

TRANSACTION DESCRIPTION

Public Service Company of New Hampshire (“PSNH”) respectfully requests that the New Hampshire Public Utilities Commission (the “Commission”) include in the finance order (the “Finance Order”) the following detailed description of the rate reduction bond transaction (the “Transaction Description”).

A. New Hampshire Laws

In June 2000, the New Hampshire General Court (the “General Court”) enacted 2000 N.H. Laws 249, “AN ACT relative to final authorization of electric rate reduction financing and commission action” (“Law 249”). Law 249, among other things, created a new RSA chapter - RSA Chapter 369-B - which authorized the use of securitization by PSNH to recover certain costs (as set forth in RSA 369-B:3, IV(c), “Securitized Costs”) associated with the restructuring of the electric industry in New Hampshire. Pursuant to Law 249, PSNH was granted permission to enter into two prior securitized financings. *See* Order Nos. 23,550 (September 8, 2000) and 23,859 (December 6, 2001).

In July 2015, the General Court amended RSA Chapter 369-B to provide the Commission with the authority to issue additional finance orders authorizing the issuance of rate reduction bonds (the “RRBs”) to fund Securitized Costs, including the unrecovered net book value of any of PSNH’s generation assets (“Stranded Costs”), unrecovered deferrals, transaction costs, tax stabilization payments, employee protections, and other costs as contemplated in the 2015 Public Service Company of New Hampshire Restructuring and Rate Stabilization Agreement (as amended, the “2015 Settlement Agreement”), resulting from the divestiture of some or all of PSNH’s generation assets. RSA 369-B:1, XVI; RSA 369-B:3,IV(c).

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Finance orders issued by the Commission that are consistent with RSA Chapter 369-B shall become effective without further action by the General Court pursuant to RSA 369-B:3, V.

Pursuant to RSA Chapter 369-B, the State of New Hampshire (the “State”) has pledged, contracted and agreed with the owners of the RRB Property (as described below) and holders of and trustees for RRBs that neither the State, nor any of its agencies, including the Commission, will limit, alter, amend, reduce or impair the RRB Charges (as described below), RRB Property, this Finance Order or any rights hereunder or thereunder, or ownership thereof or security interest therein, until the RRBs, including all principal, interest, premium, costs and arrearages thereon, are fully met and discharged, unless adequate provision is made by law for the protection of the owners, holders and trustees. RSA 369-B:6, II.

Pursuant to RSA 369-B:4, VIII, in the event of municipalization of a portion of PSNH’s service territory, the Commission shall, in matters over which the Federal Energy Regulatory Commission does not have jurisdiction, or has jurisdiction but chooses to grant jurisdiction to the State, determine, to a just and reasonable extent, the consequential damages such as stranded investment in generation, storage, or supply arrangements resulting from the purchase of plant and property from PSNH and RRB Costs (as described below), and shall establish an appropriate recovery mechanism for such damages. Any such damages shall be established, and shall be allocated between the RRB Charges and PSNH’s other rates and charges, in a just and reasonable manner.

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RSA Chapter 369-B provides a comprehensive framework for the securitization of Securitized Costs and empowers the Commission to issue finance orders approving securitization, subject to the requirements and conditions set forth therein.

B. 2015 Settlement Agreement

The Commission issued Order No. 25,920 dated July 1, 2016, in Docket No. DE 14-238, which approved the 2015 Settlement Agreement. The 2015 Settlement Agreement calls for the issuance of RRBs by PSNH to recover its Securitized Costs, including Stranded Costs, unrecovered deferrals, transaction costs, tax stabilization payments, employee protections, and other costs as allowed under RSA Chapter 369-B arising from the implementation of that agreement. PSNH proposes the issuance of RRBs pursuant to RSA 369-B:3, IV(c) as the means of financing such costs. *See generally*, Article IX of the 2015 Settlement Agreement.

C. Proposed RRB Transaction

PSNH requests that this Finance Order, among other things, approve the following aspects of its proposed RRB transaction (the “RRB Transaction”), and find that they are consistent with achieving the targeted triple-A rating and therefore the lowest cost on the RRBs. This proposed structure is subject to certain limited modifications, subsequent to the issuance of this Finance Order, to allow for negotiations with rating agencies that will assign credit ratings to the RRBs, tax authorities, and market conditions at the time the RRBs are issued. In addition, the aggregate principal amount of the RRBs can be determined only after the divestiture of some or all of the generation assets contemplated by the 2015 Settlement Agreement has been consummated (or, to the extent that any such assets are not divested, a “Failed Auction” as

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defined in the 2015 Settlement Agreement, has occurred with respect to such assets) and PSNH has calculated its Stranded Costs, unrecovered deferrals, transaction costs, tax stabilization payments, employee protections, and other costs with respect to such divestiture. The final structure of the RRB Transaction will be determined by PSNH at the time the RRBs are priced, subject to meeting certain requirements regarding the exercise of fiscal prudence and targeting a triple-A rating and therefore the achievement of the lowest cost on the RRBs, and remaining substantially and materially consistent with the transaction structure described herein, and approved by the Commission.

1. Principal Amount of Securitization

Pursuant to RSA 369-B:3, IV(c), an SPE (as described below) will issue RRBs in an amount sufficient to fund PSNH's Securitized Costs, including Stranded Costs, unrecovered deferrals, transaction costs, tax stabilization payments, employee protections, and other costs as contemplated in the 2015 Settlement Agreement in connection with its divestiture of its generating assets. PSNH, as Servicer (as described below), will recover such amount on behalf of the SPE, together with the other ongoing transaction costs, from its retail customers through RRB Charges. PSNH's right to collect the RRB Charges shall be irrevocable as provided in RSA 369-B:3, II, and the charge itself shall be non-bypassable to PSNH's retail customers pursuant to RSA 374-F:3, XII(d), RSA 369-B:2, XIII, and RSA 369-B:4, IV. The RRB Charges will be Part 1 of the Stranded Cost Recovery Charge ("SCRC"), which will be allocated amongst PSNH's customer classes per Section III.A of the 2015 Settlement Agreement, as set forth in the amended Tariff pages accompanying the testimony of Christopher J. Goulding (the "Goulding

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Testimony). The RRB Property is the principal asset securing the RRBs and represents a continuously existing current and irrevocable vested property right created pursuant to RSA 369-B:6, I.

RRB Costs are costs incurred by and obligations of an electric utility, and designated as such by the Commission, and may include, but not be limited to: (i) expenditures incurred in respect of generation assets, entitlements and acquisition premiums, (ii) expenditures incurred in respect to the buyout, buydown, restructuring, or renegotiation of power purchase obligations, (iii) expenditures incurred in respect to regulatory assets, (iv) expenditures incurred to refinance or retire existing debt or existing equity capital of the electric utility and any costs related thereto, (v) amounts necessary to recover federal or state taxes actually paid by an electric utility, which tax liability recovery is modified by the transactions approved in a finance order issued by the Commission pursuant to RSA Chapter 369-B, (vi) reasonable costs, as approved by the Commission, relating to the issue, servicing, or refinancing of RRBs under the provisions of RSA Chapter 369-B, including, without limitation, principal and interest payments and accruals, sinking fund payments, debt service and other reserves, costs of credit enhancement, indemnities, if any, owed to the State or the trustee for the RRBs, issuance costs and redemption premiums, if any, and all other reasonable fees, costs, and charges in respect of RRBs and (vii) expenditures incurred to implement the 2015 Settlement Agreement or other divestiture of all or some of PSNH's generation assets as ordered by the Commission. RSA 369-B:2, XIV.

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2. Formation and Capitalization of SPE

The RRBs will be issued through one or more newly-formed bankruptcy-remote special purpose financing entities (the “SPE”). The SPE shall be a Delaware limited liability company authorized to acquire RRB Property and to issue RRBs. The SPE will be wholly-owned by PSNH. In order for the SPE to remain “bankruptcy-remote” from PSNH, the fundamental organizational documents of the SPE shall impose significant limitations upon its activities and the ability of PSNH to take actions as the holder of the equity interest therein. The limited purpose of the SPE will be to acquire RRB Property and Other SPE Collateral (defined below) and to issue and sell RRBs. It shall not be permitted to engage in any other activities, and shall have no assets other than RRB Property and Other SPE Collateral.

The SPE shall be managed by a management committee consisting of managers, with rights and authority similar to that of a board of directors of a corporation. As long as the RRBs remain outstanding, PSNH shall be required to cause the SPE to have at least one manager with no affiliation with PSNH (the “Independent Manager”), out of a total management committee of no fewer than three managers. Without the consent of the Independent Manager, the SPE shall be unable (a) to amend provisions of fundamental organizational documents which ensure the bankruptcy-remoteness of the SPE or (b) to institute or to consent to the institution of bankruptcy or insolvency proceedings against it, or (c) to dissolve, liquidate or wind up the SPE. Other provisions may also be included to support the bankruptcy-remote character of the SPE as required by the rating agencies. PSNH will contribute equity capital to the SPE in an amount anticipated to be at least 0.50% of the initial principal balance of RRBs. This capitalization

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provides a source of credit enhancement. The SPE will enter into an administration agreement (the “Administration Agreement”) with PSNH, pursuant to which PSNH shall perform administrative services and provide facilities for the SPE to ensure that it is able to perform such day-to-day operations under the RRB Transaction documents. A draft of the Administration Agreement is attached hereto as Annex 1. The Administration Agreement incorporates provisions to ensure that PSNH will be paid a fee (the “Administration Fee”) as consideration for the performance of such services and providing such facilities, as described in the Issuance Advice Letter (as defined below).

3. Sale of RRB Property

RRB Property may be sold to an affiliate or one or more SPEs that make that property the basis for the issuance of the RRBs. RSA 369-B:6, III. The sale or transfer of the RRB Property shall be treated as a “true sale” or absolute transfer, if the parties to the transfer expressly so state in the governing documentation, and the transaction is approved by the Commission in a finance order and is made in connection with the issuance of the RRBs. RSA 369-B:6, V. If any interest in RRB Property is sold or assigned by the utility, the Commission will require the utility to contract with the SPE that it will continue to operate its system to provide service to its retail customers, will collect the RRB Charges for the benefit and account of the SPE, and will remit the amount of the RRB Charges so collected to the trustee for the RRBs. RSA 369-B:6, IV. An SPE or other assignee shall not be considered to be an electric utility or a person providing electric service solely by virtue of the transactions described in RSA 369-B. *Id.*

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The characterization of the transfer of the RRB Property as a “true sale” will not be impaired or negated notwithstanding any contrary treatment of such transfer for accounting, tax or other purposes. RSA 369-B:6, V. This Finance Order will remain in effect notwithstanding any bankruptcy, reorganization or insolvency proceeding involving the transferor of the RRB Property. *Id.* The interest of the transferee or assignee in the RRB Property is not subject to setoff, counterclaim, surcharge, or defense by the electric utility or any other person, or in connection with the bankruptcy of the electric utility or any other person. RSA 369-B:6, VIII.

PSNH shall sell all of its rights in the RRB Property to the SPE, expressly stating in the transfer’s governing documentation that it is a sale or other absolute transfer from PSNH to the SPE. Pursuant to RSA 369-B:6, V, this transfer shall be treated as an absolute transfer of all of PSNH’s right, title and interest to the SPE, as a true sale. As an absolute transfer or true sale of RRB Property to the bankruptcy-remote SPE, and as provided in RSA 369-B:6, VIII, in the event of a PSNH bankruptcy, the RRB Property owned by the SPE will not become a part of the PSNH bankruptcy estate and PSNH creditors will have no recourse to the RRB Property or RRB Charges.

4. Issuance of RRBs

One or more SPEs will issue and sell RRBs to capital market investors in one or more series, each of which may be offered in one or more classes having a different principal amount, term, interest rate and amortization schedule. The form, interest rate (which will be a fixed interest rate), amortization schedule, classes and number of credit ratings and other characteristics of RRBs will be determined by PSNH at or before the time of pricing based on

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then-current market conditions, with the objective being to achieve the targeted triple-A rating and therefore the lowest cost financing possible, while remaining consistent and in accord with the terms and conditions of RSA Chapter 369-B. In addition, the aggregate principal amount of the RRBs will be determined only after the divestiture of the generation assets contemplated by the 2015 Settlement Agreement has been consummated (or a Failed Auction has occurred) and PSNH has calculated its Stranded Costs, unrecovered deferrals, transaction costs, tax stabilization payments, employee protections and other costs with respect to such divestiture. Under certain circumstances, the RRBs may be subject to redemption prior to maturity and may be refinanced through a subsequent issuance of RRBs to the extent such refinancing would result in a lower interest cost associated with the RRBs refinanced. Any such refinancing would require a new finance order. Upon final determination of all terms of the RRBs, and prior to their issuance, PSNH will file an issuance advice letter in connection with the issuance and setting forth the final terms of the RRBs, in substantially the form attached hereto as Annex 2 (the "Issuance Advice Letter").

The RRBs will be non-recourse to PSNH and its assets, and, as provided in RSA 369-B:5, IV, shall not be secured by a pledge of the general credit, full faith or taxing power of the State or any agency or subdivision of the State. The RRBs will be secured by the assets of the SPE, including the RRB Property as well as all other assets of the SPE (the "Other SPE Collateral"). The Other SPE Collateral includes (i) the rights of the SPE under the RRB transaction documents including the purchase agreement by which the SPE acquires all rights in the RRB Property and the agreement setting forth the servicing arrangements between PSNH

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(and any Successor Servicer) (the “Servicer”) and the SPE (the “Servicing Agreement”), (ii) the Collection Account (as described below) and any subaccounts contained in the Collection Account, including the General Subaccount, the Excess Funds Subaccount and the Capital Subaccount and (iii) any investment earnings on amounts held by the SPE (with the exception of the earnings on the Capital Subaccount). The Other SPE Collateral will not include any investment earnings on amounts held in the Capital Subaccount (as described below), which investment earnings will be remitted on a monthly basis to PSNH, in its capacity as the equityholder of the SPE.

It is expected that the RRBs will be rated by one or more recognized rating agencies. The targeted ratings on the RRBs will be triple-A.

If more than one class of RRBs is issued, each class of RRBs will likely receive principal payments at different times and therefore have different scheduled final payment dates and legal final maturity dates. The scheduled final payment date of the RRBs for the latest maturing class is expected to be no more than approximately 15 years from the date of issuance.

The RRBs are expected to be sold at or near par value and will not in any event be sold for more than par value. Bondholders will receive interest payments on the RRBs not less frequently than semiannually. The RRBs will not be subordinated to the claims of any creditors or the equity owner of the SPE (other than for payments of trustee, servicing, and other specified transaction-related fees).

RRBs will be repaid through the collection of the RRB Charges from all retail customers, by PSNH or any successor to the PSNH distribution system or any other successor Servicer. The

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SPE will transfer the proceeds from the issuance of the RRBs, net of its transaction costs, if any, to PSNH as consideration for the transfer of the RRB Property to the SPE.

5. The RRB Charges

The RRB Charges are the portion of the retail electric service rate designated to recover RRB Costs. They are to be assessed on a per kilowatt-hour basis, shall be non-by-passable, and assessed against all “retail customers” (as defined in RSA 369-B:2, XI) of the electric utility distribution system taking “retail electric service” (as defined in RSA 369-B:2, XII). The RRB Charges must be sufficient to recover all RRB Costs approved by the Commission, including the payment of principal, premium, if any, interest, credit enhancement and all other fees, costs, and charges of the RRBs. RSA 369-B:2, XIII; RSA 369-B:4, I, II and IV.

The RRB Charges may vary by cost of service, by customer class, and between special contract customers. RSA 369-B:2, XIII. The RRB Charges are Part 1 of the SCRC described in the 2015 Settlement Agreement, which will be allocated among PSNH’s customer classes as set forth in Section III.A of the 2015 Settlement Agreement. The RRB Charges are to be adjusted periodically, but not less frequently than annually nor more frequently than monthly, as specified in this Finance Order. RSA 369-B:4, III. (See the description of the True-Up Mechanism below).

RRB Property is an irrevocable vested property right created pursuant to RSA 369-B and the Commission in a finance order issued under authority of RSA Chapter 369-B. It includes the right to all revenues, collections, claims, payments, money or proceeds arising from the RRB Charges authorized to be imposed and collected pursuant to such finance order. RSA 369-B:2,

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XV. The RRB Property right shall continue to exist until the RRBs, the RRB Costs and any arrearages are paid in full. RSA 369-B:6, I.

Both initially and during the life of the RRBs, the RRB Charges will be calculated and set at a level intended to cover (i) the principal (in accordance with the expected amortization schedule set forth at pricing), interest and premium, if any, on the RRBs, (ii) ongoing transaction costs (including the Servicing Fee (as defined below), the Administration Fee, RRB trustee fees and expenses, rating agency fees, legal, accounting and auditing fees, SPE independent managers' fees and any indemnity obligations that are anticipated to be payable under the RRB Transaction documents on or prior to the next RRB payment date), (iii) the cost of establishing and maintaining any credit enhancement required for the RRBs, including replenishment of any amounts drawn from the Capital Subaccount such that the balance is equal to the targeted level and (iv) to pay any amounts of previous RRB payment requirements not satisfied in the previous payment period for any reason (the required periodic payment of such, the "Periodic RRB Payment Requirements" and collectively, the "Total RRB Payment Requirements"). The projected RRB Charges will be calculated pursuant to the methodology set forth in the testimony of Emilie O'Neil (the "O'Neil Testimony"), using assumptions set forth in the Issuance Advice Letter and each subsequent Routine True-Up Letter and Non-Routine True-Up Letter (each as defined below), which shall include but not be limited to projected kWh usage by customer class, expected charge-offs and expected weighted average days sales outstanding.

The total scheduled RRB Charge collections for any annual or, if necessary, shorter period will include collections resulting from bills sent to customers in prior periods and from

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bills sent in the current period, in each case, as a result of the expected timing of collections from the retail users of the Company's distribution system. The RRB Charges will vary over the life of the RRB Transaction as a result of several factors, including changes in the outstanding principal balance of RRBs, changes in the weighted average interest cost of RRBs as the principal balance outstanding decreases, the impact of the variability of energy sales forecasts, changes in payment pattern and charge-off experience, as well as changes in any ongoing RRB transaction costs. The Servicer's calculation of the RRB Charges will incorporate each of these factors. The RRB Charges will be billed until the SPE has collected RRB Charges sufficient to discharge the Total RRB Payment Requirements.

Prior to the issuance of each series of RRBs, PSNH will file an Issuance Advice Letter with the Commission, which will set forth the final structure and repayment terms of the RRB Transaction, the identity of the SPE, the total principal amount and pricing of the RRBs, the initial RRB Charges by class to be implemented upon issuance of the RRBs, the capital contribution amount and the actual upfront transaction costs. Such filing is not a condition to the authority to issue RRBs.

The RRB Charges are expected to be collected over 15 years such that the principal and interest and other costs associated with RRBs are fully paid by the end of the 15th year. However, in the event that the RRBs have not been fully repaid by the end of the 15th year, the RRB Charges may be billed and collected for an additional 2 years (or, if earlier, through the date on which the RRB Costs have been fully paid). This additional period of up to 2 years is a form of credit enhancement that helps achieve triple-A ratings on the RRBs and which is

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expected to have no cost to retail customers (*i.e.*, in the expected case, the RRBs are paid in 15 years).

As provided in RSA 369-B:4, V, while not separately identified on each retail user's monthly bill, each monthly bill will note that the applicable RRB Charges, as a component of the SCRC, are being collected by PSNH, as Servicer, on behalf of the SPE, as owner of the RRB Property.

6. Servicing of RRBs

After the issuance of the RRBs, PSNH will act as the Servicer for the RRB Property on behalf of the SPE, and will be responsible for calculating, billing, collecting, and remitting the RRB Charges. RSA 369-B:6, IV. PSNH, therefore, will carry out billing and collection activities both as Servicer with respect to the RRB Charges - on behalf of the SPE and RRB holders - and as principal with respect to its own charges to be paid by such customers, including Part 2 of the SCRC (as described in Section III.A.2 of the 2015 Settlement Agreement). As Servicer, PSNH will also be obligated to retain all books and records regarding the RRB Charges, subject to the right of the SPE, and the RRB trustee and the Commission to inspect those records. PSNH, as initial Servicer, may not resign its duties as Servicer except upon either (i) a determination that the performance by it of such duties is no longer permissible under applicable law or (ii) the prior approval of the Commission and confirmation (or deemed confirmation) by the applicable rating agencies that such resignation will not result in a suspension, reduction or withdrawal of the then current credit ratings for the RRBs.

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As consideration for its servicing responsibilities, PSNH or any successor Servicer will receive a market-based periodic servicing fee (the “Servicing Fee”), which will be recovered through the RRB Charges. Subject to changes in market conditions and rating agency requirements, the Servicing Fee will be equal to 0.05% of the initial principal balance of the RRBs if PSNH is the Servicer. The Servicing Fee represents a reasonable good faith estimate of an arm’s length, market-based fee for servicing the RRBs and is estimated to cover the Servicer’s out-of-pocket costs and expenses in servicing the RRBs including, without limitation, the costs and expenses of billing, monitoring, collecting and remitting RRB Charges, and reporting requirements imposed by the Servicing Agreement. For any successor Servicer, the Servicing Fee will be no more than 0.60% of the initial principal balance of the RRBs if the successor Servicer is not billing the RRB Charges in conjunction with other charges for service, to reflect the additional costs related thereto. If the successor Servicer is billing the RRB Charges in conjunction with other electric service charges, then the Servicing Fee payable to such successor Servicer will be 0.05% of the initial principal balance (equal to the fee payable to PSNH as initial servicer). PSNH (or any successor Servicer) will bill and collect the RRB Charges from PSNH’s retail customers.

In accordance with RSA 369-B:4, IV, any retail customer that fails to pay any RRB Charges will be subject to disconnection of service to the same extent that such customer would, under applicable law and regulations, be subject to disconnection of service for failure to pay any other charge payable to an electric utility.

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PSNH or any successor Servicer will periodically (as frequently as required by the rating agencies, which is expected to be daily, but not less frequently than monthly) remit to the RRB trustee an amount equal to the actual RRB Charges billed, less an allowance for estimated charge-offs as more fully described in the O’Neil Testimony, that are deemed to have been collected since the date of the last such remittance (or, in the case of the initial remittance to the SPE, since the closing date of the RRB Transaction). The deemed collection date of such amounts will be the weighted average number of days after the relevant billing date, based on the Servicer’s historical collections experience, that a monthly bill for services remains outstanding before payment by a customer. PSNH anticipates being required by the rating agencies to remit such deemed collections of the RRB Charges to the RRB trustee on a daily basis. The Servicer will reconcile such remittances in respect of deemed collections at least once annually with all actual collections made in the previous calendar year as more fully described in the O’Neil Testimony. To the extent such remittances reflecting billed amounts exceed the actual RRB Charges collected by the Servicer (an “Excess Remittance”), the Servicer will withhold such Excess Remittance amount from any subsequent remittance to the RRB trustee. To the extent such remittances reflecting billed amounts are less than the actual RRB Charges collected (a “Remittance Shortfall”), the Servicer shall remit the amount of such Remittance Shortfall to the RRB trustee on a future remittance date.

The SPE will use the RRB Charge remittances to make payments of Periodic RRB Payment Requirements. In accordance with RSA 369-B:7, VI and VIII, in the event of default by any Servicer in payment of the RRB Charges to an SPE, the Commission will, upon

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application by (a) the trustees or holders of the RRBs, (b) such SPE or its assignees or (c) pledgees or transferees of the RRB Property, order the sequestration and payment to or for the benefit of such SPE or such other party of revenues arising with respect to the RRB Property. This will provide additional certainty that the RRB Charges will benefit the owner of the RRB Property and serve to enhance the credit quality of the RRBs.

A draft of the Servicing Agreement is attached hereto as Annex 3.

7. Third Party Suppliers

It is contemplated that PSNH shall act as the Servicer for the RRB Property until the RRBs are fully amortized. In the event that the Commission decides to allow billing, collection, and remittance of the RRB Charges by a third party supplier (a “TPS”) within the PSNH service territory, such authorization must be consistent with the rating agencies’ requirements necessary for the RRBs to receive and maintain the targeted triple-A rating. It is expected that the rating agencies’ requirements will consist of the following:

- The TPS must provide PSNH (or any successor Servicer) with total monthly kilowatt-hour usage information in a timely manner for the Servicer to fulfill its obligations, as such information is the basis of such remittance.
- PSNH (or any successor Servicer) will be entitled, within seven days after a default by the TPS in remitting any RRB Charges billed, to assume responsibility for billing all charges for services provided by PSNH (or any successor Servicer), including the RRB Charges, or to switch responsibility to a third party, which must meet the criteria herein described.

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- If and so long as a TPS does not maintain at least a triple-B long-term unsecured credit rating from Moody's Investors Service or Standard & Poor's Rating Services, such TPS shall maintain, with the Servicer or as directed by the Servicer, a cash deposit or comparable security equal to at least one month's maximum estimated collections of RRB Charges, in a form and manner as agreed upon by PSNH (or any successor Servicer) and the TPS. In the event of a default in the remittance of RRB Charges by a TPS, such amount will be included in the periodic adjustment of the RRB Charges described in the O'Neil Testimony.

- The TPS must agree to remit the full amount of RRB Charges it bills to retail customers, regardless of whether payments are received from such retail customers, within 15 days of its or PSNH's (or any successor Servicer's) bill for such charges.

The foregoing requirements may be modified in accordance with the terms of the RRB financing documents, subject to approval by the Commission, and confirmation (or deemed confirmation) by the applicable rating agencies that such change will not result in a suspension, reduction or withdrawal of the then current credit ratings for the RRBs.

8. Credit Enhancement and True-Up

Credit enhancement is typically necessary in securitization transactions to provide rating agencies and investors with added confidence that principal and interest will be paid. In order for the RRBs to receive triple-A ratings, the exposure to losses due to, among other things, sales of energy below those projected, longer-than-expected delays in bill collections, and higher-than-estimated uncollectible accounts, must be minimized. This will be accomplished with the

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various components of the Collection Account and the True-Up Mechanism (as described below).

The RRB Charge collections will be deposited into a Collection Account, which will be comprised of a General Subaccount (which will hold the collections with respect to principal, interest, fees, and expenses) and at least two other subaccounts - the Capital Subaccount (which will hold the initial capital contribution to the SPE) and the Excess Funds Subaccount (which will hold any excess collections of RRB Charges).¹ RRB Charge collections in excess of Periodic RRB Payment Requirements will be allocated (a) to the Capital Subaccount to the extent the amount therein has been reduced to below the initial capital contribution and (b) to the Excess Funds Subaccount for any remaining amounts. To the extent that RRB Charge collections are insufficient to make scheduled Periodic RRB Payment Requirements then any funds in the Excess Funds Subaccount will be used first to meet the Periodic RRB Payment Requirements.

The RRB Charges will be calculated (both initially and as a result of the True-Up Mechanism described below) to recover all of the RRB Costs. PSNH will file adjustments, up or down, to the RRB Charges pursuant to a true-up mechanism established in accordance with RSA 369-B:4, III (the “True-Up Mechanism”). The True-Up Mechanism is a periodic adjustment to the RRB Charges to ensure that the aggregate RRB Charges billed for the applicable period will result in RRB Charge collections that are sufficient to meet Periodic RRB Payment

¹ In the 2015 Settlement Agreement, these accounts are referred to as the Collection Account, the General Subaccount, the Reserve Subaccount and the Overcollection Subaccount, respectively.

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Requirements. The Servicer will periodically file with the Commission true-up advice letters (as described below) which will specify the new RRB Charges and identify the deemed collection date, the RRB charge-off percentage and the forecasted kWh billed by rate class.

Not later than December 1 of each year until the RRBs, RRB Charges and any arrearages are paid in full,² the Servicer will file with the Commission a true-up advice letter in substantially the form attached hereto as Annex 4 (an “Annual Routine True-Up Letter”). The RRB Charges will be adjusted to ensure that there are adequate funds to meet the next two (July 1 and January 1) Periodic RRB Payment Requirements. In addition, if the Servicer, as of June 1 of each year while the RRBs are outstanding, reasonably projects that expected collections of the RRB Charges will be insufficient to meet the next Periodic RRB Payment Requirements (January 1), the Servicer will file a true-up advice letter (a “Mid-Year Routine True-Up Letter”) not later than June 1 of such year. In addition, (a) except during the two Remittance Periods preceding the maturity date of the latest maturing tranche of RRBs, the Servicer may (but shall not be required to) file an additional true-up advice letter (“Other Routine True-Up Letter” and together with the Annual Routine True-Up Letter and Mid-year Routine True-Up Letter, a “Routine True-Up Letter”) not later than the date that is 15 days before the end of the then-current calendar month if the Servicer reasonably projects that expected collections of the RRB Charges will be insufficient to meet the next Periodic RRB Payment Requirements (either January 1 or July 1) and (b) during the two Remittance Periods preceding the maturity date of the

² PSNH may schedule the first periodic true-up for the calendar year following the closing date so that it does not occur too soon after the closing date (*i.e.*, skip the first December 1 that occurs after the closing). PSNH will make the scheduling decision in consultation with its financial advisor and the rating agencies.

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latest maturing tranche of RRBs, if the Servicer reasonably projects that expected collections of the RRB Charges will be insufficient to meet the next Periodic RRB Payment Requirements, the Servicer shall file an Other Routine True-Up Letter not later than the date that is 15 days before the end of the then-current calendar month. Absent manifest error in the relevant Routine True-Up Letter, the resulting upward or downward adjustments to the RRB Charges will be deemed approved by the Commission and effective: (i) in the case of any annual adjustment, on the ensuing January 1; (ii) in the case of any semiannual adjustment in connection with a filing required no later than June 1 of any year, on the ensuing July 1; or (iii) in the case of a more frequent adjustment, on the first day of the calendar month following the filing of the applicable Other Routine True-Up Letter.

In addition, PSNH seeks Commission authorization that whenever it is determined that the methodology used to calculate RRB Charge adjustments requires modification to more accurately project and generate adequate RRB Charge collections, a non-routine true-up letter (“Non-Routine True-Up Letter”) may be filed, with the resulting RRB Charge adjustment (reflecting such modification to the methodology or model) only to be effective upon review and approval by the Commission that such adjustment is necessary to ensure the timely recovery of all RRB Costs that are the subject of this Finance Order, with such review and determination to occur within 30 days of such filing. RSA 369-B:4, III.

Both Routine True-Up Letters and Non-Routine True-Up Letters may be filed periodically through the legal final maturity date of the latest maturing class of each series of RRBs.

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When calculating the adjusted RRB Charges, any amounts in the Excess Funds Subaccount as of any true-up date will be taken into account such that the balance in the Excess Funds Subaccount will be expected to be zero at the end of the period for which the RRB Charges are being adjusted. On the semi-annual payment dates of January 1 and July 1, if available RRB Charge collections and investment earnings in the General Subaccount exceed the amount necessary to pay the Periodic RRB Payment Requirement, such excess will be transferred to the Excess Funds Subaccount and will serve to reduce the RRB Charges and the required amount of RRB Charge collections in the subsequent period. Conversely, if the available RRB Charge collections and investment earnings in the General Subaccount are less than necessary to pay the Periodic RRB Payment Requirement, then any funds in the Excess Funds Subaccount will be used first to meet the Periodic RRB Payment Requirement.

9. Tax Considerations

Under RSA 369-B:5, IV and VI, the RRBs will be treated as notes or bonds of a political subdivision of the State for purposes of the interest and dividends tax imposed under RSA Chapter 77, but will not constitute in any way a debt or liability of the State or of any political subdivision thereof and shall not constitute a pledge of the full faith and credit of the State or any of its political subdivisions.

10. Accounting and Financial Reporting

The amount financed through the RRB Transaction is expected to be recorded in accordance with generally accepted accounting principles (“GAAP”) as long-term debt on the balance sheet of the SPE for financial reporting purposes. PSNH, the SPE, and the holders of

Transaction Description

RRBs will expressly agree pursuant to the terms of the applicable documents to treat the RRBs as debt of the SPE secured by, among other things, the RRB Property and the Other SPE Collateral. Because PSNH either will wholly-own or become the sole beneficial owner of the SPE, it is required that the SPE be consolidated with PSNH for financial reporting purposes under GAAP. Therefore, the SPE's debt will appear on the consolidated balance sheet of PSNH in its annual and quarterly financial filings to the Securities and Exchange Commission. The RRB Transaction is not expected to impact PSNH's credit ratings, as it is expected that the rating agencies will determine that the RRBs, which are not supported by PSNH's general revenue stream, and not collateralized by the assets of PSNH, do not affect PSNH's creditworthiness. Therefore, it is anticipated that the rating agencies will exclude the RRBs as debt of PSNH for purposes of calculating financial ratios.

11. True-Sale Opinion and Collection Shortfalls

Rating agencies will require acceptable opinions of bankruptcy counsel at the time the RRBs are issued for assurance that the SPE and the RRB Property will be bankruptcy-remote from PSNH. To obtain such opinions, the transfer of the RRB Property from PSNH to an SPE must constitute a legal "true sale" such that if PSNH were to become the subject of a bankruptcy or insolvency case, the RRB Property would not be part of PSNH's bankruptcy estate and therefore would not be subject to the claims of PSNH's creditors.

RSA 369-B:6, V expressly provides that transfers of RRB Property, as described in that section and as approved in a finance order, shall be treated for all purposes as an absolute

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transfer and a true sale. In addition, the RRBs will be non-recourse to PSNH and its assets, other than the RRB Property sold to an SPE and the Other SPE Collateral.

Another element of the bankruptcy analysis focuses on the separate legal status of PSNH and the SPE. Although PSNH either will wholly-own or become the sole beneficial owner of the SPE, the RRB Transaction will be structured so that, in the event of a bankruptcy of PSNH, the SPE's separate legal existence would be respected and the assets and liabilities of the SPE would remain separate from the estate of PSNH. The structural elements supporting such separate existence include, without limitation, requirements that the SPE be adequately capitalized, that PSNH be adequately compensated on an arms-length basis for the servicing functions it performs in billing, collecting, and remitting the RRB Charges, and that PSNH and the SPE take certain steps to ensure that creditors are not misled as to their separate existence. These structural protections are important because, without such protections, a bankruptcy court might invoke the doctrine of "substantive consolidation" and disregard the SPE's separate existence. Substantive consolidation is an equitable doctrine in bankruptcy cases that allows courts to disregard the separate existence of two or more affiliated entities to ensure the equitable treatment of all creditors and to maximize creditor recoveries. When entities are "substantively consolidated" in a bankruptcy proceeding, their assets and liabilities are pooled, thereby eliminating intercompany claims, and claims of third-party creditors against any of those entities are generally treated as claims against the common pool of assets created by consolidation.

In order to preserve the bankruptcy-remote status of the SPE and the true-sale nature of the RRB Property and Other SPE Collateral once it is transferred to the SPE, PSNH cannot have

Transaction Description

any claim against the RRB Charges. In its capacity as Servicer, PSNH will bill RRB Charges along with other charges for services rendered to retail customers obligated to pay such charges. Amounts collected from a retail customer which are, in accordance with this Finance Order, allocated to the SCRC shall, in accordance with this Finance Order, in turn be allocated first to the RRB Charges as set forth in the 2015 Settlement Agreement and any RRBs issued pursuant to this Finance Order (Part 1 of the SCRC), with any remaining portion of the SCRC then being allocated to Stranded Costs that are not the subject of this Finance Order (Part 2 of the SCRC). If PSNH collects less than the full amount that is billed to such customers, it is not permitted, in the allocation of such collections, to favor itself over the SPE, as owner of the RRB Property.

12. Use of Proceeds

The use of proceeds from the issuance of the RRBs is strictly limited: they shall only be applied for the purposes approved in this Finance Order. RSA 369-B:5, II. The RRB proceeds combined with the sale proceeds from the proposed asset divestiture contemplated by the 2015 Settlement Agreement are forecasted to be used as follows:

- To pay upfront transaction costs.
- To redeem long and short term debt. The amount of short term debt redeemed will depend upon the amount outstanding at the time of issuance. The Company may call, and pay the required premium for early redemption on, its \$110 million Series O First Mortgage Bonds which mature on May 1, 2018 and carry a coupon of 6.00%.
- To pay a return of capital to Eversource Energy, the parent of PSNH, to maintain a consistent capital structure at PSNH.

FINDINGS

PSNH respectfully requests that the Commission make in the Finance Order the following findings (the “Findings”). Capitalized terms used in this Attachment B and not otherwise defined are used as defined in the Transaction Description attached as Attachment A to the accompanying Petition.

Overall Findings

1. The issuance of this Finance Order, the implementation of the securitization transaction described in the Transaction Description, and the consummation of the RRB Transaction in accord thereof, are consistent with the public interest as set forth in RSA 369-B:1,XVI, and will result in benefits to retail customers that are substantially consistent with the principles contained in RSA 374-F:3 and with RSA Chapter 369-B.

2. The issuance of this Finance Order is pursuant to a request by PSNH and hearings on that request in this proceeding.

3. The issuance of this Finance Order to approve the securitization of Securitized Costs, including Stranded Costs, unrecovered deferrals, transaction costs, tax stabilization payments, employee protections and other costs as contemplated in the 2015 Settlement Agreement is in the public interest as set forth in RSA 369-B:1, XVI.

Findings Regarding Authority and Procedures

4. The issuance of this Finance Order is part of a settlement approved by the Commission under 2014 N.H. Laws 310, “AN ACT relative to the divestiture of PSNH assets,” 2015 N.H. Laws 221, “AN ACT relative to electric rate reduction financing,” RSA Chapter 374-

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F, and RSA Chapter 369-B to implement electric utility restructuring within the service territory of PSNH.

5. The Commission has conducted the procedures and investigations in this proceeding and issued this Finance Order pursuant to RSA Chapter 369-B.

Findings Regarding the Establishment of the RRB Costs

6. PSNH, through one or more SPEs, may issue RRBs in an amount to be established by the Commission upon the approval of the divestiture of some or all of PSNH's generating assets or upon retirement of any such asset in the event of a Failed Auction. Such amount shall be sufficient to fund PSNH's Securitized Costs, including Stranded Costs, unrecovered deferrals, transaction costs, tax stabilization payments, employee protections and other costs as contemplated in the 2015 Settlement Agreement resulting from the divestiture of all or some of PSNH's generation assets pursuant to the 2015 Settlement Agreement, and this entire amount is eligible to be considered RRB Costs within the meaning of RSA 369-B:2, XIV, is reasonable and is eligible to be funded with the proceeds of the RRBs issued under the authority of this Finance Order.

7. The up-front and ongoing transaction costs and any other fee, cost or expense in respect of the RRBs as described in the Transaction Description, are RRB Costs within the meaning of RSA 369-B:2, XIV, are reasonable and are eligible to be financed through the issuance of the RRBs, in accordance with this Finance Order.

Findings

8. All RRB Costs may be recovered through the RRB Charges, to be assessed against and collected from all of PSNH's retail customers taking retail electric service.

Findings Regarding the RRB Charges

9. The RRB Charges to be established, adjusted, maintained and collected from all retail customers during the term that the RRBs are outstanding in accordance with the terms of RSA Chapter 369-B, and as described in the Transaction Description, are just and reasonable. This ultimate finding is based upon the totality of evidence presented on the record of this proceeding. The evidence presented also supports the following specific findings. The RRB Charges:

(a) will be non-bypassable, appropriately structured charges of limited duration;

(b) will be monthly usage-based charges, and while the applicable RRB Charge will not be separately identified on each retail user's monthly bill, each monthly bill will note that the applicable RRB Charge, as a component of the SCRC, is being collected on behalf of the SPE, as owner of the RRB Property;

(c) will be in aggregate amount necessary and sufficient to provide for the full recovery and payment of the Total RRB Payment Requirements; and

(d) will be a component of the SCRC.

10. The procedures and methodologies for adjusting the RRB Charges as necessary to ensure the timely recovery of all RRB Costs during the term that the RRBs are

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outstanding, as set forth in the Transaction Description, are just and reasonable, will serve to reconcile the actual RRB Charges collected with the RRB Charges expected to have been collected during the relevant prior periods in a manner such that the adjusted RRB Charges will be sufficient to provide for the full recovery of the Periodic RRB Payment Requirements for the next payment date in accordance with this Finance Order, and comply with RSA 369-B:4, III.

11. The procedures and methodologies for ensuring that the RRB Charges are collected from all retail customers that obtain retail electric service from other electricity service providers, as described in the Transaction Description, are just and reasonable and will be sufficient to provide for the full recovery of the Total RRB Payment Requirements in accordance with RSA 369-B:4, I & IV, and this Finance Order.

12. The range of rates projected for the RRB Charges, based on evidence in the record concerning estimated interest costs, electricity costs, other economic factors, and the procedures and methodologies for establishing rates set forth in the Goulding Testimony and the O'Neil Testimony are equitable, affordable and appropriate and reasonably balance the competing interests of consumers and RRB investors so that RRB investors will realize a reasonable return and retail customers will not suffer any undue burden.

Findings Regarding the Issuance of the RRBs

13. The issuance of the RRBs pursuant to the terms of this Finance Order is reasonable and consistent with the public good.

Findings

14. The Commission finds that in order to obtain the highest rating on the RRBs as possible, commensurate with achieving the targeted triple-A rating and therefore the lowest cost on the RRBs consistent with market conditions then in existence, it is necessary, reasonable and consistent with RSA Chapter 369-B that PSNH be afforded a reasonable degree of flexibility in establishing the terms and conditions of the RRB issuances with respect to the following matters, as long as the resulting issuance is consistent with the Transaction

Description:

- (a) The amount of the capitalization of the SPE;
- (b) The form, interest rate, price, amortization schedule, legal final maturity dates, number of series, number of classes and their principal amount, number of credit ratings and other characteristics of RRBs;
- (c) The all-in cost of the RRBs;
- (d) The rating agencies from which it will seek ratings for the RRBs, the number of ratings agencies from which ratings shall be sought, and the actual ratings level targeted;
- (e) The Servicing Fee for any successor Servicer, if such fee will be no more than 0.60% of the initial principal balance of the RRBs if the successor Servicer is not billing the RRB Charges in conjunction with other charges and no more than 0.05% of the initial principal balance of the RRBs if the successor Servicer is billing and collecting the RRB Charges in conjunction with other charges;

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(f) The number of subaccounts of the Collections Account into which the RRB Charge collections will be deposited; and

(g) Such other up-front and ongoing transaction costs, as described in the Transaction Description, as may be required by the rating agencies and tax authorities.

15. The RRBs will be non-recourse to PSNH and its assets, but will be secured by a pledge of all right, title, and interest of the SPE in its RRB Property and Other SPE Collateral.

16. In accordance with RSA 369-B:5, IV and VI, RRBs issued pursuant to this Finance Order will be treated as notes or bonds of a political subdivision of the State for purposes of the interest and dividends tax imposed under RSA Chapter 77, but will not constitute a debt or liability of the State or of any political subdivision thereof, and will not constitute a pledge of the full faith and credit of the State or any of its political subdivisions. In accordance with RSA 369-B:5, V, the issuance of RRBs pursuant to this Finance Order will not in any way obligate the State or any political subdivision thereof to make appropriations for payment thereof.

Findings Regarding the Establishment of RRB Property

17. The RRB Charges constitute RRB Property within the meaning of RSA 369-B:2, XV and will represent a current and irrevocable vested property right including, without limitation, the right, title and interest of PSNH or the SPE in and to all revenues, collections, claims, payments, money or proceeds of or arising from the RRB Charges authorized

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pursuant to this Finance Order to recover the RRB Costs, and to all rights to obtain adjustments to the RRB Charges pursuant to the terms of this Finance Order. As provided in RSA 369-B:2, XV, RRB Property shall constitute a current and irrevocable vested property right, notwithstanding the fact that the value of such property right may depend upon electricity usage or the performance of certain services.

18. Pursuant to RSA 369-B:6, II, the State has pledged, contracted and agreed with the owners of the RRB Property and holders of and trustees for RRBs that neither the State, nor any of its agencies, including the Commission, will limit, alter, amend, reduce or impair the RRB Charges, RRB Property, this Finance Order or any rights hereunder or thereunder, or ownership thereof or security interest therein, until the RRBs, including all principal, interest, premium, costs and arrearages thereon, are fully met and discharged, unless adequate provision is made by law for the protection of the owners, holders and trustees.

19. The RRB Charges imposed, and the RRB Property established, pursuant to this Finance Order will be irrevocable, and the prohibition established in RSA 369-B:3, II against any rescission, alteration, or amendment of this Finance Order or the taking of any other action, directly or indirectly, to revalue or revise the RRB Charges or the RRB Costs will be binding upon the Commission and any successor thereto.

20. The owner of the RRB Property will have the right to recover an aggregate amount equal to the Total RRB Payment Requirements until the RRBs (or any refunding RRBs authorized by the Commission) have been discharged in full through continued assessment, collection, and remittance of RRB Charges from all retail customers taking retail electric service.

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Findings Regarding the SPE and the Sale of the RRB Property to the SPE

21. The organization and capitalization of the SPE in accordance with the Transaction Description or as may be required by the rating agencies and tax authorities will, along with other measures, enable the RRBs to receive the targeted triple-A rating and therefore the lowest cost on the RRBs under then-current market conditions.

22. The SPE is a “financing entity” within the meaning of RSA 369-B:2, VI.

23. The sale and transfer of the RRB Property to the SPE pursuant to this Finance Order is reasonable. In accordance with RSA 369-B:6, V, the sale and transfer of the RRB Property by PSNH to the SPE pursuant to this Finance Order shall be treated as an absolute transfer of all of PSNH’s right, title, and interest, as a legal true sale, and not as a pledge or other financing, of the RRB Property, in each case notwithstanding the following, which are hereby determined not to affect such absolute transfer and legal true sale: (i) any contrary treatment of such transfer for accounting, tax or other purposes, (ii) certain indemnities (including mandatory redemption or repurchase obligations related thereto) provided for in the RRBs or in the RRB transaction documents, (iii) PSNH’s collection of RRB Charges pursuant to the Servicing Agreement authorized by this Finance Order, or (iv) PSNH’s providing any credit enhancement to the SPE as described in the Transaction Description.

24. PSNH’s proposed use of the proceeds from the sale of the RRB Property to the SPE as described in the Transaction Description constitutes a permissible use of such proceeds in accordance with RSA 369-B:5, II.

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Findings Regarding Related Agreements and Accounting and Collections

25. PSNH is authorized to enter into a Servicing Agreement and Administration Agreement with the SPE to consummate the RRB Transaction and to implement this Finance Order, as described in the Transaction Description. PSNH shall file a copy of the executed Servicing and Administration Agreements with the Commission within three business days of their effective dates.

26. The proposed billing, collection and remittance of RRB Charges are reasonable.

27. The RRB Charge billing, collection, and remittance procedures to be imposed upon any approved TPS, as set forth in the Transaction Description, are commercially reasonable and comply with the provisions of RSA 369-B:4, IV. The Commission finds that the billing, collection and remittance of RRB Charges by a TPS may increase the risk of shortfalls in the RRB Charge collections. The Commission also finds that the risk of interruption may increase the risk to investors, potentially reducing the credit ratings and increasing the cost of the RRBs. The standards for such procedures set forth in the Transaction Description are consistent with those imposed by public utility commissions in connection with recent securitization approvals of similar size and complexity. See In the Matter of the Joint Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Authority to Issue Phase-In-Recovery Bonds and Impose Charge and Collect Phase-In-Recovery Charges and for Approval of Tariff and Bill Format Changes, Pub. Util.

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Comm. No. 12-1465-EL-ATS (Ohio Oct. 10, 2012); In the Matter of the Application of Ohio Power Company for Authority to Issue Phase-In-Recovery Bonds to Recover Phase-In Costs and Financing Costs, and Impose and Collect Phase-In-Recovery Charges, and for Tariff and Bill Format Approvals and for Commission Action, Pub. Util. Comm. No. 12-1969-EL-ATS (Ohio Mar. 20, 2013); Petition for consent and approval of application to securitize uncollected expanded net energy costs pursuant to W.Va. Code §24-2-4f and affiliated agreements pursuant to W.Va. Code §24-2-12, Pub. Serv. Comm. No. 12-1188-E-PC (W. Va. Sept. 20, 2013).

28. When the RRBs are paid in full and the Total RRB Payment Requirements have been discharged, any balance in the Capital Subaccount (including investment earnings) shall belong and be returned to PSNH in its capacity as equityholder of the SPE (and for the avoidance of doubt shall not be credited to PSNH's customers) and the use of any balance in the Excess Funds Subaccount to reduce the Part 2 Stranded Costs is reasonable and is in accordance with RSA Chapter 369-B.

Findings Regarding PSNH's Use of Proceeds

29. The use of proceeds by the SPE and PSNH, as described in the Transaction Description is just and reasonable. Any subsequent review by the Commission of the use of proceeds by the SPE shall not suspend the effectiveness of this Finance Order

ORDERS AND APPROVALS

PSNH respectfully requests that the Commission include in the Finance Order the following Orders and Approvals. Capitalized terms used in this Attachment C and not otherwise defined are used as defined in the Transaction Description attached as Attachment A to the accompanying Petition.

Overall Approval

1. Upon the establishment by the Commission (in connection with its approval of the sale and/or retirement of PSNH's generating assets) of the total amount of PSNH's costs that may be securitized, PSNH is authorized to consummate the RRB Transaction upon the authority granted in this Finance Order without further action or order by the Commission.

2. The issuance of this Finance Order, the implementation of the securitization proposal and the consummation of the RRB Transaction are consistent with the public good as set forth in RSA 369-B:1, XVI, will result in benefits to retail customers that are substantially consistent with the principles contained in RSA 374-F:3 and RSA Chapter 369-B, and are hereby approved. This Finance Order is approved under the authority of and issued pursuant to RSA Chapter 369-B.

3. This Finance Order and the RRB Charges authorized to be imposed and collected pursuant to this Finance Order shall be irrevocable and neither the Commission nor any successor thereto shall take any action to rescind, alter or amend this Finance Order or otherwise to, directly or indirectly, revalue or revise for ratemaking purposes the RRB Costs, or the costs of

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providing, recovering, financing, or refinancing the RRB Costs, determine that such RRB Charges are unjust or unreasonable, or in any way reduce or impair the value of the RRB Property either directly or indirectly by taking such RRB Charges (other than the portion of such RRB Charges constituting a servicing fee payable to PSNH) into account when setting other rates for PSNH, nor shall the amount of revenues arising with respect to the RRB Charges be subject to reduction, impairment, postponement or termination.

Approval Regarding the Establishment of the RRB Costs

4. The Commission approves and designates as RRB Costs, within the meaning of RSA 369-B:2, XIV: (i) an amount sufficient to fund PSNH's Securitized Costs, including Stranded Costs, unrecovered deferrals, transaction costs, tax stabilization payments, employee protections and other costs as contemplated in the 2015 Settlement Agreement in connection with its divestiture of the assets contemplated by the 2015 Settlement Agreement as detailed in this Finance Order and described in the Transaction Description; and (ii) upfront and ongoing transaction costs and any other fee, cost or expense in respect of the RRBs as described in the Transaction Description.

Approvals Regarding the RRB Charges

5. The RRB Charges to be established, adjusted, maintained and collected from all retail customers taking retail electric service during the term that the RRBs are outstanding in accordance with the terms of RSA Chapter 369-B, the Transaction Description, and the Findings are just and reasonable and are hereby approved.

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6. The initial RRB Charges, as determined in accordance with the Transaction Description and RSA Chapter 369-B, and to be filed in the Issuance Advice Letter, are just and reasonable and are hereby approved. Such initial RRB Charges will be effective upon such filing.

7. The procedures and methodologies set forth in this Finance Order for adjusting the RRB Charges during the term that the RRBs are outstanding, as described in the Transaction Description, are just and reasonable, and are hereby approved.

8. The procedures and methodologies set forth in this Finance Order for ensuring that the RRB Charges are collected from all retail customers that obtain retail electric service from other electricity service providers, as described in the Transaction Description, are just and reasonable, and are hereby approved.

Approvals Regarding the Issuance of the RRBs

9. The issuance of the RRBs substantially in accordance with the Transaction Description, including but not limited to the terms and amounts of the RRBs, the scheduled final payment dates for the latest maturing class of the RRBs of up to approximately 15 years, the legal final maturity dates of the RRBs of up to approximately 17 years, the up-front and ongoing transaction costs expected to be incurred in issuing the RRBs, and the uses of the proceeds from the issuance of the RRBs, are reasonable and consistent with the public good, and are hereby approved.

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10. The final terms and conditions of the RRBs authorized by this Finance Order, including but not limited to the total principal amount, the schedule of principal amortization, frequency of principal or interest payments, the interest rates on the RRBs and manner of setting such interest rates, redemption features, if any, the manner of sale of the RRBs, the number of credit ratings, the capital contribution amount and all other terms and conditions of the RRBs, the approval of final transaction documents, and certain up-front and ongoing transaction costs, shall, to the extent consistent with the provisions of this Finance Order, be determined by PSNH at the time RRBs are priced, after input from the rating agencies and the structuring agent and after the divestiture of the generation assets contemplated by the 2015 Settlement Agreement has been consummated (or a Failed Auction has occurred) and PSNH has a reasonable basis to calculate its Stranded Costs, unrecovered deferrals, transaction costs, tax stabilization payments, employee protections and other costs with respect to such divestiture. This procedure for issuing the RRBs, based on current market conditions and directed to achieve the targeted triple-A rating and therefore the lowest cost on the RRBs, including the filing of the Issuance Advice Letter, in accordance with this Finance Order is reasonable and consistent with the public good, and is hereby approved.

11. PSNH is authorized to consummate the issuance of the RRBs in one or more series each of which may be offered in one or more class upon such terms as may be established by or on behalf of PSNH at the time of issuing such securities, consistent with this Finance Order and any applicable Issuance Advice Letter.

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12. In accordance with RSA 369-B:5, IV and VI, RRBs issued pursuant to this Finance Order will be treated as notes or bonds of a political subdivision of the State for purposes of the interest and dividends tax imposed under RSA Chapter 77, but will not constitute a debt or liability of the State or of any political subdivision thereof, and will not constitute a pledge of the full faith and credit of the State or any of its political subdivisions. In accordance with RSA 369-B:5, V, the issuance of RRBs pursuant to this Finance Order will not in any way obligate the State or any political subdivision thereof to make appropriations for their payment.

Approvals Regarding the Establishment of the RRB Property

13. The creation and establishment for the benefit of PSNH (or any assignee in accordance with the terms of this Finance Order) of the RRB Property is hereby approved. Such RRB Property, constituted and effective in accordance with RSA 369-B:2, XV, will be entitled to all treatment and rights accorded to RRB Property under RSA Chapter 369-B.

14. The RRB Property established by this Finance Order will represent a continuously existing current and irrevocable vested property right in accordance with the provisions of RSA 369-B:2, XV and RSA 369-B:6, I for all purposes, including for the purpose of contracts relating to or securing the RRBs, whether or not the revenues and proceeds arising with respect to the RRB Charges have accrued at the time of this Finance Order, and will include, without limitation, the right, title, and interest in and to all revenues, collections, claims, payments, money, or proceeds of or arising from or constituting (a) the RRB Charges authorized by this Finance Order including the initial RRB Charges set forth in the Issuance Advice Letter

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as may be adjusted from time to time in order to recover RRB Costs and to generate amounts sufficient to discharge an amount equal to the Periodic RRB Payment Requirements, for the period which such RRB Charges will be billed, as found and authorized herein, and (b) all rights to obtain periodic adjustments and non-routine adjustments to the RRB Charges in accordance with the True-Up Mechanism.

15. The RRB Property created and established by this Finance Order will constitute a current and irrevocable vested property right of the owner thereof or its assignee or transferee, which continuously exists with all of the rights and privileges of RSA 369-B:2, XV, RSA 369-B:6, and RSA 369-B:7 until the owner or its assignee or transferee has received RRB Charges sufficient to discharge the Total RRB Payment Requirements in full. Such property right may not be limited, altered, amended, reduced, or impaired by any subsequent actions of the State, any of its agencies, including the Commission, PSNH or any third party, and shall, to the fullest extent permitted by law, be enforceable against PSNH, its successors and assigns, and all other third parties, including judicial lien creditors, claiming an interest therein by or through PSNH or its successors or assigns. Nothing in this paragraph shall preclude such limitation, alteration, amendment, reduction, or impairment if and when adequate provision shall be made by law for the protection of the owner of the RRB Property or its assignee or transferee.

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Approvals Regarding the SPE

16. The creation of one or more bankruptcy-remote SPEs in accordance with the Transaction Description, to which the RRB Property subject to this Finance Order may be sold, is hereby approved.

17. The capitalization by PSNH of the SPE, in accordance with the Transaction Description and Findings, is hereby approved.

Approvals Regarding the Sale and Assignment of the RRB Property

18. The sale or assignment, without recourse, by PSNH of all of its right, title and interest in the RRB Property to the SPE, and the acquisition of such RRB Property by the SPE, in accordance with the Transaction Description is hereby approved.

19. The sale by PSNH of the RRB Property to the SPE in accordance with the Transaction Description will be pursuant to and governed by RSA 369-B:6, III and V, and, accordingly, will be treated as an absolute transfer of all of PSNH's rights, title, and interest, as a legal true sale, and not as a pledge or other financing, of the RRB Property, in each case notwithstanding the following, which are hereby determined not to effect such absolute transfer and legal true sale: (i) any contrary treatment of such transfer for accounting, tax or other purposes, (ii) certain indemnities (including mandatory redemption or repurchase obligations related thereto) provided for in RRBs or in the RRB Transaction documents, (iii) PSNH's collection of the RRB Charges pursuant to the Servicing Agreement authorized by this Finance

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Order, or (iv) PSNH's providing credit enhancement to such SPE as described in the Transaction Description.

20. Upon the effectiveness of the sale and assignment of the RRB Property, the SPE, as owner of the RRB Property, and the holders of the RRBs, or any trustee acting therefor, will be entitled to rely on and shall be entitled to the benefit of the pledge, contract and agreement of the State set forth in RSA 369-B:6, II, and the SPE is hereby authorized to include this pledge, contract, agreement and acknowledgment of the State in any contracts with current or prospective holders, or any trustee therefor, of the RRBs, or in any documentation relating to the RRBs.

21. Upon the effectiveness of the sale and assignment of the RRB Property: (i) the SPE shall have all of the rights originally held by PSNH with respect to such RRB Property, including, without limitation, the right to exercise any and all rights and remedies, including the right to authorize the Servicer to disconnect service (including backup service) to the extent permitted by RSA 369-B:4, IV, and applicable regulations, to assess and collect any amounts payable by any customer in respect of such RRB Property, notwithstanding any objection or direction to the contrary by PSNH, as initial Servicer, or any successor Servicer, and (ii) any payment by any customer to the SPE shall discharge such customer's obligations in respect of such RRB Property to the extent of such payment, notwithstanding any objection or direction to the contrary by the Servicer.

22. Upon the effectiveness of the sale and assignment of the RRB Property to the SPE, PSNH or any successor Servicer shall not be entitled to recover RRB Charges other

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than for the benefit of the SPE or its successor, in accordance with RSA 369-B:6, IV and PSNH's or any successor's duties as Servicer of such RRB Property as authorized by this Finance Order.

Approvals Regarding the Establishment of a Statutory Security Interest in the RRB Property

23. Pursuant to RSA 369-B:7, VIII, upon the effective date of this Finance Order, there shall exist a statutory first priority lien on all RRB Property then existing or thereafter arising pursuant to the terms of this Finance Order.

24. Such lien shall secure all obligations, then existing or subsequently arising, to the holders of RRBs, the trustee or representative for such holders and the SPE and shall arise by operation of law automatically without any action on the part of PSNH or any other person. Such lien shall be valid, perfected, and enforceable upon the effectiveness of this Finance Order without any further public notice. PSNH expects to file financing statements with respect to the RRB Property which will constitute a protective filing pursuant to RSA 369-B:7, VIII. If the RRB Property subject to this Finance Order is transferred and sold to more than one SPE, any collections in respect of the undivided beneficial interests in RRB Charges related to such RRB Property will be allocated pro rata among such undivided beneficial interests to give effect to the pari passu first priority statutory liens on the SPE's portion of the RRB Property subject to this Finance Order.

25. The pledge by the SPE of all of its interest in the RRB Property and the Other SPE Collateral, to secure RRBs issued in connection with such pledge, is hereby approved.

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Approvals Regarding Third Party Suppliers

26. Any TPS that may be permitted to collect RRB Charges shall (i) meet the creditworthiness criteria to be established by the Commission and, at a minimum, the criteria set forth and approved in this Finance Order; and (ii) comply with the billing, collection and remittance procedures and information access requirements and such other procedures contained in the RRB Transaction documents as the rating agencies may require, once such additional procedures are approved by the Commission.

27. The RRB Charge billing, collection, and remittance procedures to be imposed upon any approved TPS, as set forth in the Transaction Description, and found in Finding No. 27 to be commercially reasonable and in compliance with the provisions of RSA 369-B:4, IV, are hereby approved.

Approvals Regarding Servicing and Collection Procedures, and Accounts

28. The Servicing Agreement, to the extent it is substantially consistent in material respects with the description of such agreement in the Transaction Description with such changes as may be recommended or required by the rating agencies, under which PSNH will agree to continue to operate its distribution system to provide service to retail customers, to bill and collect RRB Charges for the benefit and account of such SPE or its assigns, and to account for and remit these amounts to the trustee for the RRBs, for the account of such SPE or its assigns, including the amount of the Servicing Fee imposed thereunder, is reasonable and consistent with the public good, and is hereby approved. Pursuant to RSA 369-B:6, IV, PSNH

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shall enter into the Servicing Agreement, and any successor Servicer shall be required to enter into a similar Servicing Agreement.

29. The RRB Charge billing, collection and remittance procedures, as described in the Transaction Description, are reasonable, consistent with the public good and are hereby approved.

30. In the event of a default by a Servicer in remittance of RRB Charges, the Commission will, in accordance with RSA 369-B:7, VI and VIII, upon application by (i) the trustee or holders of the RRBs, (ii) the trustee for the SPE or its assignees, or (iii) pledgees or transferees of the RRB Property, order the sequestration and payment to or for the benefit of the pledgees or transferees of the revenues arising with respect to the RRB Property.

31. In the event of a default by a Servicer under any Servicing Agreement with respect to RRBs, the SPE or the trustees or representatives of the holders of RRBs may appoint a successor Servicer for the RRB Property, subject to the approval of the Commission, who shall promptly assume billing responsibilities for RRB Charges. The Commission shall act on an expedited basis within 30 days to approve such successor Servicer. Such successor Servicer shall assume all rights and obligations under RSA Chapter 369-B and this Finance Order as though it were the Servicer at the time such RRBs were issued.

32. The SCRC will be allocated to PSNH's customer classes as set forth in Section III.A of the 2015 Settlement Agreement.

33. Regardless of who is responsible for billing of the RRB Charges, the RRB Charges will be assessed against and collected from all PSNH's retail customers taking retail

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electric service. Any retail customer will continue to be responsible for payment of the applicable RRB Charge billed, but not yet remitted, to the Servicer to the extent such customer has not paid the RRB Charge billed to it.

34. In the event of a failure of any retail customer to pay the applicable RRB Charge, the Servicer or any approved TPS is authorized to disconnect retail electric service to such customer in accordance with RSA 369-B:4, IV and applicable regulations.

35. PSNH, as initial Servicer, or any successor Servicer, shall be entitled to an annual Servicing Fee. The Commission approves the Servicing Fee as follows: As initial Servicer, PSNH will be paid, subject to changes in market conditions and rating agency requirements, a Servicing Fee equal to 0.05% of the initial principal balance of the RRBs which fee will be included in the calculation of the RRB Charges. A successor Servicer will be paid a Servicing Fee equal to no more than 0.60% of the initial principal balance of the RRBs, if such successor Servicer is not billing the RRB Charges in conjunction with other charges. If the successor Servicer is billing the RRB Charges in conjunction with other electric service charges, then the Servicing Fee payable to such successor Servicer will be 0.05% of the initial principal balance (equal to the fee payable to PSNH as initial Servicer).

36. PSNH, as initial Servicer, may not resign its duties as Servicer except upon either (i) a determination that the performance by it of such duties is no longer permissible under applicable law or (ii) the prior approval of the Commission and confirmation (or deemed confirmation) by the applicable rating agencies that such resignation will not result in a suspension, reduction or withdrawal of the then current credit ratings for the RRBs.

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37. A successor Servicer may not replace PSNH as Servicer in any of its servicing functions with respect to the RRB Charges and the RRB Property authorized by this Finance Order unless (i) (x) either PSNH has resigned as Servicer (if permitted to do so) or such replacement is requested by the RRB holders in accordance with the terms of the Servicing Agreement and (y) in either case, such replacement will not cause the then current credit ratings on RRBs to be suspended, withdrawn or downgraded, or (ii) the successor Servicer is the successor to PSNH's distribution system.

38. The establishment and procedures for maintenance of the Collection Account, the General Subaccount, the Excess Funds Subaccount, and the Capital Subaccount in accordance with the Transaction Description are reasonable, consistent with the public good and are hereby approved.

39. Investment earnings on amounts in the Capital Subaccount will be remitted to the SPE on a monthly basis free and clear of the lien of the indenture for distribution to PSNH, as its sole member.

40. Any amounts accounted for in the Excess Funds Subaccount, at the time that PSNH calculates a periodic RRB Charge adjustment, will be incorporated in such adjustment, in accordance with RSA 369-B:4, III. PSNH, as initial Servicer (or any successor Servicer), shall account for, and ultimately credit to retail customers, any amounts remaining in the Excess Funds Subaccount after the RRBs are paid in full and the Total RRB Payment Requirements have been discharged. When the RRBs are fully paid, any balance in the Capital Subaccount (including investment earnings) shall belong and be returned to PSNH in its capacity

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as equityholder of the SPE (and for the avoidance of doubt shall not be credited to PSNH's customers).

Approval Regarding Municipalization

41. Pursuant to RSA 369-B:4, VIII, in the event of the municipalization of a portion of PSNH's service territory, the Commission shall, in matters over which the Federal Energy Regulatory Commission does not have jurisdiction, or has jurisdiction but chooses to grant jurisdiction to the State, determine, to a just and reasonable extent, the consequential damages such as stranded investment in generation, storage, or supply arrangements resulting from the purchase of plant and property from PSNH and RRB Costs, and shall establish an appropriate recovery mechanism for such damages. Any such damages shall be established, and shall be allocated between the RRB Charges and PSNH's other rates and charges, in a just and reasonable manner.

Approval Regarding Administration Agreement

42. The Administration Agreement, to the extent it is substantially consistent in material respects with the description of such agreement in the Transaction Description with such changes as may be recommended or required by the rating agencies, under which PSNH shall perform administrative services and provide facilities for the SPE to ensure that it is able to perform such day-to-day operations under the RRB Transaction documents, including the amount of the Administration Fee (which shall be an annual amount not to exceed \$75,000 and

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which will be included in the calculation of the RRB Charges), is reasonable and consistent with the public good, and is hereby approved.

Approval Regarding Financial Accounting Treatment

43. The financial accounting treatment proposed by PSNH for the RRBs and the RRB Transaction, as described in the Transaction Description, is reasonable, consistent with the public good, and is hereby approved.

Approvals Regarding Reports

44. After pricing of the RRBs, but before issuance, PSNH shall file with the Commission, for informational purposes, an Issuance Advice Letter setting forth the final structural details of the RRBs, including the principal amount, the repayment terms (in accordance with the expected amortization schedule), the initial RRB Charges, the capital contribution amount, the identification of the SPE, and the transaction costs of issuance. Such filing shall not be a condition to the effectiveness of this Finance Order or the issuance of the RRBs.

45. Within 90 days following the RRB issuance, and within 60 days of the end of each fiscal quarter thereafter until the proceeds have been applied in full, PSNH shall file with the Commission a report showing the use of RRB proceeds in compliance with this Finance Order. Such filing shall not be a condition to the effectiveness of this Finance Order or the issuance of RRBs.

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Approval of PSNH Tariff Changes

46. The changes to PSNH's Tariff attached to the Goulding Testimony necessary to implement PSNH's billing and collection of the RRB Charges and the SCRC as approved herein, are found to be in the public interest and are hereby approved.