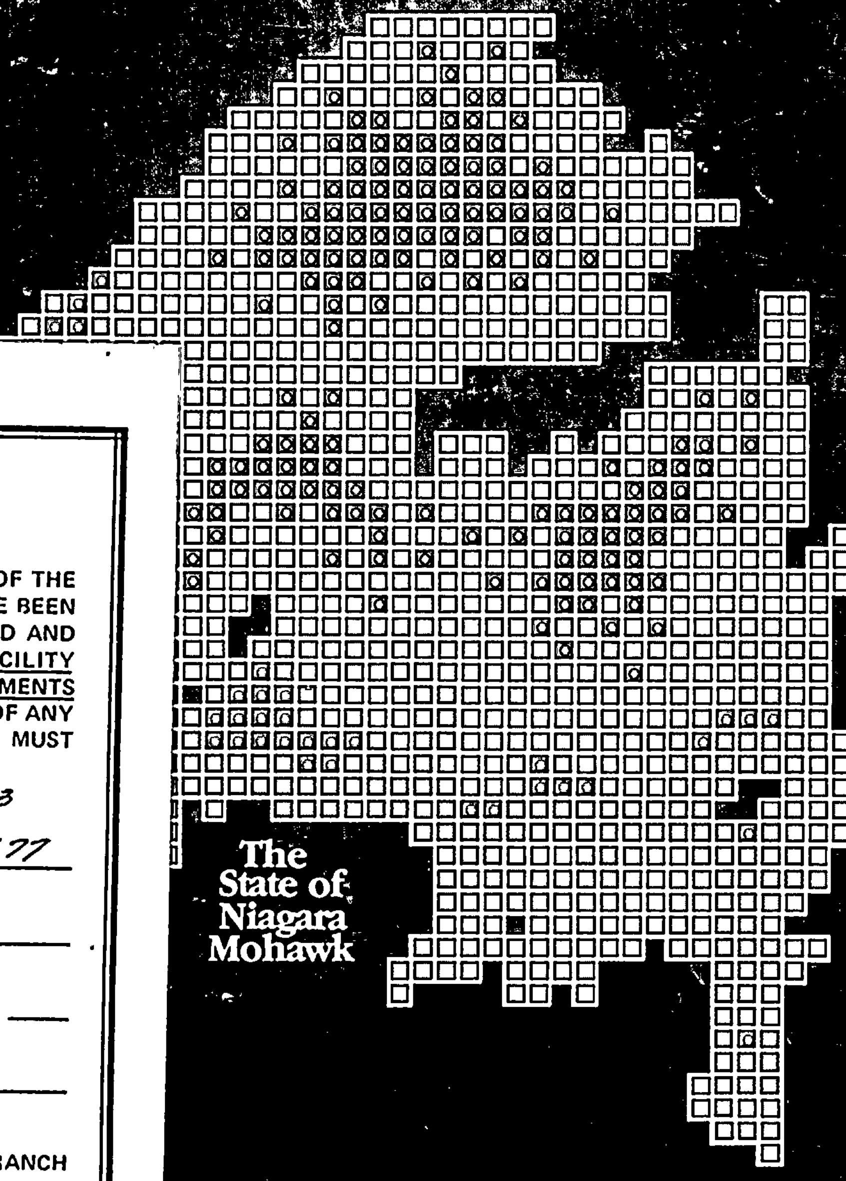
TEL/jkr

Enclosures (10)

M004
1/10

Niagara Mohawk Power Corporation

1983 Annual Report



The State of Niagara Mohawk

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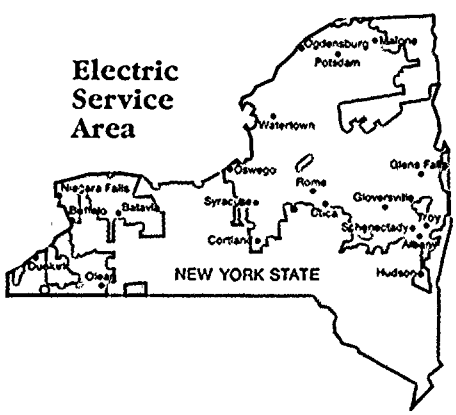
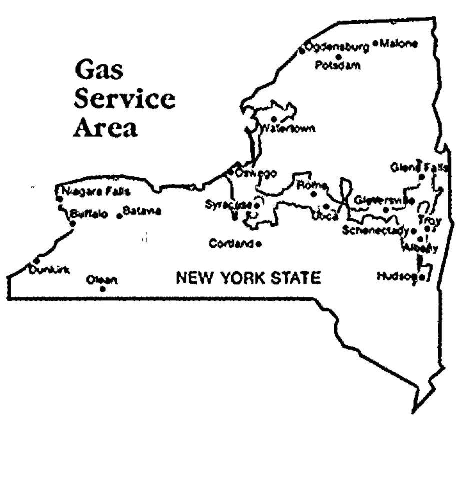
Serving Upstate New York

Ranked as one of the most prominent investor-owned utilities in the United States, Niagara Mohawk Power Corp. serves an area encompassing more than half the land mass of New York State. Our electric system extends from Lake Erie to New England's borders, to Canada and Pennsylvania, and meets the diversified needs of nearly 1.4 million customers. Our natural gas system serves 433,000 customers in central, eastern and northern New York, nearly all within our electric territory. Two Canadian companies, St. Lawrence Power Co. and Canadian Niagara Power Company, Ltd. owned by our subsidiary, Opinac Investments, Ltd., provide energy to portions of Ontario. Other subsidiaries are Hydra-Co Enterprises, Inc., N M Uranium, Inc, and Niagara Mohawk Finance, N.V. Our corporate headquarters are 300 Erie Boulevard West, Syracuse, N.Y. 13202.

Electric Service Area



Gas Service Area



Contents

Cover

Computer-styled map of our service area depicts electric and gas systems in graphic design used in program to attract new business and industry to "The State of Niagara Mohawk".

The information in this report is not given in connection with the sale of, or offer to buy, any security.

Printed in USA.

Investor notes

Dividend Reinvestment Plan

Stockholders participating in our Dividend Reinvestment and Stock Purchase Plan enjoy its tax-deferral and convenience features, while new capital is generated for the Company. See page 14 for details.

Telephone Inquiries

We maintain a toll-free telephone inquiry service for stockholders. Callers from outside New York State may dial 1 + 800 + 448-5450. The number for New York residents is 1 + 800 + 962-3236.

Annual Meeting

The annual meeting of stockholders will be held May 1, 1984 at the Company's main office in Syracuse. Formal notices, proxy statements and forms will be sent to holders of common stock in early April.

Transfer Agents

Preferred Stock and Preference Stock:
Marine Midland Bank, N.A.
140 Broadway, New York, N.Y. 10015
Common Stock:
Morgan Guaranty Trust Company of New York
30 W. Broadway, New York, N.Y. 10015

Disbursing Agent

Preferred, Preference and Common Stocks:
Niagara Mohawk Power Corporation
300 Erie Boulevard West
Syracuse, N.Y. 13202

Stock Exchanges

Common and Certain Preferred Series:
Listed on New York Stock Exchange
Common Stock:
Also traded on Boston, Cincinnati, Midwest, Pacific and Philadelphia stock exchanges.
Bonds:
Traded on New York and Luxembourg stock exchanges.

Ticker symbol: NMK

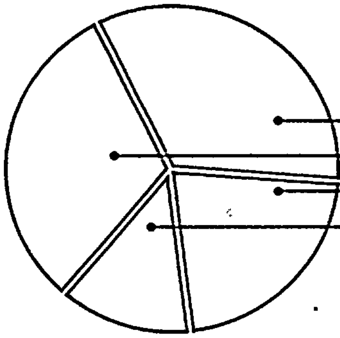
Form 10-K Report

A copy of the Company's Form 10-K report filed annually with the Securities and Exchange Commission is available after March 31, 1984 by writing John W. Powers, Vice President-Treasurer, at 300 Erie Boulevard West, Syracuse, N.Y. 13202.

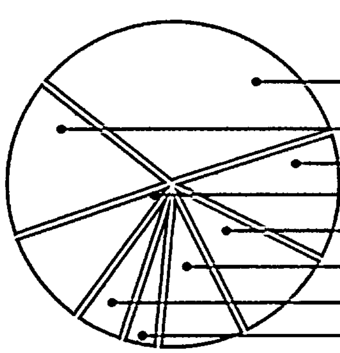
Highlights of 1983

	1983	1982	% Change
Total operating revenues	$2,632,315,000	$2,393,771,000	10
Income available for common stockholders	$ 270,300,000	$ 230,948,000	17
Earnings per common share	$2.77	$2.64	5
Dividends per common share	$1.89	$1.76	7
Common shares outstanding *(average)*	97,685,000	87,340,000	12
Utility plant *(gross)*	$6,165,711,000	$5,516,532,000	12
Gross additions to utility plant	$ 691,464,000	$ 594,469,000	16
Kilowatt-hour sales	34,732,000,000	32,640,000,000	6
Electric customers at end of year	1,392,000	1,380,000	1
Electric peak load *(kilowatts)*	5,625,000	5,512,000	2
Natural gas sales *(dekatherms)*	103,153,000	109,693,000	(6)
Gas customers at end of year	433,000	431,000	—
Maximum day gas sendout *(dekatherms)*	754,061	832,307	(9)

The 1983 revenue dollar . . .

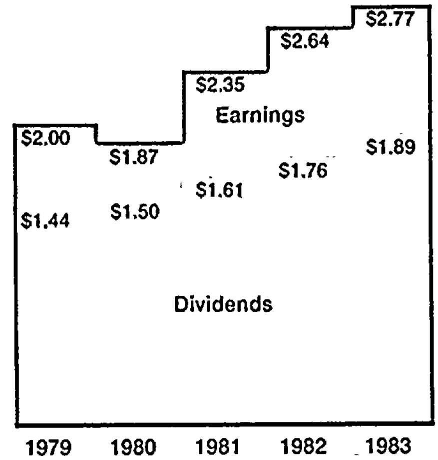


and where it went

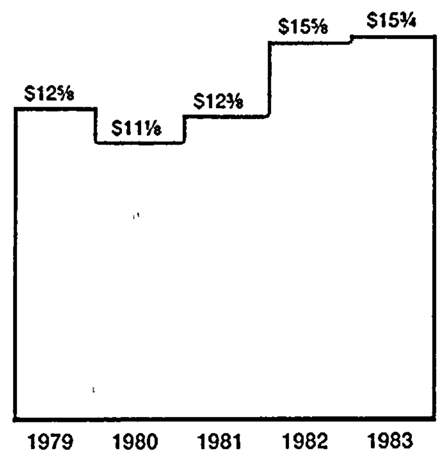


Stock and dividend data

Earnings and Dividends Paid per Common Share



Market Price of Common Stock at Year End



1983	Dividend paid per share	Price range High	Price range Low
1st Quarter	$.45	$17⅛	$15⅜
2nd Quarter	.48	17⅞	16⅛
3rd Quarter	.48	17⅜	16
4th Quarter	.48	18½	15¼
	$1.89		

1982			
1st Quarter	$.41	$13¾	$11⅞
2nd Quarter	.45	14⅞	12⅞
3rd Quarter	.45	16⅞	13⅛
4th Quarter	.45	16½	14¾
	$1.76		

To our stockholders

John G. Haehl, Jr.

William J. Donlon

Earnings for 1983 were $2.77 per share of common stock, compared with $2.64 for 1982.

This 5% improvement resulted from a favorable combination of factors, including an easing of inflationary pressures, a 6% increase in total sales of electricity and rate adjustments effective in March 1982 and 1983. Electric sales to other utility systems climbed an impressive 34%. Strict adherence to cost controls, productivity measures and innovation also contributed to our 1983 earnings performance. Natural gas sales decreased 6% because of conservation by customers and competition with stable oil prices.

The N.Y. State Public Service Commission in March approved a 2.8% overall electric and gas tariff increase and in late April we filed for a total 8.9% increase. A decision on that request is expected from the PSC in March 1984. As in previous years, Niagara Mohawk's rates still are competitive when compared to those of other utilities, both state and nationwide. This advantage has been an important influence in several major customer plant locations and expansions on our lines during the year.

Our service area is making a recovery from a very serious recession. Signs of economic revival and technological transition are growing more pronounced as Upstate New York enters the mid-1980s, proof of the region's strength and resilience.

On February 9, 1984, Long Island Lighting Company, 18% owner in the Nine Mile Point Nuclear Unit No. 2 project, indicated it will no longer fund its ownership share due to its own financial difficulties. This new development, together with the multitude of other recent nuclear-related news events, has caused uncertainties in the financial community which have had an adverse impact on our securities. We are certainly concerned about the dramatic drop in the market price of our common stock shares and the reduction in our credit rating, which

nevertheless remains investment grade. In our view, these results do not fully take into account our otherwise strong financial health.

With our partners in the project, we are examining the alternatives relative to the funding of LILCO's share. Further, we are working diligently with our state government as we seek to shape the most feasible solutions. In the meantime, Niagara Mohawk will temporarily advance the shortfall in funding to allow construction to proceed unimpeded. A planned overall project cost re-estimate based on progress to date, which will include a re-assessment of the quantity of material and labor hours necessary for completion of the unit, is currently under way and expected to be completed in the second quarter of 1984. The Company does not presently expect the total project cost re-estimate to vary significantly from the $4.6-billion target completion cost established by the PSC in early 1982. Nor do we believe that the actions of LILCO will have a significant impact on the Company's 1984 construction budget or the amount of external financing currently planned.

Construction progress at Nine Mile 2 continued at a steady pace throughout 1983. This 1.08-million kilowatt power plant—a vital element of the New York State Energy Master Plan—is four-fifths complete and has progressed from the bulk construction phase into the more exacting stage involving installation of complex controls and equipment and operating systems. We continue to stress quality construction as we move toward completion of the project in late 1986. More detailed discussions of the Nine Mile 2 project appear elsewhere in this report.

We are pleased to note the timely return of Nine Nile Point Nuclear Unit No. 1 to service in June, more than three months earlier than anticipated. An emergency drill at the site in September was most successful and earned the Company high marks in evaluations by federal, state and local officials. Over its 15-year life, Nine Mile 1 production has saved consumers $1.8-billion compared to the equivalent of oil-fired generation at current oil prices.

The Company's external financing requirements amounted to $575 million in 1983 and are estimated at $500 million in 1984 to fund our construction programs and to refund maturing securities.

In 1983, the Board of Directors declared a common stock dividend increase, to an annualized rate of $1.92 per share from the previous $1.80. This increase reflects our commitment to provide a fair return to our existing shareholders and to enhance the attractiveness of our securities as we compete for new capital in the financial markets.

The year also saw tangible advances in our corporate strategic planning process, an ongoing activity under the direction of senior executives and selected management people. Basically, their mission as a team is to strengthen the Company's abilities to cope successfully with all challenges we face in forthcoming years.

Our warmest regards and sincerest gratitude go to our stockholders and employees for their continuing loyalty and support during 1983 and through the years ahead.

John G. Haehl, Jr.
Chairman of the Board
and Chief Executive Officer

William J. Donlon
President

February 24, 1984

A year of momentum

The past year was among the most eventful and productive ever experienced at our Nine Mile Point nuclear facilities.

Constant momentum prevailed throughout the Lake Ontario complex as Unit No. 1 was brought back on line and as construction of the adjacent Unit No. 2 continued at full pace.

□ The 610,000-kilowatt Unit No. 1 returned to service in June, a full three months ahead of schedule, after more than a year's shutdown. During the outage, resourceful NM engineers, operating staff and the primary contractor applied highly specialized and automated machining and welding techniques, installing a new grade of corrosion-resistant stainless steel pipe. The same piping will be employed at Unit No. 2. The U.S. Nuclear Regulatory Commission described our performance during this outage as "exemplary." Over its seven months of service in 1983 alone, Unit No. 1 had generated some 2.8 billion kilowatt-hours of energy and achieved capacity and availability factors of 86.8% and 97.9%, respectively.

In late summer, the second full-scale emergency exercise was conducted at Unit No. 1 and nearby Oswego, with federal, state and local government agencies and key NM personnel all taking an active part. The realistic, day-long drill, mandated by the Nuclear Regulatory Commission for continuing the plant's operating license, received favorable comments and positive grades from all regulators and community leaders involved.

□ At the Unit No. 2 site, all major construction milestones were achieved on or ahead of schedule, with vital components of the control room, reactor building and 115,000-volt switchyard installed by year end. The scope of work activity has begun to shift from finishing the plant's fundamental bulk structures to installing the refined mechanical and electrical systems, controls, safeguards and miles of piping. The project's cost estimate announced in 1983 will be updated in the second quarter of 1984.

Again in 1983, a series of inquiries and developments surrounding Unit No. 2 served only to further strengthen our determination to bring the project on line in late 1986. The future public need for this essential energy cornerstone was also underscored in the 1983 New York State Energy Master Plan. Further, late in 1983 the State Supreme Court Appellate Division unanimously rejected an appeal designed by opponents to force abandonment of the project. In early November a thorough economic re-evaluation study of the project presented to the Public Service Commission and similar to previous evaluations by NM and the PSC Staff re-emphasized the economic advantages for the more than nine million consumers of the unit's five participating utilities.

Niagara Mohawk is agent for construction and operation and principal partner with 41% ownership of Nine Mile 2. The other utility partners include Long Island Lighting Co., 18% (see page 19); New York State Electric & Gas Corp., 18%; Rochester Gas and Electric Corp., 14% and Central Hudson Gas and Electric Corp., 9%.

□ The signing into law of the Federal Nuclear Waste Policy Act in early 1983 was applauded by Niagara Mohawk and all others in the utility industry. This long-overdue legislation sets a firm course for the permanent disposal of nuclear waste well into the decades ahead and resolves a previously growing concern.

□ Plans were revealed late in 1983 for a multipurpose training center adjacent to the power plants on the Nine Mile Point shoreline. Construction of the two-story stone and concrete building began in late 1983, with completion and occupancy anticipated in late 1984. The center will be used for instructing personnel assigned to our nearby nuclear units and as a technical support facility in case of an emergency at Nine Mile Point. Precise computerized control room replicas—full-size teaching aids to simulate Units 1 and 2—will be the center's main feature. The building will also contain classrooms, laboratories, an emergency operations center and administrative offices. An estimated 1,500 employees at all levels will undergo instruction each year. We expect this new addition to earn widespread recognition over the years as a nuclear professional education and training showcase.

□ In spring 1983, the first hydroelectric project, part of our long-term plan to enlarge or build new waterpower installations, went into full commercial operation on the Oswego River. The 10,000-kilowatt Granby Hydro redevelopment in Fulton incorporates state-of-the-art hydro technology. Its two 5,000-kilowatt units more than double the output of the original turn-of-the-century generators. By the year end, Granby produced 20 million kilowatt-hours of economi-

Only a partial impression of its size is apparent in this view within the cooling tower at Nine Mile Point. Heat from Nuclear Unit No. 2 will dissipate constantly through natural draft upward inside this 540-foot-high concrete cylinder.

cal energy for our consumers, the same amount of power generated by more than 35,000 barrels of imported oil. The plant's projected lifetime is 60 years or more.

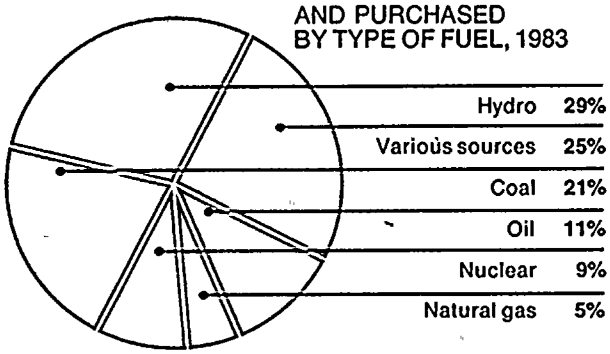
The year also saw solid construction progress at the Trenton Falls hydro renovation site on the West Canada Creek near Utica. By late fall, nearly a half mile of 14-foot diameter piping and tunnel linking the dam and powerhouse were in place. Redevelopment of this 83-year-old waterpower landmark will raise its generating output from 24,000 kilowatts to 30,000 kilowatts upon completion in 1988.

Further plans for a 15,500-kilowatt hydro station at Glen Park on the Black River west of Watertown were approved in 1983 by the Federal Energy Regulatory Commission (FERC). However, extreme environmental stipulations in the license could well outweigh the economic and power reliability merits justifying such an undertaking by the Company. Accordingly, we are reassessing the Glen Park proposal.

□ Niagara Mohawk's non-regulated, wholly owned subsidiary, Hydra-Co Enterprises, Inc., is moving ahead in joint ventures with three independent companies for development of sites on Upstate New York waterways. Hydra-Co and these firms will own and co-manage all phases of planning, construction and operation of seven small hydro projects by 1987. At the same time, Hydra-Co is pursuing fossil-fired co-generation projects as well as further waterpower partnerships.

During the year, a geothermal property in Idaho was acquired by Hydra-Co for a proposed 5,000-kilowatt station using 300-degree water as a power source. This entails selling the energy to a local utility when the station begins service in early 1985.

ELECTRICITY GENERATED AND PURCHASED BY TYPE OF FUEL, 1983



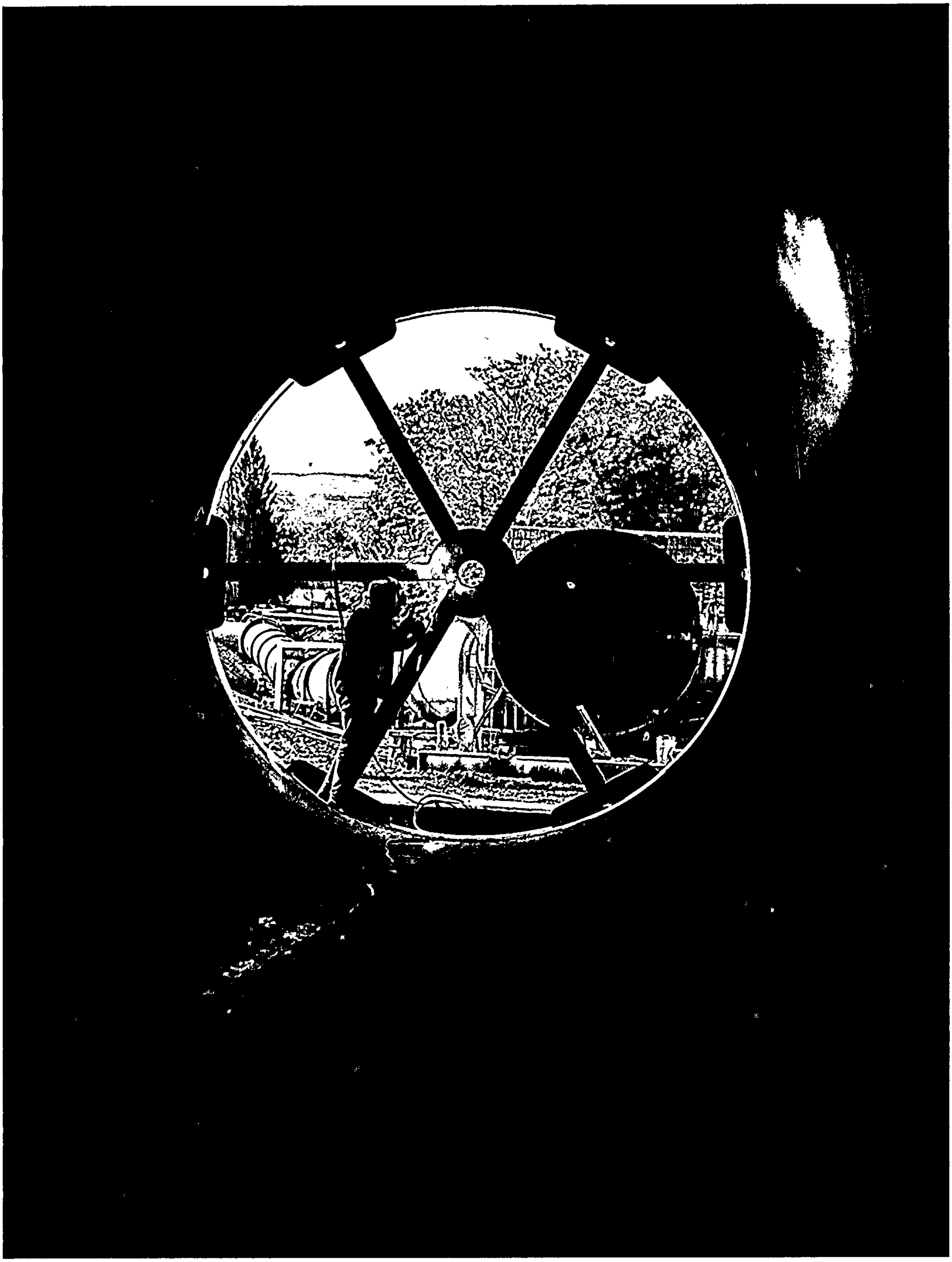
A pivotal decision in September by the FERC on hydro relicensing was welcomed by Niagara Mohawk and other U.S. investor-owned utilities. The Commission reversed a 1980 decision based on a 1920 provision giving preference to government-owned entities when licenses for hydro plants come up for renewal. In effect, the 1980 FERC decision awarded a utility owned and-operated hydro project to a governmental entity when the utility's term expired. With 35 of 83 Niagara Mohawk hydro installations of many years up for relicensing through 1993, the Company viewed this as a threat to both our consumers and stockholders. While the recent interpretation is currently under appeal in the courts, we are seeking Congressional action in 1984 to confirm FERC's decision, removing any further threat of capture to our long-standing hydroelectric resources.

□ At our fossil-fired power stations, there were a number of productive accomplishments in 1983. Improvements made at coal-fueled units increased their total power generation capability over 1982. Further, Niagara Mohawk's standing for system heat rate (BTU/KW-HR) performance advanced from 47th to 28th in just one year, according to the annual survey of the 100 largest U.S. utilities published by *Electric Light and Power* in 1983.

□ Looking ahead at power transmission and delivery in the Niagara Mohawk System and with neighboring utilities and energy networks, an automated and computerized master control center, under construction since 1982 in Syracuse, will serve as the heart of our planned new Energy Management System (EMS). While the advanced EMS concept, applying space satellites and fiber optics for communication purposes, will not see full implementation until the early 1990's, the new control center is slated for 1985 operation, replacing older System and Central Region power control operations. Employee occupancy of the modern two-story brick structure will begin in fall 1984, with computer hardware, transmission map boards and associated electronic equipment arriving early in 1985 for installation.

□ Contracts with neighboring Canadian electric power producers to obtain low-cost energy for Niagara Mohawk customers proved beneficial throughout another year. We shall continue to import 400,000 kilowatts of mainly coal-

Welder strikes arc on strut in new steel penstock installed at Trenton Falls Hydro Station on West Canada Creek. Renovation of octogenarian waterpower landmark will boost capacity by one-fourth to 30,000 kilowatts.



Research — on technology's cutting edge

generated energy from Ontario Hydro under an agreement that extends through December 1986, with provision for extension to December 1992. The present cost is 3.3 cents per kilowatt-hour — about half that of oil-generated electricity. At the same time, steps were taken to increase an interruptible energy contract with Hydro Quebec from the previous 120,000 kilowatts to 240,000 kilowatts. This solely hydroelectric energy will be brought across the border from the Province of Quebec to reduce the use of more expensive fossil fuels in our System. These imports from Ontario and Quebec will save our consumers many millions of dollars through the 1980's.

☐ Transmission system expansion consisted primarily of planning and constructing three vital circuits during the year. The halfway mark was reached in construction of a 65-mile, 345,000-volt line to deliver energy from Nine Mile Point Unit No. 2 in Oswego County to Marcy Substation, near Utica. Work on a line of the same voltage extending nearly 10 miles from Unit No. 2 to Volney Substation, north of Syracuse, is targeted for completion in early 1985. The third project, also scheduled for 1985, is construction of a 115-volt line through 30 miles of rugged north-country terrain from Massena to Colton in St. Lawrence County. That link will serve as the main carrier of imported Hydro Quebec power into our System. Each of these transmission additions is being built "in-house" by a work force made up solely of Niagara Mohawk employees.

☐ In early autumn, Theodore Barry & Associates, an independent consulting firm, was selected by the Public Service Commission to perform a management study of Niagara Mohawk. The review should require about eight months and is similar to mandated audits of all the state's utilities conducted under New York law. We shall cooperate fully with the project and look forward to any recommendations.

We embarked upon our second decade of creative energy research in 1983.

In 1983 alone, more than $36 million in cost savings for our customers resulted directly from new and improved state-of-the-art methods developed in various ventures. Similar reductions projected in 1984 will also have positive impact on consumers' bills.

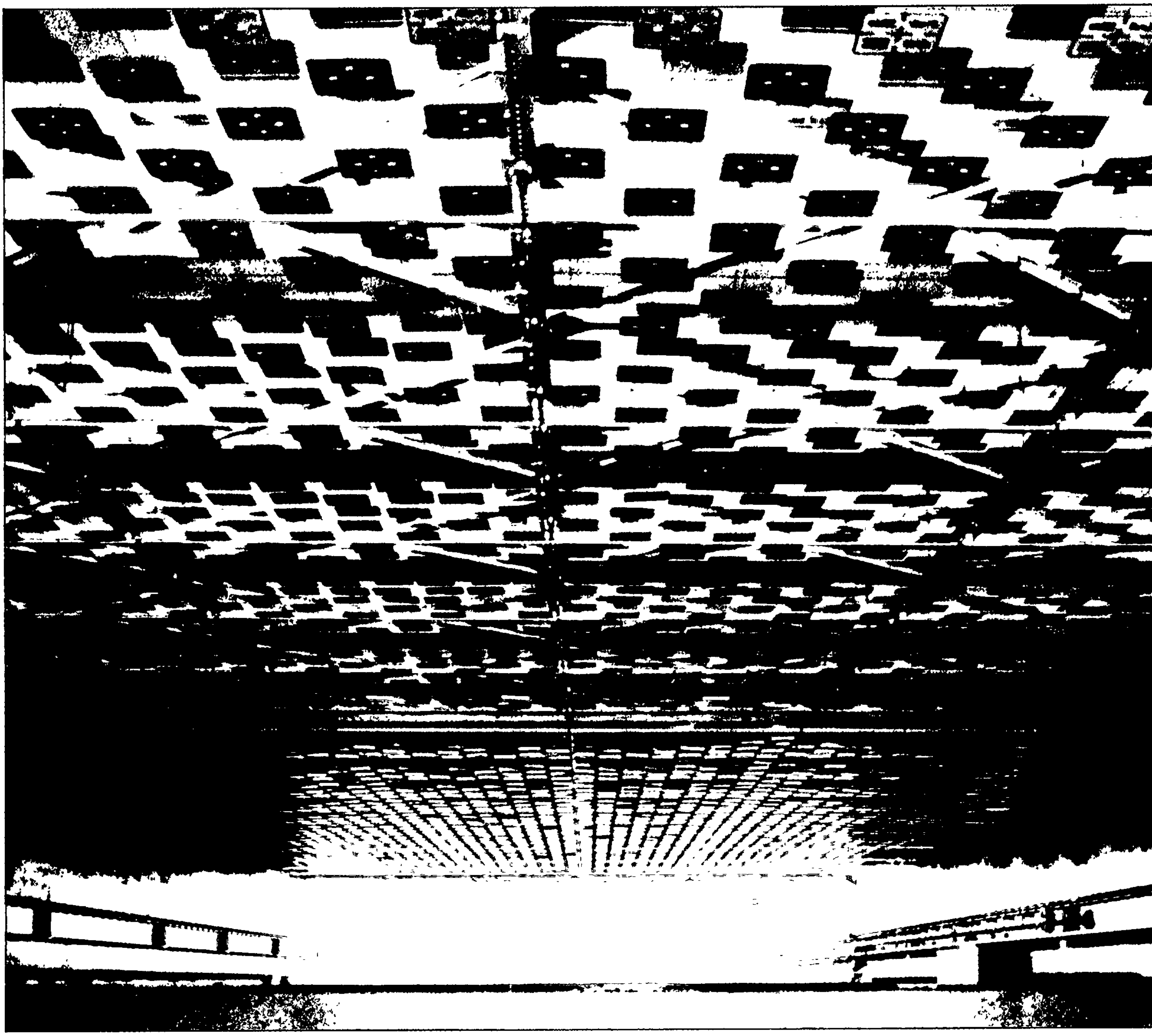
☐ Technology at its highest was displayed by NM researchers in mid-year in a first-ever noise cancellation experiment that attracted international attention. In this scientific breakthrough, noise was successfully deployed to eliminate offending noise, a problem at some electric installations. For the first time, combining sophisticated new electronics with arrays of microphones and speakers, the unwanted humming of a transformer was electronically processed and projected back to the source, simultaneously cancelling the noise in all directions.

Another R&D first by NM in 1983 was the laboratory creation of a safe, environmentally harmless method of destroying toxic PCBs in oil used for cooling electric equipment. Our Research Department has applied for a patent in a process which blends PCB-contaminated oil with newly developed chemical components to yield a non-toxic chloride. In partnership with a Central New York technical engineering firm, NM plans to construct a small pilot plant to validate the process. If successful, a large process plant will be built, capable of recycling millions of gallons of oil yearly, with substantial dollar savings.

☐ Foremost among Niagara Mohawk's $144.1 million five-year research commitment is participation in an advanced Flue Gas Desulfurization (FGD) prototype that went into test operation in the spring on a 100,000-kilowatt unit at our coal-fired Huntley Steam Station near Buffalo. A cooperative venture costing up to $61 million, with NM's investment at $7.2 million, this project proved in 1983 that low-cost, high-sulfur Eastern coal can be burned at large power stations with virtually no effect on air, land or water quality.

The FGD unit removes 90 percent of sulfur dioxide gas from stack emissions, converting the gas into a high-grade elemental sulfur as the sole by-product. Presently, the sulfur produced by the demonstrator is being sold to a Western New York chemical firm for processing and ultimate use for agricultural, community water-

Something extraterrestrial is suggested in view across vast interior of new radwaste building at Nine Mile Point Nuclear Unit No. 1. Crane in distance travels along rails on walls to move plant's low-level radioactive wastes.



purification and varied manufacturing purposes. The FGD project's far-reaching pollution-control and environmental implications have earned it nationwide interest. As host utility, Niagara Mohawk is the manager. Principal sponsor is the Empire State Electric Energy Research Corp. (ESEERCO), in partnership with other utilities and federal and state agencies. The demonstration will continue through the mid-1980's.

□ Late in 1983, NM announced a two-year experiment to convert fly ash trapped by pollution controls at coal-fired power plants into efficient, low-cost insulation for homes and other structures. The Company is sponsoring and managing a pilot plant to recycle the gray, gritty ash into a marketable fiber material similar to conventional fiberglass "batts". The project promises to eliminate the considerable expense and environmen-

tal problems of the present practice of handling large bulk quantities of this waste for disposal at diminishing landfill sites. Testing of the insulation product, marketing and sales studies are a part of the program.

☐ More than a decade of pioneering research activity with low-temperature fuel cells, born of the U.S. space program, will advance to the field phase in early 1984. NM and other utilities, working with United Technologies Corp., have sponsored efforts leading up to installation and tests of a 4,800-kilowatt prototype fuel cell adjacent to an oil-fired New York City power station. Similar in appearance to large batteries, but requiring no charging, these futuristic devices operate on light hydrocarbon fuels without noise, pollution or vibration. Plans call for Niagara Mohawk to start its own trials in 1986, with the largest fuel cell ever built — 11,000 kilowatts — to be installed at one of our generation sites. We will devote extensive study to this attractive form of supplemental power generation well into the 1990's.

☐ The Adirondack region in Niagara Mohawk's service area, a center for widespread concern over acid deposition, will be the focus of an NM-supported water-quality and fisheries study to start in spring 1984. Besides our role as host utility in a joint three-year program, we are chairing the project's management committee. This is the fourth scientific effort in the Adirondacks by Niagara Mohawk with other utilities and government agencies to better understand the acid rain phenomenon.

☐ In autumn, a new magazine was co-produced and issued by our research and corporate communications staffs to promote practical application of our research accomplishments. *Next Generation,* a semi-technical journal, is issued periodically to engineers, energy research centers, technical educators, college and university libraries, manufacturers and others with access to the marketplace.

The resounding readership response to the premier edition confirmed its effectiveness as a two-way communications bridge between Niagara Mohawk and these individuals and organizations.

The past year has sharpened Niagara Mohawk's awareness of dramatic economic and industrial transformation taking place in our service territory and the entire Northeast as well.

No longer do the traditional heavy industries — steel and automotive are leading examples — upon which thousands relied for their livelihood, appear as Upstate New York's basic economic backbone. Pronounced shifts from these and other "smokestack" industries to manufacturing and commerce in the categories of high technology, computer and related software, electronic information and services, are altering the economic complexion of our service area. Revitalized employment and market horizons, with attractive new investment opportunities, are emerging in this transition.

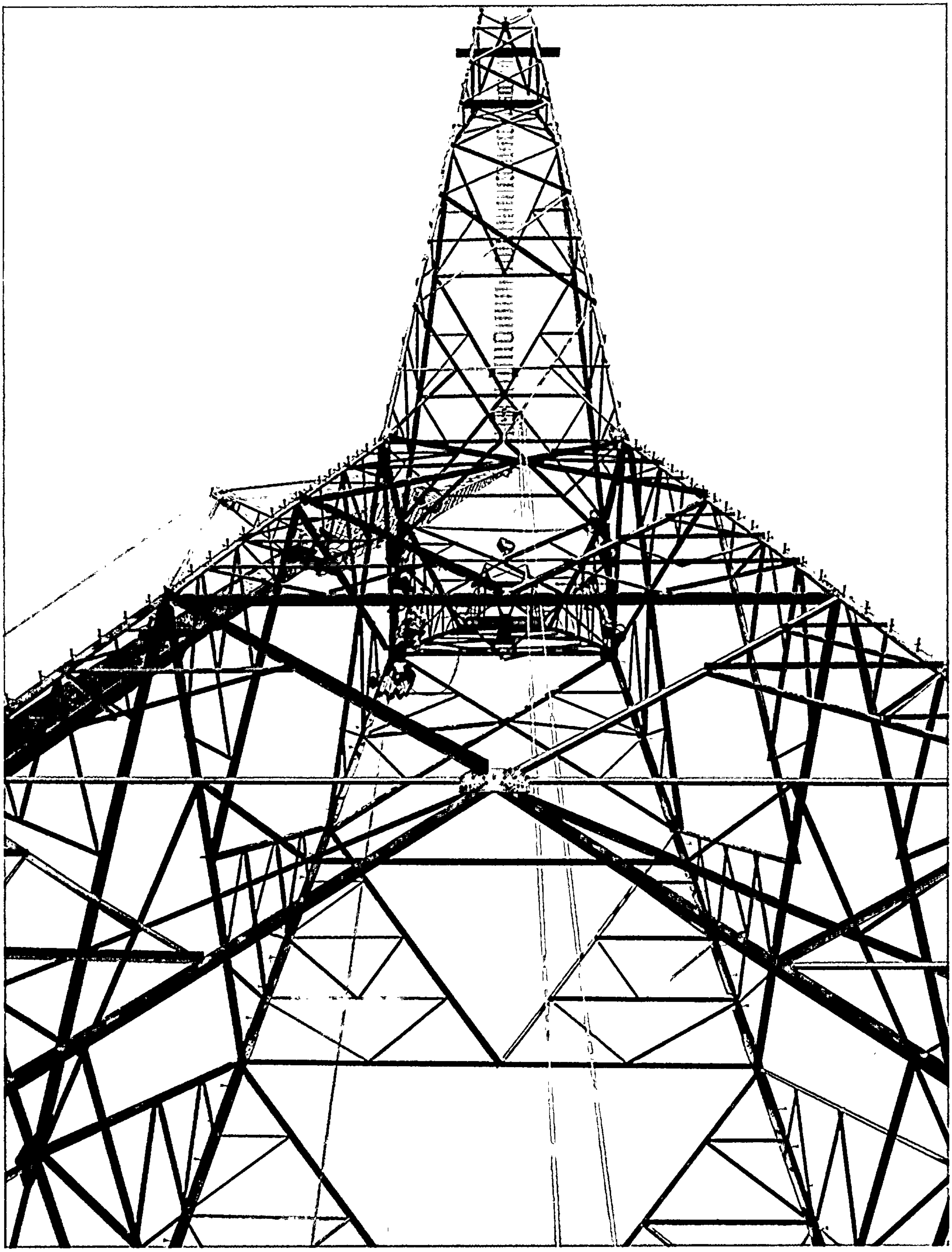
☐ Closely tracking all economic trends, Niagara Mohawk has strengthened its commitment to attracting and helping to expand business and industry in the region served. Our Economic Development Department has undertaken a nationwide "Discover the State of Niagara Mohawk" communications campaign. This promotional effort is geared to acquainting U.S. business and industrial leaders with the area's natural and energy resources, its quality work force and many other diverse assets available for new plant investment, profit potential and, in particular, hi-tech and automation opportunities.

This concerted drive alone prompted hundreds of active inquiries to Niagara Mohawk in 1983, and each was followed up individually by our Economic Development staff. The staff directly assisted 75 businesses and local communities with development and expansion activities, while confidence in Upstate New York was further demonstrated by announced plans for the addition of one million square feet of industrial and business space during the year. Such ongoing strategies by the Company to perform plant location studies and provide the latest information on market, raw materials, industrial sites, labor and available financing are being intensified to meet the economic challenges of the 1980's.

☐ Services and supportive functions for consumers received more attention and emphasis than ever in 1983. Several were either expanded or undertaken for the first time. A sampling of programs follows:

- Home Insulation and Energy Conservation Analysis. Through "Operation Sunflake", more

Thrusting skyward nearly 200 feet, tower for 345,000-volt transmission line extending from Oswego County to Mohawk Valley is a study in steel. Line will deliver power from Nine Mile Point to Eastern energy systems.

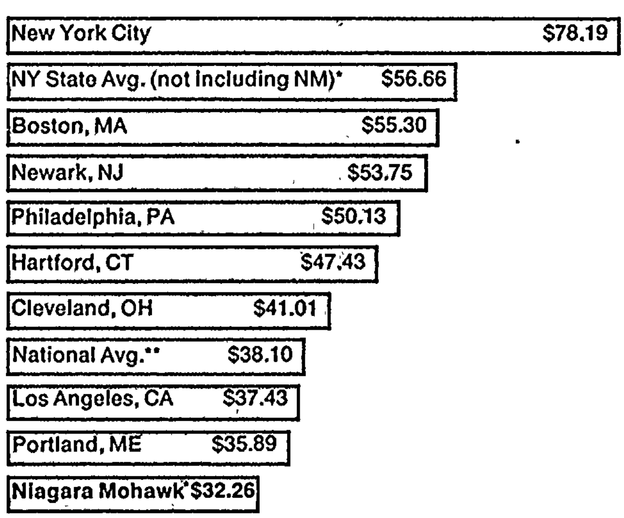


than 18,000 consumers received free customized home energy audits during the year. Financial assistance and low-interest loans from lending institutions totaled $2.2 million in 1983 for qualified persons to help implement conservation measures such as insulation and storm windows.

- Energy Conservation Bank. A special program for the needy and senior citizens in cooperation with county offices of the aging throughout our service area. Special grants and loan-principal reductions of $870,000 were offered to NM customers through the State Energy Office and administered by the Company in connection with our program of energy audits.
- Home Energy Level Payment Plan. Designed to help consumers manage winter's higher energy costs. More than 122,000 customers now have their estimated annual costs divided into 12 level payments.
- Deferred Payment Plan. For customers who have severe financial problems. Allows for a combination of down payment and as many as 48 equal monthly payments to clear the balance.

Closely allied with energy conservation and consumer relations, the second annual Summer Weatherization Program generated 121 jobs for inner-city youngsters and senior citizens who were specially trained to winterize homes of the elderly and disadvantaged. Sponsored by Niagara Mohawk in conjunction with many local community agencies across the System, the program resulted in weatherizing some 1,500 low-income residences in our service area.

MONTHLY RESIDENTIAL ELECTRIC COST
FOR 500 KILOWATT-HOURS



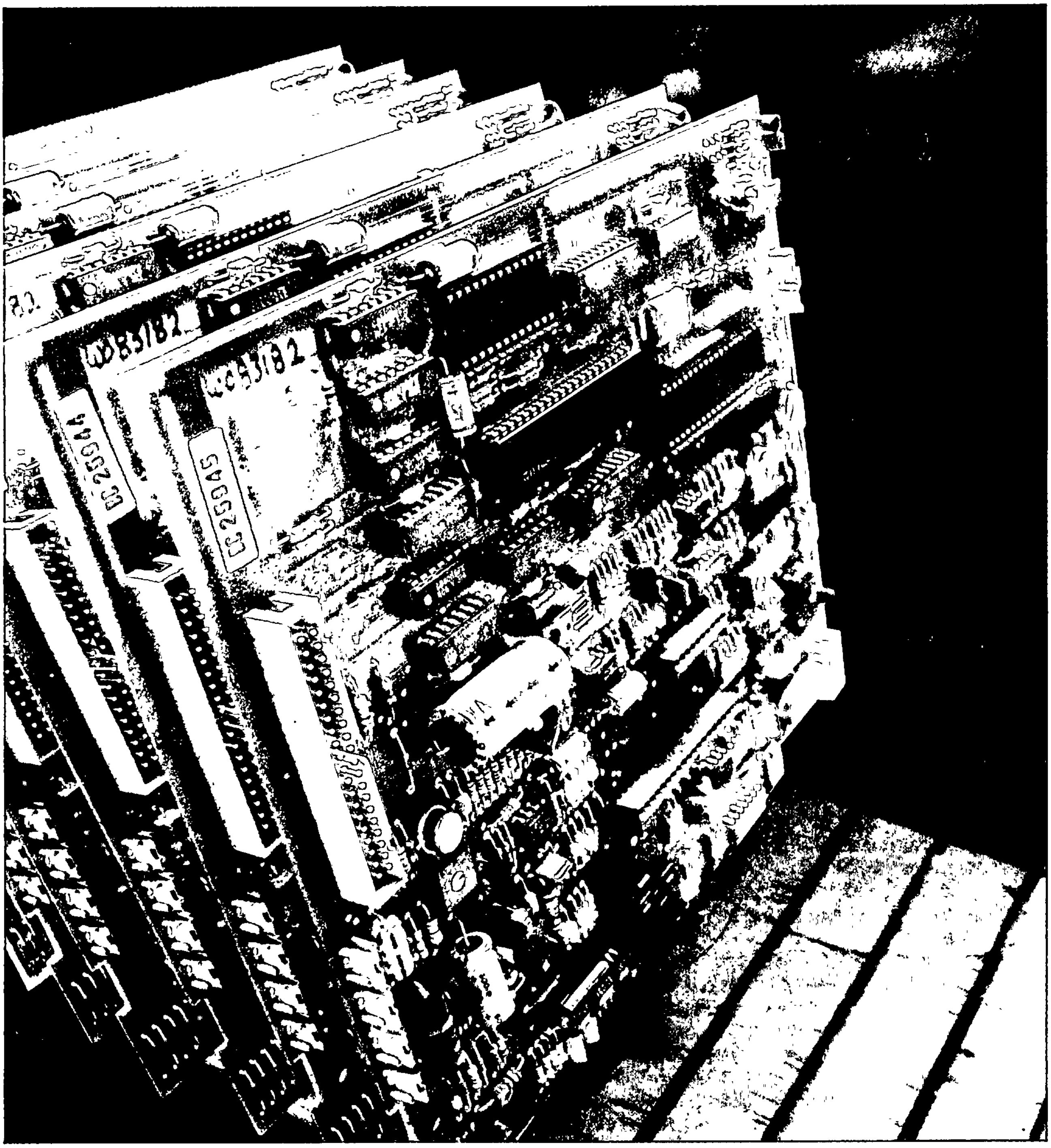
Includes fuel and PASNY credit adjustments as applicable.
*NM Rate Department as of 12-1-83
**E.E.I. report with rates effective 7-1-83
All others supplied by local utilities, rates effective 12-1-83.

☐ To keep the Company informed as to what consumers are thinking about NM, a residential customer survey was conducted across the service area in 1983 by an independent opinion-research consulting firm. Findings showed improvement over data gathered in a similar 1982 survey. Consumers also gave NM an 89 percent favorable rating for courtesy, 85 percent for service reliability and 83 percent for knowledgeability. We attribute much of this improvement to our consumer services programs and our continuing "We're with you!" communications campaign, launched by Public Affairs and Corporate Communications in 1982 to assure consumers of our willingness to assist them with their personal energy problems and concerns.

☐ Niagara Mohawk's Educational Services Program, first formed in 1972, established a new performance record in 1983. A seven-member Educational Advisory Council, comprised of professional teachers and school administrators within the NM service area, was organized during the year to make recommendations and review instructional materials provided by the Company to schools. More that 78,000 students viewed films loaned by our circulating film library while another 332,000 received NM energy publications in 1983.

The Energy Information Center at Nine Mile Point has also been undergoing renewal and revitalization. Jointly sponsored by Niagara Mohawk and the New York Power Authority, the Center is reaching out to area schools, organizations and the general public, offering audiences factual information on nuclear energy, fossil generation and alternate energy sources. The year 1983 saw attendance at the Center increased by 20 percent over 1982. Since 1967, when the facility first opened, it has served more than a half million visitors from across the United States and around the world.

High-tech firms are finding Upstate New York the ideal home. American Computer Assembly, Inc., manufacturer of printed circuit boards, settled in Ogdensburg in 1982 and employs a skilled work force of 150.



People in the mainstream

An Investor and Financial Relations Department was established in 1983 in response to clear signals from stockholders and finance professionals of their particular need for a specialized source of information on Niagara Mohawk.

The new, Syracuse-based Department is responsible for timely investor and financial communications while also working closely with NM senior officers in analyzing and implementing major financing strategies and programs. Its main objective is to develop, through comprehensive and up-to-date communications, a well-informed financial and investor community. Staff assignments include, in addition to responding to inquiries, involvement in such publications as interim reports, an *In-the-Know* bulletin for stockholders and the quarterly *NMK Digest,* a newsletter for security analysts and others in the financial community.

The new Department is scheduling presentations to analysts and broker organizations and stepping-up direct personal contacts with institutional investors, rating agencies and others in the field of finance. These activities are founded on the belief that an informed securities market will help insure that a consistently fair value will be placed on NM securities. Stockholders are encouraged to contact the Department for information about Niagara Mohawk's programs and plans.

□ Participation in the Company's Dividend Reinvestment and Common Stock Purchase Plan was more active than ever in 1983, with members representing more than 32 percent of NM's shareholders at the year end.

The Plan offers significant tax incentives and investment opportunities and provides the Company with a valued source of capital, generating some $51 million and representing 30 percent of common equity requirements in 1983. Recent improvements allow stockholders to join whose shares are held by certain brokers or nominees. Further, participants may elect to partially reinvest dividends in the Company's shares. These new features permit participants to manage and maximize their investments more effectively.

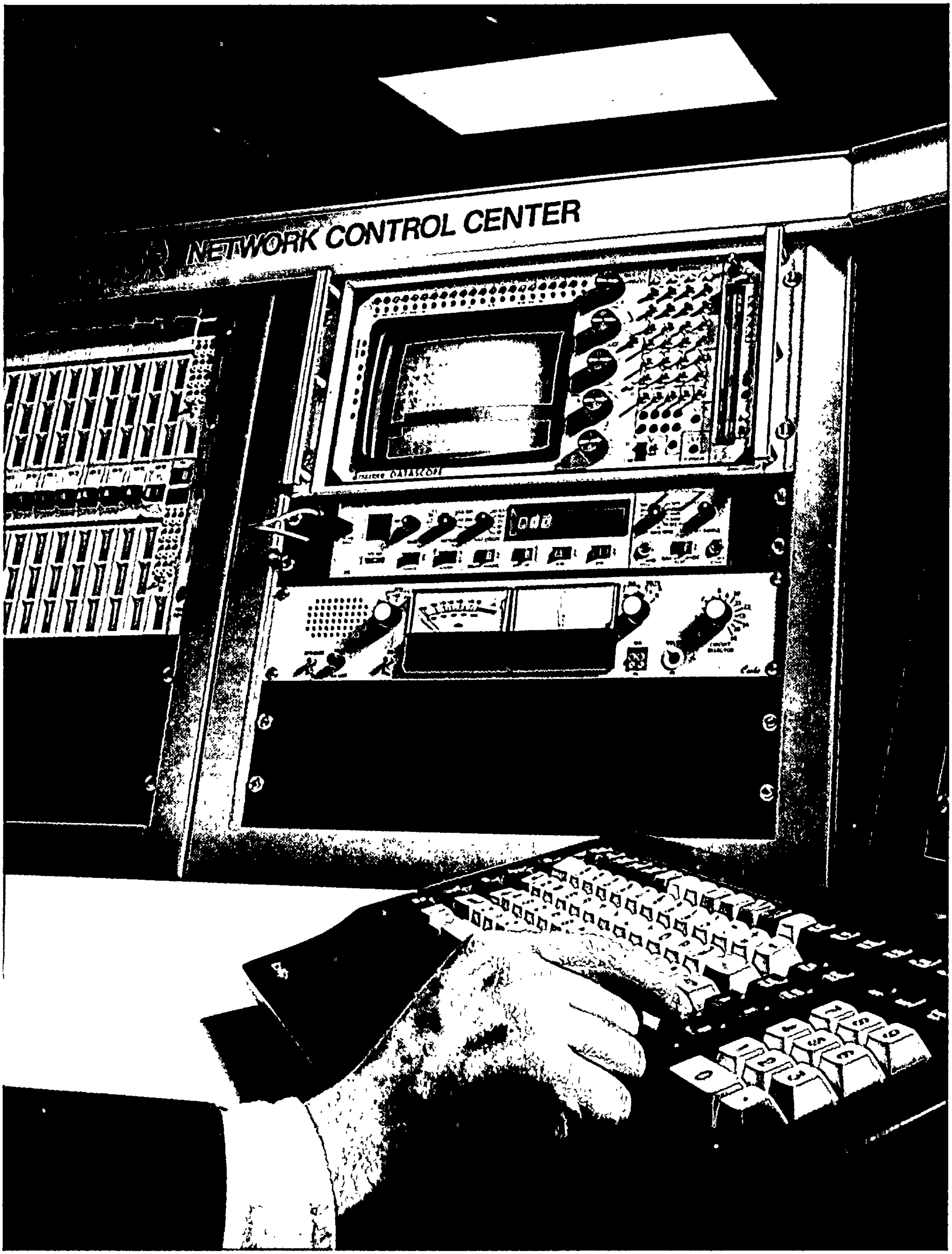
Since the Plan qualifies for tax-deferred treatment under existing tax legislation, members are allowed to exclude up to $750 ($1,500 for a joint return) of dividend income for federal income tax purposes on reinvested dividends. When these shares are sold, the dividends excluded from income may be taxed as a capital gain, rather than ordinary income, if the shares were held for a year or more.

□ Our work force totaled about 10,600 at the year end. Approximately 8100 or 76 percent of our employees are members of 12 locals of the International Brotherhood of Electrical Workers (AFL-CIO) which constitute System Council U-11. Our two-year collective bargaining agreement expires on May 31, 1984 and negotiations for a new agreement commenced early in 1984.

About 7500 or 79 percent of all eligible employees subscribe to the Employee Savings Fund Plan, in which 2 to 6 percent of wages were allocated for common stock or U.S. Government Bonds in 1983. At the year-end 1983, the Plan held about 10.6 million shares or 10 percent of the outstanding comon stock.

□ Starting January 1984, the Employee Savings Fund Plan for non-represented employees was modified to take advantage of Internal Revenue Service provisions which will encourage retirement savings and achieve other long-term financial goals. The improved version allows contributions of up to 10 percent of gross pay using pre-tax dollars. Moreoever, it now offers two added investment options, including a fixed income fund and an index fund of mixed common stocks. The attractive new Plan was greeted enthusiastically by eligible employees.

Heart of our growing computer and telecommunications functions is this new Network Control Center console, latest in state-of-the-art. Compact unit was installed in 1983 to manage complex data and information systems.



Market for the registrant's common stock and related security holder matters

The Company's common stock and certain of its preferred series are listed on the New York Stock Exchange. The common stock is also traded on the Boston, Cincinnati, Midwest, Pacific and Philadelphia stock exchanges. The ticker symbol is "NMK".

The table below shows dividends per share for our common stock and quoted market prices:

1983	Dividend paid per share	Price range High	Low
1st Quarter	$.45	$17⅛	$15⅜
2nd Quarter	.48	17⅞	16⅛
3rd Quarter	.48	17⅜	16
4th Quarter	.48	18½	15¼
	$1.89		
1982			
1st Quarter	$.41	$13¾	$11⅞
2nd Quarter	.45	14⅞	12⅞
3rd Quarter	.45	16⅞	13⅛
4th Quarter	.45	16½	14¾
	$1.76		

Preferred and common stock dividends were paid on March 31, June 30, September 30 and December 31. The Company presently estimates that all of the March 1983 common dividend is taxable and between 25-35% of the remaining 1983 and about 30% of the 1982 common stock dividends are a return of capital and therefore are not taxable as dividend income for income tax purposes. The remaining percentage of common dividends and 100% of preferred stock dividends are taxable as dividend income.

While the Company intends to continue the practice of paying cash dividends quarterly, declarations of future dividends are necessarily dependent upon future earnings, financial requirements and other factors, including restrictions in governing instruments.

The holders of common stock are entitled to one vote per share and may cumulate their votes for the election of Directors. Whenever dividends of preferred stock are in default in an amount equivalent to four full quarterly dividends and thereafter until all dividends thereon are paid or declared and set aside for payment, the holders of such stock can elect a majority of the Board of Directors. Whenever dividends on any issued preference stock are in default in an amount equivalent to six full quarterly dividends and thereafter until all dividends thereon are paid or declared and set apart for payment, the holders of such stock can elect two members of the Board of Directors. No such dividends are now in arrears.

Upon any dissolution, liquidation or winding up of the Company's business, the holders of common stock are entitled to receive pro rata all of the Company's assets remaining and available for distribution after the full amounts to which holders of preferred and preference stock are entitled have been satisfied.

The indenture securing the Company's mortgage debt provides that surplus shall be reserved and held unavailable for the payment of dividends on common stock to the extent that expenditures for maintenance and repairs plus provisions for depreciation do not equal 2.25% of depreciable property as defined. Such provisions have never restricted the Company's surplus.

At year end, over 209,000 stockholders owned common shares of Niagara Mohawk and 10,000 held preferred and preference stock. The chart below summarizes common stockholder ownership by size of holding:

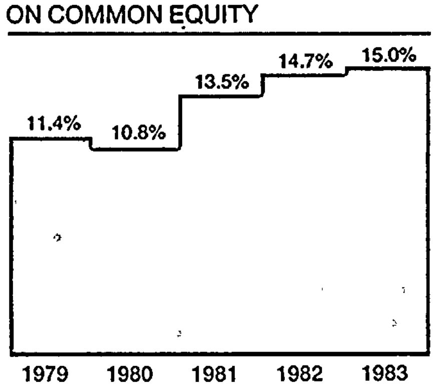
Size of holding (Shares)	Total stockholders	Total shares held
1 to 99	57,241	1,894,436
100 to 999	142,690	34,767,328
1,000 or more	9,457	67,348,239
	209,388	104,010,003

Management's discussion and analysis of financial condition and results of operations

Results of operations. Earnings in 1983 were $2.77 per share, up $.13 from 1982, $.42 above 1981 and $.90 above 1980 earnings, with fewer shares outstanding in each of the earlier years.

The improvement in the Company's earnings per share for 1983 over 1982 resulted primarily from higher electric sales, rate relief granted in March 1982 and 1983 and management's efforts to control costs wherever possible. Electric and gas revenues increased 8.8% and 14.2%, respectively, from the prior year. The increase in electric revenues is principally due to higher rates and increased sales to other electric systems. Gas revenues increased primarily from recovery of increased purchased gas costs through the gas adjustment clause. However, operation and maintenance expenses, including depreciation and amortization, increased 10%, Federal income and other taxes increased 8% and interest charges were 10% higher, reducing the impact of the increase in revenues.

EARNED RATE OF RETURN ON COMMON EQUITY



The Company's rate of return on common equity rose to 15.0% in 1983 from 14.7% in 1982 and 13.5% in 1981. This earned return on common equity reflects an improvement from prior years and compares favorably to the 15.4% currently approved by the New York State Public Service Commission (PSC) for the rate year ending March 1984.

The following discussion and analysis highlights items having a significant effect on operations during the three-year period ended December 31, 1983, but may not be indicative of future operations or earnings. It should be read in conjunction with the Notes to Consolidated Financial Statements and other financial and statistical information appearing elsewhere in this report.

Electric revenues increased $630.3 million or 45.2% over the three-year period. This increase is largely attributable to increased base rates, recovery of increased fuel and purchased power costs and increased sales to other electric systems, as indicated in the table below:

Electric revenues	Increase (decrease) from prior year *In millions of dollars* 1983	1982	1981	Total
Increase in base rates	$ 68.5	$128.8	$115.2	$312.5
Fuel and purchased power cost increases	2.6	(1.9)	141.5	142.2
Sales to ultimate consumers	21.0	(21.9)	27.1	26.2
Sales to other electric systems	63.7	34.2	30.9	128.8
Miscellaneous operating revenues	7.3	1.5	11.8	20.6
	$163.1	$140.7	$326.5	$630.3

Electric kilowatt-hour sales were 34.7 billion in 1983, an increase of 6.4% from 1982, reflecting the effects of the improved economy in the Company's service area and increased sales to other electric systems (see Electric and Gas Statistics—Electric Sales appearing on page 36). Details of the changes in our electric revenues and kilowatt-hour sales by customer group are highlighted in the table below:

Class of service	1983 % of Electric Revenues	% Increase (decrease) from prior year 1983 Revenues	1983 Sales	1982 Revenues	1982 Sales	1981 Revenues	1981 Sales
Residential	28.8%	8.2%	1.2%	11.5%	0.2%	19.5%	1.5%
Commercial	32.6	4.8	0.6	8.7	(0.9)	24.8	0.6
Industrial	21.8	3.7	4.8	(1.1)	(10.9)	24.9	(0.6)
Municipal service	1.8	4.5	(2.3)	11.6	(3.4)	15.2	(2.6)
Total to ultimate consumers	85.0	5.7	2.3	6.9	(4.5)	22.9	0.4
Other electric systems	11.6	37.1	34.3	24.9	35.4	29.0	6.5
Miscellaneous	3.4	12.0	—	2.5	—	24.8	—
Total	100.0%	8.8%	6.4%	8.2%	(0.8)%	23.4%	0.9%

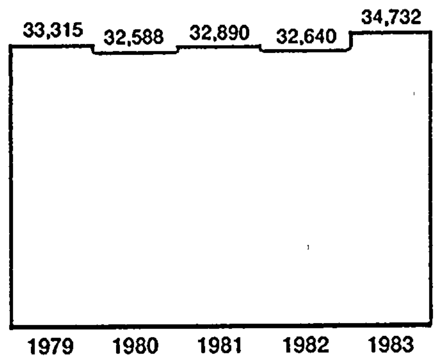
Gas revenues increased $224.9 million or 58.6% over the three-year period. As shown by the table below, this rise is primarily from increased costs of purchased gas which are recovered from customers through the purchased gas adjustment clause.

Gas revenues	Increase (decrease) from prior year *In millions of dollars* 1983	1982	1981	Total
Increase in base rates	$ 10.3	$ 17.8	$11.0	$ 39.1
Purchased gas cost increases	79.2	74.1	4.8	158.1
Gas sales	(14.0)	10.4	31.3	27.7
	$ 75.5	$102.3	$47.1	$224.9

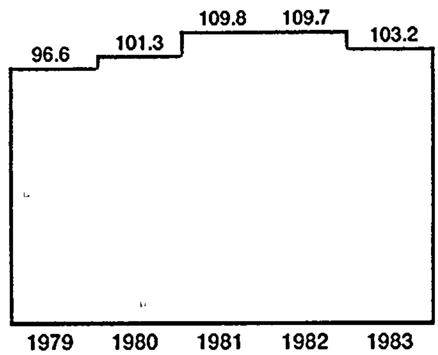
Gas sales were 103.2 million dekatherms in 1983, a 6.0% decrease from 1982 (see Electric and Gas Statistics—Gas Sales appearing on page 36). The decrease for 1983 reflects reduced sales in all classes of service, resulting from customer conservation in response to rising gas prices, partly offset by colder weather, and competition with stabilized oil prices. Changes in gas revenues and dekatherm sales by customer group are detailed in the table below:

Class of service	1983 % of Gas Revenues	% Increase (decrease) from prior year 1983 Revenues	1983 Sales	1982 Revenues	1982 Sales	1981 Revenues	1981 Sales
Residential	50.0%	14.9%	(8.1)%	19.1%	(1.3)%	6.1%	1.1%
Commercial	25.6	13.7	(6.1)	33.5	8.8	15.3	10.5
Industrial	21.2	14.6	(1.1)	26.0	(3.0)	28.5	23.9
Total to ultimate consumers	96.8	14.5	(5.9)	24.2	0.8	12.6	8.6
Other gas systems	2.6	2.4	(8.7)	11.8	(18.7)	2.5	3.6
Miscellaneous	0.6	14.2	—	23.6	—	21.2	—
Total	100.0%	14.2%	(6.0)%	23.8%	(0.1)%	12.3%	8.3%

ELECTRIC SALES Millions of Kw.-hrs.

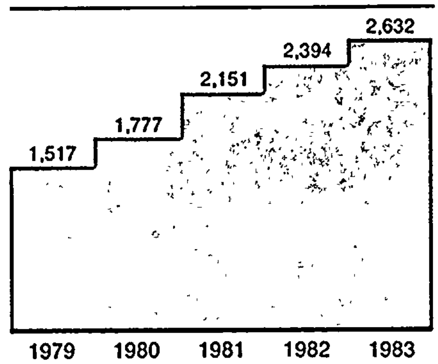


GAS SALES Millions of dekatherms



In summary, total operating revenues increased $855.2 million, or 48.1% over the three-year period, largely representing recoveries of higher energy and purchased gas costs through electric and gas adjustment clauses and increased rates.

TOTAL ELECTRIC AND GAS OPERATING REVENUES Millions of dollars



On March 24, 1983, the PSC approved rate increases to provide the Company additional annual revenues of $56,383,000 (3.3%) for electric and $11,009,000 (1.6%) for natural gas. These new rates became effective March 28, 1983. In March 1982, the PSC had approved rate increases providing additional annual revenues of $142,519,000 (7.9%) for electric and $17,143,000 (3.3%) for natural gas.

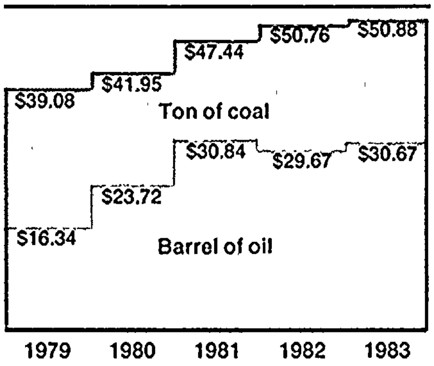
Further rate action, made necessary by the lingering effects of inflation, continued relatively high financing costs

and the need to increase cash flow, was requested on April 29, 1983 when the Company filed for an annual increase of $211.3 million, including $196.2 million (11.5%) electric and $15.1 million (2.2%) gas. In December 1983, PSC Administrative Law Judges recommended rate increases of $67.9 million (3.3%) electric and $8.8 million (1.3%) gas or about 36% of the original request. The Company and other parties have filed exceptions to many of the Judges' recommendations. The PSC's opinion is expected in March 1984 with new rates to be effective promptly thereafter.

Recent rate awards have not adequately provided for steadily increasing costs and the Company expects to continue filing annual petitions for rate increases.

In 1983, electric fuel and purchased power costs increased to $883 million from $815 million in 1982 after having decreased from $840 million in 1981. The major portion of the 1983 increase arose from a 7% increase in amounts generated and purchased to meet customer requirements. Increased nuclear generation and low cost purchases from Ontario Hydro and Hydro Quebec enabled the Company to satisfy customer needs and still reduce generation from stations using higher cost oil and natural gas as fuel. Fuel and purchased power costs also increased as a result of unusually high fuel costs which were deferred in 1982 being recognized and recovered through the fuel adjustment clause in 1983 (see Electric and Gas Statistics—Electricity Generated and Purchased appearing on page 36.)

AVERAGE COST OF A TON OF COAL AND A BARREL OF OIL BURNED



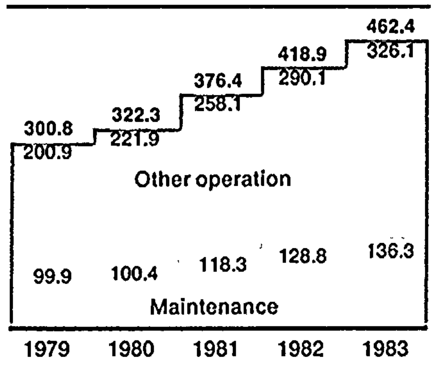
Nine Mile Point Nuclear Station Unit No. 1 returned to service in June 1983 after having been out of service since March 1982 for replacement of recirculation piping. Since returning to service, the unit has operated at an 87% capacity factor and has generated 2.8 billion kilowatt-hours of electricity at a fuel cost averaging about one-sixth that of fossil fuels. Nuclear fuel costs per kilowatt hour of generation were reduced as a result of reduced fuel disposal costs as provided in the Nuclear Waste Policy Act of 1982 (see Note 10 of Notes to Consolidated Financial Statements).

The total cost of gas purchased, net of refunds from the Company's supplier, rose 15% in 1983, 29% in 1982, and 6% in 1981. These increases are primarily the result of gradual deregulation of gas prices at the wellhead. The Company's net cost per dekatherm purchased has increased to $4.06 in 1983 from $3.39 in 1982 and $2.64 in 1981.

Through the energy and purchased gas adjustment clauses, costs of fuel, purchased power and gas purchased, above or below the levels allowed in approved rate schedules, are billed or credited to customers. The Company has filed revisions to its fuel adjustment clause consistent with PSC directives, which essentially provide for partial pass-through of fuel cost fluctuations from those forecast in rate proceedings with the Company absorbing a specific portion of increases or retaining a portion of decreases to a maximum of $15 million (see Note 1 of Notes to Consolidated Financial Statements).

Other operation and maintenance expenses increased 10.4% in 1983, 11.3% in 1982 and 16.8% in 1981, primarily as a result of increases in wages and associated benefits and higher costs charged by suppliers. In June 1982, the Company entered a two-year labor agreement providing for increased wages of 9.5% in the first year and 9.0% in the second year. The increase in other operation and maintenance expenses in 1981 was also attributable, in part, to the refueling of Nine Mile Point Nuclear Station Unit No. 1. The next refueling outage for this unit is presently scheduled for the spring of 1984.

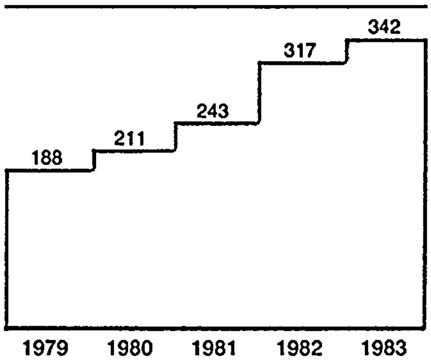
MAINTENANCE AND OTHER OPERATION EXPENSE Millions of dollars



Depreciation and amortization expense for 1983 increased 4.9% over 1982 principally from normal plant growth. During 1981, the Company converted its Albany Steam Station to burn natural gas as well as oil to enable utilization of lowest cost fuel supplies. The cost of this conversion (about $7,900,000) was charged to depreciation on an accelerated basis in 1981 and 1982.

Federal and foreign income taxes rose in 1983, 1982 and 1981 as a result of increased income, including an increase in the amounts on which deferred taxes are provided. The increase in taxes other than income taxes in these same three years is due principally to higher property taxes resulting from property additions and higher state and local gross income taxes resulting from increased revenues.

TOTAL TAXES INCLUDING INCOME TAXES Millions of dollars



The $23.1 million increase in total Allowance for Funds Used During Construction (AFC) for 1983 results from increased overall levels of plant under construction, principally Nine Mile Point Nuclear Unit No. 2, partially offset by lower AFC rates.

The Company's revenues and costs of operation over the past three years show substantial increases in several respects, due primarily to the effect of general inflation and higher fuel costs. The Company is especially sensitive to inflation because of the large amount of capital it must raise to finance its construction program and because its prices are regulated using a rate base that reflects the historical cost of utility plant. Inflation information in Note 12 of the Notes to Consolidated Financial Statements indicates the approximate effect of inflation on certain aspects of the Company's operations and financial position.

Financial position, liquidity and capital resources. Financial resources provided from operations consist of net income adjusted for non-cash expenses, such as depreciation, amortization of nuclear fuel and deferred income taxes,

and non-cash income, such as AFC. AFC represents the financing costs of the Company's construction program and is added to the cost of construction until such time as a capital project is completed, and is then recovered through depreciation included in rates charged to customers. Internal funds from operations are insufficient to meet the Company's capital requirements, therefore, large amounts of new capital from external sources are necessary. External capital needs are first met through utilization of short-term borrowing arrangements, including bank lines of credit and commercial paper. These short-term borrowings are refinanced on a continuing basis through the issuance of securities, consisting of intermediate and long-term debt, preferred and preference stock and common stock.

Capital resources consisting of both internal and external sources are used to pay for the Company's construction program, working capital needs, maturing debt issues and sinking fund provisions on outstanding debt and preferred stocks. Sources and uses of funds during the past three years are reported in the Consolidated Statement of Changes in Financial Position at page 23.

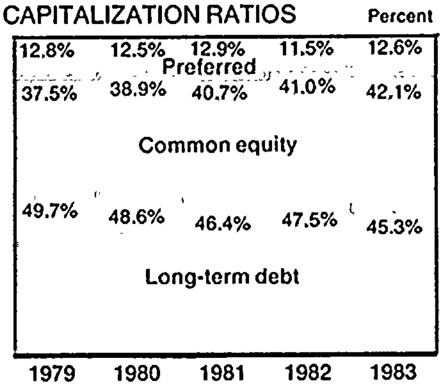
Capital needs. During the period 1981-83, expenditures for construction and nuclear fuel, including related AFC and overheads capitalized, have increased from $457.4 million to $594.5 million to $691.5 million. Total capital requirements, including debt and preferred stock redemptions and working capital, have also increased. The 1984 estimate for construction additions and nuclear fuel, including AFC and overheads capitalized, is $754 million. Debt and preferred stock retirements and other requirements will add approximately another $71 million to the Company's capital requirements.

This upward trend in capital requirements is a result of increasing construction expenditures and relatively high capital costs. The principal project presently under construction is Nine Mile Point Unit No. 2 (Unit), scheduled for completion in late 1986. The Company is a 41% owner and had invested about $1.1 billion, including AFC and overheads capitalized, in the project through December 31, 1983. Expenditures for construction of this plant have averaged approximately 40% of total construction requirements during the period 1981-1983. During 1983, such expenditures were approximately 45% of requirements. On February 9, 1984, the Long Island Lighting Company (LILCO), an 18% owner of the Unit, notified the Company and the other Co-tenants of LILCO's intention to cease participation in the funding of the construction costs of the Unit and failed to make a required payment. During the remainder of 1984, construction funding for LILCO's 18% interest in the plant is expected to average approximately $9 million per month. Various arrangements are being investigated for the funding of LILCO's remaining interest in the plant. On a temporary basis, the Company will advance funds as necessary for that portion of construction costs not being paid by LILCO. The Company does not believe that the actions of LILCO will have a significant impact on the Company's 1984 construction budget or the amount of external financing currently anticipated.

Future requirements for capital could be affected by changes in construction costs, inflation, financing costs, regulatory requirements and other factors.

Liquidity and resources. The Company's long-term financial plan is designed to improve the percentage of internal cash generation and to strengthen its capital structure. With regard to the latter, the proportion of long-term debt to total capitalization has decreased from 48.6% at the end of 1980 to 45.3% at the end of 1983 while common equity as a percent of total capitalization has increased from 38.9% to 42.1% during the same period. The Company will endeavor to further strengthen these capitalization ratios in 1984. The trend in the percentage of internally generated cash, however, has been less controllable. The PSC has not provided the necessary increases in cash flow to stabilize and enhance internally generated funds. Thus, while overall levels of earnings have increased, a substantial portion of this increase represents non-cash earnings in the form of AFC. AFC for the year 1983

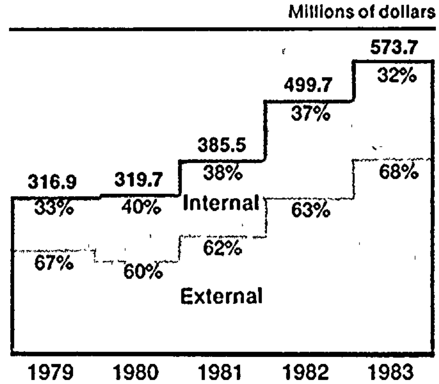
CAPITALIZATION RATIOS



amounted to 43.6% of the balance available for common stock. The Company has attempted to control costs where possible and has adopted stringent budgets for 1984 and beyond and will continue to file for appropriate rate improvements, including those which will increase cash flow in a timely and adequate manner.

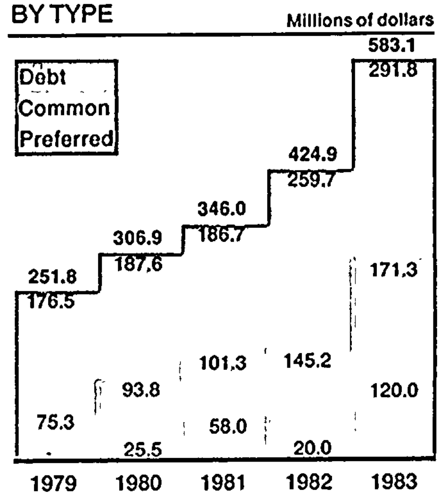
During the period 1981-1983, the Company generated $514,000,000 (35% of its construction requirements, excluding AFC) from internal sources, the remainder being funded through a mix of security issuances, bank and commercial paper borrowings. During 1983, the Company generated $182,000,000 (32% of construction requirements, excluding AFC) from internal sources. The remainder was obtained initially from short-term bank and commercial paper borrowings (see Note 4 of Notes to Consolidated Financial Statements) which were later substantially refunded with permanent securities or bank revolving credit borrowings.

SOURCE OF CAPITAL
FOR CONSTRUCTION PROGRAM



During 1983, the Company raised approximately $575,000,000 through external sources, consisting of

ANNUAL EXTERNAL FINANCING
BY TYPE



$200,000,000 of mortgage bonds, $120,000,000 of preferred stock, $83,900,000 of intermediate term bank revolving credit obligations, and $171,269,000 of common stock from the issuance of 10,177,852 shares through a combination of public sales and its Dividend Reinvestment, Employee Savings Fund and Employee Stock Ownership Plans. The Company also completed $15,135,000 of lease financing. Approximately $210 million of the total 1983 external financing was used for debt and preferred stock refunding and retirement and reductions of short-term debt. Of this amount, $118.4 million represented early redemption of certain high coupon debt in order to reduce interest costs.

External financing for 1984 is expected to approximate $500 million, excluding lease financing. The Company expects to secure the majority of its capital needs from traditional financing sources, however, it will continue to explore and utilize, as appropriate, other methods of financing. At December 1983, construction related short-term debt was $41,763,000 and obligations under bankers acceptances for fuel oil inventory financing were $43,000,000, for a total of $84,763,000.

In general, construction related short-term borrowings are refunded with permanent securities on a continuing basis. Bank credit arrangements of $345 million, in addition to a $100 million Bankers Acceptance Facility Agreement, are available to the Company to enhance flexibility as to the type and timing of these security sales. Also, the Company expects to add $100 million of committed bank credit arrangements in early 1984.

During 1983, the unsecured debt limitation imposed by the Company's Charter was increased to $700 million. Earnings coverage of interest charges has been well in excess of mortgage indenture restrictions for the issuance of first mortgage bonds. Also, approximately $1.1 billion of property is available to support the issuance of first mortgage bonds.

In general, the Company has a relatively strong capital structure, a high degree of short and intermediate term borrowing capability and a degree of flexibility in its access to the permanent capital markets. The Company is, however, unable to predict the ultimate impact of the actions of LILCO on the Company's flexibility in accessing various permanent capital markets.

In addition, in recent months, several utilities have made announcements concerning the licensing and/or cancellation of unfinished nuclear plants which, absent regulatory recognition, could result in substantial write-offs and dividend reductions. Also, regulatory agencies nationwide are reviewing various plans for the moderation of the rate impact of placing major generating facilities in service. These factors have had an adverse impact on utility stock prices and bond ratings, including those of the Company. Additionally, the cost and availability of external sources of funds will be affected by the maintenance of adequate credit ratings and general conditions in the financial markets. Adverse changes in any of these factors could have an effect on the Company's ability to fully implement its intended construction and financing programs.

Report of management

The consolidated financial statements of Niagara Mohawk Power Corporation and subsidiary companies were prepared by and are the responsibility of management. Financial information contained elsewhere in this Annual Report is consistent with that in the financial statements.

To meet its responsibilities with respect to financial information, management maintains and enforces a system of internal accounting controls, which is designed to provide reasonable assurance, on a cost effective basis, as to the integrity, objectivity and reliability of the financial records and protection of assets. This system includes communication through written policies and procedures, an organizational structure that provides for appropriate division of responsibility and the training of personnel. This system is also tested by a comprehensive internal audit program. In addition, the Company has a Code of Conduct which requires all employees to maintain the highest level of ethical standards and requires key management employees to formally affirm their compliance with the Code.

The financial statements have been examined by Price Waterhouse, the Company's independent accountants, in accordance with generally accepted auditing standards. As part of their examination, they made a study and evaluation of the Company's system of internal accounting control. The purpose of such study was to establish a basis for reliance thereon in determining the nature, timing and extent of other auditing procedures that were necessary for expressing an opinion as to whether the financial statements are presented fairly. Their examination resulted in the expression of their opinion which follows this report. The independent accountants' examination does not limit in any way management's responsibility for the fair presentation of the financial statements and all other information, whether audited or unaudited, in this Annual Report.

The Audit Committee of the Board of Directors, consisting of three directors who are not employees, meets regularly with management, internal auditors and Price Waterhouse to review and discuss internal accounting controls, audit examinations and financial reporting matters. Price Waterhouse and the Company's internal auditors have free access to meet individually with the Audit Committee at any time, without management present.

Report of independent accountants

To the Stockholders and the Board of
Directors of Niagara Mohawk Power Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and retained earnings and of changes in financial position present fairly the financial position of Niagara Mohawk Power Corporation and its subsidiaries at December 31, 1983 and 1982, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1983, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements 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.

Price Waterhouse

Syracuse, New York
January 25, 1984,
except as to Note 10
which is as of
February 9, 1984

Consolidated statement of income and retained earnings

NIAGARA MOHAWK POWER CORPORATION AND SUBSIDIARY COMPANIES

For the year ended December 31,	1983	1982	1981
		In thousands of dollars	
Operating revenues:			
Electric	$2,023,728	$1,860,649	$1,719,933
Gas	608,587	533,122	430,785
	2,632,315	2,393,771	2,150,718
Operating expenses:			
Operation:			
Fuel for electric generation	501,328	502,491	582,033
Electricity purchased	381,703	312,451	257,788
Gas purchased	432,898	377,596	292,863
Other operation expenses	326,057	290,091	258,124
Maintenance	136,338	128,801	118,331
Depreciation and amortization *(Note 2)*	127,390	121,422	102,536
Federal and foreign income taxes *(Note 9)*	117,089	109,519	53,043
Other taxes	254,797	235,615	214,624
	2,277,600	2,077,986	1,879,342
Operating income	354,715	315,785	271,376
Other income and deductions:			
Allowance for other funds used during construction *(Note 1)*	85,350	69,195	48,281
Federal income tax credits *(Note 1)*	31,511	26,390	19,548
Other items (net)	9,994	10,557	9,598
	126,855	106,142	77,427
Income before interest charges	481,570	421,927	348,803
Interest charges:			
Interest on long-term debt	189,006	156,133	131,146
Other interest	12,598	22,801	20,623
Allowance for borrowed funds used during construction *(Note 1)*	(32,443)	(25,541)	(23,609)
	169,161	153,393	128,160
Net income	312,409	268,534	220,643
Dividends on preferred stock	42,109	37,586	34,285
Balance available for common stock	270,300	230,948	186,358
Dividends on common stock	185,642	153,681	127,781
Retained earnings for the year	84,658	77,267	58,577
Retained earnings at beginning of year	566,023	488,756	430,179
Retained earnings at end of year	$ 650,681	$ 566,023	$ 488,756

Average number of shares of common stock outstanding *(in thousands)*	97,685	87,340	79,204
Balance available per average share of common stock	$ 2.77	$ 2.64	$ 2.35
Dividends per average share of common stock	$ 1.89	$ 1.76	$ 1.61

( ) Denotes deduction

Consolidated balance sheet

NIAGARA MOHAWK POWER CORPORATION AND SUBSIDIARY COMPANIES

At December 31,	*In thousands of dollars* 1983	1982
ASSETS		
Utility plant, at original cost *(Notes 1 and 3)*	$6,165,711	$5,516,532
Less accumulated depreciation and amortization *(Note 2)*	1,486,196	1,389,112
Net utility plant	4,679,515	4,127,420
Other property and investments *(Note 7)*	85,602	63,751
Current assets:		
Cash, including time deposits of $4,521 and $4,216, respectively *(Note 4)*	31,199	19,383
Accounts receivable (less allowance for doubtful accounts of $3,600 and $3,200, respectively)	274,076	229,249
Materials and supplies, at average cost:		
Coal and oil for production of electricity	95,910	142,153
Other	56,254	54,106
Prepayments	17,498	10,260
	474,937	455,151
Deferred debits:		
Unamortized debt expense	22,109	22,268
Deferred recoverable energy costs	25,733	73,293
Extraordinary property losses *(Note 10)*	14,875	21,233
Unamortized debt reacquisition expense *(Note 7)*	22,421	—
Other	32,380	18,651
	117,518	135,445
	$5,357,572	$4,781,767
CAPITALIZATION AND LIABILITIES		
Capitalization *(Note 7):*		
Common stockholders' equity:		
Common stock, issued 104,010,003 and 93,832,151 shares, respectively	$ 104,010	$ 93,832
Capital stock premium and expense	1,174,382	1,020,795
Retained earnings	650,681	566,023
	1,929,073	1,680,650
Non-redeemable preferred stock	210,000	210,000
Redeemable preferred stock	368,474	262,792
Long-term debt	2,048,548	1,881,441
Total capitalization	4,556,095	4,034,883
Current liabilities:		
Short-term debt *(Note 4)*	84,763	92,000
Long-term debt due within one year	30,152	69,500
Sinking fund requirements on redeemable preferred and preference stock *(Note 7)*	11,950	9,950
Accounts payable	185,252	177,751
Payable on outstanding bank checks	76,471	60,915
Customers' deposits	5,727	5,049
Accrued taxes	15,773	22,132
Accrued interest	46,494	47,497
Accrued vacation pay	22,657	20,519
Gas supplier refunds payable to customers	15,233	13,299
Other	22,905	15,671
	517,377	534,283
Deferred credits:		
Income tax refunds *(Note 9)*	—	9,943
Mandated refunds to customers *(Note 9)*	3,244	4,065
Accumulated deferred Federal income taxes *(Note 9)*	259,816	178,580
Other	21,040	20,013
	284,100	212,601
Commitments and contingencies *(Notes 3 and 10)*	—	—
	$5,357,572	$4,781,767

( ) Denotes deduction

Consolidated statement of changes in financial position

NIAGARA MOHAWK POWER CORPORATION AND SUBSIDIARY COMPANIES

For the year ended December 31,	1983	In thousands of dollars 1982	1981
FINANCIAL RESOURCES WERE PROVIDED BY:			
Operations:			
Net income	$312,409	$268,534	$220,643
Charges (credits) to income not requiring (not providing) working capital —			
Depreciation and amortization	127,390	121,422	102,536
Allowance for funds used during construction	(117,793)	(94,736)	(71,890)
Amortization of nuclear fuel	11,856	12,967	37,427
Provision for deferred Federal income taxes (net)	80,850	68,900	19,734
Other	(4,972)	—	—
	409,740	377,087	308,450
Outside financing:			
Sale of common stock	171,269	145,194	101,313
Sale of preferred stock	120,000	20,000	58,000
Sale of mortgage bonds	200,000	330,000	113,650
Issuance of other long-term debt	15,135	—	67,000
Net borrowings under revolving credit facilities *(Note 7)*	83,900	(55,330)	5,350
Increase (decrease) in short-term debt	(7,237)	(15,000)	680
	583,067	424,864	345,993
Other sources:			
Deferred recoverable energy costs	47,560	(22,816)	11,362
Mandated refunds to customers *(Note 9)*	(5,793)	(8,416)	(10,445)
Unamortized debt reacquisition expense	(22,421)	—	—
Income tax refund	—	—	9,943
Other investments	(22,670)	(19,999)	(23,349)
Sale of utility plant	—	13,316	—
Unamortized debt expense	159	(6,239)	(1,988)
(Increase) decrease in working capital other than short-term debt *(see below)*	(29,455)	29,693	(75,599)
Miscellaneous (net)	(13,618)	(28,016)	1,280
	(46,238)	(42,477)	(88,796)
Total resources provided	$946,569	$759,474	$565,647
FINANCIAL RESOURCES WERE USED FOR:			
Construction additions	$677,155	$562,749	$439,418
Nuclear fuel	14,309	31,720	17,997
Allowance for funds used during construction	(117,793)	(94,736)	(71,890)
Net additions	573,671	499,733	385,525
Reduction of long-term debt	130,829	56,518	8,880
Reduction of preferred and preference stock *(Note 7)*	14,318	11,956	9,176
Dividends	227,751	191,267	162,066
Total resources used	$946,569	$759,474	$565,647
(Increase) decrease in working capital other than short-term debt:			
Cash	$ (11,816)	$ (11,124)	$ 5,570
Accounts receivable	(44,827)	(33,292)	2,193
Coal and oil for production of electricity	46,243	6,949	(41,594)
Other materials and supplies	(2,148)	(2,364)	(3,567)
Long-term debt due within one year	(39,348)	43,920	(133,900)
Accounts payable	7,501	12,397	20,478
Payable on outstanding bank checks	15,556	10,557	50,358
Accrued taxes and interest	(7,362)	9,946	(972)
Gas supplier refunds due customers	1,934	(20,781)	23,644
Other (net)	4,812	13,485	2,191
	$ (29,455)	$ 29,693	$ (75,599)

Notes to consolidated financial statements

NOTE 1. Summary of Significant Accounting Policies

The Company is subject to regulation by the New York State Public Service Commission (PSC) and the Federal Energy Regulatory Commission (FERC) with respect to its rates for service and the maintenance of its accounting records. The Company's accounting policies conform to generally accepted accounting principles, as applied to regulated public utilities, and are in accordance with the accounting requirements and ratemaking practices of the regulatory authorities.

Principles of Consolidation: The consolidated financial statements include the Company and its four wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated. Assets and liabilities of foreign subsidiaries are translated into U.S. dollars at the exchange rate in effect at the balance sheet date. Revenue and expense accounts are translated at the average exchange rate in effect during the year. Currency translation adjustments are recorded as a component of equity and do not have a significant impact on financial condition.

Utility Plant: The cost of additions to utility plant and of replacements of retirement units of property is capitalized. Cost includes direct material, labor, overhead and an allowance for funds used during construction (AFC). In accordance with Statement of Financial Accounting Standards No. 71, capital leases executed in 1983 have been capitalized and in accordance with the transition rules included therein, leases executed prior to 1983 amounting to approximately $20,000,000 at December 31, 1983, have not been capitalized. The cost of current repairs and maintenance is charged to expense. Whenever utility plant is retired, its original cost, together with the cost of removal, less salvage, is charged to accumulated depreciation. The following table summarizes the components of Utility Plant:

At December 31,	In thousands of dollars 1983	%	1982
Electric plant	$3,836,374	62	$3,598,488
Nuclear fuel *(Note 3)*	293,973	5	279,738
Gas plant	473,757	8	449,398
Common plant, including equipment leased under capital leases	106,144	2	78,347
Construction work in progress	1,455,463	23	1,110,561
Total utility plant	$6,165,711	100	$5,516,532

Allowance for Funds Used During Construction: The Company capitalizes AFC in amounts equivalent to the cost of funds devoted to plant under construction. AFC rates are determined in accordance with FERC and PSC regulations. As a result of rate proceedings, the Company began computing AFC at a rate which is reduced to reflect the income tax effect of the borrowed funds component of AFC for its Nine Mile Point Nuclear Station Unit No. 2 in 1976, for the capitalized costs associated with its investment in N M Uranium, Inc. in 1978 (see Note 3) and for all additions to electric utility plant beginning in 1982. The AFC rates in effect December 31, 1983 were 11.75% and, net of tax, 9.50%. AFC is segregated into its two components, borrowed funds and other funds, and is reflected in the Interest Charges section and the Other Income and Deductions section, respectively, of the Consolidated Statement of Income.

Depreciation, Amortization and Nuclear Generating Plant Decommissioning Costs: For accounting purposes, depreciation is computed on the straight-line basis using the average or remaining service lives by classes of depreciable property. In addition, certain costs associated with the discontinued Sterling Nuclear Station (see Notes 2 and 10) are being amortized over shorter periods as approved by the PSC. For Federal income tax purposes, the Company computes depreciation using accelerated methods and shorter allowable depreciable lives.

Estimated decommissioning costs (costs to remove the plant from service in the future) of the Company's Nine Mile Point Nuclear Station Unit No. 1 are recovered in rates through an annual allowance and charged to operations through depreciation charges. The cost of decommissioning, which is expected to begin in the year 2005, is estimated to be approximately $278,000,000 at that time ($70,600,000 in 1983 dollars). Through December 31, 1983, the Company has recovered $12,700,000 of decommissioning costs in rates. There is no assurance that the decommissioning allowance will ultimately aggregate a sufficient amount to decommission the plant. The Company believes that decommissioning costs, if higher than currently provided, will ultimately be recovered in the rate process, although no such assurance can be given.

Amortization of Nuclear Fuel: Amortization of the cost of nuclear fuel is determined on the basis of the quantity of heat produced for the generation of electric energy. The cost of disposal of nuclear fuel, which presently is $.001 per kilowatt-hour of generation, is based upon a contract with the Department of Energy (DOE). These costs, which are associated with generation at Nine Mile Point Unit No. 1, are charged to operating expense and recovered from customers through base rates or through the fuel adjustment clause (see Note 10).

Revenues: Revenues are based on cycle billings rendered to certain customers monthly and others bi-monthly. The Company does not accrue revenues for energy consumed and not billed at the end of any fiscal period. The Company's tariffs include electric and gas adjustment clauses under which energy and purchased gas costs, respectively, above or below the levels allowed in approved rate schedules, are billed or credited to customers. The Company, as authorized by the PSC, charges operations for energy and purchased gas cost increases in the period of recovery. The PSC has periodically authorized the Company to make changes in the level of allowed energy and purchased gas costs included in approved rate schedules. As a result of such periodic changes, a portion of energy costs deferred at the time of change would not be recovered under the normal operation of the electric adjustment clause. However, the Company has been permitted to amortize and bill such portions to customers, through the electric adjustment clause, over 36 months from the effective date of each change. The Company has filed proposed revisions to its fuel adjustment clause consistent with the PSC's Opinion in a proceeding which reviewed the Company's electric fuel adjustment clause. The revisions are being reviewed in the Company's current rate proceeding and implementation is expected to coincide with the rate year beginning April 1984. The revisions essentially provide for partial pass-through of fuel cost fluctuations from those forecast in rate proceedings with the Company absorbing a specific portion of increases or retaining a portion of decreases to a maximum of $15 million. The revisions are not expected to materially impact the financial condition or results of operation of the Company.

Federal Income Taxes: In accordance with PSC requirements, unless otherwise authorized, the tax effect of timing differences between book and taxable income is flowed

through, that is, only income taxes currently payable are recorded. However, as authorized by the PSC, deferred taxes are provided on benefits realized from the class life system of depreciation permitted under the Revenue Act of 1971 (shorter depreciable lives, repair allowance and cost of removal), on Accelerated Cost Recovery System (ACRS) tax depreciation in excess of book depreciation, calculated on tax basis, as a result of the Economic Recovery Tax Act of 1981 (ERTA), on deferred energy and purchased gas costs, on nuclear fuel disposal costs accrued prior to April 7, 1983, on nuclear generating plant decommissioning costs and on certain other items (see Note 9). The Company has not provided deferred taxes on approximately $1.3 billion of various other tax deductions and depreciation method differences for property placed in service prior to 1981 which, in conformity with the ratemaking practices of the PSC, have been flowed through. These various other flow-through tax deductions, which are deductible currently for tax purposes but capitalized for accounting and ratemaking purposes, include certain taxes, a portion of AFC, pensions and certain other employee benefits.

The benefits resulting from an increase in the investment tax credit from 4% to 10% and from the change in the limitation on the amount of credit which may be claimed in any year for property additions prior to January 1, 1981 have been deferred and are being amortized over the book life of the property which gives rise to such credits. One-half of the 4% investment tax credits realized have been allocated to Other Income and Deductions, consistent with PSC directives. As a result of ERTA, all investment tax credits on property additions subsequent to December 31, 1980 are being deferred and amortized over the book life of the property which gives rise to such credit. In accordance with the provisions of the Tax Equity and Fiscal Responsibility Act of 1982, the Company claims the full 10% investment tax credit and, for purposes of computing capital cost recovery deductions and normalization, is reducing the asset basis by one-half of the credit claimed. For the projects specified in the AFC section above, the imputed tax benefit of the borrowed funds component of AFC has been credited to Other Income and Deductions.

Amortization of Debt Issue Costs: The premium or discount on long-term debt issues is amortized ratably over the lives of the issues (see Note 7).

Pension Plans: The cost of pension plans is based upon current costs, amortization of unfunded past service benefits over periods ranging from 15 to 40 years and amortization over 15 years of unfunded past service benefits arising from plan amendments. The Company's policy is to fund pension costs accrued (see Note 8).

Statement of Financial Accounting Standards No. 71 "Accounting for the Effects of Certain Types of Regulation": The Company has adopted the provisions of this statement in 1983. The adoption of this statement did not have a significant effect on the results of operations or financial position of the Company.

NOTE 2. Depreciation and Amortization

The total provision for depreciation and amortization, including amounts charged to clearing accounts, was $128,976,000 for 1983, $123,104,000 for 1982 and $104,252,000 for 1981. The 1983 and 1982 provisions include approximately $9,200,000 and $6,700,000, respectively, resulting from the PSC allowed recovery of the amortization of costs associated with the discontinued Sterling Nuclear Station (see Note 10). The 1982 and 1981 provisions also include approximately $6,400,000 and $900,000, respectively, resulting from the PSC allowed accelerated recovery of the costs to modify the Company's Albany Steam Station to burn natural gas as a fuel. The percentage relationship between the total provision for depreciation and average depreciable property was 2.8% in 1983, 2.9% in 1982 and 2.8% in 1981. The Company makes depreciation studies on a continuing basis and, upon approval by the PSC, periodically adjusts the rates of its various classes of depreciable property.

NOTE 3. N M Uranium, Inc.

During 1976, through a wholly-owned subsidiary, N M Uranium, Inc. (NMU), the Company purchased a 50 percent undivided interest in uranium deposits and associated mining equipment to be held by a jointly-owned mining venture. Acquisition of this interest was made primarily to provide a more assured future supply of nuclear fuel. The investment in the subsidiary, which includes costs incurred since acquisition and AFC accrued through March 31, 1981, has been reduced by the proceeds from the sale of uranium, net of tax, and transfers to the Company and is included in the consolidated financial statements as part of the nuclear fuel component of utility plant (see Note 1). Such investment (including inventory with a spot market value of approximately $28,300,000 and $18,300,000 at January 1, 1984 and 1983, respectively) totaled $86,300,000 at December 31, 1983 and $83,000,000 at December 31, 1982.

In 1978, the PSC issued an order approving the Company's investment in NMU. This approval was subject to the condition that rates which the PSC will approve in the future will reflect the cost of NMU uranium at the lower of cost or the market price. The PSC also stated that the reasonableness of the Company's future uranium costs will be judged with reference to costs of uranium under "currently" available long-term contracts and in the spot market. Subject to PSC approval, the comparison of cost to market will be on an aggregate basis over the life of the project.

Because of unsettled conditions in the uranium industry, the spot market price of uranium continues to be depressed below levels anticipated by the Company at the time of its investment. The spot market price of uranium was $22.00 per lb. at January 1, 1984 and $20.25 per lb. at January 1, 1983 as compared to approximately $43.00 per lb. during 1979. However, in September 1983 the DOE reported that the average United States delivery price for all uranium during 1982, including long-term contracts and spot market price settlements, was $38.37 per lb.

Due to regulatory restrictions on the extent to which the costs of uranium produced by this mining operation may be allowed in future rates and considering current market price levels, a portion of the Company's investment may not be recoverable. Accordingly, the Company suspended accruing AFC on this investment as of April 1, 1981. Due to the uncertainty of future uranium market prices during the period of utilization of the mine's output and of operating costs over the remaining productive life of the mine, the potential unrecoverable portion of the Company's investment, if any, cannot be reasonably estimated. Management is continually evaluating the status of this mining operation to assure maximum recovery of the Company's investment. Based upon current forecasts of market prices and the Company's uranium requirements through 1991, it is presently anticipated that the mining process will be completed and all production utilized.

In connection with the Company's current rate proceeding, the PSC is reviewing the cost of NMU uranium to be utilized in the next reload of the Company's Nine Mile Point Nuclear Unit No. 1. The Company is unable to predict the outcome of this review.

NOTE 4. Bank Credit Arrangements and Compensating Balances

At December 31, 1983, the Company had $445 million of bank credit arrangements, including the Oswego Facilities Trust, with 43 banks. These credit arrangements consisted of $230 million in long-term commitments under Revolving Credit and Term Loan Agreements, $70 million in short-term commitments under Credit Agreements, $45 million of lines of credit and $100 million under a Bankers Acceptance Facility Agreement. The Revolving Credit and Term Loan Agreements are seven-year commitments and were all renegotiated in 1983. At the option of the Company, the interest rate on these agreements is based on the prime rate or interest rates applicable to certificates of deposit or eurodollar deposits. All of the other bank credit arrangements are subject to review on an annual basis with interest rates negotiated at the time of use. The Company also issues commercial paper. Unused bank credit facilities are held available to support the amount of commercial paper outstanding.

The Company pays fees for the unused portion of the Revolving Credit and Term Loan Agreements, the Oswego Facilities Trust and certain of its lines of credit. The Credit Agreements and other lines of credit require the Company to pay a combination of fees and compensating balances. Cash representing compensating balance requirements was not significant at December 31, 1983. The Bankers Acceptance Facility Agreement, which is used to finance the fuel oil inventory for one of the Company's generating stations, provides for the payment of fees only upon the issuance of each acceptance.

Amounts outstanding under the Revolving Credit and Term Loan Agreements, including the Oswego Facilities Trust, are recorded as long-term debt and totaled $68,900,000 at December 31, 1983 (see Note 7).

The following table summarizes additional information applicable to short-term debt:

	In thousands of dollars 1983	1982
At December 31:		
Short-term debt:		
Commercial paper	$ 37,100	$ 44,000
Notes payable	4,663	—
Bankers acceptances	43,000	48,000
	$ 84,763	$ 92,000
Weighted average interest rate *(a)*	9.60%	9.76%
For year ended December 31:		
Daily average outstanding	$119,981	$147,910
Daily weighted average interest rate *(a)*	9.00%	13.03%
Maximum amount outstanding	$232,160	$260,890

(a) Excluding compensating balances and fees.

NOTE 5. Jointly-Owned Generating Facilities

The following table reflects the Company's share of jointly-owned generating facilities at December 31, 1983. The Company is required to provide financing for the unit in process of construction and for any additions to the units in service. The Company's share of expenses associated with the Roseton units and Oswego Steam Station Unit No. 6 are included in the appropriate operating expenses in the Consolidated Statement of Income.

	Percentage ownership	*In thousands of dollars* Utility plant	Accumulated depreciation	Construction work in progress
Roseton Steam Station Units No. 1 and 2 *(a)*	25	$ 80,039	$21,087	$ 1,732
Oswego Steam Station Unit No. 6 *(b)*	76	$262,736	$25,535	$ 2,050
Nine Mile Point Nuclear Station Unit No. 2 *(c)(d)*	41	—	—	$1,091,190

(a) The remaining ownership interests are Central Hudson Gas and Electric Corporation, the operator of the plant (35%) and Consolidated Edison Company of New York, Inc. (40%).

(b) The Company is the operator. The remaining ownership interest is Rochester Gas and Electric Corporation (24%).

(c) The remaining ownership interests are Long Island Lighting Company (18%), New York State Electric and Gas Corporation (18%), Rochester Gas and Electric Corporation (14%), and Central Hudson Gas and Electric Corporation (9%) (see Note 10).

(d) Excludes amounts spent for nuclear fuel.

NOTE 6. Information Regarding the Electric and Gas Businesses

The Company is engaged in the electric and natural gas utility businesses. Certain information regarding these segments is set forth in the following table. General corporate expenses, property common to both segments and depreciation of such common property have been allocated to the segments in accordance with practice established for regulatory purposes. Identifiable assets include net utility plant, materials and supplies and deferred recoverable energy costs. Corporate assets consist of other property and investments, cash, accounts receivable, prepayments, unamortized debt expense and other deferred debits.

	In thousands of dollars 1983	1982	1981
Operating revenues:			
Electric	$2,023,728	$1,860,649	$1,719,933
Gas	608,587	533,122	430,785
Total	$2,632,315	$2,393,771	$2,150,718
Operating income before taxes:			
Electric	$ 420,600	$ 381,378	$ 288,990
Gas	51,204	43,926	35,429
Total	$ 471,804	$ 425,304	$ 324,419
Pretax operating income, including AFC:			
Electric	$ 538,097	$ 476,006	$ 360,580
Gas	51,500	44,034	35,729
Total	589,597	520,040	396,309
Income taxes	117,089	109,519	53,043
Other income and deductions	41,505	36,947	29,146
Interest charges	201,604	178,934	151,769
Net income	$ 312,409	$ 268,534	$ 220,643
Depreciation:			
Electric	$ 115,075	$ 109,215	$ 91,571
Gas	12,315	12,207	10,965
Total	$ 127,390	$ 121,422	$ 102,536
Construction expenditures (including nuclear fuel):			
Electric	$ 654,020	$ 562,047	$ 424,596
Gas	37,444	32,422	32,819
Total	$ 691,464	$ 594,469	$ 457,415
Identifiable assets:			
Electric	$4,443,154	$4,011,265	$3,561,592
Gas	429,133	406,940	370,608
Total	4,872,287	4,418,205	3,932,200
Corporate assets	485,285	363,562	288,034
Total assets	$5,357,572	$4,781,767	$4,220,234

NOTE 7. Capitalization

CAPITAL STOCK

The following table summarizes the shares of capital stock authorized, issued and outstanding:

At December 31,	1983	1982	1981
Common stock, $1 par value:			
Authorized	125,000,000	125,000,000	125,000,000
Issued & outstanding	104,010,003	93,832,151	83,973,252
Preferred stock, $100 par value:			
Authorized	3,400,000	3,400,000	3,400,000
Issued & outstanding	3,370,240	3,161,920	3,199,980
Preferred stock, $25 par value:			
Authorized	9,600,000	9,600,000	9,600,000
Issued & outstanding	9,376,000	5,742,000	5,008,000
Preference stock, $25 par value:			
Authorized	4,000,000	4,000,000	4,000,000
Issued & outstanding	760,000	920,000	1,080,000

The table below summarizes changes in capital accounts for 1981, 1982 and 1983:

	Common stock ($1 par value)		Non-redeemable preferred stock ($100 par value)		Redeemable preferred stock ($100 par value)		Redeemable preferred stock ($25 par value)		Capital stock premium and expense (net)
	Shares	Amount*	Shares	Amount*	Shares	Amount*	Shares	Amount*	Amount*
Balance January 1, 1981	75,231,144	$75,231	2,100,000	$210,000	885,240	$88,524(a)	4,974,000	$124,350(a)	$792,591
Sales in 1981	5,000,000	5,000			250,000	25,000	1,320,000	33,000	51,706
Issued to stock purchase plans in 1981	3,742,108	3,742							40,049
Redemptions					(35,260)	(3,526)	(206,000)	(5,150)	859
Balance December 31, 1981	83,973,252	83,973	2,100,000	210,000	1,099,980	109,998(a)	6,088,000	152,200(a)	885,205
Sales in 1982	5,000,000	5,000					800,000	20,000	70,705
Issued to stock purchase plans in 1982	4,858,899	4,859							64,285
Redemptions					(38,060)	(3,806)	(226,000)	(5,650)	600
Balance December 31, 1982	93,832,151	93,832	2,100,000	210,000	1,061,920	106,192(a)	6,662,000	166,550(a)	1,020,795
Sales in 1983	5,000,000	5,000			250,000	25,000	3,800,000	95,000	78,629
Issued to stock purchase plans in 1983	5,177,852	5,178							80,465
Redemptions					(41,680)	(4,168)	(326,000)	(8,150)	607
Foreign currency translation adjustment									(6,114)
Balance December 31, 1983	104,010,003	$104,010	2,100,000	$210,000	1,270,240	$127,024(a)	10,136,000	$253,400(a)	$1,174,382

*In thousands of dollars
(a) Includes sinking fund requirements due within one year

NON-REDEEMABLE PREFERRED STOCK (Optionally Redeemable)

The Company has certain issues of preferred stock which provide for optional redemption as follows:

At December 31,	*In thousands of dollars* 1983	1982	1981	*Redemption price per share (Before adding accumulated dividends)* December 31, 1983	Eventual minimum
Preferred $100 par value:					
3.40% Series; 200,000 shares	$ 20,000	$ 20,000	$ 20,000	$103.50	$103.50
3.60% Series; 350,000 shares	35,000	35,000	35,000	104.85	104.85
3.90% Series; 240,000 shares	24,000	24,000	24,000	106.00	106.00
4.10% Series; 210,000 shares	21,000	21,000	21,000	102.00	102.00
4.85% Series; 250,000 shares	25,000	25,000	25,000	102.00	102.00
5.25% Series; 200,000 shares	20,000	20,000	20,000	102.00	102.00
6.10% Series; 250,000 shares	25,000	25,000	25,000	101.00	101.00
7.72% Series; 400,000 shares	40,000	40,000	40,000	105.44	102.36
	$210,000	$210,000	$210,000		

MANDATORILY REDEEMABLE PREFERRED STOCK

The Company has certain issues of preferred and preference stock which provide for mandatory and optional redemption as follows:

At December 31,	In thousands of dollars 1983	1982	1981	Redemption price per share (Before adding accumulated dividends) December 31, 1983	Eventual minimum
Preferred $100 par value:					
7.45% Series; 474,000, 492,000 and 510,000 shares	$ 47,400	$ 49,200	$ 51,000	$105.05	$100.00
10.13% Series; 250,000 shares	25,000	—	—	*(a)*	100.00
10.60% Series; 296,240, 319,920 and 339,980 shares	29,624	31,992	33,998	110.60	102.65
12.75% Series; 250,000 shares	25,000	25,000	25,000	*(b)*	*(b)*
Preferred $25 par value:					
8.375% Series; 1,500,000 and 1,600,000 shares	37,500	40,000	40,000	26.54	25.00
9.75% Series; 936,000, 1,002,000 and 1,068,000 shares	23,400	25,050	26,700	26.545	25.00
9.75% Series (second); 1,020,000 shares	25,500	25,500	25,500	27.44	25.00
10.13% Series; 1,000,000 shares	25,000	—	—	*(a)*	25.00
10.75% Series; 1,600,000 shares	40,000	—	—	*(a)*	25.00
12.25% Series; 700,000 shares	17,500	17,500	17,500	*(c)*	25.00
12.50% Series; 620,000 shares	15,500	15,500	15,500	*(c)*	25.00
15.00% Series; 800,000 shares	20,000	20,000	—	28.59	25.00
Adjustable Rate Series A; 1,200,000 shares	30,000	—	—	*(a)*	25.00
Preference $25 par value:					
7.75% Series; 760,000, 920,000 and 1,080,000 shares	19,000	23,000	27,000	25.28	25.00
	380,424	272,742	262,198		
Less sinking fund requirements	11,950	9,950	7,450		
	$368,474	$262,792	$254,748		

(a) Not redeemable until 1988.
(b) Entire issue to be redeemed at par value June 30, 1991.
(c) Not redeemable until 1991.

These series require mandatory sinking funds for annual redemption and provide optional sinking funds through which the Company may redeem, at par, a like amount of additional shares (limited to 120,000 shares of the 7.45% series and 300,000 shares of the 9.75% series). The option to redeem additional amounts is not cumulative.

The Company's five-year mandatory sinking fund redemption requirements for preferred and preference stock are as follows:

	No. of shares	Commencing	In thousands of dollars 1984	1985	1986	1987	1988
Preferred $100 par value:							
7.45% Series	18,000	6/30/77	$1,800	$ 1,800	$ 1,800	$ 1,800	$ 1,800
10.60% Series	20,000	3/31/80	*(a)*	1,624*(a)*	2,000	2,000	2,000
10.13% Series	25,000	12/31/87	—	—	—	2,500	2,500
Preferred $25 par value:							
9.75% Series	66,000	10/1/80	1,650	1,650	1,650	1,650	1,650
8.375% Series	100,000	4/1/83	2,500	2,500	2,500	2,500	2,500
9.75% Second Series	204,000	4/1/86	—	—	5,100	5,100	5,100
10.13% Series	100,000	12/31/87	—	—	—	2,500	2,500
12.25% Series	43,060	3/31/87	—	—	—	1,077	1,076
12.50% Series	38,139	3/31/87	—	—	—	953	954
15.00% Series	40,000	3/31/87	—	—	—	1,000	1,000
Preference $25 par value:							
7.75% Series	240,000*(b)*	9/30/80	6,000	13,000	—	—	—
			$11,950	$20,574	$13,050	$21,080	$21,080

(a) Requirements, or a portion thereof, have been met by advance purchases.
(b) The balance of the issue is to be redeemed September 30, 1985.

LONG-TERM DEBT

Long-term debt and long-term debt due within one year are detailed in the table on the following page.

The 13½% First Mortgage Bonds and the $56,000,000 Adjustable Rate Pollution Control Notes are both tax-exempt and were issued to secure a like amount of Revenue Bonds and Notes issued by the New York State Energy Research and Development Authority (NYSERDA). Pursuant to agreements between NYSERDA and the Company, trust funds have been established with the proceeds from the bond and note issues. Such proceeds are to be used for the purpose of constructing certain pollution control facilities at the Company's generating facilities. Unexpended proceeds in the trust funds amounted to $29,769,000 at December 31, 1983 and are recorded in Other Property and Investments.

Notes Payable include $47,800,000 Eurodollar Guaranteed Notes issued by the Company's subsidiary Niagara Mohawk Finance, N.V. and guaranteed by Credit Lyonnais. In connection with the formation and capitalization of this subsidiary, the Company also issued a $17,000,000 note payable which bears interest at the London Interbank Offered Rate (LIBOR), currently set at 10.5% through March 15, 1984.

The arrangements with Oswego Facilities Trust (Trust) provide financing for the first construction phase of a new energy management system. The Trust has a $40,000,000 Direct Pay Letter of Credit Facility and Revolving Credit Agreement which is available through December 31, 1990, and is used to support its commercial paper obligations. All such obligations are secured by certain assets held by the Trust. The Company is required to purchase, or otherwise arrange for, the disposition of the Trust assets upon the termination of the Trust. The Letter of Credit Facility and Revolving Credit Agreement of the Trust requires payment of fees which are based upon the amount of commercial paper outstanding.

Other long-term debt consists of obligations under capital leases of $15,135,000 and the liability for nuclear fuel disposal of $45,472,000 (see Note 10).

During 1983, the Company reacquired $98,004,000 of its outstanding long-term debt prior to maturity. The refunding premium, commissions and expenses paid upon reacquisition and the unamortized debt expense associated with the reacquired debt, amounting to $22,421,000, is recorded in "Deferred debits: Unamortized debt reacquisition expense". The Company has requested approval from the PSC to amortize these costs over subsequent periods and believes these costs will be recoverable in future rates.

At December 31,	*In thousands of dollars* 1983	1982
First mortgage bonds:		
3½% Series due February 1, 1983	$ —	$ 25,000
3¼% Series due October 1, 1983	—	40,000
3⅛% Series due August 1, 1984	25,000	25,000
10⅝% Series due September 1, 1985	47,000	47,000
3⅝% Series due May 1, 1986	30,000	30,000
4⅞% Series due September 1, 1987	50,000	50,000
3⅞% Series due June 1, 1988	50,000	50,000
14⅞% Series due August 11, 1988	50,000	50,000
4¾% Series due April 1, 1990	50,000	50,000
15% Series due March 1, 1991	38,650	50,000
4½% Series due November 1, 1991	40,000	40,000
15½% Series due March 1, 1992	50,000	50,000
15¾% Series due June 1, 1992	62,500	75,000
11% Series due May 1, 1993	50,000	—
4⅝% Series due December 1, 1994	40,000	40,000
5⅞% Series due November 1, 1996	45,000	45,000
6¼% Series due August 1, 1997	40,000	40,000
6½% Series due August 1, 1998	60,000	60,000
9⅛% Series due December 1, 1999	75,000	75,000
12.95% Series due October 1, 2000	80,000	80,000
7⅜% Series due February 1, 2001	65,000	65,000
7⅝% Series due February 1, 2002	80,000	80,000
7¾% Series due August 1, 2002	80,000	80,000
8¼% Series due December 1, 2003	80,000	80,000
9½% Series due December 1, 2003	50,000	50,000
9.95% Series due September 1, 2004	100,000	100,000
10.2% Series due March 1, 2005	37,887	38,935
8.35% Series due August 1, 2007	71,800	72,800
8⅝% Series due December 1, 2007	48,000	50,000

At December 31,	*In thousands of dollars* 1983	1982
13½% Series due April 1, 2012	30,000	30,000
16% Series due August 1, 2012	3,046	75,000
12⅞% Series due November 1, 2012	100,000	100,000
12⅞% Series due March 1, 2013	100,000	—
12½% Series due June 15, 2013	50,000	—
Paul Smith's Electric Light & Power & Railroad Company first mortgage bonds:		
5½% Series due May 1, 1985	450	450
Promissory notes:		
8% Series A due June 1, 2004	46,600	46,600
Notes payable:		
Adjustable Rate Pollution Control Notes	56,000	—
17% Eurodollar Guaranteed Notes due September 15, 1989	47,800	50,000
10.5% Adjustable London Interbank Offered Rate due September 15, 1989	17,000	17,000
Prime rate plus ½% (not to exceed 7½%) due in equal quarterly installments through April 1, 1984	625	3,750
Revolving credit and term loan agreements	50,000	35,000
Revolving credit agreement, Oswego Facilities Trust	18,900	6,000
Other	60,607	45,472
Unamortized premium	1,835	2,934
TOTAL LONG-TERM DEBT	2,078,700	1,950,941
Less long-term debt due within one year	30,152	69,500
	$2,048,548	$1,881,441

Certain of the Company's First Mortgage Bonds provide for a mandatory sinking fund for annual redemption. The Company's five-year mandatory sinking fund redemption requirements for First Mortgage Bonds are as follows:

	Principal amount	Commencing	*In thousands of dollars* 1984	1985	1986	1987	1988
10.20% Series due March 1, 2005	$1,500	3/1/78	$ *(a)*	$ 1,387*(a)*	$ 1,500	$ 1,500	$ 1,500
8.35% Series due August 1, 2007	750	8/1/82	*(a)*	*(a)*	550*(a)*	750	750
8⅝% Series due December 1, 2007	2,000	12/1/83	2,000	2,000	2,000	2,000	2,000
9.95% Series due September 1, 2004	5,000	9/1/85	—	5,000	5,000	5,000	5,000
14⅞% Series due August 11, 1988	16,000	8/11/86	—	—	16,000	17,000	17,000
12.95% Series due October 1, 2000	5,333	10/1/86	—	—	5,333	5,333	5,333
9½% Series due December 1, 2003	2,941	12/1/87	—	—	—	2,941	2,941
			$ 2,000	$ 8,387	$30,383	$34,524	$34,524

(a) Requirements, or a portion thereof, have been met by advance purchases.

Additionally, certain other series of mortgage bonds provide for a debt retirement fund whereby payment requirements may be met, in lieu of cash, by the certification of additional property, the waiver of the issuance of additional bonds or the retirement of outstanding bonds. The 1983 requirements for these series were satisfied by the certification of additional property. The Company anticipates that the 1984 requirements for these series will be satisfied by other than payment in cash. Total annual debt retirement fund requirements for these series, based upon mortgage bonds outstanding December 31, 1983, are $7,850,000.

NOTE 8. Pension Plans

The Company and its subsidiaries have non-contributory pension plans covering substantially all their employees. The total pension cost was $40,000,000 for 1983, $38,000,000 for 1982 and $34,100,000 for 1981 (of which $12,200,000 for 1983, $11,000,000 for 1982 and $9,300,000 for 1981 was related to construction labor and, accordingly, was charged to construction projects).

Studies indicate that the accumulated plan benefits, as determined by consulting actuaries, and plan net assets for the Company's plans at December 31, 1983 and 1982 are as follows:

	In thousands of dollars 1983	1982
Actuarial present value of accumulated benefits:		
Vested	$328,000	$302,000
Non-vested	20,000	18,000
Total	$348,000	$320,000
Net assets available for plan benefits	$408,000	$341,000

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7% in each year.

The above table summarizes accumulated plan benefits attributable to employee wage levels and service rendered through December 31, 1983 and 1982. These amounts do not take into consideration expected future service, wage increases and associated actuarial assumptions. These additional factors and assumptions are considered in determining the funding requirements of the Company's ongoing pension plans, based upon an approved actuarial cost method, and are in conformity with generally accepted actuarial principles and practices.

NOTE 9. Federal and Foreign Income Taxes

Income Tax Refund: In September 1981, the Company received a refund of Federal income tax, including interest thereon, amounting to $9,943,000, net of Federal income taxes on the interest portion of the refund. The refund resulted from the allowance of certain deductions for the loss of water rights at Niagara Falls in connection with the redevelopment of Niagara power by the Power Authority of the State of New York. As part of a March 1983 rate decision, the PSC ordered that one-half of the refund be passed on to ratepayers over a two-year period and the remaining one-half be retained by the Company. Accordingly, one-half of the amount has been recorded in "Deferred Credits: Mandated refunds to customers", and is being amortized over two years. The remaining one-half is included in the Consolidated Statement of Income. In both

Summary Analysis:	1983	*In thousands of dollars* 1982	1981
Components of Federal and foreign income taxes:			
Current tax expense: Federal	$ (4,566)	$ 4,860	$ 6,996
Foreign	9,294	9,369	6,765
	4,728	14,229	13,761
Deferred Federal income tax expense	112,361	95,290	39,282
Income taxes included in Operating Expenses	117,089	109,519	53,043
Federal income tax credits included in Other Income and Deductions	(31,511)	(26,390)	(19,548)
Total	$85,578	$83,129	$33,495
Components of deferred Federal income taxes *(Note 1):*			
Depreciation	$22,185	$26,842	$12,533
Cost of removal of property	2,479	5,930	193
Investment tax credit	51,163	21,859	21,501
Recoverable energy and purchased gas costs	(22,523)	24,307	(1,811)
Necessity certificates	(700)	(700)	(700)
Nuclear fuel disposal cost	20,746	(9,940)	(12,224)
Sterling abandonment	188	(908)	2,018
Other	7,312	1,510	(1,776)
Deferred Federal income taxes (net)	$80,850	$68,900	$19,734
Reconciliation between Federal and foreign income taxes and the tax computed at prevailing U.S. statutory rate on income before income taxes:			
Computed tax	$183,074	$161,765	$116,904
Reduction attributable to flow-through of certain tax adjustments:			
Depreciation	(6,431)	796	9,422
Allowance for funds used during construction	54,185	43,579	33,069
Taxes, pensions and employee benefits capitalized for accounting purposes	22,376	19,092	12,515
Real estate taxes on an assessment date basis	3,590	4,282	3,086
Investment tax credit	—	7,861	12,354
Deferred taxes provided at other than the statutory rate	9,269	1,598	7,424
Other	14,507	1,428	5,539
	97,496	78,636	83,409
Federal and foreign income taxes	$85,578	$83,129	$33,495

cases, the tax portion of the refund has served to reduce current tax expense. In July 1983, the Company filed a suit seeking to annul the PSC's decision to share the refund with ratepayers. A decision from the Appellate Division of the State Supreme Court is expected in 1984. The Company is unable to predict the ultimate disposition of this refund.

Investment Tax Credits: The Company deferred the net benefit of investment tax credits of approximately $51,200,000 ($.52 per share), $21,900,000 ($.25 per share) and $21,500,000 ($.27 per share) for the years ended December 31, 1983, 1982 and 1981, respectively, in accordance with the general policy as stated in Note 1. The Company has unused credits at December 31, 1983 of approximately $5,800,000, which may be utilized to reduce current tax expense in subsequent years. Such credits, if unused, expire in 1998.

United States and foreign components of income before income taxes:

	In thousands of dollars 1983	1982	1981
United States	$388,051	$341,962	$247,374
Foreign	19,989	20,908	14,175
Consolidating eliminations	(10,053)	(11,207)	(7,411)
Income before income taxes	$397,987	$351,663	$254,138

NOTE 10. Commitments and Contingencies

Construction Program: At December 31, 1983, substantial construction commitments existed, including those for the Company's share of Unit No. 2 at the Nine Mile Point Nuclear Station. The Company presently estimates that the construction program for the years 1984 through 1988 will require approximately $1,804 million, excluding AFC and certain overheads capitalized. By years the estimates are $505 million, $345 million, $300 million, $301 million and $353 million, respectively (see "Nine Mile Point Nuclear Station Unit No. 2" below).

Nine Mile Point Nuclear Station Unit No. 2: Nine Mile Point Nuclear Station Unit No. 2 (Unit), a nuclear power plant being constructed by the Company and shared with other utilities, is the only major generating facility currently under construction by the Company. Ownership is shared by the Company (41%), Long Island Lighting Company (18%), New York State Electric & Gas Corporation (18%), Rochester Gas and Electric Corporation (14%), and Central Hudson Gas & Electric Corporation (9%). Output of the Unit, which will have a projected capability of 1,084,000 kw., will be shared in the same proportions as the Co-tenants' respective ownership interests.

Commercial operation of the Unit is scheduled for late 1986 at a cost, as estimated in January 1983, of $4.2 billion (comprised of construction costs of $2.65 billion and AFC of $1.55 billion). The Company's share of the total estimate is approximately $1.7 billion.

In September 1981, the Staff of the PSC issued a report on a comparative analysis of the economic and financial feasibility of the Unit versus coal alternatives. This report concluded that completion of the Unit is warranted. Also in September 1981, the PSC ordered a public proceeding to inquire into the financial and economic cost implications of completing the Unit. In an opinion and order issued on April 16, 1982 (Order), the PSC affirmed that completion of the Unit is warranted and indicated its intention to closely monitor construction activities. In addition, the PSC adopted an incentive rate of return (IROR) program in connection with the remaining construction costs of the Unit. The purpose of this program is to reward savings in construction costs and penalize cost overruns based on a "sharing factor" of 20% of the variation in revenue requirements from a target completion cost of $4.6 billion (including AFC) as apportioned to each Co-tenant. The PSC stated that adjustments to this target cost may be permitted should extraordinary events beyond the control of the Co-tenants occur, or if differing regulatory treatment than that assumed in determining the target cost is adopted by the PSC in future rate proceedings. Under the IROR program, 20% of the variation in revenue requirements caused by construction cost overruns would penalize, and those caused by underruns would reward stockholders. Any IROR-induced reduction in the return on equity may not exceed one-half of the normal unadjusted equity return on the applicable investment in the Unit. The IROR program will be implemented as part of the first rate proceeding involving each Co-tenant that considers rate recognition of the Unit's completion cost.

In May 1982, various parties including the New York State Attorney General and the New York State Consumer Protection Board (CPB), petitioned the PSC to reconsider the Order. The PSC denied the petition and in December 1982, several parties, including the CPB and the Attorney General of the State of New York, filed a petition to appeal the PSC's decision. In November 1983, the Supreme Court Appellate Division, Third Department, affirmed the PSC's decision and the time for further appeal has expired.

In 1983, the Staff of the Nuclear Regulatory Commission (NRC), in accordance with their procedures for regular review, conducted assessments of the Unit's overall construction program. In connection with these assessments, the NRC informed the Company that, in its opinion, management's attention to certain aspects of the Unit's construction program should be increased. The Company is in the process of reviewing the NRC's recommendations and implementing corrective action, as appropriate.

A planned overall project cost re-estimate based on progress to date, which will include a re-assessment of the quantity of material and labor hours necessary for completion of the Unit, is currently in process and is expected to be completed in the second quarter of 1984. The Company does not presently expect the total project cost re-estimate to vary significantly from the target completion cost established by the PSC in the IROR program.

The Co-tenants have completed a re-estimate of the project cost to be incurred in 1984 resulting in an increase in 1984 construction costs to approximately $579 million, representing a $189 million increase, excluding in both cases AFC and certain overheads capitalized. The Company's 1984 estimate of its construction program expenditures, as presented above under "Construction Program", has been increased by $77 million to reflect the Company's 41% share of the aforementioned change. Estimates for the years 1985 and 1986 will be revised, as necessary, upon completion of the overall project cost re-estimate.

On February 9, 1984, the Long Island Lighting Company (LILCO) notified the other Co-tenants of its intention to cease participation in the funding of the construction costs of the Unit and failed to make a required payment. During 1984, construction funding for LILCO's 18% interest is expected to average approximately $9 million per month.

The non-defaulting Co-tenants have stated they will take all appropriate steps to preserve their legal and regulatory rights with respect to the actions taken by LILCO. Various arrangements are being investigated for the funding of LILCO's remaining interest in the Unit which, based upon the January 1983 cost estimate revised for increases in costs for the 1984 Unit work plan, amounts to approximately $150 million, exclu-

sive of AFC. On a temporary basis, the Company will advance funds as necessary for that portion of construction costs not being paid by LILCO. Although the Company believes that the actions of LILCO will not significantly affect the present schedule and ultimate cost of the Unit, no such assurance can be given.

A number of nuclear power plant construction projects in the United States have recently encountered substantial delays, licensing difficulties and cost escalation due to a variety of factors. Although the outcome of the remaining regulatory licensing proceedings relating to the completion of the Unit cannot be predicted with certainty, the Co-tenants believe an operating license will be issued upon completion of construction since the Unit is being designed to meet applicable regulatory requirements.

It is possible that completion of the Unit consistent with its present schedule and cost estimate and the issuance of an operating license could be adversely affected by the aforementioned and other factors. Also, if all requisite governmental approvals are not received, or if governmental restrictions or prohibitions as to the use of nuclear power develop which affect this Unit, the Company's investment in the Unit ($1,091.2 million, including AFC and overheads capitalized, at December 31, 1983) may have to be written off, and in certain circumstances, the Company could incur substantial cancellation charges. Although the Company believes that it would be permitted to amortize its investment in this project and any related cancellation charges against income and to recover such investment, cancellation charges and related carrying costs through rates over a period of years, no such assurance can be given.

Long-term Contracts for the Purchase of Electric Power: At January 1, 1984 the Company had contracts to purchase electric power from the following generating facilities owned by the Power Authority of the State of New York (PASNY) and from Ontario Hydro of Canada:

Facility	Expiration date of contract	Purchased capacity in kw.	Estimated annual capacity cost
PASNY			
St. Lawrence— hydroelectric project	1985	115,000	$ 1,380,000
Niagara— hydroelectric project	1990	1,118,332	13,420,000
Blenheim-Gilboa— pumped storage generating station	2002	550,000	12,540,000
FitzPatrick—nuclear plant ..	year-to-year basis	139,000*	15,346,000
Ontario Hydro	1986	400,000	39,200,000
		2,322,332	$81,886,000

*121,000 kw. for winter of 1984-85.

The purchase capacities shown above are based on the contracts currently in effect. The estimated annual capacity costs are subject to price escalation and are exclusive of applicable energy charges. In October 1982, FERC issued an order requiring the Company to negotiate reformation of its present contracts with PASNY for Niagara Project power such that preference be given to municipal electric utilities along with rights to interconnections and/or wheeling service. The Company and PASNY have appealed this order and the appeal is expected to be heard in early 1984. The Company is unable to predict the outcome of this proceeding.

Litigation: In 1978, several electric customers brought suit against the Company and PASNY requesting that certain power purchased from PASNY be allocated exclusively for their benefit and asking monetary damages for the difference between rates charged by the Company and rates that would otherwise have been charged if this power had been furnished to them since the initiation of the suit in 1978 and for the six years prior thereto. A settlement was reached in January 1982 wherein these electric customers will receive an initial allocation of power and thereafter an increased allocation (through December 31, 1987) when their proposed plant expansion activities are completed. No monetary damages were awarded. In February 1982, certain other parties that did not join in the original litigation commenced litigation which sought to set aside the January 1982 settlement. This litigation is continuing and the Company is unable at this time to predict the ultimate outcome of these proceedings. In the opinion of management, the ultimate disposition of this matter will not materially affect the Consolidated Financial Statements of the Company.

In October 1982, the CPB petitioned the PSC to exclude the Nine Mile Point Nuclear Station Unit No. 1 from rate base for the duration of the outage which occurred from March 1982 through June 1983. In addition, the CPB requested evidentiary hearings to determine whether imprudence played a role in either the cause or the duration of the outage. In November 1982, the PSC rejected the CPB petition, but did announce it would conduct a formal investigation into the cause and duration of the outage after completion of repairs to the unit. Accordingly, in July 1983 the PSC issued an order instituting such a proceeding. The Company is unable to predict the outcome of this proceeding.

In August 1983, the PSC instituted a proceeding to investigate the Company's operating practices and certain other matters that it is alleged may have resulted, among other things, in excessive fuel adjustment charges in previous periods; and, further, to determine whether and to what extent remedial action with respect to any such matters is proper under the PSC's regulations or otherwise. Although the Company believes it has acted properly, it cannot predict to what extent, if any, adjustment of previous collections under the fuel adjustment clause may be required.

FERC Audit: As a result of an audit conducted by the Federal Energy Regulatory Commission (FERC) for the years 1973 through 1978, the FERC proposed certain adjustments concerning the base cost of nuclear fuel on which AFC should be applied. Resolution of this matter has been deferred by FERC pending their development of generic rulemakings concerning accounting for nuclear fuel. If these recommended adjustments are sustained by FERC, the resulting reduction in retained earnings would approximate $26,000,000 through 1983. The Company believes that the adjustments are not justified and is contesting them. At present, the Company is unable to predict the outcome of this matter.

Sterling Nuclear Station: The PSC granted the Company permission to recover over a three-year period, commencing in 1982, its costs, together with carrying charges on the unrecovered balance, of the abandoned Sterling Nuclear Station. Accordingly, the investment is recorded in "Deferred debits: Extraordinary property loss" and is being amortized. Such amortization is included in depreciation and amortization in the Consolidated Statement of Income. In September 1982, the Attorney General of the State of New York commenced a proceeding challenging the prudence of the PSC decision which permitted the Co-tenants to recover their costs and carrying charges associated with the project. A motion by the Co-tenants to dismiss the Attorney General's petition was denied and the Co-tenants appealed that denial. In July 1983, the Sup-

reme Court, Appellate Division, in a unanimous decision, dismissed the Attorney General's petition. The decision was affirmed by the New York Court of Appeals in January 1984.

Nuclear Fuel Disposal Costs: In January 1983, the Nuclear Waste Policy Act (Act) was enacted. Among other things, the Act provided for a determination of the liability to the Department of Energy (DOE) for the disposal of nuclear fuel irradiated prior to 1983, and three payment options for liquidating such liability. The Company's liability to the DOE associated with generation at its Nine Mile Point Unit No. 1 prior to 1983, is approximately $45,500,000. Based upon an option for payment in 1998, the year in which the Company first plans to ship irradiated fuel to an approved DOE disposal facility, it is estimated that the cost of such disposal will be approximately $177,000,000, including interest charges as prescribed in the Act.

The Company, through ratemaking methodology approved by the PSC, has collected in rates approximately $145,800,000 for the disposal of nuclear fuel irradiated prior to 1983. Of this amount, $45,500,000, representing the liability to the DOE, is reflected in long-term debt and the remaining portion is included in accumulated depreciation and amortization. In connection with the Act and current PSC policy, the Company has petitioned the Commission for future ratemaking consideration of the ultimate future nuclear fuel disposal cost in relation to amounts previously collected. Such petition has been incorporated into the Company's current rate proceeding and is being opposed by the Staff of the PSC in favor of a five-year refund of amounts collected in excess of the DOE contracted liability of $45,500,000. The Company is unable to predict the ratemaking treatment that will ultimately be prescribed by the PSC.

NOTE 11. Quarterly Financial Data (Unaudited)

Operating revenues, operating income, net income and earnings per common share by quarters for 1983, 1982 and 1981 are shown in the following table. The Company, in its opinion, has included all adjustments necessary for a fair presentation of the results of operations for the quarters. Due to the seasonal nature of the utility business, the annual amounts are not generated evenly by quarter during the year.

	In thousands of dollars			
Quarters ended	Operating revenues	Operating income	Net income	Earnings per common share
December 31				
1983	$658,733	$76,824	$64,081	$.52
1982	608,939	66,325	54,621	.49
1981	529,844	63,879	52,063	.52
September 30				
1983	$562,707	$72,309	$62,376	$.52
1982	510,983	63,981	52,699	.50
1981	481,377	60,831	48,500	.48
June 30				
1983	$651,487	$92,286	$79,027	$.72
1982	587,350	85,745	73,271	.75
1981	528,216	69,303	55,696	.61
March 31				
1983	$759,388	$113,296	$106,925	$1.03
1982	686,499	99,734	87,943	.94
1981	611,281	77,363	64,384	.76

NOTE 12. Supplementary Information to Disclose the Effects of Changing Prices (Unaudited)

While much reduced from levels experienced in 1980-81, inflation, resulting in a decline in the purchasing power of the dollar, remains one of our nation's concerns. The threat of inflation and its negative impact on all sectors of the economy continues.

The Company's consolidated financial statements are based on historical events and transactions when the purchasing power of the dollar was substantially different from the present. The effects of inflation on most utilities, including Niagara Mohawk, are most significant in the areas of depreciation and utility plant and amounts owed on borrowed funds.

In recognition of the fact that users of financial reports need to have an understanding of the effects of inflation on a business enterprise, the following supplementary information is supplied for the purpose of providing certain information about the effects of both general inflation and changes in specific prices. It should be viewed as an estimate of the approximate effect of inflation, rather than as a precise measure.

Constant dollar amounts attempt to adjust for general inflation and represent historical costs stated in terms of dollars of equal purchasing power, as measured by 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 and differ from constant dollar amounts to the extent that specific prices have increased more or less rapidly than prices in general.

The current cost of utility plant net of accumulated depreciation and amortization, represents the estimated cost of replacing existing plant assets in kind. Since existing utility plant is not expected to be replaced precisely in kind due to technological changes, current cost does not necessarily represent the replacement cost of the Company's utility plant. The portion of the accumulated amortization relating to disposal costs of nuclear fuel was not used in the calculation of current costs but rather reclassified to a monetary liability. In most cases, current costs were determined by indexing surviving plant dollars by the Handy-Whitman Index of Public Utility Construction Costs. However, when an account could not be indexed by Handy-Whitman, other appropriate indices were used. The current year's provision for depreciation and amortization on the constant dollar and current cost amounts of utility plant was determined by applying the Company's average annual depreciation rates to the indexed plant amounts.

Fuel inventories, the cost of fuel used in generation, and electricity and gas purchased have not been restated from their historical cost in nominal dollars. The recovery of energy and purchased gas costs are limited to historical costs through the operation of the Company's electric and gas adjustment clauses. For this reason fuel inventories and deferred recoverable energy costs are effectively monetary assets. Income taxes have not been adjusted.

The Company is subject to the jurisdiction of regulatory commissions in the determination of a fair rate of return on its investment. Current ratemaking policy provides for the recovery of historical costs. Therefore, any difference between the historical cost of utility plant stated in terms of constant dollars or current cost not presently includible in rates as depreciation, is reflected as an increase (reduction) to net recoverable cost. While the ratemaking process gives no recognition to the current cost of replacing utility plant, based on past practices, the Company believes it will be allowed to earn on the increased cost of its net investment when replacement of facilities actually occurs.

To properly reflect the economics of rate regulation in the Statement of Income from Continuing Operations, the increase (reduction) of net utility plant to net recoverable cost should be adjusted by the gain from the decline in purchasing power of net amounts owed on borrowed funds. During a period of inflation, holders of monetary assets suffer a loss of general purchasing power while holders of monetary liabilities experience a gain. The gain from the decline in purchasing power of net amounts owed is primarily attributable to the substantial amount of debt which has been used to finance utility plant. Since the depreciation on this plant is limited to the recovery of historical costs, the Company does not have the opportunity to realize a holding gain on debt and is limited to recovery only of the embedded cost of debt capital.

Statement of income from continuing operations adjusted for changing prices for the year ended December 31, 1983

	In thousands of dollars		
	Conventional historical cost	Constant dollar average 1983 dollars	Current cost average 1983 dollars
Operating revenues	$2,632,315	$2,632,315	$2,632,315
Fuel for electric generation	501,328	501,328	501,328
Electricity purchased	381,703	381,703	381,703
Gas purchased	432,898	432,898	432,898
Depreciation and amortization	127,390	289,112	361,003
Other operating and maintenance expenses	717,192	717,192	717,192
Federal and foreign income taxes	117,089	117,089	117,089
Interest charges	169,161	169,161	169,161
Other income and deductions—net	(126,855)	(126,855)	(126,855)
	2,319,906	2,481,628	2,553,519
Income from continuing operations (excluding adjustment to net recoverable cost)	$ 312,409	$ 150,687*	$ 78,796
Increase in specific prices (current cost) of utility plant held during year**			$ 151,052
Adjustment to net recoverable cost		$ (17,364)	340,979
Effect of increase in general price level			(437,504)
Excess of increase in specific prices over increase in general price level after adjustment to net recoverable cost			54,527
Gain from decline in purchasing power of net amounts owed		89,805	89,805
Net		$ 72,441	$ 144,332

*Including the adjustment to net recoverable cost, the income from continuing operations on a constant dollar basis would have been $133,323 for 1983.

**At December 31, 1983, current cost of utility plant, net of accumulated depreciation, was $9,249,935 while historical cost or net cost recoverable through depreciation was $4,779,783.

Five year comparison of selected supplementary financial data adjusted for effects of changing prices.

	In thousands of average 1983 dollars				
For the year ended December 31,	1983	1982	1981	1980	1979
Operating revenues	$2,632,315	$2,470,850	$2,355,896	$2,148,710	$2,081,552
Historical cost information adjusted for general inflation:					
Income from continuing operations (excluding adjustment to net recoverable cost)	$ 150,687	$ 136,569	$ 81,452	$ 28,980	$ 73,861
Income (loss) per common share (after dividend requirements on preferred stock and excluding adjustment to net recoverable cost)	$ 1.11	$ 1.11	$ .56	$ (.10)	$ .56
Net assets at year end at net recoverable cost	$2,147,836	$1,929,503	$1,767,992	$1,745,526	$1,791,146
Current cost information:					
Income (loss) from continuing operations (excluding adjustment to net recoverable cost)	$ 78,796	$ 80,307	$ 20,967	$ (37,337)	$ (2,764)
Income (loss) per common share (after dividend requirements on preferred stock and excluding adjustment to net recoverable cost)	$ .38	$ .47	$ (.21)	$ (1.03)	$ (.65)
Excess (deficiency) of increase in general price level over increase in specific prices after adjustment to net recoverable cost	$ (54,527)	$ (36,802)	$ 140,293	$ 242,359	$ 346,907
Net assets at year end at net recoverable cost	$2,147,836	$1,929,503	$1,767,992	$1,745,526	$1,791,146
General information:					
Gain from decline in purchasing power of net amounts owed	$ 89,805	$ 83,147	$ 189,251	$ 253,362	$ 291,905
Cash dividends declared per common share	$ 1.89	$ 1.82	$ 1.76	$ 1.81	$ 1.98
Market price per common share at year end	$ 15.75	$ 16.13	$ 13.56	$ 13.45	$ 17.33
Average consumer price index	298.4	289.1	272.4	246.8	217.4

Selected financial data

	1983	1982	1981	1980	1979
Operations: *(000's)*					
Operating revenues	$2,632,315	$2,393,771	$2,150,718	$1,777,115	$1,516,503
Net income	312,409	268,534	220,643	162,639	156,030
Common stock data:					
Book value per share at year end	$18.55	$17.91	$17.36	$17.25	$17.33
Market price at year end	15¾	15⅝	12⅜	11⅛	12⅝
Ratio of market price to book value at year end	84.9%	87.2%	71.3%	64.5%	72.9%
Dividend yield at year end	12.2%	11.5%	13.3%	13.7%	11.4%
Earnings per average common share	$ 2.77	$ 2.64	$ 2.35	$ 1.87	$ 2.00
Rate of return on common equity	15.0%	14.7%	13.5%	10.8%	11.4%
Dividends paid per common share	$ 1.89	$ 1.76	$ 1.61	$ 1.50	$ 1.44
Dividend payout ratio	68.2%	66.7%	68.5%	80.2%	72.0%
Capitalization: *(000's)*					
Common equity	$1,929,073	$1,680,650	$1,457,934	$1,298,001	$1,177,725
Non-redeemable preferred stock	210,000	210,000	210,000	210,000	210,000
Redeemable preferred stock	368,474	262,792	254,748	205,924	189,650
Long-term debt	2,048,548	1,881,441	1,663,671	1,484,535	1,479,294
Total	4,556,095	4,034,883	3,586,353	3,198,460	3,056,669
First mortgage bonds maturing within one year	25,000	65,000	—	140,000	80,000
Total	$4,581,095	$4,099,883	$3,586,353	$3,338,460	$3,136,669
Capitalization ratios: *(including first mortgage bonds maturing within one year):*					
Common stock equity	42.1%	41.0%	40.7%	38.9%	37.5%
Preferred stock	12.6	11.5	12.9	12.5	12.8
Long-term debt	45.3	47.5	46.4	48.6	49.7
Financial ratios:					
Ratio of earnings to fixed charges	2.98	2.95	2.63	2.43	2.61
Ratio of earnings to fixed charges without AFC	2.40	2.42	2.16	1.99	2.09
Ratio of AFC to balance available for common stock	43.6%	41.0%	38.6%	44.2%	44.9%
Ratio of earnings to fixed charges and preferred stock dividends	2.35	2.32	2.10	1.93	2.03
Other ratios-% of operating revenues:					
Fuel, purchased power and purchased gas	50.0%	49.8%	52.7%	51.8%	48.6%
Maintenance and depreciation	10.0	10.5	10.3	10.8	12.1
Total taxes	13.0	13.2	11.2	11.9	12.4
Operating income	13.5	13.2	12.6	11.9	12.8
Balance available for common stock	10.3	9.6	8.7	7.5	8.5
Miscellaneous: *(000's)*					
Gross additions to utility plant	$ 691,464	$ 594,469	$ 457,415	$ 378,503	$ 374,530
Total utility plant	6,165,711	5,516,532	4,985,315	4,563,309	4,218,528
Accumulated depreciation and amortization	1,486,196	1,389,112	1,304,436	1,191,747	1,074,325
Total assets	5,357,572	4,781,767	4,220,234	3,849,747	3,565,175

Electric and gas statistics

ELECTRIC CAPABILITY

At January 1,	1984	%	1983	1982
	Thousands of kilowatts			
Thermal:				
Coal fuel				
Huntley, Niagara River	715	9	705	705
Dunkirk, Lake Erie	550	7	540	540
Total coal fuel	1,265	16	1,245	1,245
Residual oil fuel				
Albany, Hudson River**	400	5	400	400
Oswego, Lake Ontario	1,736	23	1,723	1,736
Roseton, Hudson River	300	4	300	358
Middle distillate oil fuel				
20 Combustion turbine and diesel units	310	4	310	310
Total oil fuel	2,746	36	2,733	2,804
Nuclear fuel				
Nine Mile Point, Lake Ontario	610	8	610	610
Purchased—firm contract Power Authority—FitzPatrick, Lake Ontario	139	2	118	116
Total nuclear fuel	749	10	728	726
Total thermal sources	4,760	62	4,706	4,775
Hydro:				
Owned and leased hydro stations (83)	695	9	685	650
Purchased—firm contracts				
Power Authority—Niagara River	1,118	15	1,122	1,122
Power Authority—St. Lawrence River	115	1	115	115
Power Authority—Blenheim-Gilboa Pumped Storage Plant	550	7	550	550
Other	63	1	64	67
Total hydro sources	2,541	33	2,536	2,504
Other purchases	400	5	400	—
Total capability*	7,701	100	7,642	7,279

	1983	1982	1981
Electric peak load during year	5,625	5,512	5,616

*Available capability can be increased during heavy load periods by purchases from neighboring interconnected systems. Hydro station capability is based on average December stream-flow conditions.

**Has capability to burn natural gas (as well as oil) as a fuel.

ELECTRICITY GENERATED AND PURCHASED *(Millions of kw-hrs.)*

	1983	%	1982	%	1981	%
Thermal:						
Generated						
Coal	7,873	21	7,897	22	7,046	20
Oil	4,313	11	4,892	14	7,044	19
Nuclear	2,802	7	1,135	3	3,270	9
Natural gas	1,839	5	1,999	6	681	2
Purchased—						
Nuclear from Power Authority	790	2	768	2	690	2
Total thermal	17,617	46	16,691	47	18,731	52
Hydro:						
Generated	3,527	9	3,575	10	3,703	10
Purchased from Power Authority	7,587	20	8,000	22	8,522	24
Total hydro	11,114	29	11,575	32	12,225	34
Other purchased power—various sources	9,621	25	7,621	21	4,907	14
Total generated and purchased	38,352	100	35,887	100	35,863	100

ELECTRIC STATISTICS

	1983	1982	1981
Electric sales *(Millions of kw-hrs.)*			
Residential	8,578	8,475	8,459
Commercial	9,387	9,330	9,418
Industrial	10,860	10,366	11,636
Municipal service	251	257	266
Other electric systems	5,656	4,212	3,111
	34,732	32,640	32,890
Electric revenues *(Thousands of dollars)*			
Residential	$ 583,645	$ 539,317	$ 483,852
Commercial	658,960	628,601	578,186
Industrial	441,219	425,331	429,870
Municipal service	36,466	34,907	31,274
Other electric systems	235,257	171,597	137,341
Miscellaneous	68,181	60,896	59,410
	$2,023,728	$1,860,649	$1,719,933
Electric customers *(Average)*			
Residential	1,245,590	1,232,164	1,223,484
Commercial	131,803	130,872	131,119
Industrial	2,594	2,686	2,807
Other	3,257	3,260	3,232
	1,383,244	1,368,982	1,360,642
Residential *(Average)*			
Annual kw-hr. use per customer	6,887	6,878	6,914
Cost to customer per kw-hr.	6.80¢	6.36¢	5.72¢
Annual revenue per customer	$468.57	$437.70	$395.47

GAS STATISTICS

	1983	1982	1981
Gas sales *(Thousands of dekatherms)*			
Residential	46,865	51,019	51,701
Commercial	26,921	28,672	26,342
Industrial	25,736	26,026	26,826
Other gas systems	3,631	3,976	4,889
	103,153	109,693	109,758
Gas revenues *(Thousands of dollars)*			
Residential	$304,157	$264,747	$222,280
Commercial	155,858	137,105	102,727
Industrial	129,056	112,582	89,337
Other gas systems	15,783	15,418	13,795
Miscellaneous	3,733	3,270	2,646
	$608,587	$533,122	$430,785
Gas customers *(Average)*			
Residential	398,597	396,729	393,182
Commercial	31,697	31,188	30,564
Industrial	524	534	530
Other	2	2	2
	430,820	428,453	424,278
Residential *(Average)*			
Annual dekatherm use per customer	117.6	128.6	131.5
Cost to customer per dekatherm	$6.49	$5.19	$4.30
Annual revenue per customer	$763.07	$667.32	$565.34
Maximum day gas sendout *(dekatherms)*	754,061	832,307	824,777

Directors

James Bartlett
Consultant (formerly Executive Vice President)
Syracuse

Edmund M. Davis *(A, B, E)*
Partner, Hiscock, Lee, Rogers, Henley & Barclay, attorneys-at-law
Syracuse

William J. Donlon
President
Syracuse

Edward W. Duffy *(C)*
Former Chairman of the Board and Chief Executive Officer, Marine Midland Banks, Inc., a bank holding company
Buffalo

John G. Haehl, Jr. *(A)*
Chairman of the Board and Chief Executive Officer
Syracuse

Edwin F. Jaeckle *(A, B)*
Senior Partner, Jaeckle, Fleischmann & Mugel, attorneys-at-law
Buffalo

Lauman Martin
Consultant (formerly Senior Vice President and General Counsel)
Syracuse

Baldwin Maull *(A, B)*
Director of various corporations
New York

Martha Hancock Northrup *(D)*
Homemaker, former President, Crouse-Irving Memorial Hospital Board
Syracuse

Frank P. Piskor *(A, C, D)*
President Emeritus
St. Lawrence University
Canton

Donald B. Riefler *(E)*
Chairman, Sources and Uses of Funds Committee, Morgan Guaranty Trust Company of New York
New York

Lewis A. Swyer *(B, C, D)*
President, L.A. Swyer Company, Inc., builders and construction managers
Albany

John G. Wick *(D, E)*
Cox, Barrell, Walsh, Grace & Roberts, attorneys-at-law
Buffalo

A. Member of the Executive Committee
B. Member of the Compensation Committee
C. Member of the Audit Committee
D. Member of the Committee on Corporate Public Policy
E. Member of the Finance Committee

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Chairman of the Board and Chief Executive Officer

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President

Richard C. Clancy
Senior Vice President

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Senior Vice President
General Counsel and Secretary

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Vice President—
Regional Operations

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Quality Assurance

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Vice President—Public Affairs and Corporate Communications

Raymond Kolarz
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Vice President—
Fossil Generation

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Vice President—Nuclear Engineering and Licensing

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Nuclear Construction

Eugene J. Morel
Vice President—
Risk Management

James F. Morrell
Vice President—
Corporate Planning

John W. Powers
Vice President—Treasurer

Michael P. Ranalli
Vice President—Engineering (Non-nuclear)

Kenneth A. Tramutola
Vice President—
Gas and Consumer Services

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Vice President—
Employee Relations

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Assistant General Counsel

Herman B. Noll
Assistant General Counsel

Nicholas L. Prioletti, Jr.
Assistant Controller

Adam F. Shaffer
Assistant Controller

Henry B. Wightman, Jr.
Assistant Controller

Harold J. Bogan
Assistant Secretary

Joseph F. Cleary
Assistant Secretary

Frederick C. McCall, Jr.
Assistant Secretary

Richard N. Wescott
Assistant Treasurer

NIAGARA MOHAWK
300 Erie Boulevard W.
Syracuse, NY 13202

Night settles in northern Adirondacks, finding Niagara Mohawk crew finishing emergency repairs against wilderness backdrop.