

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.

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.

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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 the thermal (fossil) generation assets as approved by the Commission has been consummated 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

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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 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,

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(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.

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.

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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 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

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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.*

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

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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 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 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").

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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 (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.

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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 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

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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, 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

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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 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.

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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 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

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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.

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 application by (a) the trustees or holders of the RRBs, (b) such SPE or its assignees or (c)

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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.
- 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

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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 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

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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 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 January 15 of each year until the RRBs, RRB Charges and any arrearages are paid in full, the Servicer will file with the Commission a true-up advice letter in substantially

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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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 (August 1 and February 1) Periodic RRB Payment Requirements. In addition, if the Servicer, as of July 15 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 (February 1), the Servicer will file a true-up advice letter (a “Mid-Year Routine True-Up Letter”) not later than July 15 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 February 1 or August 1) and (b) during the two Remittance Periods preceding the maturity date of the 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 February 1; (ii) in the case of any semiannual adjustment in connection with a filing required no later than July 15 of any year, on the ensuing August 1; or

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(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.

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 February 1 and August 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

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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 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.

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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 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

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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 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

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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 outstanding PSNH debt.
- 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 determined upon the divestiture of PSNH's thermal (fossil) generating assets as approved by the Commission. 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.

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 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

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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.

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;
 - (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.

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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 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

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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.

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

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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.

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.

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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. 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

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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.

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

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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 thermal (fossil) generation assets as approved by the Commission has been consummated 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.

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

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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 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.

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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.

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.

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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 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.

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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 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

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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.

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

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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 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.

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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 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

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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.

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.

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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 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

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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 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

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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.

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.

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

DOCKET NO. DE 17-096

**ISSUANCE OF RATE REDUCTION BONDS PURSUANT TO 2015 PSNH
RESTRUCTURING AND RATE STABILIZATION AGREEMENT**

PETITION FOR FINDINGS OF FACT
AND FOR
ISSUANCE OF FINANCE ORDER

JUNE 15, 2017

UPDATED NOVEMBER 13, 2017

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

DOCKET NO. DE 17-096

**ISSUANCE OF RATE REDUCTION BONDS PURSUANT TO 2015 PSNH
RESTRUCTURING AND RATE STABILIZATION AGREEMENT**

PETITION FOR FINDINGS OF FACT
AND FOR
ISSUANCE OF FINANCE ORDER

Pursuant to RSA Chapter 369-B, Puc 202.1(a), and Puc 203.06, Public Service Company of New Hampshire d/b/a Eversource Energy (“PSNH” or the “Company”) hereby petitions the New Hampshire Public Utilities Commission (the “Commission”) for certain findings of fact and for issuance of a finance order to authorize the recovery of certain costs that result from the divestiture of its generating assets through the issuance of rate reduction bonds (the “RRBs”). In support of this Petition, PSNH provides the following information:

I. INTRODUCTION

The securitization by PSNH of certain of its costs as contemplated by (i) RSA Chapter 369-B, (ii) the 2015 Public Service Company of New Hampshire Restructuring and Rate Stabilization Agreement dated June 10, 2015 (as amended, the “2015 Settlement Agreement”) and, (iii) the Commission’s Order No. 25,920 dated July 1, 2016, in Docket No. DE 14-238, approving the 2015 Settlement Agreement, will require the prior approval by the Commission in the form of a finance order (the “Finance Order”). As contemplated by Section IX.C of the 2015

Settlement Agreement, the Finance Order must contain provisions that maximize the likelihood of achieving “triple-A” ratings on the RRBs and enhance the marketability of the RRBs.

Accordingly, a detailed description (the “Transaction Description”) of PSNH’s proposed RRB transaction (the “RRB Transaction”), together with requested findings (the “Findings”) and orders and approvals (the “Orders and Approvals”) are attached to this Petition.

Pursuant to RSA Chapter 369-B, PSNH proposes that, in the Finance Order, the Commission, among other things;

(i) approve the issuance of RRBs in an amount sufficient to refinance the unrecovered net book value of any of PSNH’s generation assets to be divested pursuant to the 2015 Settlement Agreement (“Stranded Costs”), together with any unrecovered deferrals, transaction costs, tax stabilization payments, employee protections and other costs as contemplated in the 2015 Settlement Agreement related to such divestures (collectively, the “Securitized Costs”), with ~~such amount to be quantified upon the Commission’s review and approval of the divestiture of some or all of PSNH’s generation assets;~~the range of such amount to be determined by the Commission as described in the testimony of Eric H. Chung, Director, Revenue Requirements (NH) and Regulatory Projects for Eversource Energy Service Company (the “Chung Testimony”);

(ii) establish the charge from which the RRBs will be repaid (as defined in RSA 369-B:2, XIII, the “RRB Charge”), the calculation and the collection from retail customers which is described in the testimonies of Emilie O’Neil, Assistant Treasurer – Corporate Finance and Cash Management for Eversource Energy Service Company (the “O’Neil Testimony”) and Christopher J. Goulding, Manager – Revenue Requirement for

Eversource Energy Service Company (the “Goulding Testimony”), included with this Petition;

(iii) approve the organization and capitalization of a special purpose financing entity (“SPE”), to which the RRB Charge and other related rights (as defined in RSA 369-B:2, XV, the “RRB Property”) will be sold;

(iv) provide for the periodic adjustment of the RRB Charge via a true-up mechanism described in the Transaction Description and in the O’Neil Testimony and the Goulding Testimony;

(v) approve the general structure of the RRB Transaction and terms of the RRBs, as described herein, including the proposed use of proceeds, as described in the testimony of Katrina Niehaus, Managing Director of Goldman Sachs, included with this Petition (the “Niehaus Testimony”) and the O’Neil Testimony;

(vi) approve the servicing of the RRB Charge by PSNH, as the initial servicer for the RRB Property, or any successor servicer, under a servicing agreement;

(vii) approve necessary Tariff provisions required to implement recovery of the RRB Charge from customers;

(viii) declare that the Finance Order shall be irrevocable as provided in RSA Chapter 369-B;

(ix) find the RRB Charge to be just and reasonable; and

(x) find and declare the issuance of the Finance Order to be consistent with the public interest pursuant to RSA 369-B:3, I and RSA 369-B:1, XVI.

II. PSNH’S REQUESTED TRANSACTION DESCRIPTION

PSNH respectfully requests that the Commission include in the Finance Order the Transaction Description that is set forth in Attachment A to this Petition.

III. PSNH’S REQUESTED FINDINGS

PSNH respectfully requests that the Commission make in the Finance Order the Findings that are set forth in Attachment B to this Petition.

IV. PSNH’S REQUESTED ORDERS AND APPROVALS

PSNH respectfully requests that the Commission include in the Finance Order the Orders and Approvals that are set forth in Attachment C to this Petition.

V. PRE-FILED TESTIMONY

PSNH respectfully requests that the Commission consider the O’Neil Testimony, the Niehaus Testimony, the Chung Testimony, and the Goulding Testimony that accompany this Petition.

VI. CONCLUSION

PSNH respectfully requests the Commission adopt, as part of the Finance Order, the Transaction Description, the Findings, and the Orders and Approvals, all of which are necessary for PSNH to successfully implement the securitization proposed under the 2015 Settlement Agreement and to achieve the rate reduction required thereby.

Respectfully submitted this 15th day of June, 2017- and updated the 13th day of November, 2017.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
d/b/a EVERSOURCE ENERGY

By: 

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CERTIFICATE OF SERVICE

I certify that on this date I caused this updated petition to be served on parties listed on the Commission's service list for this docket.

November 13, 2017



Robert A. Bersak

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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Transaction Description

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.

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.

Transaction Description

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 thermal (fossil) generation assets ~~contemplated as approved~~ by the 2015 Settlement Agreement Commission has been consummated ~~(or, to the extent that any such assets are not divested, a “Failed Auction” as 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

Transaction Description

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 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

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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.

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)

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Transaction Description

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 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).

Transaction Description

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.*

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

Transaction Description

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 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

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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 (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

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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 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

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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, 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

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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 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.

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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 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

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(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.

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,

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under applicable law and regulations, be subject to disconnection of service for failure to pay any other charge payable to an electric utility.

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

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by any Servicer in payment of the RRB Charges to an SPE, the Commission will, upon 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 various components of the Collection Account and the True-Up Mechanism (as described below).

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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 Requirements. The Servicer will periodically file with the Commission true-up advice letters (as

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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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~~January 15 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/August~~ 1 and ~~January/February~~ 1) Periodic RRB Payment Requirements. In addition, if the Servicer, as of ~~June 1~~July 15 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/February~~ 1), the Servicer will file a true-up advice letter (a “Mid-Year Routine True-Up Letter”) not later than ~~June 1~~July 15 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/February~~ 1 or ~~July/August~~ 1) and (b) during the two Remittance Periods preceding the maturity date of the latest maturing tranche of RRBs, if 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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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~~February 1; (ii) in the case of any semiannual adjustment in connection with a filing required no later than ~~June 1~~July 15 of any year, on the ensuing ~~July~~August 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~~February 1 and ~~July~~August 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

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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 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.

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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 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,

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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 redeem outstanding PSNH debt.
- 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 determined~~ upon the ~~approval of the~~ divestiture of ~~some or all of~~ PSNH's ~~thermal (fossil) generating assets or upon retirement of any such asset in the event of a~~ Failed Auction as approved by the Commission. 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.

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 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

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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.

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;
 - (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.

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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 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

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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.

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

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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.

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.

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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. 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

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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.

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

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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 thermal (fossil) generation assets contemplated as approved by the 2015 Settlement Agreement Commission 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.

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

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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 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.

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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.

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.

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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 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.

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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 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

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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.

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

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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 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.

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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 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

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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.

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.

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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 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

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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 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

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for Issuance of a Finance Order*

Orders and Approvals

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.

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.

ANNEX 2
ISSUANCE ADVICE LETTER

ISSUANCE ADVICE LETTER

[DATE]

ADVICE

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION (THE “*COMMISSION*”)

SUBJECT: Issuance Advice Letter for Rate Reduction Bonds (“*RRBs*”)

Pursuant to the Commission’s Order No. [] dated [] in Docket No. DE 17-096 (the “*Finance Order*”), Public Service Company of New Hampshire d/b/a Eversource Energy (“*PSNH*”) hereby transmits for filing the initial RRB Charges for \$[] million Rate Reduction Bonds Series []. This Issuance Advice Letter further details the calculation of the \$[] million principal amount of the RRBs. Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Finance Order.

PURPOSE

This filing establishes the following:

- (a) the aggregate principal amount of the RRBs being issued;
- (b) the actual terms of the RRBs being issued;
- (c) the initial RRB Charges for retail users;
- (d) the identification of the RRB Property to be sold to a special purpose entity (the “*SPE*”); and
- (e) the identification of the SPE.

BACKGROUND

In the Finance Order, the Commission authorized PSNH to file an Issuance Advice Letter when the aggregate principal amount and the final terms, including the pricing terms, for the RRBs have been established. This Issuance Advice Letter filing incorporates the methodology that was approved and authorized by the Commission in the Finance Order for determining the aggregate principal amount of the RRBs and the initial RRB Charges for the RRBs and establishes the initial RRB Charges to be assessed against and collected from all of PSNH’s retail customers taking retail electric service. The RRB Charges are a usage-based component of the SCRC on each retail customer’s monthly bill collected as authorized by the Commission until the Total RRB Payment Requirements have been discharged in full.

AGGREGATE PRINCIPAL AMOUNT OF THE RRBs

The aggregate principal amount of RRBs to be issued is \$[] million. Attachment 1 sets forth the Stranded Costs, unrecovered deferrals, transaction costs, tax stabilization payments, employee protections and other costs as contemplated in the 2015 Settlement Agreement to be securitized.

TERMS OF THE RRBs

RRB Name:	\$[] million Rate Reduction Bonds, Series []
RRB Issuer (the SPE):	PSNH Funding 3 LLC
Trustee:	[]
Closing Date:	[]
Bond Ratings:	[]
Amount Issued:	\$[] million
Upfront transaction costs:	See Attachment 2
Estimated ongoing transaction costs:	See Attachment 3
Coupon Rate:	[]%
Call Features:	[]
New Hampshire Tax Exempt (yes/no):	Yes, per RSA 369-B:5, VI
Expected Principal Amortization Schedule:	See Attachment 4
Expected Final Maturity:	[]
Legal Final Maturity:	[]
Distributions to Investors:	Semi-annually
Dates on which Routine True-Up Letters will be filed and on which adjusted RRB charges will be implemented:	Not later than January 15 (to become effective on February 1) and, if necessary, not later than July 15 (to become effective on August 1)
Annual Servicing Fee as a percent of the initial RRB principal balance:	0.05%
Capital contribution to the SPE:	0.50% of the initial principal amount of the RRBs

INITIAL RRB CHARGES

Table I below shows the current assumptions for each of the variables used in the Company's initial RRB Charge calculation.

TABLE I
INPUT VALUES FOR RRB CHARGES

Forecasted kWh sales:

Customer Class	Forecasted kwh sales
Residential Service (Tariff Rates R)	[] kWh
General Service (Tariff Rates G)	[] kWh
Primary General Service (Tariff Rates GV)	[] kWh
Large General Service (Tariff Rates LG)	[] kWh
Outdoor Lighting (Tariff Rates OL)	[] kWh

Percent of billed amounts expected to be charged-off: []%

Weighted average days sales outstanding: []

Forecasted annual ongoing transaction expenses¹: \$[]

RRB Principal payments due: \$[]

RRB Interest payments due: \$[]

The initial RRB Charge calculated for retail users is as follows:

Customer Class	Initial RRB Charge
Residential Service (Tariff Rates R)	[] ¢/kWh
General Service (Tariff Rates G)	[] ¢/kWh
Primary General Service (Tariff Rates GV)	[] ¢/kWh
Large General Service (Tariff Rates LG)	[] ¢/kWh
Outdoor Lighting (Tariff Rates OL)	[] ¢/kWh

RRB PROPERTY

RRB Property is the property right described in RSA Chapter 369-B (the “**Legislation**”) and established in the Finance Order relating to the RRB Charges set forth herein, including, 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 the Finance Order, including the initial RRB Charges set forth in this Issuance Advice Letter, as may be adjusted from time to time in order to recover RRB Costs and to generate amounts sufficient to

¹ On-going transaction expenses pro-rated for the initial interest period, which commences on the closing date () and ends on the first payment date.

discharge an amount equal to the Periodic RRB Payment Requirements, for the period which such RRB Charges will be collected, as found and authorized in this Issuance Advice Letter, and (b) all rights to obtain periodic adjustments and non-routine adjustments to the RRB Charges in accordance with the True-Up Mechanism.

This RRB Charges, as adjusted from time to time, shall remain in place until the Total RRB Payment Requirements have been discharged in full.

IDENTIFICATION OF SPE

The owner of the RRB Property (the “SPE”) will be: PSNH Funding LLC 3
The SPE shall be considered a financing entity for purposes of RSA Chapter 369-B.

EFFECTIVE DATE

In accordance with the Finance Order, the RRB Charges shall be automatically effective when filed and will continue to be effective, until they are changed by subsequent Issuance Advice Letter, Routine True-Up Letter or Non-Routine True-Up Letter.

NOTICE

Copies of this filing are being furnished to the parties on the attached service list. Notice to the public is hereby given by filing and keeping this filing open for public inspection at PSNH’s corporate headquarters.

Attachments

ATTACHMENT 1 to ISSUANCE ADVICE LETTER
AGGREGATE PRINCIPAL AMOUNT OF THE RRBs

ATTACHMENT 2 to ISSUANCE ADVICE LETTER
UPFRONT TRANSACTION COSTS

ATTACHMENT 3 to ISSUANCE ADVICE LETTER
ESTIMATED ANNUAL ONGOING TRANSACTION COSTS

ATTACHMENT 4 to ISSUANCE ADVICE LETTER
EXPECTED AMORTIZATION SCHEDULE

ISSUANCE ADVICE LETTER

[DATE]

ADVICE

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION (THE “*COMMISSION*”)

SUBJECT: Issuance Advice Letter for Rate Reduction Bonds (“*RRBs*”)

Pursuant to the Commission’s Order No. [] dated [] in Docket No. DE 17-096 (the “*Finance Order*”), Public Service Company of New Hampshire d/b/a Eversource Energy (“*PSNH*”) hereby transmits for filing the initial RRB Charges for \$[] million Rate Reduction Bonds Series []. This Issuance Advice Letter further details the calculation of the \$[] million principal amount of the RRBs. Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Finance Order.

PURPOSE

This filing establishes the following:

- (a) the aggregate principal amount of the RRBs being issued;
- (b) the actual terms of the RRBs being issued;
- (c) the initial RRB Charges for retail users;
- (d) the identification of the RRB Property to be sold to a special purpose entity (the “*SPE*”); and
- (e) the identification of the SPE.

BACKGROUND

In the Finance Order, the Commission authorized PSNH to file an Issuance Advice Letter when the aggregate principal amount and the final terms, including the pricing terms, for the RRBs have been established. This Issuance Advice Letter filing incorporates the methodology that was approved and authorized by the Commission in the Finance Order for determining the aggregate principal amount of the RRBs and the initial RRB Charges for the RRBs and establishes the initial RRB Charges to be assessed against and collected from all of PSNH’s retail customers taking retail electric service. The RRB Charges are a usage-based component of the SCRC on each retail customer’s monthly bill collected as authorized by the Commission until the Total RRB Payment Requirements have been discharged in full.

AGGREGATE PRINCIPAL AMOUNT OF THE RRBs

The aggregate principal amount of RRBs to be issued is \$[] million. Attachment 1 sets forth the Stranded Costs, unrecovered deferrals, transaction costs, tax stabilization payments, employee protections and other costs as contemplated in the 2015 Settlement Agreement to be securitized.

TERMS OF THE RRBs

RRB Name:	[\$] million Rate Reduction Bonds, Series []
RRB Issuer (the SPE):	PSNH Funding 3 LLC
Trustee:	[]
Closing Date:	[]
Bond Ratings:	[]
Amount Issued:	[\$] million
Upfront transaction costs:	See Attachment 2
Estimated ongoing transaction costs:	See Attachment 3
Coupon Rate:	[]%
Call Features:	[]
New Hampshire Tax Exempt (yes/no):	Yes, per RSA 369-B:5, VI
Expected Principal Amortization Schedule:	See Attachment 4
Expected Final Maturity:	[]
Legal Final Maturity:	[]
Distributions to Investors:	Semi-annually
Dates on which Routine True-Up Letters will be filed and on which adjusted RRB charges will be implemented:	Not later than December 1 <u>January 15</u> (to become effective on January <u>February</u> 1) and, if necessary, not later than June 1 <u>July 15</u> (to become effective on July <u>August</u> 1)
Annual Servicing Fee as a percent of the initial RRB principal balance:	0.05%
Capital contribution to the SPE:	0.50% of the initial principal amount of the RRBs

INITIAL RRB CHARGES

Table I below shows the current assumptions for each of the variables used in the Company's initial RRB Charge calculation.

TABLE I
INPUT VALUES FOR RRB CHARGES

Forecasted kWh sales:

Customer Class	Forecasted kwh sales
Residential Service (Tariff Rates R)	[] kWh
General Service (Tariff Rates G)	[] kWh
Primary General Service (Tariff Rates GV)	[] kWh
Large General Service (Tariff Rates LG)	[] kWh
Outdoor Lighting (Tariff Rates OL)	[] kWh

Percent of billed amounts expected to be charged-off: []%

Weighted average days sales outstanding: []

Forecasted annual ongoing transaction expenses¹: \$[]

RRB Principal payments due: \$[]

RRB Interest payments due: \$[]

The initial RRB Charge calculated for retail users is as follows:

Customer Class	Initial RRB Charge
Residential Service (Tariff Rates R)	[] ¢/kWh
General Service (Tariff Rates G)	[] ¢/kWh
Primary General Service (Tariff Rates GV)	[] ¢/kWh
Large General Service (Tariff Rates LG)	[] ¢/kWh
Outdoor Lighting (Tariff Rates OL)	[] ¢/kWh

RRB PROPERTY

RRB Property is the property right described in RSA Chapter 369-B (the “**Legislation**”) and established in the Finance Order relating to the RRB Charges set forth herein, including, 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 the Finance Order, including the initial RRB Charges set forth in this Issuance Advice Letter, as may be adjusted from time to time in order to recover RRB Costs and to generate amounts sufficient to

¹ On-going transaction expenses pro-rated for the initial interest period, which commences on the closing date () and ends on the first payment date ~~(1/1/19)~~.

discharge an amount equal to the Periodic RRB Payment Requirements, for the period which such RRB Charges will be collected, as found and authorized in this Issuance Advice Letter, and (b) all rights to obtain periodic adjustments and non-routine adjustments to the RRB Charges in accordance with the True-Up Mechanism.

This RRB Charges, as adjusted from time to time, shall remain in place until the Total RRB Payment Requirements have been discharged in full.

IDENTIFICATION OF SPE

The owner of the RRB Property (the "SPE") will be: PSNH Funding LLC 3
The SPE shall be considered a financing entity for purposes of RSA Chapter 369-B.

EFFECTIVE DATE

In accordance with the Finance Order, the RRB Charges shall be automatically effective when filed and will continue to be effective, until they are changed by subsequent Issuance Advice Letter, Routine True-Up Letter or Non-Routine True-Up Letter.

NOTICE

Copies of this filing are being furnished to the parties on the attached service list. Notice to the public is hereby given by filing and keeping this filing open for public inspection at PSNH's corporate headquarters.

Attachments

ATTACHMENT 1 to ISSUANCE ADVICE LETTER
AGGREGATE PRINCIPAL AMOUNT OF THE RRBs

ATTACHMENT 2 to ISSUANCE ADVICE LETTER
UPFRONT TRANSACTION COSTS

ATTACHMENT 3 to ISSUANCE ADVICE LETTER
ESTIMATED ANNUAL ONGOING TRANSACTION COSTS

ATTACHMENT 4 to ISSUANCE ADVICE LETTER
EXPECTED AMORTIZATION SCHEDULE

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ANNEX 3
DRAFT SERVICING AGREEMENT

PSNH FUNDING LLC 3,
as Issuer
and
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
as Servicer

SERVICING AGREEMENT

Dated as of []

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This SERVICING AGREEMENT, dated as of [], is between PSNH Funding LLC 3, a Delaware limited liability company (together with any successor thereto permitted under the Indenture, as hereinafter defined, the “Issuer”), and Public Service Company of New Hampshire, a New Hampshire corporation.

RECITALS

WHEREAS, pursuant to the Statute and the Finance Order, the Seller and the Issuer are concurrently entering into the Sale Agreement pursuant to which the Seller is selling to the Issuer the RRB Property created pursuant to the Statute and the Finance Order.

WHEREAS, in connection with its ownership of the RRB Property and in order to collect the RRB Charge, the Issuer desires to engage the Servicer to carry out the functions described herein. The Servicer currently performs similar functions for itself with respect to its own charges billed to its customers. In addition, the Issuer desires to engage the Servicer to act on its behalf in obtaining Periodic Adjustments from the NHPUC. The Servicer desires to perform all of these activities on behalf of the Issuer.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

Section 1.01. Definitions. Any capitalized terms used in this Agreement but not defined herein shall have the meaning given to such terms in the Indenture.¹ Whenever used in this Agreement, the following words and phrases shall have the following meanings:

“Advice Letter” means any filing made with the NHPUC by the Servicer on behalf of the Issuer to set or adjust the RRB Charge, including the Issuance Advice Letter, an Annual Routine True-Up Letter, a Mid-Year Routine True-Up Letter, an Other Routine True-Up Letter or a Non-Routine True-Up Letter.

“Agreement” means this Servicing Agreement, together with all Exhibits, Schedules and Annexes hereto, as the same may be amended and supplemented from time to time.

“Annual Accountant’s Report” has the meaning set forth in Section 3.04.

¹ Note to Draft: Defined terms to be confirmed against the Indenture.

“Annual Routine True-Up Letter” means a letter filed with the NHPUC, substantially in the form of Exhibit B hereto, not later than January 15 of each year, in respect of an annual Periodic Adjustment pursuant to Section 4.01(b)(1).

“Applicable TPS” means, with respect to each customer, the TPS, if any, billing the RRB Charge to that customer.

“Bills” means each of the regular monthly bills, summary bills and other bills issued to customers or TPSs by Public Service Company of New Hampshire on its own behalf and in its capacity as Servicer.

“Certificate of Compliance” has the meaning set forth in Section 3.03(a).

“Closing Date” means [].

“Deemed RRB Charge Payments” means the payments in respect of the RRB Charge, which are deemed to have been received by the Servicer, directly or indirectly (including through a TPS), from or on behalf of customers, calculated in accordance with Annex I hereto.

“Estimated RRB Charge Payments” means the estimated payments in respect of the RRB Charge, which are deemed to have been received by the Servicer, directly or indirectly (including through a TPS), from or on behalf of customers, calculated in accordance with Annex I hereto.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Expected Amortization Schedule” means Schedule 4.01(a) hereto.

“Finance Order” means Order No. [xx,xxxx] issued by the NHPUC on [mmdyyy] in its Docket No. DE 17-096.

“Indemnified Person” has the meaning assigned to such term in Section 6.02.

“Indenture” means the Indenture dated as of the date hereof between the Issuer and the Trustee, as the same may be amended and supplemented from time to time.

“Insolvency Event” means, with respect to a specified Person, (a) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of such Person or any substantial part of its property in an involuntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or ordering the winding-up or liquidation of such Person’s affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or (b) the commencement by such Person of a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by such Person to the entry of an order for relief in an involuntary case under any such law, or the

consent by such Person to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or the making by such Person of any general assignment for the benefit of creditors, or the failure by such Person generally to pay its debts as such debts become due or the taking of action by such Person in furtherance of any of the foregoing.

“Issuance Advice Letter” means the initial Issuance Advice Letter, dated [], filed with the NHPUC pursuant to the Finance Order.

“Issuer” has the meaning set forth in the preamble to this Agreement.

“Lien” means a security interest, lien, charge, pledge or encumbrance of any kind.

“Losses” has the meaning assigned to that term in Section 6.02(a).

“Mid-Year Routine True-Up Letter” means a letter filed with the NHPUC, substantially in the form of Exhibit B hereto, pursuant to Section 4.01(b)(2) in respect of a mid-year Periodic Adjustment.

“Monthly Servicer Certificate” has the meaning assigned to that term in Section 4.01(d)(2).

“NHPUC” means the New Hampshire Public Utilities Commission and any successor thereto.

“NHPUC Regulations” means all regulations, rules, tariffs and laws applicable to public utilities or TPSs, as the case may be, and promulgated by, enforced by or otherwise within the jurisdiction of the NHPUC.

“Non-Routine Periodic Adjustment” has the meaning set forth in Section 4.01(c)(1).

“Non-Routine True-Up Letter” means a letter filed with the NHPUC in accordance with the Finance Order with respect to any Non-Routine Periodic Adjustment pursuant to Section 4.01(c)(1).

“Officer’s Certificate” means a certificate of the Servicer signed by a Responsible Officer.

“Other Routine True-Up Letter” means a letter filed with the NHPUC, substantially in the form of Exhibit B hereto, pursuant to Section 4.01(b)(3).

“Opinion of Counsel” means one or more written opinions of counsel who may be an employee of or counsel to the party providing such opinion(s) of counsel, which counsel shall be reasonably acceptable to the party receiving such opinion(s) of counsel.

“Periodic Adjustment” means each adjustment to the RRB Charge made pursuant to the terms of the Finance Order and in accordance with Section 4.01 hereof.

“Periodic RRB Payment Requirements” means, with respect to any Remittance Period, the total dollar amount calculated by the Servicer as necessary to be remitted to the Collection Account during such Remittance Period (after giving effect to (a) the allocation and distribution of amounts on deposit in the Excess Funds Subaccount at the time of calculation and which are available for payments on the Bonds, (b) any shortfalls in the coverage of the Periodic RRB Payment Requirements for any prior Remittance Period, (c) the required payment or credit of any Remittance Excess or Remittance Shortfall during such Remittance Period and (d) any Remittances based upon the RRB Charge in effect in the prior Remittance Period that are expected to be realized in such Remittance Period) in order to ensure that, as of the Payment Date immediately following the end of such Remittance Period, (i) all accrued and unpaid interest on the Bonds then due shall have been paid in full, (ii) the Principal Balance of the Bonds is equal to the Projected Principal Balance of the Bonds for that Payment Date, (iii) the balance on deposit in the Capital Subaccount equals the aggregate required capital level, and (iv) all other fees, expenses and indemnities due and owing and required or allowed to be paid under Section 8.02 of the Indenture as of such date shall have been paid in full.

“Principal Balance” means, as of any Payment Date, the sum of the outstanding principal amount of the Bonds.

“Projected Principal Balance” means, as of any Payment Date, the sum of the projected outstanding principal amount of the Bonds for such Payment Date set forth in the Expected Amortization Schedule.

“Rating Agency” means, collectively, [_____]. If no such organization or successor of [either of] the foregoing is any longer in existence, “Rating Agency” shall be a nationally recognized statistical rating organization or other comparable Person designated by the Issuer, notice of which designation shall be given to the Trustee and the Servicer

“Rating Agency Condition” means with respect to any action, that each Rating Agency shall have been given ten Business Days prior written notice thereof and that each of the Rating Agencies shall have notified the Servicer, the Issuer and the Trustee in writing that such action will not result in a suspension, reduction or withdrawal of the then current rating by such Rating Agency of any Class of the Bonds; *provided* that if within such ten Business Day period, any Rating Agency [(other than S&P)] has neither replied to such notification nor responded in a manner that indicates that such Rating Agency is reviewing and considering the notification, then (a) the Issuer shall be required to confirm that such Rating Agency has received the Rating Agency Condition request and, if it has, promptly request the related Rating Agency Condition confirmation and (b) if the Rating Agency neither replies to such notification nor responds in a manner that indicates it is reviewing and considering the notification within five Business Days following such second request, the applicable Rating Agency Condition requirement shall not be deemed to apply to such Rating Agency. For the purposes of this definition, any

confirmation, request, acknowledgment or approval that is required to be in writing may be in the form of electronic mail or a press release (which may contain a general waiver of a Rating Agency's right to review or consent).

“Reconciliation Period” means the twelve-month period commencing on January 1 of each year and ending on December 31 of each year; *provided, however*, that the initial Reconciliation Period shall commence on the Closing Date and end on December 31, 2018.

“Regulation AB” means the Securities and Exchange Commission's Asset-Backed Securities regulations at 17 CFR Part 229, Subpart 229.1100.

“Remittance” means each remittance of Estimated RRB Charge Payments by the Servicer to the Trustee.

“Remittance Date” means each Servicer Business Day on which a Remittance is to be made by the Servicer pursuant to Section 4.03.

“Remittance Excess” means the amount, if any, calculated for a particular Reconciliation Period, by which all RRB Charge Collections during such Reconciliation Period exceed Deemed RRB Charge Payments during such Reconciliation Period.

“Remittance Period” means each six-month period (x) commencing on January 1 and ending on June 30 and (y) commencing on July 1 and ending on December 31; *provided*, that the initial Remittance Period shall commence on the Closing Date.

“Remittance Shortfall” means the amount, if any, calculated for a particular Reconciliation Period, by which Deemed RRB Charge Payments during such Reconciliation Period exceed RRB Charge Collections during such Reconciliation Period.

“Responsible Officer” means the chief executive officer, the president, any vice president, the treasurer, any assistant treasurer, the secretary, the clerk, any assistant secretary, and assistant clerk, the controller or a director of corporate finance or cash management of the Servicer.

“Retirement of the Bonds” means the day on which the final payment is made to the Trustee in respect of the last outstanding Bond.

“Routine True-Up Letter” means, as the context requires, an Annual Routine True-Up Letter, a Mid-Year Routine True-Up Letter or an Other Routine True-Up Letter.

“RRB Charge” means the portion (which may become all) of the Seller's “stranded cost recovery charge” designated pursuant to the Finance Order and RSA 369-B:2, XIII as the RRB Charge, as the same may be adjusted from time to time as provided in the Finance Order.

“RRB Charge Collections” means the Estimated RRB Charge Payments remitted to the Collection Account.

“RRB Property” means the RRB Property that exists under Approval Nos. [] to [] of the Finance Order and is sold by the Seller to the Issuer under the Sale Agreement.

“RRB Property Records” has the meaning assigned to that term in Section 5.01.

“Sale Agreement” means the Purchase and Sale Agreement dated as of the date hereof between Public Service Company of New Hampshire, as Seller, and the Issuer, as the same may be amended and supplemented from time to time.

“Seller” means Public Service Company of New Hampshire, a New Hampshire corporation, and its permitted successors and assigns under the Sale Agreement.

“Semi-Annual Servicer Certificate” has the meaning assigned to that term in Section 4.01(d)(3).

“Servicer” means Public Service Company of New Hampshire, as the servicer of the RRB Property, or each successor (in the same capacity) pursuant to Section 6.04 or Section 7.02.

“Servicer Business Day” means any Business Day on which the Servicer’s offices in the State of New Hampshire are open for business.

“Servicer Default” means an event specified in Section 7.01.

“Servicing Fee” has the meaning set forth in Section 6.06(a).

“Sponsor” means Public Service Company of New Hampshire, in its capacity as “sponsor” of the Bonds within the meaning of Regulation AB.

“Statute” means RSA Chapter 369-B.

“Termination Notice” has the meaning assigned to that term in Section 7.01.

“TPS” means a third party supplier of energy who has entered into a TPS Service Agreement with the Servicer.

“TPS Service Agreement” means an agreement between a third party supplier of energy and the Servicer pursuant to which such third party supplier of energy bills and collects the RRB Charge to and from customers in accordance with NHPUC Regulations, the Finance Order and the guidelines described in Schedule A to Annex I.

“Weighted Average Days Outstanding” means the weighted average number of days Public Service Company of New Hampshire’s monthly retail customer bills remain outstanding during the 12-month period ended for the quarter immediately preceding the calculation thereof pursuant to Section 4.01(b)(1). For all purposes of this Agreement, the calculation of Weighted Average Days Outstanding pursuant to Section 4.01(b)(1) shall become effective on February 1 of each year. The initial Weighted Average Days

Outstanding shall be []² days until updated pursuant to Section 4.01(b)(1) of this Agreement.

Section 1.02. Other Definitional Provisions.

(a) Capitalized terms used herein and not otherwise defined herein have the meanings assigned to them in the Indenture.

(b) All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(c) The words “hereof,” “herein,” “hereunder” and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement; Section, Schedule, Exhibit and Annex references contained in this Agreement are references to Sections, Schedules, Exhibits and Annexes in or to this Agreement unless otherwise specified; and the term “including” shall mean “including without limitation.”

(d) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter forms of such terms.

ARTICLE 2

APPOINTMENT AND AUTHORIZATION

Section 2.01. Appointment of Servicer; Acceptance of Appointment. Subject to Section 6.04 and Article 7, the Issuer hereby appoints the Servicer, and the Servicer hereby accepts such appointment, to perform the Servicer’s obligations pursuant to this Agreement on behalf of and for the benefit of the Issuer or any assignee thereof in accordance with the terms of this Agreement and applicable law. This appointment and the Servicer’s acceptance thereof may not be revoked except in accordance with the express terms of this Agreement.

Section 2.02. Authorization. With respect to all or any portion of the RRB Property, the Servicer is authorized and empowered by the Issuer to (a) execute and deliver, on behalf of itself and/or the Issuer, as the case may be, any and all instruments, documents or notices, and (b) on behalf of itself and/or the Issuer, as the case may be, make any filing and participate in proceedings of any kind with any governmental authorities, including with the NHPUC. The Issuer shall execute and/or furnish the Servicer with such documents as have been prepared by the Servicer or the Administrator for execution by the Issuer, and with such other documents as may be in the Issuer’s possession, as the Servicer may determine to be necessary or appropriate to enable it to

² Note to Draft: PSNH to confirm at time of closing.

carry out its servicing and administrative duties hereunder. Upon the Servicer's written request, the Issuer shall furnish the Servicer with any powers of attorney or other documents necessary or appropriate to enable the Servicer to carry out its duties hereunder.

Section 2.03. Dominion and Control Over the RRB Property. Notwithstanding any other provision herein, the Issuer shall have dominion and control over the RRB Property, and the Servicer, in accordance with the terms hereof, is acting solely as the servicing agent and custodian for the Issuer with respect to the RRB Property and the RRB Property Records. The Servicer shall not take any action that is not authorized by this Agreement, that would contravene the Finance Order or that shall impair the rights of the Issuer or the Trustee in the RRB Property, in each case unless such action is required by applicable law or court or regulatory order.

ARTICLE 3

BILLING SERVICES

Section 3.01. Duties of Servicer. The Servicer, as agent for the Issuer, shall have the following duties:

(a) Duties of Servicer Generally.

(1) General Duties. The Servicer's duties in general shall include: management, servicing and administration of the RRB Property; obtaining meter reads, calculating electricity usage (including usage by customers of any TPS), billing, collection and posting of all payments in respect of the RRB Property; responding to inquiries by customers, the NHPUC, or any federal, local or other state governmental authorities with respect to the RRB Property or RRB Charges; delivering Bills to customers and TPSs, investigating and handling delinquencies, processing and depositing collections and making periodic remittances; furnishing periodic reports to the Issuer, the Trustee and the Rating Agencies; and taking all necessary action in connection with Periodic Adjustments as set forth herein. To the extent allowed by law and NHPUC Regulations, certain of the duties set forth above may be performed by TPSs pursuant to TPS Service Agreements. Without limiting the generality of this Section 3.01(a)(1), in furtherance of the foregoing, the Servicer hereby agrees that it shall also have, and shall comply with, the duties and responsibilities relating to data acquisition, usage and bill calculation, billing, customer service functions, collection, payment processing and remittance set forth in Annex I hereto.

(2) NHPUC Regulations Control. Notwithstanding anything to the contrary in this Agreement, the duties of the Servicer set forth in this Agreement shall be qualified in their entirety by the Statute, the Finance Order and any NHPUC Regulations as in effect at the time such duties are to be performed.

(b) Reporting Functions.

(1) Annual Reconciliation Report. The Servicer shall deliver an annual written reconciliation report substantially in the form of Exhibit E hereto as required by Section 4.03(b) hereof.

(2) Notification of Laws and Regulations. The Servicer shall promptly notify the Issuer, the Trustee and the Rating Agencies in writing of any laws or NHPUC Regulations hereafter promulgated that have a material adverse effect on the Servicer's ability to perform its duties under this Agreement.

(3) Other Information. Upon the reasonable request of the Issuer, the Trustee or any Rating Agency, the Servicer shall provide to such Issuer, Trustee or such Rating Agency, as the case may be, any public financial information in respect of the Servicer, or any material information regarding the RRB Property to the extent it is reasonably available to the Servicer, as may be reasonably necessary and permitted by law to enable the Issuer, the Trustee, or the Rating Agencies to monitor the Servicer's performance hereunder.

(4) Preparation of Reports to be Filed with the SEC. The Servicer shall prepare or cause to be prepared any reports required to be filed by the Issuer or the Sponsor under the securities laws or other applicable laws, including, if so required, a copy of (i) each Semi-Annual Servicer Certificate described in Section 4.01(d)(3) (under Form 10-D or any other applicable form), (ii) each Certificate of Compliance described in Section 3.03(a), (iii) any other certificates described in Section 3.03(b) and (iv) the Annual Accountant's Report described in Section 3.04 (and any other attestation required under Regulation AB). In addition, the appropriate officer or officers of the Servicer shall (in its separate capacity as Sponsor) sign the Sponsor's annual report on Form 10-K (and any other applicable SEC or other reports, attestations, certifications and other documents), to the extent that the Servicer's signature is required by, and consistent with, the U.S. federal securities laws and/or any other applicable law.

Section 3.02. Servicing and Maintenance Standards. On behalf of the Issuer, the Servicer shall (a) manage, service, administer and make collections in respect of the RRB Property with reasonable care and in accordance with applicable law, including all applicable NHPUC Regulations and guidelines, using the same degree of care and diligence that the Servicer exercises with respect to similar assets for its own account and, if applicable, for others; (b) follow customary standards, policies and procedures for the industry in performing its duties as Servicer; (c) use all reasonable efforts, consistent with its customary servicing procedures, to bill and collect the RRB Charge; (d) file all filings under the applicable Uniform Commercial Code or the Statute necessary or desirable to maintain the ownership interest and perfected security interest of the Issuer and the Trustee, respectively, in the RRB Property with the priority required by the Indenture; and (e) comply in all material respects with all laws and regulations applicable to and binding on it relating to the RRB Property. The Servicer shall follow such customary and usual practices and procedures as it shall deem necessary or advisable in its servicing of all or any portion of the RRB Property, which, in the Servicer's judgment, may include

the taking of legal action, at the Issuer's expense but subject to the priority of payments set forth in Section [8.02(e)] of the Indenture.

Section 3.03. Certificate of Compliance.

(a) For so long as the Bonds remain outstanding, the Servicer shall deliver to the Issuer, the Trustee and the Rating Agencies on or before the earlier of (1) March 31 of each year or (2) with respect to each calendar year during which the Sponsor's annual report on Form 10-K is required to be filed in accordance with the Exchange Act and the rules and regulations thereunder, the date on which such annual report on Form 10-K is required to be filed in accordance with the Exchange Act and the rules and regulations thereunder, commencing March 31, 2019, an Officer's Certificate substantially in the form of Exhibit A hereto (a "Certificate of Compliance"), stating that: (i) a review of the activities of the Servicer during the twelve months ended the preceding December 31 (or, in the case of the first Certificate of Compliance to be delivered on or before March 31, 2019, the period of time from the date of this Agreement until December 31, 2018) and of its performance under this Agreement has been made under such Responsible Officer's supervision, and (ii) to the best of such Responsible Officer's knowledge, based on such review, the Servicer has fulfilled all of its obligations under this Agreement in all material respects throughout such twelve months (or, in the case of the Certificate of Compliance to be delivered on or before March 31, 2019 the period of time from the date of this Agreement until December 31, 2018), or, if there has been a failure to fulfill any such obligation in any material respect, specifying each such failure known to such Responsible Officer and the nature and status thereof.

(b) The Servicer shall use commercially reasonable efforts to obtain, from each other party participating in the servicing function, any additional certifications as to the statements and assessment required under Item 1122 or Item 1123 of Regulation AB to the extent required in connection with the filing of the Issuer's annual report on Form 10-K; *provided, however*, that a failure to obtain such certifications shall not be a breach of the Servicer's duties hereunder. The parties acknowledge that the Trustee's certifications shall be limited to the Item 1122 certifications described in Section [] of the Indenture.

(c) The initial Servicer, in its capacity as Sponsor, shall post on its or its parent company's website and cause the Issuer to file with or furnish to the SEC, in periodic reports and other reports as are required from time to time under Section 13 or Section 15(d) of the Exchange Act, the information described in Section [] of the Indenture to the extent such information is reasonably available to the Sponsor.

Section 3.04. Annual Report by Independent Public Accountants.

(a) For so long as the Bonds remain outstanding³, the Servicer, at the Issuer's expense, shall cause a firm of independent certified public accountants (which

³ Note to draft: Trustee to confirm whether report is also required for the year following retirement of the bonds.

may provide other services to the Servicer) to prepare, and the Servicer shall deliver to the Issuer, the Trustee and the Rating Agencies, a report addressed to the Servicer (the “Annual Accountant’s Report”), which may be included as part of the Servicer’s customary auditing activities, for the information and use of the Issuer, the Trustee and the Rating Agencies, on or before the earlier of (i) March 31 of each year or (ii) with respect to each calendar year during which the Sponsor’s annual report on Form 10-K is required to be filed in accordance with the Exchange Act and the rules and regulations thereunder, the date on which such annual report on Form 10-K is required to be filed in accordance with the Exchange Act and the rules and regulations thereunder, beginning March 31, 2019, to the effect that such firm has performed certain procedures, agreed between the Servicer and such accountants, in connection with the Servicer’s compliance with its obligations under this Agreement during the preceding twelve months ended December 31 (or, in the case of the first Annual Accountant’s Report to be delivered on or before March 31, 2019, the period of time from the date of this Agreement until December 31, 2018), identifying the results of such procedures and including any exceptions noted. The Annual Accountant’s Report shall also include any attestation report required under Item 1122(b) of Regulation AB, as then in effect.

(b) The Annual Accountant’s Report shall also indicate that the accounting firm providing such report is independent of the Servicer within the meaning of the Code of Professional Conduct of the American Institute of Certified Public Accountants or any superseding or amended standard adopted by the Public Company Accounting Oversight Board.

ARTICLE 4

SERVICES RELATED TO PERIODIC ADJUSTMENTS; REMITTANCES

Section 4.01. Periodic Adjustments. From time to time, until the Retirement of the Bonds, the Servicer shall identify the need for Periodic Adjustments and shall take all reasonable action to obtain and implement such Periodic Adjustments, all in accordance with the following:

(a) Expected Amortization Schedule. The Expected Amortization Schedule is attached hereto as Schedule 4.01(a). If the Expected Amortization Schedule is revised, the Servicer shall send a copy of such revised Expected Amortization Schedule to the Issuer, the Trustee and the Rating Agencies promptly thereafter.

(b) Routine Periodic Adjustments and Annual Filings.

(1) Annual Routine Periodic Adjustments and Filings. For the purpose of preparing an Annual Routine True-Up Letter, the Servicer shall: (A) update the assumptions underlying the calculation of the RRB Charge, including forecasted kWh usage by rate class, the rate of charge-offs and estimated ongoing

transaction costs of the Issuer to the extent not fixed, for the two Remittance Periods beginning, respectively, on January 1 and July 1 of the year that such Annual Routine True-Up Letter is filed; (B) update the calculation of Weighted Average Days Outstanding; (C) determine the Periodic RRB Payment Requirements for such Remittance Periods, based upon such updated assumptions; and (D) determine the RRB Charge to be charged during the twelve-month period commencing with the Payment Date immediately following the filing of such Annual Routine True-Up Letter based upon such Periodic RRB Payment Requirements. The Servicer shall file an Annual Routine True-Up Letter with the NHPUC no later than January 15 of each year.

(2) Routine Mid-Year Periodic Adjustments. The Servicer shall file a Mid-Year Routine True-Up Letter not later than July 15 of each year, if the Servicer reasonably projects that Estimated RRB Charge Payments (without giving effect to the Periodic Adjustments set forth in such Mid-Year Routine True-Up Letter) will be insufficient to cover the Periodic RRB Payment Requirements for the Remittance Period beginning on July 1 of such year.

(3) Other Routine Periodic Adjustments. In addition (a) except during the two Remittance Periods preceding the [Latest Final Maturity Date,]⁴ the Servicer may (but shall not be required to) file an Other Routine True-Up Letter not later than the date that is 15 days before the end of any calendar month if it reasonably projects that Estimated RRB Charge Payments (without giving effect to the Periodic Adjustments set forth in such Other Routine True-Up Letter) will be insufficient to cover the Periodic RRB Payment Requirements for the then-current Remittance Period and (b) during the two Remittance Periods preceding the [Latest Final Maturity Date,]⁵ if the Servicer reasonably projects that Estimated RRB Charge Payments (without giving effect to the Periodic Adjustments set forth in such Other Routine True-Up Letter) will be insufficient to cover the Periodic RRB Payment Requirements for the then-current Remittance Period, 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.

(4) Effectiveness of Periodic Adjustments. Absent manifest error, the Periodic Adjustments will become effective: (i) in the case of any Periodic Adjustment contained in any Annual Routine True-Up Letter, on the ensuing February 1; (ii) in the case of any Periodic Adjustment contained in any Mid-Year Routine True-Up Letter, on the ensuing August 1; or (iii) in the case of a Periodic Adjustment related to an Other Routine True-Up Letter, on the first day of the calendar month following the filing of the applicable Other Routine True-Up Letter. The Servicer shall take all reasonable actions and make all reasonable efforts to secure any Periodic Adjustments.

⁴ Note to Draft: Defined term to be confirmed in the Indenture.

⁵ Note to Draft: Defined term to be confirmed in the Indenture.

(c) Non-Routine Periodic Adjustments.

(1) Whenever the Servicer determines that the existing model for calculating the RRB Charge should be amended or revised, subject to the consent of the Issuer under the conditions set forth in Section [3.18] of the Indenture, the Servicer shall file a Non-Routine True-Up Letter with the NHPUC designating the adjustments to such model and any corresponding adjustments to the RRB Charge (collectively, a “Non-Routine Periodic Adjustment”), subject to the review and approval of the NHPUC pursuant to the Finance Order.

(2) The Servicer shall take all reasonable actions and make all reasonable efforts to secure any Non-Routine Periodic Adjustments.

(3) The Servicer shall implement any resulting adjustments to the model and any resulting revised RRB Charge effective upon review and approval by the NHPUC.

(d) Reports.

(1) Notification of Advice Letter Filings and Periodic Adjustments. Whenever the Servicer files an Advice Letter with the NHPUC, the Servicer shall send a copy of such filing to the Issuer, the Trustee and the Rating Agencies concurrently therewith. If any Periodic Adjustment requested in any such Advice Letter filing does not become effective on the applicable date as provided by the Finance Order, the Servicer shall notify the Issuer, the Trustee and the Rating Agencies by the end of the second Servicer Business Day after such applicable date.

(2) Monthly Servicer Certificate. So long as any Bonds are outstanding, not later than fifteen (15) days after the end of each month after the Bonds are issued, commencing with the calendar month ending [_____], 2018, or if such day is not a Servicer Business Day, the next succeeding Servicer Business Day, the Servicer shall deliver a written report substantially in the form of Exhibit C hereto (the “Monthly Servicer Certificate”) to the Issuer, the Trustee and the Rating Agencies.

(3) Semi-Annual Servicer Certificate. So long as any Bonds are outstanding, not later than the Servicer Business Day immediately preceding each Payment Date, the Servicer shall deliver a written report substantially in the form of Exhibit D hereto (the “Semi-Annual Servicer Certificate”) to the Issuer, the Trustee and the Rating Agencies.

(4) TPS Reports. The Servicer shall provide to the Rating Agencies, upon request, any publicly available reports filed by the Servicer with the NHPUC (or otherwise made publicly available by the Servicer) relating to TPSs and any other non-confidential and non-proprietary information relating to TPSs reasonably requested by the Rating Agencies.

Section 4.02. Limitation of Liability.

(a) The Issuer and the Servicer expressly agree and acknowledge that:

(1) In connection with any Periodic Adjustment, the Servicer is acting solely in its capacity as the servicing agent hereunder.

(2) Neither the Servicer nor the Issuer shall be responsible in any manner for, and shall have no liability whatsoever as a result of, any action, decision, ruling or other determination made or not made, or any delay (other than any delay resulting from the Servicer's failure to file for Periodic Adjustments or Non-Routine Periodic Adjustments required by Section 4.01 in a timely and correct manner or other material breach by the Servicer of its duties under this Agreement that materially and adversely affects the RRB Property, any Periodic Adjustments or Non-Routine Periodic Adjustments), by the NHPUC in any way related to the RRB Property or in connection with any Periodic Adjustment or Non-Routine Periodic Adjustment, the subject of any filings under Section 4.01, any proposed Periodic Adjustment or Non-Routine Periodic Adjustment, or the approval of the RRB Charge and the adjustments thereto.

(3) Except to the extent that the Servicer is liable under Section 6.02, the Servicer shall have no liability whatsoever relating to the calculation of the RRB Charge and the adjustments thereto (including any Non-Routine Periodic Adjustment), including as a result of any inaccuracy of any of the assumptions made in such calculation regarding expected forecasted kWh usage by rate class, the rate of charge-offs, Weighted Average Days Outstanding and estimated ongoing transaction costs of the Issuer, so long as the Servicer has acted in good faith and not acted in a grossly negligent manner in connection therewith, nor shall the Servicer have any liability whatsoever as a result of any Person, including the Bondholders, not receiving any payment, amount or return anticipated or expected in respect of any Bond generally.

(b) Notwithstanding the foregoing, this Section 4.02 shall not relieve the Servicer of any liability under Section 6.02 for any misrepresentation by the Servicer under Section 6.01 or for any breach by the Servicer of its obligations under this Agreement.

Section 4.03. Remittances.

(a) Subject to Section 4.03(b) below, on each Servicer Business Day, commencing approximately the weighted average days outstanding after the date of this Agreement, the Servicer will cause to be made within two Servicer Business Days of deemed receipt, a wire transfer of immediately available funds to the Collection Account in an amount equal to the Estimated RRB Charge Payments (as calculated in accordance with Annex I hereto) received on such Servicer Business Day and on any prior day that was not a Servicer Business Day for which a Remittance has not previously been made (taking into account the Weighted Average Days Outstanding in effect from time to time). Prior to or simultaneous with each Remittance to the Collection Account pursuant to this

Section, the Servicer shall provide written notice to the Trustee of each such Remittance (including the exact dollar amount to be remitted).

(b) On or before March 1 of each year, the Servicer shall calculate the amount of any Remittance Shortfall or Remittance Excess attributable to the prior Reconciliation Period and (A) if a Remittance Shortfall exists, the Servicer shall make a supplemental wire transfer of immediately available funds to the Collection Account on the next Servicer Business Day following such calculation in the amount of such Remittance Shortfall, or (B) if a Remittance Excess exists, the Servicer may reduce the amount of Remittances to be made to the Issuer on succeeding Servicer Business Days in an amount equal to the amount of such Remittance Excess until the balance of the Remittance Excess has been reduced to zero. The Servicer shall deliver a written report setting forth in reasonable detail the calculation of any Remittance Excess or Remittance Shortfall to the Issuer, the Trustee and the Rating Agencies as in Exhibit E.

(c) The Servicer agrees and acknowledges that it holds all Estimated RRB Charge Payments and any other proceeds for [RRB Collateral]⁶ received by it for the benefit of the Trustee and the Bondholders and that all such amounts will be remitted by the Servicer in accordance with this Section 4.03 without any surcharge, fee, offset, charge or other deduction except (i) as set forth in Section 4.03(b) above and (ii) for late fees and interest earnings permitted by Section 6.06.

ARTICLE 5

THE RRB PROPERTY

Section 5.01. Custody of RRB Property Records. To assure uniform quality in servicing the RRB Property and to reduce administrative costs, the Issuer hereby revocably appoints the Servicer, and the Servicer hereby accepts such appointment, to act as the agent of the Issuer as custodian of any and all documents and records that the Servicer shall keep on file, in accordance with its customary procedures, relating to the RRB Property, including copies of the Finance Order and Advice Letters relating thereto and all documents filed with the NHPUC in connection with any Periodic Adjustment or Non-Routine Periodic Adjustment and computational records relating thereto (collectively, the “RRB Property Records”), which are hereby constructively delivered to the Trustee, as pledgee of the Issuer with respect to all RRB Property.

Section 5.02. Duties of Servicer as Custodian.

(a) Safekeeping. The Servicer shall hold the RRB Property Records on behalf of the Issuer and the Trustee and maintain such accurate and complete accounts, records and computer systems pertaining to the RRB Property Records on behalf of the Issuer and the Trustee as shall enable the Issuer and the Trustee, as applicable to comply with this Agreement, the Sale Agreement and the Indenture. In performing its duties as

⁶ Note to Draft: Defined term to be confirmed in the Indenture.

custodian, the Servicer shall act with reasonable care, using that degree of care and diligence that the Servicer exercises with respect to comparable assets that the Servicer services for itself or, if applicable, for others. The Servicer shall promptly report to the Issuer, the Trustee and the Rating Agencies any failure on its part to hold the RRB Property Records and maintain its accounts, records and computer systems as herein provided and promptly take appropriate action to remedy any such failure. Nothing herein shall be deemed to require an initial review or any periodic review by the Issuer or the Trustee of the RRB Property Records. The Servicer's duties to hold the RRB Property Records on behalf of the Issuer set forth in this Section 5.02, to the extent such RRB Property Records have not been previously transferred to a successor Servicer pursuant to Article 7, shall terminate one year and one day after the earlier of the date on which (i) the Servicer is succeeded by a successor Servicer in accordance with Article 7 and (ii) no Bonds are outstanding.

(b) Maintenance of and Access to Records. The Servicer shall maintain at all times records and accounts that permit the Servicer to identify RRB Charges billed. The Servicer shall maintain the RRB Property Records at PSNH's corporate offices or at such other office as shall be specified to the Issuer and the Trustee by written notice at least 30 days prior to any change in location. The Servicer shall make available for inspection to the Issuer, the Trustee, the NHPUC or their respective duly authorized representatives, attorneys or auditors the RRB Property Records at such times during normal business hours as the Issuer, the Trustee or the NHPUC shall reasonably request and which do not unreasonably interfere with the Servicer's normal operations.

(c) Release of Documents. Upon instruction from the Trustee in accordance with the Indenture, the Servicer shall release any RRB Property Records to the Trustee, the Trustee's agent or the Trustee's designee, as the case may be, at such place or places as the Trustee may designate, as soon as practicable.

(d) Defending RRB Property Against Claims. The Servicer, on behalf of the Issuer and the Bondholders, shall institute any action or proceeding necessary to compel performance by the NHPUC or the State of New Hampshire of any of their obligations or duties under the Statute, the Finance Order or any Advice Letter, and the Servicer agrees to take such legal or administrative actions, including defending against or instituting and pursuing legal actions and appearing or testifying at hearings or similar proceedings, as may be reasonably necessary to block or overturn any attempts to cause a repeal of, modification of, or supplement to, the Statute or the Finance Order or the rights of holders of RRB Property by executive action, legislative enactment or constitutional amendment or (if such means become available in the future) referendum or initiative petition that would be adverse to Bondholders, the Issuer or the Trustee. The costs of any such action shall be payable from RRB Charge Collections as an Operating Expense in accordance with the priorities set forth in Section 8.02(d) of the Indenture. The Servicer's obligations pursuant to this Section 5.02 shall survive and continue notwithstanding the fact that the payment of Operating Expenses pursuant to Section 8.02(d) of the Indenture may be delayed (it being understood that the Servicer may be required to advance its own funds to satisfy its obligations hereunder).

(e) Nothing in this Section 5.02 shall affect the obligation of the Servicer to observe any applicable law (including any NHPUC Regulations) prohibiting disclosure of information regarding the customers, and the failure of the Servicer to provide access to such information as a result of such obligation shall not constitute a breach of this Section 5.02.

Section 5.03. Instructions; Authority to Act. For so long as any Bonds remain outstanding, the Servicer shall be deemed to have received proper instructions with respect to the RRB Property Records upon its receipt of written instructions signed by a Responsible Officer (as defined in the Indenture) of the Trustee.

Section 5.04. Effective Period and Termination. The Servicer's appointment as custodian shall become effective as of the Closing Date and shall continue in full force and effect until terminated pursuant to this Section 5.04. If any Servicer shall resign as Servicer in accordance with the provisions of this Agreement or if all of the rights and obligations of any Servicer shall have been terminated under Section 7.01, the appointment of such Servicer as custodian shall terminate upon appointment of a successor Servicer, subject to the approval of the NHPUC, and acceptance by such successor Servicer of such appointment.

Section 5.05. Monitoring of Third Party Suppliers. From time to time, until the Retirement of the Bonds, the Servicer shall, using the same degree of care and diligence that it exercises with respect to payments owed to it for its own account, implement such procedures and policies as are necessary to properly enforce the obligations of each TPS to remit RRB Charges, in accordance with the terms and provisions of the Finance Order, the TPS Service Agreement and Schedule A to Annex I hereto.

ARTICLE 6

THE SERVICER

Section 6.01. Representations and Warranties of Servicer. The Servicer makes the following representations and warranties, as of the Closing Date, and as of such other dates as expressly provided in this Section 6.01, on which the Issuer is deemed to have relied in entering into this Agreement relating to the servicing of the RRB Property. The representations and warranties shall survive the execution and delivery of this Agreement, the sale of any RRB Property and the pledge thereof to the Trustee pursuant to the Indenture.

(a) Organization and Good Standing. The Servicer is duly organized and validly existing as a corporation in good standing under the laws of the State of New Hampshire, with the requisite corporate power and authority to own its properties as such properties are currently owned and to conduct its business as such business is currently conducted by it, and has the requisite corporate power and authority to service the RRB Property and to hold the RRB Property Records as custodian.

(b) Due Qualification. The Servicer is duly qualified to do business as a foreign corporation in good standing, and has obtained all necessary licenses and approvals, in all jurisdictions in which the ownership or lease of property or the conduct of its business (including the servicing of the RRB Property as required by this Agreement) shall require such qualifications, licenses or approvals (except where the failure to so qualify or obtain such licenses and approvals would not be reasonably likely to have a material adverse effect on the Servicer's business, operations, assets, revenues or properties or adversely affect the servicing of the RRB Property).

(c) Power and Authority. The Servicer has the requisite corporate power and authority to execute and deliver this Agreement and to carry out its terms; and the execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate action on the part of the Servicer.

(d) Binding Obligation. This Agreement constitutes a legal, valid and binding obligation of the Servicer enforceable against it in accordance with its terms, subject to applicable insolvency, reorganization, moratorium, fraudulent transfer and other laws relating to or affecting creditors' rights generally from time to time in effect and to general principles of equity (including concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at law.

(e) No Violation. The consummation of the transactions contemplated by this Agreement and the fulfillment of the terms hereof do not: (i) conflict with or result in any breach of any of the terms and provisions of, nor constitute (with or without notice or lapse of time) a default under, the articles of organization or by-laws of the Servicer, or any material indenture, agreement or other instrument to which the Servicer is a party or by which it is bound; (ii) result in the creation or imposition of any Lien upon any of the Servicer's properties pursuant to the terms of any such indenture, agreement or other instrument; nor (iii) violate any existing law or any existing order, rule or regulation applicable to the Servicer of any court or of any federal or state regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Servicer or its properties, so as to adversely affect the Servicer, the Issuer or the Bondholders.

(f) No Proceedings. There are no proceedings pending and, to the Servicer's knowledge, there are no proceedings threatened and, to the Servicer's knowledge, there are no investigations pending or threatened, before any court, federal or state regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Servicer or its properties involving or relating to the Servicer or the Issuer or, to the Servicer's knowledge, any other Person: (i) asserting the invalidity of this Agreement; (ii) seeking to prevent the issuance of the Bonds or the consummation of any of the transactions contemplated by this Agreement or any of the other Related Agreements; (iii) seeking any determination or ruling that might materially and adversely affect the performance by the Servicer of its obligations under, or the validity or enforceability of, this Agreement or any of the other Related Agreements; or (iv) seeking

to adversely affect the U.S. federal income tax, state income tax or franchise tax classification of the Bonds as debt.

(g) Approvals. No approval, authorization, consent, order or other action of, or filing with, any court, federal or state regulatory body, administrative agency or other governmental instrumentality is required in connection with the execution and delivery by the Servicer of this Agreement, the performance by the Servicer of the transactions contemplated hereby or the fulfillment by the Servicer of the terms hereof, except those that have been obtained or made and those that the Servicer is required to make in the future pursuant to Article 3 or Article 4 hereof and post-closing filings in connection therewith.

(h) Reports and Certificates. Each report and certificate delivered in connection with any filing made to the NHPUC by the Issuer with respect to the RRB Charges or Periodic Adjustments will constitute a representation and warranty by the Servicer that each such report or certificate, as the case may be, is true and correct in all material respects; provided, however, that, to the extent any such report or certificate is based in part upon or contains assumptions, forecasts or other predictions of future events, the representation and warranty of the Servicer with respect thereto will be limited to the representation and warranty that such assumptions, forecasts or other predictions of future events are believed by the Servicer to be reasonable based upon historical performance (and facts known to the Servicer on the date such report or certificate is delivered).

Section 6.02. Indemnities of Servicer.

(a) The Servicer shall be liable in accordance herewith only to the extent of the obligations specifically undertaken by the Servicer and as expressly provided under this Section 6.02.

(b) The Servicer shall indemnify the Issuer the Bondholders (each an "Indemnified Person" for purposes of Sections 6.02(b) and (d)) for, and defend and hold harmless each such Person from and against, any and all liabilities, obligations, losses, actual damages, payments, claims, costs or expenses of any kind whatsoever (collectively, "Losses") that may be imposed on, incurred by or asserted against any such Person as a result of (i) the Servicer's willful misconduct or gross negligence in the performance of its duties or observance of its covenants under this Agreement (including the Servicer's willful misconduct or gross negligence relating to the maintenance and custody by the Servicer, as custodian, of the RRB Property Records) or (ii) the Servicer's breach in any material respect of any of its representations or warranties in this Agreement; *provided, however*, that the Servicer shall not be liable for any Losses resulting from the willful misconduct or gross negligence of any such Indemnified Person; and, *provided, further*, that the Bondholders shall be entitled to enforce their rights and remedies against the Servicer under this Section 6.02(b) solely through a cause of action brought for their benefit by the Trustee.

(c) The Servicer shall indemnify and hold harmless the Trustee and any of its respective affiliates, officials, officers, directors, employees, consultants, counsel and agents (each an “Indemnified Person” for purposes of Section 6.02(c) and (d)) for, and defend and hold harmless each such Person from and against, any and all Losses imposed on, incurred by or asserted against any of such Indemnified Persons as a result of: (i) the Servicer’s willful misconduct or gross negligence in the performance of its duties or observance of its covenants under this Agreement (including the Servicer’s willful misconduct or gross negligence relating to the maintenance and custody by the Servicer, as custodian, of the RRB Property Records) or (ii) the Servicer’s breach in any material respect of any of its representations or warranties in this Agreement; *provided, however*, that the Servicer shall not be liable for any Losses resulting from the willful misconduct or gross negligence of such Indemnified Person or resulting from a breach of a representation or warranty made by such Indemnified Person in any of the Basic Documents that gives rise to the Servicer’s breach.

(d) The Servicer shall not be required to indemnify an Indemnified Person for any amount paid or payable by such Indemnified Person in the settlement of any action, proceeding or investigation without the written consent of the Servicer, which consent shall not be unreasonably withheld. Promptly after receipt by an Indemnified Person of notice of its involvement in any action, proceeding or investigation, such Indemnified Person shall, if a claim for indemnification in respect thereof is to be made against the Servicer under this Section 6.02(d), notify the Servicer in writing of such involvement. Failure by an Indemnified Person to so notify the Servicer shall relieve the Servicer from the obligation to indemnify and hold harmless such Indemnified Person under this Section 6.02, only to the extent that the Servicer suffers actual prejudice as a result of such failure. With respect to any action, proceeding or investigation brought by a third party for which indemnification may be sought under this Section 6.02, the Servicer shall be entitled to assume the defense of any such action, proceeding or investigation. Upon assumption by the Servicer of the defense of any such action, proceeding or investigation, the Indemnified Person shall have the right to participate in such action or proceeding and to retain its own counsel. The Servicer shall be entitled to appoint counsel of the Servicer’s choice at the Servicer’s expense to represent the Indemnified Person in any action, proceeding or investigation for which a claim of indemnification is made against the Servicer under this Section 6.02 (in which case the Servicer shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the Indemnified Person except as set forth below); *provided, however*, that such counsel shall be reasonably satisfactory to the Indemnified Person. Notwithstanding the Servicer’s election to appoint counsel to represent the Indemnified Person in an action, proceeding or investigation, the Indemnified Person shall have the right to employ separate counsel (including one local counsel in each relevant jurisdiction), and the Servicer shall bear the reasonable and documented out-of-pocket fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the Servicer to represent the Indemnified Person would present such counsel with a conflict of interest, (ii) the actual or potential defendants in, or targets of, any such action include both the Indemnified Person and the Servicer and the Indemnified Person shall have reasonably concluded that there may be legal defenses available to it that are different

from or additional to those available to the Servicer, (iii) the Servicer shall not have employed counsel reasonably satisfactory to the Indemnified Person to represent the Indemnified Person within a reasonable time after notice of the institution of such action or (iv) the Servicer shall authorize the Indemnified Person to employ separate counsel at the expense of the Servicer. Notwithstanding the foregoing, the Servicer shall not be obligated to pay for the fees, costs and expenses of more than one separate counsel for the Indemnified Persons (in addition to one local counsel in each relevant jurisdiction). The Servicer will not, without the prior written consent of the Indemnified Person, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought under this Section 6.02 (whether or not the Indemnified Person is an actual or potential party to such claim or action) unless such settlement, compromise or consent includes an unconditional release of the Indemnified Person from all liability arising out of such claim, action, suit or proceeding.

(e) The right to indemnification under this Section 6.02 shall survive the resignation or removal of the Trustee and/or the termination of this Agreement and shall include reasonable and documented out-of-pocket fees and expenses of investigation and litigation (including reasonable and documented out-of-pocket attorneys' fees and expenses), except as otherwise provided in this Agreement.

(f) For purposes of this Section 6.02, in the event of the termination of the rights and obligations of Public Service Company of New Hampshire (or any successor thereto pursuant to Section 6.04) as Servicer pursuant to Section 7.01, or a resignation by such Servicer pursuant to this Agreement, such Servicer shall be deemed to be the Servicer pending appointment of a successor Servicer pursuant to Section 7.02.

Section 6.03. Limitation on Liability of Servicer and Others. Except as otherwise provided under this Agreement, neither the Servicer nor any of the directors, officers, employees or agents of the Servicer shall be liable to the Issuer or any other Person for any action taken or for refraining from the taking of any action pursuant to this Agreement or for errors in judgment; *provided, however*, that this provision shall not protect the Servicer or any director, officer, employee or agent of the Servicer against any liability that would otherwise be imposed by reason of willful misconduct or gross negligence in the performance of duties under this Agreement. The Servicer and any director, officer, employee or agent of the Servicer may rely in good faith on the advice of counsel reasonably acceptable to the Trustee or on any document of any kind, *prima facie* properly executed and submitted by any Person, respecting any matters arising under this Agreement. Except as provided in this Agreement, the Servicer shall not be under any obligation to appear in, prosecute or defend any legal action relating to the RRB Property; *provided, however*, that the Servicer may, in respect of any proceeding, undertake any action that it is not specifically identified in this Agreement as a duty of the Servicer but that the Servicer reasonably determines is necessary or desirable in order to protect the rights and duties of the Issuer or the Trustee under this Agreement and the interests of the Bondholders and customers under this Agreement.

Section 6.04. Merger or Consolidation of, or Assumption of the Obligations of, Servicer. Any Person (a) into which the Servicer may be merged or consolidated, (b) which may result from any merger or consolidation to which the Servicer shall be a party or (c) which may succeed to the properties and assets of the Servicer substantially as a whole, which Person in any of the foregoing cases executes an agreement of assumption to perform every obligation of the Servicer hereunder, shall be the successor to the Servicer under this Agreement without further act on the part of any of the parties to this Agreement; *provided, however*, that (i) immediately after giving effect to such transaction, no Servicer Default and no event which, after notice or lapse of time, or both, would become a Servicer Default shall have occurred and be continuing, (ii) the Servicer shall have delivered to the Issuer and the Trustee an Officers' Certificate stating that such consolidation, merger or succession and such agreement of assumption comply with this Section and that all conditions precedent provided for in this Agreement relating to such transaction have been complied with, (iii) the Servicer shall have delivered to the Issuer and the Trustee an Opinion of Counsel stating that, in the opinion of such counsel (A) all conditions precedent to such consolidation, merger or succession and such agreement of assumption provided for in this Agreement relating to such transaction have been complied with and (B) either (1) all filings to be made by the Servicer, including filings with the NHPUC pursuant to the Statute and filings under the applicable Uniform Commercial Code, have been executed and filed that are necessary to preserve and protect fully the interests of the Issuer and the Trustee in the RRB Property and reciting the details of such filings or (2) no such action shall be necessary to preserve and protect such interests, (iv) the Servicer shall have delivered to the Issuer, the Trustee and the Rating Agencies an Opinion of Counsel from independent tax counsel stating that, for U.S. federal income tax purposes, such consolidation, conversion, merger or succession and such agreement of assumption will not result in a material adverse U.S. federal income tax consequence to the Issuer or the Bondholders and (v) the Rating Agencies shall have received prior written notice of such transaction. When any Person acquires the properties and assets of the Servicer substantially as a whole and becomes the successor to the Servicer in accordance with the terms of this Section 6.04, then upon satisfaction of all of the other conditions of this Section 6.04, the Servicer shall automatically and without further notice be released from all its obligations hereunder.

Section 6.05. Public Service Company of New Hampshire Not to Resign as Servicer. Subject to the provisions of Section 6.04, Public Service Company of New Hampshire shall not resign from the obligations and duties hereby imposed on it as Servicer under this Agreement except upon either (a) a determination by Public Service Company of New Hampshire that the performance of its duties under this Agreement shall no longer be permissible under applicable law or (b) satisfaction of the following: (i) the Rating Agency Condition shall have been satisfied and (ii) the NHPUC shall have approved such resignation. Notice of any such determination permitting the resignation of Public Service Company of New Hampshire shall be communicated to the Issuer, the Trustee and the Rating Agencies at the earliest practicable time (and, if such communication is not in writing, shall be confirmed in writing at the earliest practicable time) and any such determination that the performance of Public Service Company of New Hampshire's duties under this Agreement shall no longer be permissible under

applicable law shall be evidenced by an Opinion of Counsel to such effect delivered by Public Service Company of New Hampshire to the Issuer and the Trustee concurrently with or promptly after such notice. No such resignation shall become effective until a successor Servicer shall have assumed the responsibilities and obligations of Public Service Company of New Hampshire in accordance with Section 7.02.

Section 6.06. Servicing Compensation.

(a) In consideration for its services hereunder, until the collection in full of the RRB Charges, the Servicer shall receive (x) an annual fee (the “Servicing Fee”) in an amount equal to (i) five one-hundredths of one percent (0.05%) of the initial principal balance of the Bonds for so long as the Servicer is Public Service Company of New Hampshire or any successor Servicer that bills the RRB Charge concurrently with other charges for services or (ii) up to six tenths of one percent (0.60%) of the initial principal balance of the Bonds for so long as the Servicer is a successor Servicer that bills the RRB Charge separately to customers (which amount shall be determined by a separate agreement between the Issuer and the Servicer) and (y) an initial fee payable on the Closing Date of \$50,000. The Servicing Fee shall be payable in semi-annual installments on each Payment Date. The Servicer also shall be entitled to retain as additional compensation (i) any interest earnings on RRB Charge Collections received by the Servicer and invested by the Servicer pursuant to Section 6(c) of Annex I hereto prior to remittance to the Collection Account and (ii) all late payment charges, if any, collected from customers or TPSs to the extent consistent with the Tariff.

(b) The Servicing Fee set forth in Section 6.06(a) above and expenses provided for in Section 6.06(c) below shall be paid to the Servicer by the Trustee, on each Payment Date in accordance with the priorities set forth in Section 8.02(d) of the Indenture, by wire transfer of immediately available funds from the Collection Account to an account designated by the Servicer. Any portion of the Servicing Fee not paid on such date shall be added to the Servicing Fee payable on the subsequent Payment Date.

(c) The Issuer shall pay all expenses incurred by the Servicer in connection with its activities hereunder (including any reasonable and documented out-of-pocket fees to and disbursements by accountants, counsel, or any other Person, any taxes imposed on the Servicer (other than taxes based on the Servicer’s net income) and any expenses incurred in connection with reports to Bondholders, subject to the priorities set forth in Section [8.02(d)] of the Indenture).

Section 6.07. Compliance with Applicable Law. The Servicer covenants and agrees, in servicing the RRB Property, to comply in all material respects with all laws applicable to, and binding upon, the Servicer and relating to such RRB Property the noncompliance with which would have a material adverse effect on the value of the RRB Property; *provided, however*, that the foregoing is not intended to, and shall not, impose any liability on the Servicer for noncompliance with any law that the Servicer is contesting in good faith in accordance with its customary standards and procedures.

Section 6.08. Access to Certain Records and Information Regarding RRB Property. The Servicer shall provide to the Bondholders, the Issuer and the Trustee access to the RRB Property Records in such cases where the Bondholders, the Issuer or the Trustee shall be required by applicable law to be provided access to such records. Access shall be afforded without charge, but only upon reasonable request and during normal business hours at the respective offices of the Servicer. Nothing in this Section shall affect the obligation of the Servicer to observe any applicable law (including any NHPUC Regulation) prohibiting disclosure of information regarding the customers, and the failure of the Servicer to provide access to such information as a result of such obligation shall not constitute a breach of this Section.

Section 6.09. Appointments.

(a) The Servicer may at any time appoint any Person to perform all or any portion of its obligations as Servicer hereunder; *provided, however*, that the Rating Agency Condition shall have been satisfied in connection therewith; and, *provided, further*, that the Servicer shall remain obligated and be liable under this Agreement for the servicing and administering of the RRB Property in accordance with the provisions hereof without diminution of such obligation and liability by virtue of the appointment of such Person and to the same extent and under the same terms and conditions as if the Servicer alone were servicing and administering the RRB Property; and, *provided, further, however*, that nothing herein (including the Rating Agency Condition) shall preclude the engagement of any Person to provide lockbox or similar payment processing services. The fees and expenses of any such Person shall be as agreed between the Servicer and such Person from time to time and none of the Issuer, the Trustee, the Bondholders or any other Person shall have any responsibility therefor or right or claim thereto. Any such appointment shall not constitute a Servicer resignation under Section 6.05.

(b) The Servicer, in carrying out the foregoing duties or any of its other obligations under this Agreement, may enter into transactions with or otherwise deal with any of its Affiliates to obtain the services of such Affiliates as is its current practice; *provided, however*, that the terms of any such transactions or dealings shall be no less favorable to the Issuer than would be available from unaffiliated parties or that would be available if the Servicer were to hire its own employees to perform such services.

Section 6.10. No Servicer Advances. Except with regard to Remittances of Estimated RRB Charge Payments, the Servicer shall not make any advances of interest on or principal of the Bonds.

Section 6.11. Maintenance of Operations. The Servicer agrees to continue to operate its distribution system to provide service to its customers so long as it is acting as the Servicer under this Agreement.

ARTICLE 7

DEFAULT

Section 7.01. Servicer Default. If any one of the following events (each a “Servicer Default”) shall occur and be continuing:

(a) any failure by the Servicer to remit to the Collection Account on behalf of the Issuer any required Remittance that shall continue unremedied for a period of five (5) Servicer Business Days after written notice of such failure is received by the Servicer from the Issuer or the Trustee or after discovery of such failure by a Responsible Officer of the Servicer; or

(b) any failure on the part of the Servicer, or so long as the Servicer is Public Service Company of New Hampshire or an affiliate thereof, any failure on the part of Public Service Company of New Hampshire, as the case may be, duly to observe or to perform in any material respect any other covenants or agreements of the Servicer or Public Service Company of New Hampshire, as the case may be, set forth in this Agreement (other than as provided in Section 7.01(a) or Section 7.01(c)) or any other Related Agreement to which it is a party, which failure shall (a) materially and adversely affect the rights of the Bondholders and (ii) continue unremedied for a period of 60 days after (A) the date on which written notice of such failure, requiring the same to be remedied, shall have been given (I) to the Servicer, or Public Service Company of New Hampshire, as the case may be, by the Issuer or (II) to the Servicer, or Public Service Company of New Hampshire, as the case may be, by the Trustee or by the Holders of Bonds evidencing not less than 25 percent of the Outstanding Amount of the Bonds or (B) such failure is discovered by a Responsible Officer of the Servicer; or

(c) any failure by the Servicer duly to perform its obligations under Section 4.01(b) in the time and manner set forth therein, which failure continues unremedied for a period of five Business Days;

(d) any representation or warranty made by the Servicer in this Agreement or any other Related Agreement, to the extent it is a party, shall prove to have been incorrect in any material respect when made, which has a material adverse effect on the Bondholders and which material adverse effect continues unremedied for a period of 60 days after written notice of such failure is received by the Servicer from the Issuer or the Trustee; or

(e) an Insolvency Event occurs with respect to the Servicer;

then, and in each and every case, so long as the Servicer Default shall not have been remedied, either the Trustee, or the Holders of Bonds evidencing not less than 25 percent of the Outstanding Amount of the Bonds, by notice then given in writing to the Servicer (and to the Trustee if given by the Bondholders) (a “Termination Notice”) may terminate all the rights and obligations (other than the obligations set forth in Section 6.02 and the

obligations under Section 7.02 to continue performing its functions as Servicer until a successor Servicer is appointed) of the Servicer under this Agreement. In addition, upon a Servicer Default described in Section 7.01(a), each of the following shall be entitled to apply to the NHPUC for sequestration and payment of revenues arising with respect to the RRB Property in accordance with RSA 369-B:7, VI and VIII: (1) the Bondholders or the Trustee; (2) the Issuer or its assignees; or (3) pledgees or transferees of the RRB Property. On or after the receipt by the Servicer of a Termination Notice, and subject to the approval of the NHPUC, all authority and power of the Servicer under this Agreement, whether with respect to the Bonds, the RRB Property, the RRB Charge or otherwise, shall, without further action, pass to and be vested in such successor Servicer as may be appointed under Section 7.02; and, without limitation, the Trustee is hereby authorized and empowered to execute and deliver, on behalf of the predecessor Servicer, as attorney-in-fact or otherwise, any and all documents and other instruments, and to do or accomplish all other acts or things necessary or appropriate to effect the purposes of such Termination Notice, whether to complete the transfer of the RRB Property Records and related documents, or otherwise. The predecessor Servicer shall cooperate with the successor Servicer, the Issuer and the Trustee in effecting the termination of the responsibilities and rights of the predecessor Servicer under this Agreement, including the transfer to the successor Servicer for administration by it of all cash amounts that shall at the time be held by the predecessor Servicer for remittance, or shall thereafter be received by it with respect to the RRB Property or the RRB Charge. In case a successor Servicer is appointed as a result of a Servicer Default, all reasonable costs and expenses (including reasonable attorneys' fees and expenses) incurred in connection with transferring the RRB Property Records to the successor Servicer and amending this Agreement to reflect such succession as Servicer pursuant to this Section shall be paid by the predecessor Servicer upon presentation of reasonable documentation of such costs and expenses. Termination of Public Service Company of New Hampshire as Servicer shall not terminate Public Service Company of New Hampshire's rights or obligations under the Sale Agreement (except rights thereunder deriving from its rights as the Servicer hereunder). All other reasonable costs and expenses incurred in transferring servicing responsibilities to a successor servicer shall constitute Operating Expenses of the Issuer.

Section 7.02. Appointment of Successor.

(a) Upon the Servicer's receipt of a Termination Notice pursuant to Section 7.01 or the Servicer's resignation or removal in accordance with the terms of this Agreement, the predecessor Servicer shall continue to perform its functions as Servicer under this Agreement, and shall be entitled to receive the requisite portion of the Servicing Fee and reimbursement of expenses as provided herein, until a successor Servicer shall have assumed in writing the obligations of the Servicer hereunder as described below. In the event of the Servicer's termination hereunder, the Issuer shall appoint, subject to the approval of the NHPUC, a successor Servicer with the Trustee's prior written consent thereto (which consent shall not be unreasonably withheld), and the successor Servicer shall accept its appointment by a written assumption in form reasonably acceptable to the Issuer and the Trustee. If within 30 days after the delivery of the Termination Notice, the Issuer shall not have obtained such a new Servicer, the

Trustee may appoint (subject to the approval of the NHPUC) or petition the NHPUC or a court of competent jurisdiction to appoint a successor Servicer under this Agreement. A Person shall qualify as a successor Servicer only if (i) such Person is permitted under NHPUC Regulations to perform the duties of the Servicer, (ii) the Rating Agency Condition shall have been satisfied and (iii) such Person assumes in writing the obligations of the Servicer hereunder or enters into a servicing agreement with the Issuer having substantially the same provisions as this Agreement.

(b) Upon appointment, the successor Servicer shall be the successor in all respects to the predecessor Servicer and shall be subject to all the responsibilities, duties and liabilities arising thereafter relating thereto placed on the predecessor Servicer and shall be entitled to the Servicing Fee and all the rights granted to the predecessor Servicer by the terms and provisions of this Agreement.

Section 7.03. Waiver of Past Defaults. The Holders of Bonds evidencing not less than a majority of the Outstanding Amount of the Bonds may, on behalf of all Bondholders, waive in writing any default by the Servicer in the performance of its obligations hereunder and its consequences, except a default in making any required Remittances to the Collection Account in accordance with this Agreement. Upon any such waiver of a past default, such default shall cease to exist, and any Servicer Default arising therefrom shall be deemed to have been remedied for every purpose of this Agreement. No such waiver shall extend to any subsequent or other default or impair any right consequent thereto.

Section 7.04. Notice of Servicer Default. The Servicer shall deliver to the Issuer, the Trustee and the Rating Agencies, promptly after any of its Responsible Officers having obtained actual knowledge thereof, but in no event later than five Servicer Business Days thereafter, written notice in an Officers' Certificate of any event which with the giving of notice or lapse of time, or both, would become a Servicer Default under Section 7.01(b) or Section 7.01(c).

Section 7.05. Cooperation with Successor. The Servicer covenants and agrees with the Issuer that it will, upon the Servicer's receipt of a Termination Notice pursuant to Section 7.01 or the Servicer's resignation or removal in accordance with the terms of this Agreement, cooperate with the successor Servicer and provide any requested information as is reasonably necessary to assist the transition of services under this Agreement and the Related Documents to any successor Servicer.

ARTICLE 8

MISCELLANEOUS PROVISIONS

Section 8.01. Amendment.

(a) This Agreement may be amended in writing by the Servicer and the Issuer with ten Business Days' prior written notice given to the Rating Agencies and

the prior written consent of the Trustee (which consent shall not be unreasonably withheld), but without the consent of any of the Bondholders, to cure any ambiguity, to correct or supplement any provisions in this Agreement or for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions in this Agreement or of modifying in any manner the rights of the Bondholders; *provided, however,* that such action shall not, as evidenced by an Officer's Certificate delivered to the Issuer and the Trustee, adversely affect in any material respect the interests of any Bondholder.

(b) This Agreement may also be amended in writing from time to time by the Servicer and the Issuer with the written consent of the Trustee (which consent shall not be unreasonably withheld) and the written consent of the Holders of Bonds evidencing not less than a majority of the Outstanding Amount of the Bonds and the satisfaction of the Rating Agency Condition, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement or of modifying in any manner the rights of the Bondholders.

(c) It shall not be necessary for the consent of Bondholders pursuant to this Section to approve the particular form of any proposed amendment or consent, but it shall be sufficient if such consent shall approve the substance thereof.

(d) Promptly after the execution thereof, the Issuer shall provide each of the Rating Agencies with a copy of any amendment to this Agreement.

(e) Prior to its consent to any amendment to this Agreement, the Trustee shall be entitled to receive and conclusively rely upon an Opinion of Counsel stating that such amendment is authorized or permitted by this Agreement. The Trustee may, but shall not be obligated to, enter into any such amendment which affects the Trustee's own rights, duties or immunities under this Agreement or otherwise.

Section 8.02. Maintenance of Accounts and Records.

(a) The Servicer shall maintain accounts and records as to the RRB Property accurately and in accordance with its standard accounting procedures and in sufficient detail to permit reconciliation between RRB Charges Collections and Deemed RRB Charge Payments.

(b) The Servicer shall permit the Issuer and the Trustee and its agents at any time during normal business hours, upon reasonable notice to the Servicer and to the extent it does not unreasonably interfere with the Servicer's normal operations, to inspect, audit and make copies of and abstracts from the Servicer's records regarding the RRB Property and the RRB Charge. Nothing in this Section 8.02(b) shall affect the obligation of the Servicer to observe any applicable law (including any NHPUC Regulation) prohibiting disclosure of information regarding the customers, and the failure of the Servicer to provide access to such information as a result of such obligation shall not constitute a breach of this Section 8.02(b).

Section 8.04. Assignment. Notwithstanding anything to the contrary contained herein, except as provided in Section 6.04 and as provided in the provisions of this Agreement concerning the resignation of the Servicer, this Agreement may not be assigned by the Servicer.

Section 8.05. Limitations on Rights of Third Parties. The provisions of this Agreement are solely for the benefit of the Servicer, the Issuer, the Bondholders, the Trustee, the State of New Hampshire, the Treasurer of the State of New Hampshire, agencies of the State of New Hampshire and the other Persons expressly referred to herein and such Persons shall have the right to enforce the relevant provisions of this Agreement, except that the Bondholders shall be entitled to enforce their rights against the Servicer under this Agreement solely through a cause of action brought for their benefit by the Trustee. Nothing in this Agreement, whether express or implied, shall be construed to give to any other Person any legal or equitable right, remedy or claim in the RRB Property or under or in respect of this Agreement or any covenants, conditions or provisions contained herein.

Section 8.06. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 8.07. Separate Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 8.08. Headings. The headings of the various Articles and Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

Section 8.09. Governing Law. This Agreement shall be construed in accordance with the substantive laws of the State of New Hampshire, without giving effect to its conflict of law or other principles that would cause the application of the laws of another jurisdiction, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

Section 8.10. Assignment to Trustee. The Servicer hereby acknowledges and consents to the collateral assignment or pledge of, or grant of a security interest in, any or all of the Issuer's rights and obligations hereunder to the Trustee for the benefit of the holders of the Bonds.

Section 8.11. Nonpetition Covenants. Notwithstanding any prior termination of this Agreement or the Indenture, but subject to the NHPUC's right to order the sequestration and payment of revenues arising with respect to the RRB Property notwithstanding any bankruptcy, reorganization or other insolvency proceedings with

respect to the debtor, pledgor or transferor of the RRB Property pursuant to RSA 369-B:7, VI and RSA 369-B:7, VIII, the Servicer, acting solely in its capacity as a creditor of the Issuer, shall not, prior to the date which is one year and one day after the termination of the Indenture with respect to the Issuer, petition or otherwise invoke or cause the Issuer to invoke the process of any court or governmental authority for the purpose of commencing or sustaining an involuntary case against the Issuer under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or any substantial part of the property of the Issuer, or ordering the winding up or liquidation of the affairs of the Issuer.

Section 8.12. Rule 17g-5 Compliance. The Servicer agrees that any notice, report, request for satisfaction of the Rating Agency Condition, document or other information provided by the Servicer to any Rating Agency under this Agreement or any other Related Agreement to which it is a party for the purpose of determining the initial credit rating of the Bonds or undertaking credit rating surveillance of the Bonds with any Rating Agency, or satisfy the Rating Agency Condition, shall be substantially concurrently posted by the Servicer on a password-protected website.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Servicing Agreement to be duly executed by their respective officers as of the day and year first above written.

PSNH FUNDING LLC 3, as Issuer

By: _____
Name: [Click here to enter text.](#)
Title:

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE, as Servicer

By: _____
Name: [Click here to enter text.](#)
Title: [Click here to enter text.](#)

EXHIBIT A

CERTIFICATE OF COMPLIANCE

The undersigned hereby certifies that he/she is the duly elected and acting [] of Public Service Company of New Hampshire, as servicer (the “Servicer”) under the Servicing Agreement, dated as of [] (the “Servicing Agreement”), between the Servicer and PSNH Funding LLC 3 (the “Issuer”), and further certifies on behalf of the Servicer that:

1. In my capacity as [] of the Servicer, I am responsible for assessing the Servicer’s compliance with the servicing criteria applicable to the Servicer set forth in the Servicing Agreement and Item 1122(d) of Regulation AB;

2. A review of the activities of the Servicer and of its performance under the Servicing Agreement during the _____ months ended December 31, 20[] has been made under the supervision of the undersigned pursuant to Item 1122(d) of Regulation AB and Section 3.03 of the Servicing Agreement; and

3. To the undersigned’s knowledge, based on such review, the Servicer has fulfilled all of its material obligations in all material respects under the Servicing Agreement throughout the _____ months ended December 31, 20[], except as listed on Annex A hereto.

4. [], a registered public accounting firm, has issued an attestation report on its assessment of compliance with the applicable servicing criteria as of December 31, 20[] and for the _____ months ended December 31, 20[].

Executed as of this _____ day of _____, 20__ .

By: _____
Name:
Title:

ANNEX A TO EXHIBIT A
LIST OF SERVICER DEFAULTS

Nature of Default

Status

EXHIBIT B

FORM OF ROUTINE TRUE-UP LETTER

[Date]

[Name]

New Hampshire Public Utilities Commission
21 Fruit Street, Suite 10
Concord, NH 03301

**Re: Order No. [] (“Finance Order”), Docket No. DE 17-096
Periodic RRB Charge True-Up Mechanism Advice Filing**

Dear [name]:

Pursuant to Order No. [] issued on [] in Docket No. DE 17-096 (the “Finance Order”), Public Service Company of New Hampshire (“PSNH”), as servicer of the Rate Reduction Bonds (“RRBs”) and on behalf of the RRB trustee as assignee of PSNH Funding LLC 3 (the special purpose entity, or “the SPE”), shall apply for adjustment to the RRB Charges annually and at such additional intervals, if necessary, as may be provided for in the Finance Order. Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Finance Order.

PURPOSE

This filing establishes the revised RRB Charges to be assessed and collected from retail users of PSNH’s distribution system within PSNH’s service territory, whether or not energy is purchased from PSNH or a third party supplier, and whether or not such distribution system is being operated by PSNH or a successor distribution company. The RRB Charges is a usage-based component of the stranded cost recovery charge on each retail user’s monthly bill until the Total RRB Payment Requirements are discharged in full. In the Finance Order, the Commission authorized PSNH to file Routine True-Up Letters annually and at such additional intervals, if necessary, as may be provided for in the Finance Order. The purpose of such filings and resulting adjusted RRB Charges is to ensure the timely recovery of revenues sufficient to provide for the payment of an amount equal to the Periodic RRB Payment Requirements for the upcoming period, which may include indemnity obligations of the SPE in the RRB transaction documents for SPE officers and directors, trustee fees and other liabilities of the SPE.

Using the methodology approved by the Commission in the Finance Order, this filing modifies the variables used in the RRB Charge calculation and provides the resulting modified RRB Charges. Table 1 shows the revised assumptions for each of the variables used in calculating the RRB Charges for customers classes. The assumptions underlying the current RRB Charges were filed in an Advice Letter, dated [].

TABLE 1
INPUT VALUES FOR RRB CHARGES

Forecasted annual kWh sales:

Percent of billed amounts expected to be charged-off: _____

Weighted average days sales outstanding: _____

Forecasted ongoing transaction expenses (including any already accrued but unpaid for the period): _____

Current Excess Funds Subaccount balance: _____

Current Capital Subaccount balance: _____

Initial Capital Subaccount balance: _____

Current RRB outstanding balance: _____

Scheduled RRB outstanding balance at the end of the period: _____

Deferred unpaid RRB principal: _____

Accrued but unpaid RRB interest: _____

The adjusted RRB Charge calculated for retail users in each of the following rate classifications is as follows: R = _____ ¢/kWh; G = _____ ¢/kWh; GV = _____ ¢/kWh; LG = _____ ¢/kWh; OL = _____ ¢/kWh."

EFFECTIVE DATE

In accordance with the Finance Order, Routine True-Up Letters for annual RRB Charges adjustments shall be filed not later than January 15 in each year, with the resulting upward or downward adjustments to the RRB Charge to be effective – absent manifest error in the Routine True-Up Letters – on the ensuing February 1. In accordance with the Finance Order, a Routine True-Up Letter shall also be filed not later than July 15 of each year, if the Servicer reasonably determines that an adjustment to the RRB Charges is necessary to meet the Periodic RRB Payment Requirements for the Remittance Period beginning on July 1 of such year, with the resulting upward adjustments to the RRB Charges to be effective – absent manifest error in such Routine True-Up Letter – on the ensuing August 1. In addition, the Finance Order permits (but does not require) the Servicer to file another Routine True-Up Letter not later than the date that is 15 days before the end of any calendar month if it reasonably determines that an adjustment to the RRB Charges is necessary to meet the Periodic RRB Payment Requirements for the then-current Remittance Period, with the resulting upward adjustments to the RRB Charges to be effective – absent manifest error in such Routine True-Up Letter – on the first day of

the ensuing calendar month. No approval by the Commission is required. Therefore, these RRB Charges shall be effective as of _____.

NOTICE

Copies of this filing are being furnished to the New Hampshire Public Utilities Commission and the parties on the attached service list. Notice to the public is hereby given by filing this Routine True-Up Letter with the Commission and by keeping this filing open for public inspection at Eversource Energy Service Company's office in Westwood, Massachusetts, as agent for Public Services New Hampshire.

EXHIBIT C

FORM OF MONTHLY SERVICER CERTIFICATE

[Date]

Pursuant to Section 4.01(d)(2) of the Servicing Agreement, dated as of [] (the “Agreement”), between Public Service Company of New Hampshire, as servicer (the “Servicer”), and PSNH Funding LLC 3, the Servicer does hereby certify as follows:

Capitalized terms used herein have their respective meanings as set forth in the Agreement.

For the Monthly Period: _____

1. Billings:

		Residenti al	Large General Service	Primary General Service	General Service	Outdoor Lighting
a	Monthly kWh Consumption					
b	Applicable RRB Charge:					
c	Total RRB Charge Amount Billed this Month					
d	Cumulative RRB Charge Amount Billed this Calendar Year					

2. Remittances:

- a) Total Amount Remitted this Month:
- b) Cumulative Amount Remitted this Calendar Year:

3. Draws on Subaccounts:

- a) Excess Funds Subaccount Draw Amount this Month:
- b) Cumulative Excess Funds Subaccount Draw Amount this Calendar Year:
- c) Capital Subaccount Draw Amount this Month:
- d) Cumulative Capital Subaccount Draw Amount this Calendar Year:

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Monthly Servicer Certificate as of the date first written above.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE, as Servicer

By: _____
Name:
Title:

EXHIBIT D

FORM OF SEMI-ANNUAL SERVICER CERTIFICATE

[Date]

Pursuant to Section 4.01(d)(3) of the Servicing Agreement, dated as of [] (the “Agreement”), between Public Service Company of New Hampshire, as servicer (the “Servicer”), and PSNH Funding LLC 3, the Servicer does hereby certify, for the current Payment Date (_____, __ 20[]) (the “Current Payment Date”), as follows:

Capitalized terms used herein have their respective meanings as set forth in the Agreement. References herein to certain sections and subsections are references to the respective sections of the Agreement.

1. RRB Charge Collections and Aggregate Amounts Available for the Current Payment Date:

- i. Amount Remitted [Month] [Year]
- ii. Amount Remitted [Month] [Year]
- iii. Amount Remitted [Month] [Year]
- iv. Amount Remitted [Month] [Year]
- v. Amount Remitted [Month] [Year]
- vi. Amount Remitted [Month] [Year]
- vii. Total Amount Remitted for this Period (sum of i. through vi. above):**
- viii. Net Earnings on Collection Account (excluding earnings on Capital Subaccount):
- ix. Excess Funds Subaccount Balance:
- x. Capital Subaccount Balance:
- xi. Expenses Paid to Date:
- xii. Collection Account Balance (sum of vii. through x. above less xi. above):**

2. Outstanding Principal Balance as of Prior Payment Date by Tranche:

- i. Class A-1 Bond Principal Balance Outstanding:
- ii. Total Bond Principal Balance:**

3. Required Funding/Payments as of Current Payment Date

a) Projected Principal Balances and Payments

	<u>Projected</u>	<u>Semi-Annual</u>
	<u>Principal Balance</u>	<u>Principal Due</u>

- i. Class A-1 Bond

ii. Total Projected Principal Amount:

b) Required Interest Payments

	<u>Bond Interest Rate</u>	<u>Days in Applicable Period</u>	<u>Interest Due</u>
i. Class A-1 Bond			
ii. Total Required Interest Amount:			

c) Projected Subaccount Payments and Levels

	<u>Subaccount</u>	<u>Projected Level</u>	<u>Funding Required</u>
i. Capital Subaccount:			
ii. Total Subaccount Payments and Levels:			

4. Allocation of Remittances as of Current Payment Date Pursuant to Section 8.02(d) of Indenture:

a) Semi-Annual Expenses

Net Expense Amount (Payable on Current Payment Date)

- i. Trustee Fees and Expenses:
- ii. Semi-Annual Servicing Fee:
- iii. Semi-Annual Administration Fee:
- iv. Operating Expenses (subject to \$[] cap):
- v. Total Expenses:]**

b) Semi-Annual Interest

	<u>Per \$1000 of Original</u>	<u>Aggregate Principal Amount</u>
i. Class A-1 Bond		
ii. Total Semi-Annual Interest:		

c) Semi-Annual Principal

	<u>Per \$1000 of Original</u>	<u>Aggregate Principal Amount</u>

- i. Class A-1 Bond
- ii. **Total Semi-Annual Principal:**

d) Other Payments

- i. Operating Expenses (in excess of \$[]):
- ii. Funding of Capital Subaccount (to required amount):

e) Aggregate Payments Pursuant to [Section 8.02(d)(i)] of Indenture

- i. To Trustee:
- ii. To other Persons indemnified under Indenture or [Fee and Indemnity Agreement]:

5. Outstanding Principal Balance and Collection Account Balance as of Current Payment Date (after giving effect to payments to be made on such distribution date):

a) Principal Balance Outstanding:

- i. Class A-1 Bond Principal Balance Outstanding:
- ii. **Total Bond Principal Balance:**

b) Collection Account Balances Outstanding:

- i. Excess Funds Subaccount:
- ii. Capital Subaccount:
- iii. **Total Subaccount Amount:**

6. Subaccount Draws as of Current Payment Date (if applicable, pursuant to Section 8.02(e) of Indenture):

- i. Excess Funds Subaccount:
- ii. Capital Subaccount:
- iii. **Total Subaccount Draws:**

7. Shortfalls in Interest and Principal Payments as of Current Payment Date (if applicable):

a) Semi-Annual Interest Shortfall

- i. Class A-1 Bond

ii. Total Semi-Annual Interest Shortfall:

b) Semi-Annual Principal Shortfall

i. Class A-1 Bond

ii. Total Semi-Annual Principal Shortfall:

8. Shortfalls in Required Subaccount Levels as of Current Distribution Date:

i. Capital Subaccount

ii. Total Subaccount Shortfalls:

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Semi-Annual Servicer Certificate as of the date first written above.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE, as Servicer

By: _____
Name:
Title:

EXHIBIT E

FORM OF ANNUAL RECONCILIATION WITH THE TRUSTEE

Pursuant to Section 4.03(b) of the Servicing Agreement, dated as of _____, between Public Service Company of New Hampshire, as servicer (the “Servicer”), and PSNH Funding LLC 3, the Servicer does hereby certify as follows:

For the Reconciliation Period: _____ to _____

1. Calculation of Remittance Shortfall or Remittance Excess:

		Residential	Large General Service	Primary General Service	General Service	Outdoor Lighting
a	Billed Revenues					
b	Charge-Offs					
c	Charge-Off % (b/a)					
d	RRB Charge-off adjustment factor					
e	“Deemed Charge-Off Percent” (c x d)					
f	“Estimated Charge-Off Percent”					
g	Billed kWh (Jan. 1 to Dec. 31)					
h	RRB Charge (Jan. 1 to Dec. 31)					
i	RRB Charges (gross of charge-off) (Jan. 1 to Dec. 31) (g x h)					
j	Deemed RRB Charge Payments ([100% - e] x i)					

k	Estimated RRB Charge Payments ([100% - f] x i)					
l	Remittance Shortfall (j - k, if positive)					
m	Remittance Excess (k - j, if positive)					

Executed as of this _____ day of _____.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE,
as Servicer

By: _____
Name:
Title:

SCHEDULE 4.01(A)

Expected Amortization Schedule

ANNEX I

SERVICING PROCEDURES

The Servicer agrees to comply with the following servicing procedures:

SECTION 1. DEFINITIONS

(a) Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Agreement.

(b) Whenever used in this Annex I, the following words and phrases shall have the following meanings:

“Billed RRB Charges” means the dollar amounts billed to customers or the Applicable TPS in respect of the RRB Charge, whether billed to customers or the Applicable TPS by the Servicer or to customers by a TPS pursuant to a TPS Service Agreement.

“Deemed Charge-Off Percent” means the Servicer’s actual system wide charge-off percentage.

“Estimated Charge-Off Percent” means the Servicer’s good faith estimate of the Deemed Charge-Off Percent.

“Servicer Policies and Practices” means, with respect to the Servicer’s duties under this Annex I, the policies and practices of the Servicer applicable to such duties that the Servicer follows with respect to comparable assets that it services for itself or others, as in effect from time to time and in accordance with NHPUC Regulations. The Servicer shall provide ten days’ prior written notice to the Rating Agencies of any amendment to the Servicer Policies and Practices that would adversely affect in any material respect the Bondholders.

SECTION 2. DATA ACQUISITION

(a) Installation and Maintenance of Meters. Except to the extent that a TPS is responsible for such services pursuant to a TPS Service Agreement, the Servicer shall cause to be installed, replaced and maintained meters in accordance with the Servicer Policies and Practices.

(b) Meter Reading. In accordance with the Servicer Policies and Practices, the Servicer shall obtain usage measurements for each customer; *provided, however*, that the Servicer may determine any customer’s usage on the basis of estimates in accordance with applicable NHPUC Regulations; and, *provided, further*, that the Servicer may obtain usage measurements from the Applicable TPS for customers receiving meter reading services from such TPS if the applicable TPS Service Agreement so provides.

(c) Cost of Metering. The Issuer shall not be obligated to pay any costs associated with the metering duties set forth in this Section 2, including the costs of installing, replacing and maintaining meters, nor shall the Issuer be entitled to any credit against the Servicing Fee for any cost savings realized by the Servicer or any TPS as a result of new metering and/or billing technologies.

SECTION 3. USAGE AND BILL CALCULATION

The Servicer shall obtain a calculation of each customer's usage (which may be based on data obtained from such customer's meter read or on usage estimates determined in accordance with applicable NHPUC Regulations) in accordance with the Servicer Policies and Practices and shall determine therefrom Billed RRB Charges; *provided, however*, that in the case of customers served by a TPS pursuant to a TPS Service Agreement, the Servicer may obtain usage measurements from the Applicable TPS for customers receiving meter reading services from such TPS if the applicable TPS Service Agreement so provides and shall determine therefrom Billed RRB Charges.

SECTION 4. BILLING

(a) The Servicer shall implement the RRB Charge as of the Closing Date and shall thereafter bill each customer or the Applicable TPS for each customer's Billed RRB Charges in accordance with the provisions of this Section 4.

(b) Frequency of Bills; Billing Practices. In accordance with the Servicer Policies and Practices, the Servicer shall generate and issue a Bill to each customer, or, in the case of a customer who is being billed by a TPS, to the Applicable TPS with respect to such customer's Billed RRB Charges. In the event that the Servicer makes any material modification to the Servicer Policies and Practices, it shall notify the Issuer, the Trustee and the Rating Agencies as soon as practicable, and in no event later than 60 Servicer Business Days after such modification goes into effect; *provided, however*, that the Servicer may not make any modification that will materially adversely affect the Bondholders.

(c) Format.

(i) Each Bill to a customer shall contain a stranded cost recovery charge that shall include the RRB Charge owed by such customer for the applicable billing period.

(ii) Each Bill in which the stranded cost recovery charge is listed as a line item shall contain a statement (as a footnote) to the effect that all or a portion of the stranded cost recovery charge is owned by the Issuer and not the Seller.

(iii) The Servicer shall conform to such requirements in respect of the format, structure and text of Bills delivered to customers and TPSs as applicable NHPUC Regulations shall from time to time prescribe. To the extent that Bill format, structure and text are not prescribed by applicable law or by applicable NHPUC Regulations, the Servicer shall, subject to clauses (i) and (ii) of this subsection (c), determine the format,

structure and text of all Bills in accordance with its reasonable business judgment, the Servicer Policies and Practices and historical practice.

(d) Delivery. Except as provided in the next sentence, the Servicer shall deliver all Bills to customers (i) by United States mail in such class or classes as are consistent with the Servicer Policies and Practices or (ii) by any other means, whether electronic or otherwise, that the Servicer may from time to time use in accordance with the Servicer Policies and Practices. In the case of customers that have elected to be billed by a TPS, the Servicer shall deliver all Bills to the Applicable TPSs by such means as are mutually agreed upon by the Servicer and the Applicable TPS in the TPS Service Agreement and which are consistent with NHPUC Regulations. The Servicer or a TPS, as applicable, shall pay from its own funds all costs of issuance and delivery of all Bills that it renders, including printing and postage costs as the same may increase or decrease from time to time.

SECTION 5. CUSTOMER SERVICE FUNCTIONS

The Servicer or a TPS to the extent provided in the applicable TPS Service Agreement shall handle all customer inquiries and other customer service matters according to the Servicer Policies and Practices.

SECTION 6. COLLECTIONS; PAYMENT PROCESSING; REMITTANCE

(a) Collection Efforts, Policies, Procedures.

(i) The Servicer shall collect Billed RRB Charges from customers and TPSs as and when the same become due in accordance with such collection procedures as it follows with respect to comparable assets that it services for itself or others, including the following:

(A) The Servicer shall prepare and deliver overdue notices to customers and TPSs in accordance with applicable NHPUC Regulations and the Servicer Policies and Practices.

(B) The Servicer shall deliver past-due and shut-off notices in accordance with applicable NHPUC Regulations and the Servicer Policies and Practices.

(C) The Servicer shall adhere to and carry out disconnection policies and termination of billing by a TPS pursuant to a TPS Service Agreement in accordance with RSA 369-B:4, IV, the Finance Order, applicable NHPUC Regulations and the Servicer Policies and Practices.

(D) The Servicer may employ the assistance of collection agents in accordance with applicable NHPUC Regulations and the Servicer Policies and Practices.

(E) The Servicer shall apply customer and TPS deposits to the payment of delinquent accounts in accordance with applicable NHPUC Regulations and these Servicing Procedures.

(ii) The Servicer shall not waive any late payment charge or any other fee or charge relating to delinquent payments, if any, or waive, vary or modify any terms of payment of any amounts payable by a customer, in each case unless such waiver or action: (A) would be in accordance with the Servicer Policies and Practices and (B) would comply in all material respects with applicable law.

(iii) The Servicer shall accept payment from customers in respect of Billed RRB Charges in such forms and methods and at such times and places in accordance with the Servicer Policies and Practices. The Servicer shall accept payment from TPSs in respect of Billed RRB Charges in such forms and methods and at such times and places as the Servicer and each TPS shall mutually agree in accordance with the applicable TPS Service Agreement and applicable NHPUC Regulations.

(b) Payment Processing, Allocation, Priority of Payments. The Servicer shall post all payments received to customer or TPS accounts as promptly as practicable, and, in any event, substantially all payments shall be posted no later than two Servicer Business Days after receipt.

(c) Investment of RRB Charge Collections. Prior to remittance on the applicable Remittance Date, the Servicer may invest RRB Charge Collections at its own risk and for its own benefit, and such investments and funds shall not be required to be segregated from the other investments and funds of the Servicer. The Servicer shall be entitled to retain as additional compensation any interest earnings on RRB Charge Collections invested by it.

(d) Calculation of Estimated RRB Charge Payments; Remittances. In accordance with Section 4.03(a) of the Agreement, the Servicer shall remit to the Trustee for deposit in the Collection Account an amount equal to the product of the Billed RRB Charges for a particular billing date multiplied by one hundred percent less the Estimated Charge-Off Percent. Such product shall constitute the amount of Estimated RRB Charge Payments. Pursuant to Section 4.03(b) of the Agreement, on or before March 1 of each year, the Servicer shall calculate the amount of Deemed RRB Charge Payments by multiplying the Billed RRB Charges by one hundred percent less the Deemed Charge-Off Percent.

(e) Remittances.

(i) The Issuer shall cause to be established the Collection Account in the name of the Trustee in accordance with Section 8.02 of the Indenture.

(ii) The Servicer shall make or cause to be made Remittances to the Collection Account in accordance with Section 4.03 of the Agreement.

(iii) Any change of account or change of institution affecting the Collection Account shall not take effect until the Issuer has provided at least fifteen (15) Servicer Business Days written notice thereof to the Servicer.

SECTION 7. TPSs

In the event a TPS performs services pursuant to a TPS Service Agreement, the Servicer shall comply with the procedures set forth in Schedule A to this Annex I.

SCHEDULE A
TO ANNEX I

Additional Servicing Procedures Applicable to TPSs

1. Establishing TPS Relationship

In addition to any actions required by the NHPUC or by applicable law, for each TPS that is responsible for collecting Billed RRB Charges, the Servicer shall take the following steps:

- (a) Maintain adequate records of the payment arrangement applicable to such TPS;
- (b) Maintain copies of all customer requests to convert to billing by a TPS;
- (c) Verify with the NHPUC that each TPS is licensed to supply electricity in New Hampshire;
- (d) Obtain information from the TPS including, but not limited to: name, contact, address, telephone facsimile transmission number and internet address;
- (e) Maintain and update records of customers to permit prompt reversion to dual-billing;
- (f) Maintain estimates of one month's maximum Estimated RRB Charge Payments for each TPS required to post a bond, letter of credit or cash deposit pursuant to the applicable TPS Service Agreement; and
- (g) Comply with credit conditions set out in the Finance Order and applicable TPS Service Agreement.

2. Monitoring TPS Obligations

- (a) The Servicer shall require each TPS to pay all undisputed and all disputed Billed RRB Charges or make a financial arrangement for such payment according to the applicable TPS Service Agreement; and
- (b) For all TPSs subject to any remittance option where such TPS is liable for all amounts billed in respect of customers served thereby regardless of the amounts received therefrom, the Servicer shall monitor payment compliance and take all actions permitted by the NHPUC and the Finance Order in the event of a default in payment.

3. Enforcing TPS Obligations

The Servicer shall promptly take all actions specified by the Finance Order with respect to amounts not remitted to the Servicer in accordance with the payment terms specified by the Finance Order, in addition to any other remedies available at law.

PSNH FUNDING LLC 3,

as Issuer

and

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

as Servicer

SERVICING AGREEMENT

Dated as of []

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This SERVICING AGREEMENT, dated as of [], is between PSNH Funding LLC 3, a Delaware limited liability company (together with any successor thereto permitted under the Indenture, as hereinafter defined, the “Issuer”), and Public Service Company of New Hampshire, a New Hampshire corporation.

RECITALS

WHEREAS, pursuant to the Statute and the Finance Order, the Seller and the Issuer are concurrently entering into the Sale Agreement pursuant to which the Seller is selling to the Issuer the RRB Property created pursuant to the Statute and the Finance Order.

WHEREAS, in connection with its ownership of the RRB Property and in order to collect the RRB Charge, the Issuer desires to engage the Servicer to carry out the functions described herein. The Servicer currently performs similar functions for itself with respect to its own charges billed to its customers. In addition, the Issuer desires to engage the Servicer to act on its behalf in obtaining Periodic Adjustments from the NHPUC. The Servicer desires to perform all of these activities on behalf of the Issuer.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

Section 1.01. Definitions. Any capitalized terms used in this Agreement but not defined herein shall have the meaning given to such terms in the Indenture.¹ Whenever used in this Agreement, the following words and phrases shall have the following meanings:

“Advice Letter” means any filing made with the NHPUC by the Servicer on behalf of the Issuer to set or adjust the RRB Charge, including the Issuance Advice Letter, an Annual Routine True-Up Letter, a Mid-Year Routine True-Up Letter, an Other Routine True-Up Letter or a Non-Routine True-Up Letter.

“Agreement” means this Servicing Agreement, together with all Exhibits, Schedules and Annexes hereto, as the same may be amended and supplemented from time to time.

“Annual Accountant’s Report” has the meaning set forth in Section 3.04.

¹ Note to Draft: Defined terms to be confirmed against the Indenture.

“Annual Routine True-Up Letter” means a letter filed with the NHPUC, substantially in the form of Exhibit B hereto, not later than ~~December~~ January 15 of each year, in respect of an annual Periodic Adjustment pursuant to Section 4.01(b)(1).

“Applicable TPS” means, with respect to each customer, the TPS, if any, billing the RRB Charge to that customer.

“Bills” means each of the regular monthly bills, summary bills and other bills issued to customers or TPSs by Public Service Company of New Hampshire on its own behalf and in its capacity as Servicer.

“Certificate of Compliance” has the meaning set forth in Section 3.03(a).

“Closing Date” means [].

“Deemed RRB Charge Payments” means the payments in respect of the RRB Charge, which are deemed to have been received by the Servicer, directly or indirectly (including through a TPS), from or on behalf of customers, calculated in accordance with Annex I hereto.

“Estimated RRB Charge Payments” means the estimated payments in respect of the RRB Charge, which are deemed to have been received by the Servicer, directly or indirectly (including through a TPS), from or on behalf of customers, calculated in accordance with Annex I hereto.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Expected Amortization Schedule” means Schedule 4.01(a) hereto.

“Finance Order” means Order No. [xx,xxxx] issued by the NHPUC on [mmdyyy] in its Docket No. DE 17-096.

“Indemnified Person” has the meaning assigned to such term in Section 6.02.

“Indenture” means the Indenture dated as of the date hereof between the Issuer and the Trustee, as the same may be amended and supplemented from time to time.

“Insolvency Event” means, with respect to a specified Person, (a) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of such Person or any substantial part of its property in an involuntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or ordering the winding-up or liquidation of such Person’s affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or (b) the commencement by such Person of a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by such Person to the entry of an order for relief in an involuntary case under any such law, or the consent by such

Person to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or the making by such Person of any general assignment for the benefit of creditors, or the failure by such Person generally to pay its debts as such debts become due or the taking of action by such Person in furtherance of any of the foregoing.

“Issuance Advice Letter” means the initial Issuance Advice Letter, dated [], filed with the NHPUC pursuant to the Finance Order.

“Issuer” has the meaning set forth in the preamble to this Agreement.

“Lien” means a security interest, lien, charge, pledge or encumbrance of any kind.

“Losses” has the meaning assigned to that term in Section 6.02(a).

“Mid-Year Routine True-Up Letter” means a letter filed with the NHPUC, substantially in the form of Exhibit B hereto, pursuant to Section 4.01(b)(2) in respect of a mid-year Periodic Adjustment.

“Monthly Servicer Certificate” has the meaning assigned to that term in Section 4.01(d)(2).

“NHPUC” means the New Hampshire Public Utilities Commission and any successor thereto.

“NHPUC Regulations” means all regulations, rules, tariffs and laws applicable to public utilities or TPSs, as the case may be, and promulgated by, enforced by or otherwise within the jurisdiction of the NHPUC.

“Non-Routine Periodic Adjustment” has the meaning set forth in Section 4.01(c)(1).

“Non-Routine True-Up Letter” means a letter filed with the NHPUC in accordance with the Finance Order with respect to any Non-Routine Periodic Adjustment pursuant to Section 4.01(c)(1).

“Officer’s Certificate” means a certificate of the Servicer signed by a Responsible Officer.

“Other Routine True-Up Letter” means a letter filed with the NHPUC, substantially in the form of Exhibit B hereto, pursuant to Section 4.01(b)(3).

“Opinion of Counsel” means one or more written opinions of counsel who may be an employee of or counsel to the party providing such opinion(s) of counsel, which counsel shall be reasonably acceptable to the party receiving such opinion(s) of counsel.

“Periodic Adjustment” means each adjustment to the RRB Charge made pursuant to the terms of the Finance Order and in accordance with Section 4.01 hereof.

“Periodic RRB Payment Requirements” means, with respect to any Remittance Period, the total dollar amount calculated by the Servicer as necessary to be remitted to the Collection Account during such Remittance Period (after giving effect to (a) the allocation and distribution of amounts on deposit in the Excess Funds Subaccount at the time of calculation and which are available for payments on the Bonds, (b) any shortfalls in the coverage of the Periodic RRB Payment Requirements for any prior Remittance Period, (c) the required payment or credit of any Remittance Excess or Remittance Shortfall during such Remittance Period and (d) any Remittances based upon the RRB Charge in effect in the prior Remittance Period that are expected to be realized in such Remittance Period) in order to ensure that, as of the Payment Date immediately following the end of such Remittance Period, (i) all accrued and unpaid interest on the Bonds then due shall have been paid in full, (ii) the Principal Balance of the Bonds is equal to the Projected Principal Balance of the Bonds for that Payment Date, (iii) the balance on deposit in the Capital Subaccount equals the aggregate required capital level, and (iv) all other fees, expenses and indemnities due and owing and required or allowed to be paid under Section 8.02 of the Indenture as of such date shall have been paid in full.

“Principal Balance” means, as of any Payment Date, the sum of the outstanding principal amount of the Bonds.

“Projected Principal Balance” means, as of any Payment Date, the sum of the projected outstanding principal amount of the Bonds for such Payment Date set forth in the Expected Amortization Schedule.

“Rating Agency” means, collectively, [_____]. If no such organization or successor of [either of] the foregoing is any longer in existence, “Rating Agency” shall be a nationally recognized statistical rating organization or other comparable Person designated by the Issuer, notice of which designation shall be given to the Trustee and the Servicer

“Rating Agency Condition” means with respect to any action, that each Rating Agency shall have been given ten Business Days prior written notice thereof and that each of the Rating Agencies shall have notified the Servicer, the Issuer and the Trustee in writing that such action will not result in a suspension, reduction or withdrawal of the then current rating by such Rating Agency of any Class of the Bonds; *provided* that if within such ten Business Day period, any Rating Agency [(other than S&P)] has neither replied to such notification nor responded in a manner that indicates that such Rating Agency is reviewing and considering the notification, then (a) the Issuer shall be required to confirm that such Rating Agency has received the Rating Agency Condition request and, if it has, promptly request the related Rating Agency Condition confirmation and (b) if the Rating Agency neither replies to such notification nor responds in a manner that indicates it is reviewing and considering the notification within five Business Days following such second request, the applicable Rating Agency Condition requirement shall not be deemed to apply to such Rating Agency. For the purposes of this definition, any confirmation,

request, acknowledgment or approval that is required to be in writing may be in the form of electronic mail or a press release (which may contain a general waiver of a Rating Agency's right to review or consent).

“Reconciliation Period” means the twelve-month period commencing on January 1 of each year and ending on December 31 of each year; *provided, however*, that the initial Reconciliation Period shall commence on the Closing Date and end on ~~December 31, 2018~~².

“Regulation AB” means the Securities and Exchange Commission's Asset-Backed Securities regulations at 17 CFR Part 229, Subpart 229.1100.

“Remittance” means each remittance of Estimated RRB Charge Payments by the Servicer to the Trustee.

“Remittance Date” means each Servicer Business Day on which a Remittance is to be made by the Servicer pursuant to Section 4.03.

“Remittance Excess” means the amount, if any, calculated for a particular Reconciliation Period, by which all RRB Charge Collections during such Reconciliation Period exceed Deemed RRB Charge Payments during such Reconciliation Period.

“Remittance Period” means each six-month period (x) commencing on ~~December~~January 1 and ending on ~~May 31~~June 30 and (y) commencing on ~~June~~July 1 and ending on ~~November 30~~December 31; *provided*, that the initial Remittance Period shall commence on the Closing Date.

“Remittance Shortfall” means the amount, if any, calculated for a particular Reconciliation Period, by which Deemed RRB Charge Payments during such Reconciliation Period exceed RRB Charge Collections during such Reconciliation Period.

“Responsible Officer” means the chief executive officer, the president, any vice president, the treasurer, any assistant treasurer, the secretary, the clerk, any assistant secretary, and assistant clerk, the controller or a director of corporate finance or cash management of the Servicer.

“Retirement of the Bonds” means the day on which the final payment is made to the Trustee in respect of the last outstanding Bond.

“Routine True-Up Letter” means, as the context requires, an Annual Routine True-Up Letter, a Mid-Year Routine True-Up Letter or an Other Routine True-Up Letter.

² ~~Note to Draft: PSNH to confirm at time of closing.~~

“RRB Charge” means the portion (which may become all) of the Seller’s “stranded cost recovery charge” designated pursuant to the Finance Order and RSA 369-B:2, XIII as the RRB Charge, as the same may be adjusted from time to time as provided in the Finance Order.

“RRB Charge Collections” means the Estimated RRB Charge Payments remitted to the Collection Account.

“RRB Property” means the RRB Property that exists under Approval Nos. [] to [] of the Finance Order and is sold by the Seller to the Issuer under the Sale Agreement.

“RRB Property Records” has the meaning assigned to that term in Section 5.01.

“Sale Agreement” means the Purchase and Sale Agreement dated as of the date hereof between Public Service Company of New Hampshire, as Seller, and the Issuer, as the same may be amended and supplemented from time to time.

“Seller” means Public Service Company of New Hampshire, a New Hampshire corporation, and its permitted successors and assigns under the Sale Agreement.

“Semi-Annual Servicer Certificate” has the meaning assigned to that term in Section 4.01(d)(3).

“Servicer” means Public Service Company of New Hampshire, as the servicer of the RRB Property, or each successor (in the same capacity) pursuant to Section 6.04 or Section 7.02.

“Servicer Business Day” means any Business Day on which the Servicer’s offices in the State of New Hampshire are open for business.

“Servicer Default” means an event specified in Section 7.01.

“Servicing Fee” has the meaning set forth in Section 6.06(a).

“Sponsor” means Public Service Company of New Hampshire, in its capacity as “sponsor” of the Bonds within the meaning of Regulation AB.

“Statute” means RSA Chapter 369-B.

“Termination Notice” has the meaning assigned to that term in Section 7.01.

“TPS” means a third party supplier of energy who has entered into a TPS Service Agreement with the Servicer.

“TPS Service Agreement” means an agreement between a third party supplier of energy and the Servicer pursuant to which such third party supplier of energy bills and

collects the RRB Charge to and from customers in accordance with NHPUC Regulations, the Finance Order and the guidelines described in Schedule A to Annex I.

“Weighted Average Days Outstanding” means the weighted average number of days Public Service Company of New Hampshire’s monthly retail customer bills remain outstanding during the 12-month period ended for the quarter immediately preceding the calculation thereof pursuant to Section 4.01(b)(1). For all purposes of this Agreement, the calculation of Weighted Average Days Outstanding pursuant to Section 4.01(b)(1) shall become effective on ~~January~~February 1 of each year. The initial Weighted Average Days Outstanding shall be [__]³² days until updated pursuant to Section 4.01(b)(1) of this Agreement.

Section 1.02. Other Definitional Provisions.

(a) Capitalized terms used herein and not otherwise defined herein have the meanings assigned to them in the Indenture.

(b) All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(c) The words “hereof,” “herein,” “hereunder” and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement; Section, Schedule, Exhibit and Annex references contained in this Agreement are references to Sections, Schedules, Exhibits and Annexes in or to this Agreement unless otherwise specified; and the term “including” shall mean “including without limitation.”

(d) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter forms of such terms.

ARTICLE 2

APPOINTMENT AND AUTHORIZATION

Section 2.01. Appointment of Servicer; Acceptance of Appointment. Subject to Section 6.04 and Article 7, the Issuer hereby appoints the Servicer, and the Servicer hereby accepts such appointment, to perform the Servicer’s obligations pursuant to this Agreement on behalf of and for the benefit of the Issuer or any assignee thereof in accordance with the terms of this Agreement and applicable law. This appointment and

³² Note to Draft: PSNH to confirm at time of closing.

the Servicer's acceptance thereof may not be revoked except in accordance with the express terms of this Agreement.

Section 2.02. Authorization. With respect to all or any portion of the RRB Property, the Servicer is authorized and empowered by the Issuer to (a) execute and deliver, on behalf of itself and/or the Issuer, as the case may be, any and all instruments, documents or notices, and (b) on behalf of itself and/or the Issuer, as the case may be, make any filing and participate in proceedings of any kind with any governmental authorities, including with the NHPUC. The Issuer shall execute and/or furnish the Servicer with such documents as have been prepared by the Servicer or the Administrator for execution by the Issuer, and with such other documents as may be in the Issuer's possession, as the Servicer may determine to be necessary or appropriate to enable it to carry out its servicing and administrative duties hereunder. Upon the Servicer's written request, the Issuer shall furnish the Servicer with any powers of attorney or other documents necessary or appropriate to enable the Servicer to carry out its duties hereunder.

Section 2.03. Dominion and Control Over the RRB Property. Notwithstanding any other provision herein, the Issuer shall have dominion and control over the RRB Property, and the Servicer, in accordance with the terms hereof, is acting solely as the servicing agent and custodian for the Issuer with respect to the RRB Property and the RRB Property Records. The Servicer shall not take any action that is not authorized by this Agreement, that would contravene the Finance Order or that shall impair the rights of the Issuer or the Trustee in the RRB Property, in each case unless such action is required by applicable law or court or regulatory order.

ARTICLE 3

BILLING SERVICES

Section 3.01. Duties of Servicer. The Servicer, as agent for the Issuer, shall have the following duties:

(a) Duties of Servicer Generally.

(1) General Duties. The Servicer's duties in general shall include: management, servicing and administration of the RRB Property; obtaining meter reads, calculating electricity usage (including usage by customers of any TPS), billing, collection and posting of all payments in respect of the RRB Property; responding to inquiries by customers, the NHPUC, or any federal, local or other state governmental authorities with respect to the RRB Property or RRB Charges; delivering Bills to customers and TPSs, investigating and handling delinquencies, processing and depositing collections and making periodic remittances; furnishing periodic reports to the Issuer, the Trustee and the Rating Agencies; and taking all necessary action in connection with Periodic Adjustments as set forth herein. To the extent allowed by law and NHPUC Regulations, certain of the duties set forth above may be performed by TPSs pursuant to

TPS Service Agreements. Without limiting the generality of this Section 3.01(a)(1), in furtherance of the foregoing, the Servicer hereby agrees that it shall also have, and shall comply with, the duties and responsibilities relating to data acquisition, usage and bill calculation, billing, customer service functions, collection, payment processing and remittance set forth in Annex I hereto.

(2) NHPUC Regulations Control. Notwithstanding anything to the contrary in this Agreement, the duties of the Servicer set forth in this Agreement shall be qualified in their entirety by the Statute, the Finance Order and any NHPUC Regulations as in effect at the time such duties are to be performed.

(b) Reporting Functions.

(1) Annual Reconciliation Report. The Servicer shall deliver an annual written reconciliation report substantially in the form of Exhibit E hereto as required by Section 4.03(b) hereof.

(2) Notification of Laws and Regulations. The Servicer shall promptly notify the Issuer, the Trustee and the Rating Agencies in writing of any laws or NHPUC Regulations hereafter promulgated that have a material adverse effect on the Servicer's ability to perform its duties under this Agreement.

(3) Other Information. Upon the reasonable request of the Issuer, the Trustee or any Rating Agency, the Servicer shall provide to such Issuer, Trustee or such Rating Agency, as the case may be, any public financial information in respect of the Servicer, or any material information regarding the RRB Property to the extent it is reasonably available to the Servicer, as may be reasonably necessary and permitted by law to enable the Issuer, the Trustee, or the Rating Agencies to monitor the Servicer's performance hereunder.

(4) Preparation of Reports to be Filed with the SEC. The Servicer shall prepare or cause to be prepared any reports required to be filed by the Issuer or the Sponsor under the securities laws or other applicable laws, including, if so required, a copy of (i) each Semi-Annual Servicer Certificate described in Section 4.01(d)(3) (under Form 10-D or any other applicable form), (ii) each Certificate of Compliance described in Section 3.03(a), (iii) any other certificates described in Section 3.03(b) and (iv) the Annual Accountant's Report described in Section 3.04 (and any other attestation required under Regulation AB). In addition, the appropriate officer or officers of the Servicer shall (in its separate capacity as Sponsor) sign the Sponsor's annual report on Form 10-K (and any other applicable SEC or other reports, attestations, certifications and other documents), to the extent that the Servicer's signature is required by, and consistent with, the U.S. federal securities laws and/or any other applicable law.

Section 3.02. Servicing and Maintenance Standards. On behalf of the Issuer, the Servicer shall (a) manage, service, administer and make collections in respect of the RRB Property with reasonable care and in accordance with applicable law, including all applicable NHPUC Regulations and guidelines, using the same degree of care and

diligence that the Servicer exercises with respect to similar assets for its own account and, if applicable, for others; (b) follow customary standards, policies and procedures for the industry in performing its duties as Servicer; (c) use all reasonable efforts, consistent with its customary servicing procedures, to bill and collect the RRB Charge; (d) file all filings under the applicable Uniform Commercial Code or the Statute necessary or desirable to maintain the ownership interest and perfected security interest of the Issuer and the Trustee, respectively, in the RRB Property with the priority required by the Indenture; and (e) comply in all material respects with all laws and regulations applicable to and binding on it relating to the RRB Property. The Servicer shall follow such customary and usual practices and procedures as it shall deem necessary or advisable in its servicing of all or any portion of the RRB Property, which, in the Servicer's judgment, may include the taking of legal action, at the Issuer's expense but subject to the priority of payments set forth in Section [8.02(e)] of the Indenture.

Section 3.03. Certificate of Compliance.

(a) For so long as the Bonds remain outstanding, the Servicer shall deliver to the Issuer, the Trustee and the Rating Agencies on or before the earlier of (1) March 31 of each year or (2) with respect to each calendar year during which the Sponsor's annual report on Form 10-K is required to be filed in accordance with the Exchange Act and the rules and regulations thereunder, the date on which such annual report on Form 10-K is required to be filed in accordance with the Exchange Act and the rules and regulations thereunder, commencing March 31, 2019, an Officer's Certificate substantially in the form of Exhibit A hereto (a "Certificate of Compliance"), stating that: (i) a review of the activities of the Servicer during the twelve months ended the preceding December 31 (or, in the case of the first Certificate of Compliance to be delivered on or before March 31, 2019, the period of time from the date of this Agreement until December 31, 2018) and of its performance under this Agreement has been made under such Responsible Officer's supervision, and (ii) to the best of such Responsible Officer's knowledge, based on such review, the Servicer has fulfilled all of its obligations under this Agreement in all material respects throughout such twelve months (or, in the case of the Certificate of Compliance to be delivered on or before March 31, 2019 the period of time from the date of this Agreement until December 31, 2018), or, if there has been a failure to fulfill any such obligation in any material respect, specifying each such failure known to such Responsible Officer and the nature and status thereof.

(b) The Servicer shall use commercially reasonable efforts to obtain, from each other party participating in the servicing function, any additional certifications as to the statements and assessment required under Item 1122 or Item 1123 of Regulation AB to the extent required in connection with the filing of the Issuer's annual report on Form 10-K; *provided, however*, that a failure to obtain such certifications shall not be a breach of the Servicer's duties hereunder. The parties acknowledge that the Trustee's certifications shall be limited to the Item 1122 certifications described in Section [] of the Indenture.

(c) The initial Servicer, in its capacity as Sponsor, shall post on its or its parent company's website and cause the Issuer to file with or furnish to the SEC, in periodic reports and other reports as are required from time to time under Section 13 or Section 15(d) of the Exchange Act, the information described in Section [] of the Indenture to the extent such information is reasonably available to the Sponsor.

Section 3.04. Annual Report by Independent Public Accountants.

(a) For so long as the Bonds remain outstanding⁴³, the Servicer, at the Issuer's expense, shall cause a firm of independent certified public accountants (which may provide other services to the Servicer) to prepare, and the Servicer shall deliver to the Issuer, the Trustee and the Rating Agencies, a report addressed to the Servicer (the "Annual Accountant's Report"), which may be included as part of the Servicer's customary auditing activities, for the information and use of the Issuer, the Trustee and the Rating Agencies, on or before the earlier of (i) March 31 of each year or (ii) with respect to each calendar year during which the Sponsor's annual report on Form 10-K is required to be filed in accordance with the Exchange Act and the rules and regulations thereunder, the date on which such annual report on Form 10-K is required to be filed in accordance with the Exchange Act and the rules and regulations thereunder, beginning March 31, 2019, to the effect that such firm has performed certain procedures, agreed between the Servicer and such accountants, in connection with the Servicer's compliance with its obligations under this Agreement during the preceding twelve months ended December 31 (or, in the case of the first Annual Accountant's Report to be delivered on or before March 31, 2019, the period of time from the date of this Agreement until December 31, 2018), identifying the results of such procedures and including any exceptions noted. The Annual Accountant's Report shall also include any attestation report required under Item 1122(b) of Regulation AB, as then in effect.

(b) The Annual Accountant's Report shall also indicate that the accounting firm providing such report is independent of the Servicer within the meaning of the Code of Professional Conduct of the American Institute of Certified Public Accountants or any superseding or amended standard adopted by the Public Company Accounting Oversight Board.

ARTICLE 4

SERVICES RELATED TO PERIODIC ADJUSTMENTS;
REMITTANCES

Section 4.01. Periodic Adjustments. From time to time, until the Retirement of the Bonds, the Servicer shall identify the need for Periodic Adjustments and shall take all

⁴³Note to draft: Trustee to confirm whether report is also required for the year following retirement of the bonds.

reasonable action to obtain and implement such Periodic Adjustments, all in accordance with the following:

(a) Expected Amortization Schedule. The Expected Amortization Schedule is attached hereto as Schedule 4.01(a). If the Expected Amortization Schedule is revised, the Servicer shall send a copy of such revised Expected Amortization Schedule to the Issuer, the Trustee and the Rating Agencies promptly thereafter.

(b) Routine Periodic Adjustments and Annual Filings.

(1) Annual Routine Periodic Adjustments and Filings. For the purpose of preparing an Annual Routine True-Up Letter, the Servicer shall: (A) update the assumptions underlying the calculation of the RRB Charge, including forecasted kWh usage by rate class, the rate of charge-offs and estimated ongoing transaction costs of the Issuer to the extent not fixed, for the two Remittance Periods beginning, respectively, on ~~December~~January 1 and July 1 of the year that such Annual Routine True-Up Letter is filed ~~and June 1 of the following year~~; (B) update the calculation of Weighted Average Days Outstanding; (C) determine the Periodic RRB Payment Requirements for such Remittance Periods, based upon such updated assumptions; and (D) determine the RRB Charge to be charged during the ~~calendar year~~twelve-month period commencing with the Payment Date immediately following the filing of such Annual Routine True-Up Letter based upon such Periodic RRB Payment Requirements. The Servicer shall file an Annual Routine True-Up Letter with the NHPUC no later than ~~December 1~~January 15 of each year, ~~commencing on December 1, 2018~~.

(2) Routine Mid-Year Periodic Adjustments. The Servicer shall file a Mid-Year Routine True-Up Letter not later than ~~June 1~~July 15 of each year, if the Servicer reasonably projects that Estimated RRB Charge Payments (without giving effect to the Periodic Adjustments set forth in such Mid-Year Routine True-Up Letter) will be insufficient to cover the Periodic RRB Payment Requirements for the Remittance Period beginning on ~~June~~July 1 of such year.

(3) Other Routine Periodic Adjustments. In addition (a) except during the two Remittance Periods preceding the [Latest Final Maturity Date,]⁵⁴ the Servicer may (but shall not be required to) file an Other Routine True-Up Letter not later than the date that is 15 days before the end of any calendar month if it reasonably projects that Estimated RRB Charge Payments (without giving effect to the Periodic Adjustments set forth in such Other Routine True-Up Letter) will be insufficient to cover the Periodic RRB Payment Requirements for the then-current Remittance Period and (b) during the two Remittance Periods preceding the [Latest Final Maturity Date,]⁶⁵ if the Servicer reasonably projects that Estimated RRB Charge Payments (without giving effect to the

⁵⁴ Note to Draft: Defined term to be confirmed in the Indenture.

⁶⁵ Note to Draft: Defined term to be confirmed in the Indenture.

Periodic Adjustments set forth in such Other Routine True-Up Letter) will be insufficient to cover the Periodic RRB Payment Requirements for the then-current Remittance Period, 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.

(4) Effectiveness of Periodic Adjustments. Absent manifest error, the Periodic Adjustments will become effective: (i) in the case of any Periodic Adjustment contained in any Annual Routine True-Up Letter, on the ensuing ~~January~~~~February~~ 1; (ii) in the case of any Periodic Adjustment contained in any Mid-Year Routine True-Up Letter, on the ensuing ~~July~~~~August~~ 1; or (iii) in the case of a Periodic Adjustment related to an Other Routine True-Up Letter, on the first day of the calendar month following the filing of the applicable Other Routine True-Up Letter. The Servicer shall take all reasonable actions and make all reasonable efforts to secure any Periodic Adjustments.

(c) Non-Routine Periodic Adjustments.

(1) Whenever the Servicer determines that the existing model for calculating the RRB Charge should be amended or revised, subject to the consent of the Issuer under the conditions set forth in Section [3.18] of the Indenture, the Servicer shall file a Non-Routine True-Up Letter with the NHPUC designating the adjustments to such model and any corresponding adjustments to the RRB Charge (collectively, a “Non-Routine Periodic Adjustment”), subject to the review and approval of the NHPUC pursuant to the Finance Order.

(2) The Servicer shall take all reasonable actions and make all reasonable efforts to secure any Non-Routine Periodic Adjustments.

(3) The Servicer shall implement any resulting adjustments to the model and any resulting revised RRB Charge effective upon review and approval by the NHPUC.

(d) Reports.

(1) Notification of Advice Letter Filings and Periodic Adjustments. Whenever the Servicer files an Advice Letter with the NHPUC, the Servicer shall send a copy of such filing to the Issuer, the Trustee and the Rating Agencies concurrently therewith. If any Periodic Adjustment requested in any such Advice Letter filing does not become effective on the applicable date as provided by the Finance Order, the Servicer shall notify the Issuer, the Trustee and the Rating Agencies by the end of the second Servicer Business Day after such applicable date.

(2) Monthly Servicer Certificate. So long as any Bonds are outstanding, not later than fifteen (15) days after the end of each month after the Bonds are issued, commencing with the calendar month ending [_____], 2018, or if such day is not a Servicer Business Day, the next succeeding Servicer Business Day, the

Servicer shall deliver a written report substantially in the form of Exhibit C hereto (the “Monthly Servicer Certificate”) to the Issuer, the Trustee and the Rating Agencies.

(3) Semi-Annual Servicer Certificate. So long as any Bonds are outstanding, not later than the Servicer Business Day immediately preceding each Payment Date, the Servicer shall deliver a written report substantially in the form of Exhibit D hereto (the “Semi-Annual Servicer Certificate”) to the Issuer, the Trustee and the Rating Agencies.

(4) TPS Reports. The Servicer shall provide to the Rating Agencies, upon request, any publicly available reports filed by the Servicer with the NHPUC (or otherwise made publicly available by the Servicer) relating to TPSs and any other non-confidential and non-proprietary information relating to TPSs reasonably requested by the Rating Agencies.

Section 4.02. Limitation of Liability.

(a) The Issuer and the Servicer expressly agree and acknowledge that:

(1) In connection with any Periodic Adjustment, the Servicer is acting solely in its capacity as the servicing agent hereunder.

(2) Neither the Servicer nor the Issuer shall be responsible in any manner for, and shall have no liability whatsoever as a result of, any action, decision, ruling or other determination made or not made, or any delay (other than any delay resulting from the Servicer’s failure to file for Periodic Adjustments or Non-Routine Periodic Adjustments required by Section 4.01 in a timely and correct manner or other material breach by the Servicer of its duties under this Agreement that materially and adversely affects the RRB Property, any Periodic Adjustments or Non-Routine Periodic Adjustments), by the NHPUC in any way related to the RRB Property or in connection with any Periodic Adjustment or Non-Routine Periodic Adjustment, the subject of any filings under Section 4.01, any proposed Periodic Adjustment or Non-Routine Periodic Adjustment, or the approval of the RRB Charge and the adjustments thereto.

(3) Except to the extent that the Servicer is liable under Section 6.02, the Servicer shall have no liability whatsoever relating to the calculation of the RRB Charge and the adjustments thereto (including any Non-Routine Periodic Adjustment), including as a result of any inaccuracy of any of the assumptions made in such calculation regarding expected forecasted kWh usage by rate class, the rate of charge-offs, Weighted Average Days Outstanding and estimated ongoing transaction costs of the Issuer, so long as the Servicer has acted in good faith and not acted in a grossly negligent manner in connection therewith, nor shall the Servicer have any liability whatsoever as a result of any Person, including the Bondholders, not receiving any payment, amount or return anticipated or expected in respect of any Bond generally.

(b) Notwithstanding the foregoing, this Section 4.02 shall not relieve the Servicer of any liability under Section 6.02 for any misrepresentation by the Servicer

under Section 6.01 or for any breach by the Servicer of its obligations under this Agreement.

Section 4.03. Remittances.

(a) Subject to Section 4.03(b) below, on each Servicer Business Day, commencing approximately the weighted average days outstanding after the date of this Agreement, the Servicer will cause to be made within two Servicer Business Days of deemed receipt, a wire transfer of immediately available funds to the Collection Account in an amount equal to the Estimated RRB Charge Payments (as calculated in accordance with Annex I hereto) received on such Servicer Business Day and on any prior day that was not a Servicer Business Day for which a Remittance has not previously been made (taking into account the Weighted Average Days Outstanding in effect from time to time). Prior to or simultaneous with each Remittance to the Collection Account pursuant to this Section, the Servicer shall provide written notice to the Trustee of each such Remittance (including the exact dollar amount to be remitted).

(b) On or before March 1 of each year, the Servicer shall calculate the amount of any Remittance Shortfall or Remittance Excess attributable to the prior Reconciliation Period and (A) if a Remittance Shortfall exists, the Servicer shall make a supplemental wire transfer of immediately available funds to the Collection Account on the next Servicer Business Day following such calculation in the amount of such Remittance Shortfall, or (B) if a Remittance Excess exists, the Servicer may reduce the amount of Remittances to be made to the Issuer on succeeding Servicer Business Days in an amount equal to the amount of such Remittance Excess until the balance of the Remittance Excess has been reduced to zero. The Servicer shall deliver a written report setting forth in reasonable detail the calculation of any Remittance Excess or Remittance Shortfall to the Issuer, the Trustee and the Rating Agencies as in Exhibit E.

(c) The Servicer agrees and acknowledges that it holds all Estimated RRB Charge Payments and any other proceeds for [RRB Collateral]⁷⁶ received by it for the benefit of the Trustee and the Bondholders and that all such amounts will be remitted by the Servicer in accordance with this Section 4.03 without any surcharge, fee, offset, charge or other deduction except (i) as set forth in Section 4.03(b) above and (ii) for late fees and interest earnings permitted by Section 6.06.

ARTICLE 5

THE RRB PROPERTY

Section 5.01. Custody of RRB Property Records. To assure uniform quality in servicing the RRB Property and to reduce administrative costs, the Issuer hereby

⁷⁶ Note to Draft: Defined term to be confirmed in the Indenture.

revocably appoints the Servicer, and the Servicer hereby accepts such appointment, to act as the agent of the Issuer as custodian of any and all documents and records that the Servicer shall keep on file, in accordance with its customary procedures, relating to the RRB Property, including copies of the Finance Order and Advice Letters relating thereto and all documents filed with the NHPUC in connection with any Periodic Adjustment or Non-Routine Periodic Adjustment and computational records relating thereto (collectively, the “RRB Property Records”), which are hereby constructively delivered to the Trustee, as pledgee of the Issuer with respect to all RRB Property.

Section 5.02. Duties of Servicer as Custodian.

(a) Safekeeping. The Servicer shall hold the RRB Property Records on behalf of the Issuer and the Trustee and maintain such accurate and complete accounts, records and computer systems pertaining to the RRB Property Records on behalf of the Issuer and the Trustee as shall enable the Issuer and the Trustee, as applicable to comply with this Agreement, the Sale Agreement and the Indenture. In performing its duties as custodian, the Servicer shall act with reasonable care, using that degree of care and diligence that the Servicer exercises with respect to comparable assets that the Servicer services for itself or, if applicable, for others. The Servicer shall promptly report to the Issuer, the Trustee and the Rating Agencies any failure on its part to hold the RRB Property Records and maintain its accounts, records and computer systems as herein provided and promptly take appropriate action to remedy any such failure. Nothing herein shall be deemed to require an initial review or any periodic review by the Issuer or the Trustee of the RRB Property Records. The Servicer’s duties to hold the RRB Property Records on behalf of the Issuer set forth in this Section 5.02, to the extent such RRB Property Records have not been previously transferred to a successor Servicer pursuant to Article 7, shall terminate one year and one day after the earlier of the date on which (i) the Servicer is succeeded by a successor Servicer in accordance with Article 7 and (ii) no Bonds are outstanding.

(b) Maintenance of and Access to Records. The Servicer shall maintain at all times records and accounts that permit the Servicer to identify RRB Charges billed. The Servicer shall maintain the RRB Property Records at PSNH’s corporate offices or at such other office as shall be specified to the Issuer and the Trustee by written notice at least 30 days prior to any change in location. The Servicer shall make available for inspection to the Issuer, the Trustee, the NHPUC or their respective duly authorized representatives, attorneys or auditors the RRB Property Records at such times during normal business hours as the Issuer, the Trustee or the NHPUC shall reasonably request and which do not unreasonably interfere with the Servicer’s normal operations.

(c) Release of Documents. Upon instruction from the Trustee in accordance with the Indenture, the Servicer shall release any RRB Property Records to the Trustee, the Trustee’s agent or the Trustee’s designee, as the case may be, at such place or places as the Trustee may designate, as soon as practicable.

(d) Defending RRB Property Against Claims. The Servicer, on behalf of the Issuer and the Bondholders, shall institute any action or proceeding necessary to

compel performance by the NHPUC or the State of New Hampshire of any of their obligations or duties under the Statute, the Finance Order or any Advice Letter, and the Servicer agrees to take such legal or administrative actions, including defending against or instituting and pursuing legal actions and appearing or testifying at hearings or similar proceedings, as may be reasonably necessary to block or overturn any attempts to cause a repeal of, modification of, or supplement to, the Statute or the Finance Order or the rights of holders of RRB Property by executive action, legislative enactment or constitutional amendment or (if such means become available in the future) referendum or initiative petition that would be adverse to Bondholders, the Issuer or the Trustee. The costs of any such action shall be payable from RRB Charge Collections as an Operating Expense in accordance with the priorities set forth in Section 8.02(d) of the Indenture. The Servicer's obligations pursuant to this Section 5.02 shall survive and continue notwithstanding the fact that the payment of Operating Expenses pursuant to Section 8.02(d) of the Indenture may be delayed (it being understood that the Servicer may be required to advance its own funds to satisfy its obligations hereunder).

(e) Nothing in this Section 5.02 shall affect the obligation of the Servicer to observe any applicable law (including any NHPUC Regulations) prohibiting disclosure of information regarding the customers, and the failure of the Servicer to provide access to such information as a result of such obligation shall not constitute a breach of this Section 5.02.

Section 5.03. Instructions; Authority to Act. For so long as any Bonds remain outstanding, the Servicer shall be deemed to have received proper instructions with respect to the RRB Property Records upon its receipt of written instructions signed by a Responsible Officer (as defined in the Indenture) of the Trustee.

Section 5.04. Effective Period and Termination. The Servicer's appointment as custodian shall become effective as of the Closing Date and shall continue in full force and effect until terminated pursuant to this Section 5.04. If any Servicer shall resign as Servicer in accordance with the provisions of this Agreement or if all of the rights and obligations of any Servicer shall have been terminated under Section 7.01, the appointment of such Servicer as custodian shall terminate upon appointment of a successor Servicer, subject to the approval of the NHPUC, and acceptance by such successor Servicer of such appointment.

Section 5.05. Monitoring of Third Party Suppliers. From time to time, until the Retirement of the Bonds, the Servicer shall, using the same degree of care and diligence that it exercises with respect to payments owed to it for its own account, implement such procedures and policies as are necessary to properly enforce the obligations of each TPS to remit RRB Charges, in accordance with the terms and provisions of the Finance Order, the TPS Service Agreement and Schedule A to Annex I hereto.

ARTICLE 6

THE SERVICER

Section 6.01. Representations and Warranties of Servicer. The Servicer makes the following representations and warranties, as of the Closing Date, and as of such other dates as expressly provided in this Section 6.01, on which the Issuer is deemed to have relied in entering into this Agreement relating to the servicing of the RRB Property. The representations and warranties shall survive the execution and delivery of this Agreement, the sale of any RRB Property and the pledge thereof to the Trustee pursuant to the Indenture.

(a) Organization and Good Standing. The Servicer is duly organized and validly existing as a corporation in good standing under the laws of the State of New Hampshire, with the requisite corporate power and authority to own its properties as such properties are currently owned and to conduct its business as such business is currently conducted by it, and has the requisite corporate power and authority to service the RRB Property and to hold the RRB Property Records as custodian.

(b) Due Qualification. The Servicer is duly qualified to do business as a foreign corporation in good standing, and has obtained all necessary licenses and approvals, in all jurisdictions in which the ownership or lease of property or the conduct of its business (including the servicing of the RRB Property as required by this Agreement) shall require such qualifications, licenses or approvals (except where the failure to so qualify or obtain such licenses and approvals would not be reasonably likely to have a material adverse effect on the Servicer's business, operations, assets, revenues or properties or adversely affect the servicing of the RRB Property).

(c) Power and Authority. The Servicer has the requisite corporate power and authority to execute and deliver this Agreement and to carry out its terms; and the execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate action on the part of the Servicer.

(d) Binding Obligation. This Agreement constitutes a legal, valid and binding obligation of the Servicer enforceable against it in accordance with its terms, subject to applicable insolvency, reorganization, moratorium, fraudulent transfer and other laws relating to or affecting creditors' rights generally from time to time in effect and to general principles of equity (including concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at law.

(e) No Violation. The consummation of the transactions contemplated by this Agreement and the fulfillment of the terms hereof do not: (i) conflict with or result in any breach of any of the terms and provisions of, nor constitute (with or without notice or lapse of time) a default under, the articles of organization or by-laws of the Servicer, or any material indenture, agreement or other instrument to which the Servicer is a party or

by which it is bound; (ii) result in the creation or imposition of any Lien upon any of the Servicer's properties pursuant to the terms of any such indenture, agreement or other instrument; nor (iii) violate any existing law or any existing order, rule or regulation applicable to the Servicer of any court or of any federal or state regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Servicer or its properties, so as to adversely affect the Servicer, the Issuer or the Bondholders.

(f) No Proceedings. There are no proceedings pending and, to the Servicer's knowledge, there are no proceedings threatened and, to the Servicer's knowledge, there are no investigations pending or threatened, before any court, federal or state regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Servicer or its properties involving or relating to the Servicer or the Issuer or, to the Servicer's knowledge, any other Person: (i) asserting the invalidity of this Agreement; (ii) seeking to prevent the issuance of the Bonds or the consummation of any of the transactions contemplated by this Agreement or any of the other Related Agreements; (iii) seeking any determination or ruling that might materially and adversely affect the performance by the Servicer of its obligations under, or the validity or enforceability of, this Agreement or any of the other Related Agreements; or (iv) seeking to adversely affect the U.S. federal income tax, state income tax or franchise tax classification of the Bonds as debt.

(g) Approvals. No approval, authorization, consent, order or other action of, or filing with, any court, federal or state regulatory body, administrative agency or other governmental instrumentality is required in connection with the execution and delivery by the Servicer of this Agreement, the performance by the Servicer of the transactions contemplated hereby or the fulfillment by the Servicer of the terms hereof, except those that have been obtained or made and those that the Servicer is required to make in the future pursuant to Article 3 or Article 4 hereof and post-closing filings in connection therewith.

(h) Reports and Certificates. Each report and certificate delivered in connection with any filing made to the NHPUC by the Issuer with respect to the RRB Charges or Periodic Adjustments will constitute a representation and warranty by the Servicer that each such report or certificate, as the case may be, is true and correct in all material respects; provided, however, that, to the extent any such report or certificate is based in part upon or contains assumptions, forecasts or other predictions of future events, the representation and warranty of the Servicer with respect thereto will be limited to the representation and warranty that such assumptions, forecasts or other predictions of future events are believed by the Servicer to be reasonable based upon historical performance (and facts known to the Servicer on the date such report or certificate is delivered).

Section 6.02. Indemnities of Servicer.

(a) The Servicer shall be liable in accordance herewith only to the extent of the obligations specifically undertaken by the Servicer and as expressly provided under this Section 6.02.

(b) The Servicer shall indemnify the Issuer the Bondholders (each an “Indemnified Person” for purposes of Sections 6.02(b) and (d)) for, and defend and hold harmless each such Person from and against, any and all liabilities, obligations, losses, actual damages, payments, claims, costs or expenses of any kind whatsoever (collectively, “Losses”) that may be imposed on, incurred by or asserted against any such Person as a result of (i) the Servicer’s willful misconduct or gross negligence in the performance of its duties or observance of its covenants under this Agreement (including the Servicer’s willful misconduct or gross negligence relating to the maintenance and custody by the Servicer, as custodian, of the RRB Property Records) or (ii) the Servicer’s breach in any material respect of any of its representations or warranties in this Agreement; *provided, however*, that the Servicer shall not be liable for any Losses resulting from the willful misconduct or gross negligence of any such Indemnified Person; and, *provided, further*, that the Bondholders shall be entitled to enforce their rights and remedies against the Servicer under this Section 6.02(b) solely through a cause of action brought for their benefit by the Trustee.

(c) The Servicer shall indemnify and hold harmless the Trustee and any of its respective affiliates, officials, officers, directors, employees, consultants, counsel and agents (each an “Indemnified Person” for purposes of Section 6.02(c) and (d)) for, and defend and hold harmless each such Person from and against, any and all Losses imposed on, incurred by or asserted against any of such Indemnified Persons as a result of: (i) the Servicer’s willful misconduct or gross negligence in the performance of its duties or observance of its covenants under this Agreement (including the Servicer’s willful misconduct or gross negligence relating to the maintenance and custody by the Servicer, as custodian, of the RRB Property Records) or (ii) the Servicer’s breach in any material respect of any of its representations or warranties in this Agreement; *provided, however*, that the Servicer shall not be liable for any Losses resulting from the willful misconduct or gross negligence of such Indemnified Person or resulting from a breach of a representation or warranty made by such Indemnified Person in any of the Basic Documents that gives rise to the Servicer’s breach.

(d) The Servicer shall not be required to indemnify an Indemnified Person for any amount paid or payable by such Indemnified Person in the settlement of any action, proceeding or investigation without the written consent of the Servicer, which consent shall not be unreasonably withheld. Promptly after receipt by an Indemnified Person of notice of its involvement in any action, proceeding or investigation, such Indemnified Person shall, if a claim for indemnification in respect thereof is to be made against the Servicer under this Section 6.02(d), notify the Servicer in writing of such involvement. Failure by an Indemnified Person to so notify the Servicer shall relieve the Servicer from the obligation to indemnify and hold harmless such Indemnified Person under this Section 6.02, only to the extent that the Servicer suffers actual prejudice as a result of such failure. With respect to any action, proceeding or investigation brought by a

third party for which indemnification may be sought under this Section 6.02, the Servicer shall be entitled to assume the defense of any such action, proceeding or investigation. Upon assumption by the Servicer of the defense of any such action, proceeding or investigation, the Indemnified Person shall have the right to participate in such action or proceeding and to retain its own counsel. The Servicer shall be entitled to appoint counsel of the Servicer's choice at the Servicer's expense to represent the Indemnified Person in any action, proceeding or investigation for which a claim of indemnification is made against the Servicer under this Section 6.02 (in which case the Servicer shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the Indemnified Person except as set forth below); *provided, however*, that such counsel shall be reasonably satisfactory to the Indemnified Person. Notwithstanding the Servicer's election to appoint counsel to represent the Indemnified Person in an action, proceeding or investigation, the Indemnified Person shall have the right to employ separate counsel (including one local counsel in each relevant jurisdiction), and the Servicer shall bear the reasonable and documented out-of-pocket fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the Servicer to represent the Indemnified Person would present such counsel with a conflict of interest, (ii) the actual or potential defendants in, or targets of, any such action include both the Indemnified Person and the Servicer and the Indemnified Person shall have reasonably concluded that there may be legal defenses available to it that are different from or additional to those available to the Servicer, (iii) the Servicer shall not have employed counsel reasonably satisfactory to the Indemnified Person to represent the Indemnified Person within a reasonable time after notice of the institution of such action or (iv) the Servicer shall authorize the Indemnified Person to employ separate counsel at the expense of the Servicer. Notwithstanding the foregoing, the Servicer shall not be obligated to pay for the fees, costs and expenses of more than one separate counsel for the Indemnified Persons (in addition to one local counsel in each relevant jurisdiction). The Servicer will not, without the prior written consent of the Indemnified Person, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought under this Section 6.02 (whether or not the Indemnified Person is an actual or potential party to such claim or action) unless such settlement, compromise or consent includes an unconditional release of the Indemnified Person from all liability arising out of such claim, action, suit or proceeding.

(e) The right to indemnification under this Section 6.02 shall survive the resignation or removal of the Trustee and/or the termination of this Agreement and shall include reasonable and documented out-of-pocket fees and expenses of investigation and litigation (including reasonable and documented out-of-pocket attorneys' fees and expenses), except as otherwise provided in this Agreement.

(f) For purposes of this Section 6.02, in the event of the termination of the rights and obligations of Public Service Company of New Hampshire (or any successor thereto pursuant to Section 6.04) as Servicer pursuant to Section 7.01, or a resignation by such Servicer pursuant to this Agreement, such Servicer shall be deemed to be the Servicer pending appointment of a successor Servicer pursuant to Section 7.02.

Section 6.03. Limitation on Liability of Servicer and Others. Except as otherwise provided under this Agreement, neither the Servicer nor any of the directors, officers, employees or agents of the Servicer shall be liable to the Issuer or any other Person for any action taken or for refraining from the taking of any action pursuant to this Agreement or for errors in judgment; *provided, however*, that this provision shall not protect the Servicer or any director, officer, employee or agent of the Servicer against any liability that would otherwise be imposed by reason of willful misconduct or gross negligence in the performance of duties under this Agreement. The Servicer and any director, officer, employee or agent of the Servicer may rely in good faith on the advice of counsel reasonably acceptable to the Trustee or on any document of any kind, *prima facie* properly executed and submitted by any Person, respecting any matters arising under this Agreement. Except as provided in this Agreement, the Servicer shall not be under any obligation to appear in, prosecute or defend any legal action relating to the RRB Property; *provided, however*, that the Servicer may, in respect of any proceeding, undertake any action that it is not specifically identified in this Agreement as a duty of the Servicer but that the Servicer reasonably determines is necessary or desirable in order to protect the rights and duties of the Issuer or the Trustee under this Agreement and the interests of the Bondholders and customers under this Agreement.

Section 6.04. Merger or Consolidation of, or Assumption of the Obligations of, Servicer. Any Person (a) into which the Servicer may be merged or consolidated, (b) which may result from any merger or consolidation to which the Servicer shall be a party or (c) which may succeed to the properties and assets of the Servicer substantially as a whole, which Person in any of the foregoing cases executes an agreement of assumption to perform every obligation of the Servicer hereunder, shall be the successor to the Servicer under this Agreement without further act on the part of any of the parties to this Agreement; *provided, however*, that (i) immediately after giving effect to such transaction, no Servicer Default and no event which, after notice or lapse of time, or both, would become a Servicer Default shall have occurred and be continuing, (ii) the Servicer shall have delivered to the Issuer and the Trustee an Officers' Certificate stating that such consolidation, merger or succession and such agreement of assumption comply with this Section and that all conditions precedent provided for in this Agreement relating to such transaction have been complied with, (iii) the Servicer shall have delivered to the Issuer and the Trustee an Opinion of Counsel stating that, in the opinion of such counsel (A) all conditions precedent to such consolidation, merger or succession and such agreement of assumption provided for in this Agreement relating to such transaction have been complied with and (B) either (1) all filings to be made by the Servicer, including filings with the NHPUC pursuant to the Statute and filings under the applicable Uniform Commercial Code, have been executed and filed that are necessary to preserve and protect fully the interests of the Issuer and the Trustee in the RRB Property and reciting the details of such filings or (2) no such action shall be necessary to preserve and protect such interests, (iv) the Servicer shall have delivered to the Issuer, the Trustee and the Rating Agencies an Opinion of Counsel from independent tax counsel stating that, for U.S. federal income tax purposes, such consolidation, conversion, merger or succession and such agreement of assumption will not result in a material adverse U.S. federal income tax consequence to the Issuer or the Bondholders and (v) the Rating Agencies shall have

received prior written notice of such transaction. When any Person acquires the properties and assets of the Servicer substantially as a whole and becomes the successor to the Servicer in accordance with the terms of this Section 6.04, then upon satisfaction of all of the other conditions of this Section 6.04, the Servicer shall automatically and without further notice be released from all its obligations hereunder.

Section 6.05. Public Service Company of New Hampshire Not to Resign as Servicer. Subject to the provisions of Section 6.04, Public Service Company of New Hampshire shall not resign from the obligations and duties hereby imposed on it as Servicer under this Agreement except upon either (a) a determination by Public Service Company of New Hampshire that the performance of its duties under this Agreement shall no longer be permissible under applicable law or (b) satisfaction of the following: (i) the Rating Agency Condition shall have been satisfied and (ii) the NHPUC shall have approved such resignation. Notice of any such determination permitting the resignation of Public Service Company of New Hampshire shall be communicated to the Issuer, the Trustee and the Rating Agencies at the earliest practicable time (and, if such communication is not in writing, shall be confirmed in writing at the earliest practicable time) and any such determination that the performance of Public Service Company of New Hampshire's duties under this Agreement shall no longer be permissible under applicable law shall be evidenced by an Opinion of Counsel to such effect delivered by Public Service Company of New Hampshire to the Issuer and the Trustee concurrently with or promptly after such notice. No such resignation shall become effective until a successor Servicer shall have assumed the responsibilities and obligations of Public Service Company of New Hampshire in accordance with Section 7.02.

Section 6.06. Servicing Compensation.

(a) In consideration for its services hereunder, until the collection in full of the RRB Charges, the Servicer shall receive (x) an annual fee (the "Servicing Fee") in an amount equal to (i) five one-hundredths of one percent (0.05%) of the initial principal balance of the Bonds for so long as the Servicer is Public Service Company of New Hampshire or any successor Servicer that bills the RRB Charge concurrently with other charges for services or (ii) up to six tenths of one percent (0.60%) of the initial principal balance of the Bonds for so long as the Servicer is a successor Servicer that bills the RRB Charge separately to customers (which amount shall be determined by a separate agreement between the Issuer and the Servicer) and (y) an initial fee payable on the Closing Date of \$50,000. The Servicing Fee shall be payable in semi-annual installments on each Payment Date. The Servicer also shall be entitled to retain as additional compensation (i) any interest earnings on RRB Charge Collections received by the Servicer and invested by the Servicer pursuant to Section 6(c) of Annex I hereto prior to remittance to the Collection Account and (ii) all late payment charges, if any, collected from customers or TPSs to the extent consistent with the Tariff.

(b) The Servicing Fee set forth in Section 6.06(a) above and expenses provided for in Section 6.06(c) below shall be paid to the Servicer by the Trustee, on each Payment Date in accordance with the priorities set forth in Section 8.02(d) of the

Indenture, by wire transfer of immediately available funds from the Collection Account to an account designated by the Servicer. Any portion of the Servicing Fee not paid on such date shall be added to the Servicing Fee payable on the subsequent Payment Date.

(c) The Issuer shall pay all expenses incurred by the Servicer in connection with its activities hereunder (including any reasonable and documented out-of-pocket fees to and disbursements by accountants, counsel, or any other Person, any taxes imposed on the Servicer (other than taxes based on the Servicer's net income) and any expenses incurred in connection with reports to Bondholders, subject to the priorities set forth in Section [8.02(d)] of the Indenture).

Section 6.07. Compliance with Applicable Law. The Servicer covenants and agrees, in servicing the RRB Property, to comply in all material respects with all laws applicable to, and binding upon, the Servicer and relating to such RRB Property the noncompliance with which would have a material adverse effect on the value of the RRB Property; *provided, however*, that the foregoing is not intended to, and shall not, impose any liability on the Servicer for noncompliance with any law that the Servicer is contesting in good faith in accordance with its customary standards and procedures.

Section 6.08. Access to Certain Records and Information Regarding RRB Property. The Servicer shall provide to the Bondholders, the Issuer and the Trustee access to the RRB Property Records in such cases where the Bondholders, the Issuer or the Trustee shall be required by applicable law to be provided access to such records. Access shall be afforded without charge, but only upon reasonable request and during normal business hours at the respective offices of the Servicer. Nothing in this Section shall affect the obligation of the Servicer to observe any applicable law (including any NHPUC Regulation) prohibiting disclosure of information regarding the customers, and the failure of the Servicer to provide access to such information as a result of such obligation shall not constitute a breach of this Section.

Section 6.09. Appointments.

(a) The Servicer may at any time appoint any Person to perform all or any portion of its obligations as Servicer hereunder; *provided, however*, that the Rating Agency Condition shall have been satisfied in connection therewith; and, *provided, further*, that the Servicer shall remain obligated and be liable under this Agreement for the servicing and administering of the RRB Property in accordance with the provisions hereof without diminution of such obligation and liability by virtue of the appointment of such Person and to the same extent and under the same terms and conditions as if the Servicer alone were servicing and administering the RRB Property; and, *provided, further, however*, that nothing herein (including the Rating Agency Condition) shall preclude the engagement of any Person to provide lockbox or similar payment processing services. The fees and expenses of any such Person shall be as agreed between the Servicer and such Person from time to time and none of the Issuer, the Trustee, the Bondholders or any other Person shall have any responsibility therefor or right or claim thereto. Any such appointment shall not constitute a Servicer resignation under Section 6.05.

(b) The Servicer, in carrying out the foregoing duties or any of its other obligations under this Agreement, may enter into transactions with or otherwise deal with any of its Affiliates to obtain the services of such Affiliates as is its current practice; *provided, however*, that the terms of any such transactions or dealings shall be no less favorable to the Issuer than would be available from unaffiliated parties or that would be available if the Servicer were to hire its own employees to perform such services.

Section 6.10. No Servicer Advances. Except with regard to Remittances of Estimated RRB Charge Payments, the Servicer shall not make any advances of interest on or principal of the Bonds.

Section 6.11. Maintenance of Operations. The Servicer agrees to continue to operate its distribution system to provide service to its customers so long as it is acting as the Servicer under this Agreement.

ARTICLE 7

DEFAULT

Section 7.01. Servicer Default. If any one of the following events (each a “Servicer Default”) shall occur and be continuing:

(a) any failure by the Servicer to remit to the Collection Account on behalf of the Issuer any required Remittance that shall continue unremedied for a period of five (5) Servicer Business Days after written notice of such failure is received by the Servicer from the Issuer or the Trustee or after discovery of such failure by a Responsible Officer of the Servicer; or

(b) any failure on the part of the Servicer, or so long as the Servicer is Public Service Company of New Hampshire or an affiliate thereof, any failure on the part of Public Service Company of New Hampshire, as the case may be, duly to observe or to perform in any material respect any other covenants or agreements of the Servicer or Public Service Company of New Hampshire, as the case may be, set forth in this Agreement (other than as provided in Section 7.01(a) or Section 7.01(c)) or any other Related Agreement to which it is a party, which failure shall (a) materially and adversely affect the rights of the Bondholders and (ii) continue unremedied for a period of 60 days after (A) the date on which written notice of such failure, requiring the same to be remedied, shall have been given (I) to the Servicer, or Public Service Company of New Hampshire, as the case may be, by the Issuer or (II) to the Servicer, or Public Service Company of New Hampshire, as the case may be, by the Trustee or by the Holders of Bonds evidencing not less than 25 percent of the Outstanding Amount of the Bonds or (B) such failure is discovered by a Responsible Officer of the Servicer; or

(c) any failure by the Servicer duly to perform its obligations under Section 4.01(b) in the time and manner set forth therein, which failure continues unremedied for a period of five Business Days;

(d) any representation or warranty made by the Servicer in this Agreement or any other Related Agreement, to the extent it is a party, shall prove to have been incorrect in any material respect when made, which has a material adverse effect on the Bondholders and which material adverse effect continues unremedied for a period of 60 days after written notice of such failure is received by the Servicer from the Issuer or the Trustee; or

(e) an Insolvency Event occurs with respect to the Servicer;

then, and in each and every case, so long as the Servicer Default shall not have been remedied, either the Trustee, or the Holders of Bonds evidencing not less than 25 percent of the Outstanding Amount of the Bonds, by notice then given in writing to the Servicer (and to the Trustee if given by the Bondholders) (a “Termination Notice”) may terminate all the rights and obligations (other than the obligations set forth in Section 6.02 and the obligations under Section 7.02 to continue performing its functions as Servicer until a successor Servicer is appointed) of the Servicer under this Agreement. In addition, upon a Servicer Default described in Section 7.01(a), each of the following shall be entitled to apply to the NHPUC for sequestration and payment of revenues arising with respect to the RRB Property in accordance with RSA 369-B:7, VI and VIII: (1) the Bondholders or the Trustee; (2) the Issuer or its assignees; or (3) pledgees or transferees of the RRB Property. On or after the receipt by the Servicer of a Termination Notice, and subject to the approval of the NHPUC, all authority and power of the Servicer under this Agreement, whether with respect to the Bonds, the RRB Property, the RRB Charge or otherwise, shall, without further action, pass to and be vested in such successor Servicer as may be appointed under Section 7.02; and, without limitation, the Trustee is hereby authorized and empowered to execute and deliver, on behalf of the predecessor Servicer, as attorney-in-fact or otherwise, any and all documents and other instruments, and to do or accomplish all other acts or things necessary or appropriate to effect the purposes of such Termination Notice, whether to complete the transfer of the RRB Property Records and related documents, or otherwise. The predecessor Servicer shall cooperate with the successor Servicer, the Issuer and the Trustee in effecting the termination of the responsibilities and rights of the predecessor Servicer under this Agreement, including the transfer to the successor Servicer for administration by it of all cash amounts that shall at the time be held by the predecessor Servicer for remittance, or shall thereafter be received by it with respect to the RRB Property or the RRB Charge. In case a successor Servicer is appointed as a result of a Servicer Default, all reasonable costs and expenses (including reasonable attorneys’ fees and expenses) incurred in connection with transferring the RRB Property Records to the successor Servicer and amending this Agreement to reflect such succession as Servicer pursuant to this Section shall be paid by the predecessor Servicer upon presentation of reasonable documentation of such costs and expenses. Termination of Public Service Company of New Hampshire as Servicer shall not terminate Public Service Company of New Hampshire’s rights or obligations under the Sale Agreement (except rights thereunder deriving from its rights as the Servicer hereunder). All other reasonable costs and expenses incurred in transferring servicing responsibilities to a successor servicer shall constitute Operating Expenses of the Issuer.

Section 7.02. Appointment of Successor.

(a) Upon the Servicer's receipt of a Termination Notice pursuant to Section 7.01 or the Servicer's resignation or removal in accordance with the terms of this Agreement, the predecessor Servicer shall continue to perform its functions as Servicer under this Agreement, and shall be entitled to receive the requisite portion of the Servicing Fee and reimbursement of expenses as provided herein, until a successor Servicer shall have assumed in writing the obligations of the Servicer hereunder as described below. In the event of the Servicer's termination hereunder, the Issuer shall appoint, subject to the approval of the NHPUC, a successor Servicer with the Trustee's prior written consent thereto (which consent shall not be unreasonably withheld), and the successor Servicer shall accept its appointment by a written assumption in form reasonably acceptable to the Issuer and the Trustee. If within 30 days after the delivery of the Termination Notice, the Issuer shall not have obtained such a new Servicer, the Trustee may appoint (subject to the approval of the NHPUC) or petition the NHPUC or a court of competent jurisdiction to appoint a successor Servicer under this Agreement. A Person shall qualify as a successor Servicer only if (i) such Person is permitted under NHPUC Regulations to perform the duties of the Servicer, (ii) the Rating Agency Condition shall have been satisfied and (iii) such Person assumes in writing the obligations of the Servicer hereunder or enters into a servicing agreement with the Issuer having substantially the same provisions as this Agreement.

(b) Upon appointment, the successor Servicer shall be the successor in all respects to the predecessor Servicer and shall be subject to all the responsibilities, duties and liabilities arising thereafter relating thereto placed on the predecessor Servicer and shall be entitled to the Servicing Fee and all the rights granted to the predecessor Servicer by the terms and provisions of this Agreement.

Section 7.03. Waiver of Past Defaults. The Holders of Bonds evidencing not less than a majority of the Outstanding Amount of the Bonds may, on behalf of all Bondholders, waive in writing any default by the Servicer in the performance of its obligations hereunder and its consequences, except a default in making any required Remittances to the Collection Account in accordance with this Agreement. Upon any such waiver of a past default, such default shall cease to exist, and any Servicer Default arising therefrom shall be deemed to have been remedied for every purpose of this Agreement. No such waiver shall extend to any subsequent or other default or impair any right consequent thereto.

Section 7.04. Notice of Servicer Default. The Servicer shall deliver to the Issuer, the Trustee and the Rating Agencies, promptly after any of its Responsible Officers having obtained actual knowledge thereof, but in no event later than five Servicer Business Days thereafter, written notice in an Officers' Certificate of any event which with the giving of notice or lapse of time, or both, would become a Servicer Default under Section 7.01(b) or Section 7.01(c).

Section 7.05. Cooperation with Successor. The Servicer covenants and agrees with the Issuer that it will, upon the Servicer's receipt of a Termination Notice pursuant to

Section 7.01 or the Servicer's resignation or removal in accordance with the terms of this Agreement, cooperate with the successor Servicer and provide any requested information as is reasonably necessary to assist the transition of services under this Agreement and the Related Documents to any successor Servicer.

ARTICLE 8

MISCELLANEOUS PROVISIONS

Section 8.01. Amendment.

(a) This Agreement may be amended in writing by the Servicer and the Issuer with ten Business Days' prior written notice given to the Rating Agencies and the prior written consent of the Trustee (which consent shall not be unreasonably withheld), but without the consent of any of the Bondholders, to cure any ambiguity, to correct or supplement any provisions in this Agreement or for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions in this Agreement or of modifying in any manner the rights of the Bondholders; *provided, however*, that such action shall not, as evidenced by an Officer's Certificate delivered to the Issuer and the Trustee, adversely affect in any material respect the interests of any Bondholder.

(b) This Agreement may also be amended in writing from time to time by the Servicer and the Issuer with the written consent of the Trustee (which consent shall not be unreasonably withheld) and the written consent of the Holders of Bonds evidencing not less than a majority of the Outstanding Amount of the Bonds and the satisfaction of the Rating Agency Condition, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement or of modifying in any manner the rights of the Bondholders.

(c) It shall not be necessary for the consent of Bondholders pursuant to this Section to approve the particular form of any proposed amendment or consent, but it shall be sufficient if such consent shall approve the substance thereof.

(d) Promptly after the execution thereof, the Issuer shall provide each of the Rating Agencies with a copy of any amendment to this Agreement.

(e) Prior to its consent to any amendment to this Agreement, the Trustee shall be entitled to receive and conclusively rely upon an Opinion of Counsel stating that such amendment is authorized or permitted by this Agreement. The Trustee may, but shall not be obligated to, enter into any such amendment which affects the Trustee's own rights, duties or immunities under this Agreement or otherwise.

Section 8.02. Maintenance of Accounts and Records.

(a) The Servicer shall maintain accounts and records as to the RRB Property accurately and in accordance with its standard accounting procedures and in

sufficient detail to permit reconciliation between RRB Charges Collections and Deemed RRB Charge Payments.

(b) The Servicer shall permit the Issuer and the Trustee and its agents at any time during normal business hours, upon reasonable notice to the Servicer and to the extent it does not unreasonably interfere with the Servicer's normal operations, to inspect, audit and make copies of and abstracts from the Servicer's records regarding the RRB Property and the RRB Charge. Nothing in this Section 8.02(b) shall affect the obligation of the Servicer to observe any applicable law (including any NHPUC Regulation) prohibiting disclosure of information regarding the customers, and the failure of the Servicer to provide access to such information as a result of such obligation shall not constitute a breach of this Section 8.02(b).

Section 8.03. Notices. Unless otherwise specifically provided herein, all notices, directions, consents and waivers required under the terms and provisions of this Agreement shall be in English and in writing, and any such notice, direction, consent or waiver may be given by United States mail, courier service, facsimile transmission or electronic mail or any other customary means of communication, and any such notice, direction, consent or waiver shall be effective when delivered, or if mailed, three days after deposit in the United States mail with proper postage for ordinary mail prepaid:

(a) if to the Servicer, to

Eversource Energy Service Company,
as agent for Public Service Company of New Hampshire
Corporate Finance,
247 Station Drive
Westwood, MA 02090-9230

(b) if to the Issuer, to

Public Service Company of New Hampshire
as agent for PSNH Funding LLC 3
780 N. Commercial Street
Manchester, NH 03101

(c) if to the Trustee, to

[]
[]
[]
[]

(d) if to [Rating Agency #1], to

[]
[]

[]
[]

(e) if to [Rating Agency #2], to

[]
[]
[]
[]

or as to each of the foregoing, at such other address as shall be designated by written notice to the other parties.

Section 8.04. Assignment. Notwithstanding anything to the contrary contained herein, except as provided in Section 6.04 and as provided in the provisions of this Agreement concerning the resignation of the Servicer, this Agreement may not be assigned by the Servicer.

Section 8.05. Limitations on Rights of Third Parties. The provisions of this Agreement are solely for the benefit of the Servicer, the Issuer, the Bondholders, the Trustee, the State of New Hampshire, the Treasurer of the State of New Hampshire, agencies of the State of New Hampshire and the other Persons expressly referred to herein and such Persons shall have the right to enforce the relevant provisions of this Agreement, except that the Bondholders shall be entitled to enforce their rights against the Servicer under this Agreement solely through a cause of action brought for their benefit by the Trustee. Nothing in this Agreement, whether express or implied, shall be construed to give to any other Person any legal or equitable right, remedy or claim in the RRB Property or under or in respect of this Agreement or any covenants, conditions or provisions contained herein.

Section 8.06. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 8.07. Separate Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 8.08. Headings. The headings of the various Articles and Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

Section 8.09. Governing Law. This Agreement shall be construed in accordance with the substantive laws of the State of New Hampshire, without giving effect to its

conflict of law or other principles that would cause the application of the laws of another jurisdiction, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

Section 8.10. Assignment to Trustee. The Servicer hereby acknowledges and consents to the collateral assignment or pledge of, or grant of a security interest in, any or all of the Issuer's rights and obligations hereunder to the Trustee for the benefit of the holders of the Bonds.

Section 8.11. Nonpetition Covenants. Notwithstanding any prior termination of this Agreement or the Indenture, but subject to the NHPUC's right to order the sequestration and payment of revenues arising with respect to the RRB Property notwithstanding any bankruptcy, reorganization or other insolvency proceedings with respect to the debtor, pledgor or transferor of the RRB Property pursuant to RSA 369-B:7, VI and RSA 369-B:7, VIII, the Servicer, acting solely in its capacity as a creditor of the Issuer, shall not, prior to the date which is one year and one day after the termination of the Indenture with respect to the Issuer, petition or otherwise invoke or cause the Issuer to invoke the process of any court or governmental authority for the purpose of commencing or sustaining an involuntary case against the Issuer under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or any substantial part of the property of the Issuer, or ordering the winding up or liquidation of the affairs of the Issuer.

Section 8.12. Rule 17g-5 Compliance. The Servicer agrees that any notice, report, request for satisfaction of the Rating Agency Condition, document or other information provided by the Servicer to any Rating Agency under this Agreement or any other Related Agreement to which it is a party for the purpose of determining the initial credit rating of the Bonds or undertaking credit rating surveillance of the Bonds with any Rating Agency, or satisfy the Rating Agency Condition, shall be substantially concurrently posted by the Servicer on a password-protected website.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Servicing Agreement to be duly executed by their respective officers as of the day and year first above written.

PSNH FUNDING LLC 3, as Issuer

By: _____

Name: [Click here to enter text.](#)

Title:

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE, as Servicer

By: _____

Name: [Click here to enter text.](#)

Title: [Click here to enter text.](#)

EXHIBIT A

CERTIFICATE OF COMPLIANCE

The undersigned hereby certifies that he/she is the duly elected and acting [] of Public Service Company of New Hampshire, as servicer (the “Servicer”) under the Servicing Agreement, dated as of [] (the “Servicing Agreement”), between the Servicer and PSNH Funding LLC 3 (the “Issuer”), and further certifies on behalf of the Servicer that:

1. In my capacity as [] of the Servicer, I am responsible for assessing the Servicer’s compliance with the servicing criteria applicable to the Servicer set forth in the Servicing Agreement and Item 1122(d) of Regulation AB;

2. A review of the activities of the Servicer and of its performance under the Servicing Agreement during the _____ months ended December 31, 20[] has been made under the supervision of the undersigned pursuant to Item 1122(d) of Regulation AB and Section 3.03 of the Servicing Agreement; and

3. To the undersigned’s knowledge, based on such review, the Servicer has fulfilled all of its material obligations in all material respects under the Servicing Agreement throughout the _____ months ended December 31, 20[], except as listed on Annex A hereto.

4. [], a registered public accounting firm, has issued an attestation report on its assessment of compliance with the applicable servicing criteria as of December 31, 20[] and for the _____ months ended December 31, 20[].

Executed as of this _____ day of _____, 20__ .

By: _____
Name:
Title:

ANNEX A TO EXHIBIT A
LIST OF SERVICER DEFAULTS

Nature of Default

Status

EXHIBIT B

FORM OF ROUTINE TRUE-UP LETTER

[Date]

[Name]

New Hampshire Public Utilities Commission
21 Fruit Street, Suite 10
Concord, NH 03301

**Re: Order No. [] (“Finance Order”), Docket No. DE 17-096
Periodic RRB Charge True-Up Mechanism Advice Filing**

Dear [name]:

Pursuant to Order No. [] issued on [] in Docket No. DE 17-096 (the “Finance Order”), Public Service Company of New Hampshire (“PSNH”), as servicer of the Rate Reduction Bonds (“RRBs”) and on behalf of the RRB trustee as assignee of PSNH Funding LLC 3 (the special purpose entity, or “the SPE”), shall apply for adjustment to the RRB Charges annually and at such additional intervals, if necessary, as may be provided for in the Finance Order. Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Finance Order.

PURPOSE

This filing establishes the revised RRB Charges to be assessed and collected from retail users of PSNH’s distribution system within PSNH’s service territory, whether or not energy is purchased from PSNH or a third party supplier, and whether or not such distribution system is being operated by PSNH or a successor distribution company. The RRB Charges is a usage-based component of the stranded cost recovery charge on each retail user’s monthly bill until the Total RRB Payment Requirements are discharged in full. In the Finance Order, the Commission authorized PSNH to file Routine True-Up Letters annually and at such additional intervals, if necessary, as may be provided for in the Finance Order. The purpose of such filings and resulting adjusted RRB Charges is to ensure the timely recovery of revenues sufficient to provide for the payment of an amount equal to the Periodic RRB Payment Requirements for the upcoming period, which may include indemnity obligations of the SPE in the RRB transaction documents for SPE officers and directors, trustee fees and other liabilities of the SPE.

Using the methodology approved by the Commission in the Finance Order, this filing modifies the variables used in the RRB Charge calculation and provides the resulting modified RRB Charges. Table 1 shows the revised assumptions for each of the variables used in calculating the RRB Charges for customers classes. The assumptions underlying the current RRB Charges were filed in an Advice Letter, dated [].

**TABLE 1
INPUT VALUES FOR RRB CHARGES**

Forecasted annual kWh sales:

Percent of billed amounts expected to be charged-off: _____

Weighted average days sales outstanding: _____

Forecasted ongoing transaction expenses (including any already accrued but unpaid for the period): _____

Current Excess Funds Subaccount balance: _____

Current Capital Subaccount balance: _____

Initial Capital Subaccount balance: _____

Current RRB outstanding balance: _____

Scheduled RRB outstanding balance at the end of the period: _____

Deferred unpaid RRB principal: _____

Accrued but unpaid RRB interest: _____

The adjusted RRB Charge calculated for retail users in each of the following rate classifications is as follows: R = _____ ¢/kWh; G = _____ ¢/kWh; GV = _____ ¢/kWh; LG = _____ ¢/kWh; OL = _____ ¢/kWh."

EFFECTIVE DATE

In accordance with the Finance Order, Routine True-Up Letters for annual RRB Charges adjustments shall be filed not later than ~~December~~ January 15 in each year ~~(commencing with the year ending December 31, 2018)~~, with the resulting upward or downward adjustments to the RRB Charge to be effective – absent manifest error in the Routine True-Up Letters – on the ensuing ~~January~~ February 1. In accordance with the Finance Order, a Routine True-Up Letter shall also be filed not later than ~~June~~ July 15 of each year, if the Servicer reasonably determines that an adjustment to the RRB Charges is necessary to meet the Periodic RRB Payment Requirements for the Remittance Period beginning on ~~June~~ July 1 of such year, with the resulting upward adjustments to the RRB Charges to be effective – absent manifest error in such Routine True-Up Letter – on the ensuing ~~July~~ August 1. In addition, the Finance Order permits (but does not require) the Servicer to file another Routine True-Up Letter not later than the date that is 15 days before the end of any calendar month if it reasonably determines that an adjustment to the RRB Charges is necessary to meet the Periodic RRB Payment Requirements for the then-

current Remittance Period, with the resulting upward adjustments to the RRB Charges to be effective – absent manifest error in such Routine True-Up Letter – on the first day of the ensuing calendar month. No approval by the Commission is required. Therefore, these RRB Charges shall be effective as of _____.

NOTICE

Copies of this filing are being furnished to the New Hampshire Public Utilities Commission and the parties on the attached service list. Notice to the public is hereby given by filing this Routine True-Up Letter with the Commission and by keeping this filing open for public inspection at Eversource Energy Service Company's office in Westwood, Massachusetts, as agent for Public Services New Hampshire.

EXHIBIT C

FORM OF MONTHLY SERVICER CERTIFICATE

[Date]

Pursuant to Section 4.01(d)(2) of the Servicing Agreement, dated as of [] (the “Agreement”), between Public Service Company of New Hampshire, as servicer (the “Servicer”), and PSNH Funding LLC 3, the Servicer does hereby certify as follows:

Capitalized terms used herein have their respective meanings as set forth in the Agreement.

For the Monthly Period: _____

1. Billings:

		Residenti al	Large General Service	Primary General Service	General Service	Outdoor Lighting
a	Monthly kWh Consumption					
b	Applicable RRB Charge:					
c	Total RRB Charge Amount Billed this Month					
d	Cumulative RRB Charge Amount Billed this Calendar Year					

2. Remittances:

- a) Total Amount Remitted this Month:
- b) Cumulative Amount Remitted this Calendar Year:

3. Draws on Subaccounts:

- a) Excess Funds Subaccount Draw Amount this Month:
- b) Cumulative Excess Funds Subaccount Draw Amount this Calendar Year:
- c) Capital Subaccount Draw Amount this Month:
- d) Cumulative Capital Subaccount Draw Amount this Calendar Year:

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Monthly Servicer Certificate as of the date first written above.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE, as Servicer

By: _____

Name:

Title:

EXHIBIT D

FORM OF SEMI-ANNUAL SERVICER CERTIFICATE

[Date]

Pursuant to Section 4.01(d)(3) of the Servicing Agreement, dated as of [] (the “Agreement”), between Public Service Company of New Hampshire, as servicer (the “Servicer”), and PSNH Funding LLC 3, the Servicer does hereby certify, for the current Payment Date (_____, __ 20[]) (the “Current Payment Date”), as follows:

Capitalized terms used herein have their respective meanings as set forth in the Agreement. References herein to certain sections and subsections are references to the respective sections of the Agreement.

1. RRB Charge Collections and Aggregate Amounts Available for the Current Payment Date:

- i. Amount Remitted [Month] [Year]
- ii. Amount Remitted [Month] [Year]
- iii. Amount Remitted [Month] [Year]
- iv. Amount Remitted [Month] [Year]
- v. Amount Remitted [Month] [Year]
- vi. Amount Remitted [Month] [Year]
- vii. Total Amount Remitted for this Period (sum of i. through vi. above):**
- viii. Net Earnings on Collection Account (excluding earnings on Capital Subaccount):
- ix. Excess Funds Subaccount Balance:
- x. Capital Subaccount Balance:
- xi. Expenses Paid to Date:
- xii. Collection Account Balance (sum of vii. through x. above less xi. above):**

2. Outstanding Principal Balance as of Prior Payment Date by Tranche:

- i. Class A-1 Bond Principal Balance Outstanding:
- ii. Total Bond Principal Balance:**

3. Required Funding/Payments as of Current Payment Date

a) Projected Principal Balances and Payments

	<u>Projected</u>	<u>Semi-Annual</u>
	<u>Principal Balance</u>	<u>Principal Due</u>

- i. Class A-1 Bond

ii. Total Projected Principal Amount:

b) Required Interest Payments

	<u>Bond Interest Rate</u>	<u>Days in Applicable Period</u>	<u>Interest Due</u>
i. Class A-1 Bond			
ii. Total Required Interest Amount:			

c) Projected Subaccount Payments and Levels

	<u>Subaccount</u>	<u>Projected Level</u>	<u>Funding Required</u>
i. Capital Subaccount:			
ii. Total Subaccount Payments and Levels:			

4. Allocation of Remittances as of Current Payment Date Pursuant to Section 8.02(d) of Indenture:

a) Semi-Annual Expenses

Net Expense Amount (Payable on Current Payment Date)

- i. Trustee Fees and Expenses:
- ii. Semi-Annual Servicing Fee:
- iii. Semi-Annual Administration Fee:
- iv. Operating Expenses (subject to \$[] cap):
- v. Total Expenses:]**

b) Semi-Annual Interest

	<u>Per \$1000 of Original</u>	<u>Aggregate Principal Amount</u>
i. Class A-1 Bond		
ii. Total Semi-Annual Interest:		

c) Semi-Annual Principal

	<u>Per \$1000 of Original</u>	<u>Aggregate Principal Amount</u>

- i. Class A-1 Bond
 - ii. **Total Semi-Annual Principal:**
- d) **Other Payments**
 - i. Operating Expenses (in excess of \$[]):
 - ii. Funding of Capital Subaccount (to required amount):
- e) **Aggregate Payments Pursuant to [Section 8.02(d)(i)] of Indenture**
 - i. To Trustee:
 - ii. To other Persons indemnified under Indenture or [Fee and Indemnity Agreement]:
- 5. **Outstanding Principal Balance and Collection Account Balance as of Current Payment Date (after giving effect to payments to be made on such distribution date):**
 - a) **Principal Balance Outstanding:**
 - i. Class A-1 Bond Principal Balance Outstanding:
 - ii. **Total Bond Principal Balance:**
 - b) **Collection Account Balances Outstanding:**
 - i. Excess Funds Subaccount:
 - ii. Capital Subaccount:
 - iii. **Total Subaccount Amount:**
- 6. **Subaccount Draws as of Current Payment Date (if applicable, pursuant to Section 8.02(e) of Indenture):**
 - i. Excess Funds Subaccount:
 - ii. Capital Subaccount:
 - iii. **Total Subaccount Draws:**
- 7. **Shortfalls in Interest and Principal Payments as of Current Payment Date (if applicable):**
 - a) **Semi-Annual Interest Shortfall**
 - i. Class A-1 Bond

ii. Total Semi-Annual Interest Shortfall:

b) Semi-Annual Principal Shortfall

i. Class A-1 Bond

ii. Total Semi-Annual Principal Shortfall:

8. Shortfalls in Required Subaccount Levels as of Current Distribution Date:

i. Capital Subaccount

ii. Total Subaccount Shortfalls:

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Semi-Annual Servicer Certificate as of the date first written above.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE, as Servicer

By: _____

Name:

Title:

EXHIBIT E

FORM OF ANNUAL RECONCILIATION WITH THE TRUSTEE

Pursuant to Section 4.03(b) of the Servicing Agreement, dated as of _____, between Public Service Company of New Hampshire, as servicer (the “Servicer”), and PSNH Funding LLC 3, the Servicer does hereby certify as follows:

For the Reconciliation Period: _____ to _____

1. Calculation of Remittance Shortfall or Remittance Excess:

		Residential	Large General Service	Primary General Service	General Service	Outdoor Lighting
a	Billed Revenues					
b	Charge-Offs					
c	Charge-Off % (b/a)					
d	RRB Charge-off adjustment factor					
e	“Deemed Charge- Off Percent” (c x d)					
f	“Estimated Charge- Off Percent”					
g	<u>Billed</u> kWh Consumption (Jan. 1 to Dec. 31)					
h	RRB Charge (Jan. 1 to Dec. 31)					
i	RRB Charges (gross of charge- off) (Jan. 1 to Dec. 31) (g x h)					
j	Deemed RRB Charge Payments ([100% - e] x i)					
k	Estimated RRB Charge Payments ([100% - f] x i)					
l	Remittance Shortfall (j - k, if positive)					
m	Remittance Excess (k - j, if positive)					

Executed as of this _____ day of _____.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE,
as Servicer

By: _____

Name:

Title:

SCHEDULE 4.01(A)

Expected Amortization Schedule

ANNEX I

SERVICING PROCEDURES

The Servicer agrees to comply with the following servicing procedures:

SECTION 1. DEFINITIONS

(a) Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Agreement.

(b) Whenever used in this Annex I, the following words and phrases shall have the following meanings:

“Billed RRB Charges” means the dollar amounts billed to customers or the Applicable TPS in respect of the RRB Charge, whether billed to customers or the Applicable TPS by the Servicer or to customers by a TPS pursuant to a TPS Service Agreement.

“Deemed Charge-Off Percent” means the Servicer’s actual system wide charge-off percentage.

“Estimated Charge-Off Percent” means the Servicer's good faith estimate of the Deemed Charge-Off Percent.

“Servicer Policies and Practices” means, with respect to the Servicer’s duties under this Annex I, the policies and practices of the Servicer applicable to such duties that the Servicer follows with respect to comparable assets that it services for itself or others, as in effect from time to time and in accordance with NHPUC Regulations. The Servicer shall provide ten days’ prior written notice to the Rating Agencies of any amendment to the Servicer Policies and Practices that would adversely affect in any material respect the Bondholders.

SECTION 2. DATA ACQUISITION

(a) Installation and Maintenance of Meters. Except to the extent that a TPS is responsible for such services pursuant to a TPS Service Agreement, the Servicer shall cause to be installed, replaced and maintained meters in accordance with the Servicer Policies and Practices.

(b) Meter Reading. In accordance with the Servicer Policies and Practices, the Servicer shall obtain usage measurements for each customer; *provided, however*, that the Servicer may determine any customer’s usage on the basis of estimates in accordance with applicable NHPUC Regulations; and, *provided, further*, that the Servicer may obtain usage measurements from the Applicable TPS for customers receiving meter reading services from such TPS if the applicable TPS Service Agreement so provides.

(c) Cost of Metering. The Issuer shall not be obligated to pay any costs associated with the metering duties set forth in this Section 2, including the costs of installing, replacing and maintaining meters, nor shall the Issuer be entitled to any credit against the Servicing Fee for any cost savings realized by the Servicer or any TPS as a result of new metering and/or billing technologies.

SECTION 3. USAGE AND BILL CALCULATION

The Servicer shall obtain a calculation of each customer's usage (which may be based on data obtained from such customer's meter read or on usage estimates determined in accordance with applicable NHPUC Regulations) in accordance with the Servicer Policies and Practices and shall determine therefrom Billed RRB Charges; *provided, however*, that in the case of customers served by a TPS pursuant to a TPS Service Agreement, the Servicer may obtain usage measurements from the Applicable TPS for customers receiving meter reading services from such TPS if the applicable TPS Service Agreement so provides and shall determine therefrom Billed RRB Charges.

SECTION 4. BILLING

(a) The Servicer shall implement the RRB Charge as of the Closing Date and shall thereafter bill each customer or the Applicable TPS for each customer's Billed RRB Charges in accordance with the provisions of this Section 4.

(b) Frequency of Bills; Billing Practices. In accordance with the Servicer Policies and Practices, the Servicer shall generate and issue a Bill to each customer, or, in the case of a customer who is being billed by a TPS, to the Applicable TPS with respect to such customer's Billed RRB Charges. In the event that the Servicer makes any material modification to the Servicer Policies and Practices, it shall notify the Issuer, the Trustee and the Rating Agencies as soon as practicable, and in no event later than 60 Servicer Business Days after such modification goes into effect; *provided, however*, that the Servicer may not make any modification that will materially adversely affect the Bondholders.

(c) Format.

(i) Each Bill to a customer shall contain a stranded cost recovery charge that shall include the RRB Charge owed by such customer for the applicable billing period.

(ii) Each Bill in which the stranded cost recovery charge is listed as a line item shall contain a statement (as a footnote) to the effect that all or a portion of the stranded cost recovery charge is owned by the Issuer and not the Seller.

(iii) The Servicer shall conform to such requirements in respect of the format, structure and text of Bills delivered to customers and TPSs as applicable NHPUC Regulations shall from time to time prescribe. To the extent that Bill format, structure and text are not prescribed by applicable law or by applicable NHPUC Regulations, the

Servicer shall, subject to clauses (i) and (ii) of this subsection (c), determine the format, structure and text of all Bills in accordance with its reasonable business judgment, the Servicer Policies and Practices and historical practice.

(d) Delivery. Except as provided in the next sentence, the Servicer shall deliver all Bills to customers (i) by United States mail in such class or classes as are consistent with the Servicer Policies and Practices or (ii) by any other means, whether electronic or otherwise, that the Servicer may from time to time use in accordance with the Servicer Policies and Practices. In the case of customers that have elected to be billed by a TPS, the Servicer shall deliver all Bills to the Applicable TPSs by such means as are mutually agreed upon by the Servicer and the Applicable TPS in the TPS Service Agreement and which are consistent with NHPUC Regulations. The Servicer or a TPS, as applicable, shall pay from its own funds all costs of issuance and delivery of all Bills that it renders, including printing and postage costs as the same may increase or decrease from time to time.

SECTION 5. CUSTOMER SERVICE FUNCTIONS

The Servicer or a TPS to the extent provided in the applicable TPS Service Agreement shall handle all customer inquiries and other customer service matters according to the Servicer Policies and Practices.

SECTION 6. COLLECTIONS; PAYMENT PROCESSING; REMITTANCE

(a) Collection Efforts, Policies, Procedures.

(i) The Servicer shall collect Billed RRB Charges from customers and TPSs as and when the same become due in accordance with such collection procedures as it follows with respect to comparable assets that it services for itself or others, including the following:

(A) The Servicer shall prepare and deliver overdue notices to customers and TPSs in accordance with applicable NHPUC Regulations and the Servicer Policies and Practices.

(B) The Servicer shall deliver past-due and shut-off notices in accordance with applicable NHPUC Regulations and the Servicer Policies and Practices.

(C) The Servicer shall adhere to and carry out disconnection policies and termination of billing by a TPS pursuant to a TPS Service Agreement in accordance with RSA 369-B:4, IV, the Finance Order, applicable NHPUC Regulations and the Servicer Policies and Practices.

(D) The Servicer may employ the assistance of collection agents in accordance with applicable NHPUC Regulations and the Servicer Policies and Practices.

(E) The Servicer shall apply customer and TPS deposits to the payment of delinquent accounts in accordance with applicable NHPUC Regulations and these Servicing Procedures.

(ii) The Servicer shall not waive any late payment charge or any other fee or charge relating to delinquent payments, if any, or waive, vary or modify any terms of payment of any amounts payable by a customer, in each case unless such waiver or action: (A) would be in accordance with the Servicer Policies and Practices and (B) would comply in all material respects with applicable law.

(iii) The Servicer shall accept payment from customers in respect of Billed RRB Charges in such forms and methods and at such times and places in accordance with the Servicer Policies and Practices. The Servicer shall accept payment from TPSs in respect of Billed RRB Charges in such forms and methods and at such times and places as the Servicer and each TPS shall mutually agree in accordance with the applicable TPS Service Agreement and applicable NHPUC Regulations.

(b) Payment Processing, Allocation, Priority of Payments. The Servicer shall post all payments received to customer or TPS accounts as promptly as practicable, and, in any event, substantially all payments shall be posted no later than two Servicer Business Days after receipt.

(c) Investment of RRB Charge Collections. Prior to remittance on the applicable Remittance Date, the Servicer may invest RRB Charge Collections at its own risk and for its own benefit, and such investments and funds shall not be required to be segregated from the other investments and funds of the Servicer. The Servicer shall be entitled to retain as additional compensation any interest earnings on RRB Charge Collections invested by it.

(d) Calculation of Estimated RRB Charge Payments; Remittances. In accordance with Section 4.03(a) of the Agreement, the Servicer shall remit to the Trustee for deposit in the Collection Account an amount equal to the product of the Billed RRB Charges for a particular billing date multiplied by one hundred percent less the Estimated Charge-Off Percent. Such product shall constitute the amount of Estimated RRB Charge Payments. Pursuant to Section 4.03(b) of the Agreement, on or before March 1 of each year, the Servicer shall calculate the amount of Deemed RRB Charge Payments by multiplying the Billed RRB Charges by one hundred percent less the Deemed Charge-Off Percent.:-

(e) Remittances.

(i) The Issuer shall cause to be established the Collection Account in the name of the Trustee in accordance with Section 8.02 of the Indenture.

(ii) The Servicer shall make or cause to be made Remittances to the Collection Account in accordance with Section 4.03 of the Agreement.

(iii) Any change of account or change of institution affecting the Collection Account shall not take effect until the Issuer has provided at least fifteen (15) Servicer Business Days written notice thereof to the Servicer.

SECTION 7. TPSs

In the event a TPS performs services pursuant to a TPS Service Agreement, the Servicer shall comply with the procedures set forth in Schedule A to this Annex I.

SCHEDULE A

TO ANNEX I

Additional Servicing Procedures Applicable to TPSs

1. Establishing TPS Relationship

In addition to any actions required by the NHPUC or by applicable law, for each TPS that is responsible for collecting Billed RRB Charges, the Servicer shall take the following steps:

- (a) Maintain adequate records of the payment arrangement applicable to such TPS;
- (b) Maintain copies of all customer requests to convert to billing by a TPS;
- (c) Verify with the NHPUC that each TPS is licensed to supply electricity in New Hampshire;
- (d) Obtain information from the TPS including, but not limited to: name, contact, address, telephone facsimile transmission number and internet address;
- (e) Maintain and update records of customers to permit prompt reversion to dual-billing;
- (f) Maintain estimates of one month's maximum Estimated RRB Charge Payments for each TPS required to post a bond, letter of credit or cash deposit pursuant to the applicable TPS Service Agreement; and
- (g) Comply with credit conditions set out in the Finance Order and applicable TPS Service Agreement.

2. Monitoring TPS Obligations

- (a) The Servicer shall require each TPS to pay all undisputed and all disputed Billed RRB Charges or make a financial arrangement for such payment according to the applicable TPS Service Agreement; and
- (b) For all TPSs subject to any remittance option where such TPS is liable for all amounts billed in respect of customers served thereby regardless of the amounts received therefrom, the Servicer shall monitor payment compliance and take all actions permitted by the NHPUC and the Finance Order in the event of a default in payment.

3. Enforcing TPS Obligations

The Servicer shall promptly take all actions specified by the Finance Order with respect to amounts not remitted to the Servicer in accordance with the payment terms specified by the Finance Order, in addition to any other remedies available at law.

ANNEX 4
ANNUAL ROUTINE TRUE-UP LETTER

FORM OF ROUTINE TRUE-UP LETTER

[Date]

[Name]

New Hampshire Public Utilities Commission
21 Fruit Street, Suite 10
Concord, NH 03301

**Re: *Order No. [] (“Finance Order”), Docket No. DE 17-096
 Periodic RRB Charge True-Up Mechanism Advice Filing***

Dear [name]:

Pursuant to Order No. [] issued on [] in Docket No. DE 17-096 (the “Finance Order”), Public Service Company of New Hampshire (“PSNH”), as servicer of the Rate Reduction Bonds (“RRBs”) and on behalf of the RRB trustee as assignee of PSNH Funding LLC 3 (the special purpose entity, or “the SPE”), shall apply for adjustment to the RRB Charges annually and at such additional intervals, if necessary, as may be provided for in the Finance Order. Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Finance Order.

PURPOSE

This filing establishes the revised RRB Charges to be assessed and collected from retail users of PSNH’s distribution system within PSNH’s service territory, whether or not energy is purchased from PSNH or a third party supplier, and whether or not such distribution system is being operated by PSNH or a successor distribution company. The RRB Charges is a usage-based component of the stranded cost recovery charge on each retail user’s monthly bill until the Total RRB Payment Requirements are discharged in full. In the Finance Order, the Commission authorized PSNH to file Routine True-Up Letters annually and at such additional intervals, if necessary, as may be provided for in the Finance Order. The purpose of such filings and resulting adjusted RRB Charges is to ensure the timely recovery of revenues sufficient to provide for the payment of an amount equal to the Periodic RRB Payment Requirements for the upcoming period, which may include indemnity obligations of the SPE in the RRB transaction documents for SPE officers and directors, trustee fees and other liabilities of the SPE.

Using the methodology approved by the Commission in the Finance Order, this filing modifies the variables used in the RRB Charge calculation and provides the resulting modified RRB Charges. Table 1 shows the revised assumptions for each of the variables used in calculating the RRB Charges for customers classes. The assumptions underlying the current RRB Charges were filed in an Advice Letter, dated [].

TABLE 1
INPUT VALUES FOR RRB CHARGES

Forecasted annual kWh sales:

Percent of billed amounts expected to be charged-off: _____

Weighted average days sales outstanding: _____

Forecasted ongoing transaction expenses (including any already accrued but unpaid for the period): _____

Current Excess Funds Subaccount balance: _____

Current Capital Subaccount balance: _____

Initial Capital Subaccount balance: _____

Current RRB outstanding balance: _____

Scheduled RRB outstanding balance at the end of the period: _____

Deferred unpaid RRB principal: _____

Accrued but unpaid RRB interest: _____

The adjusted RRB Charge calculated for retail users in each of the following rate classifications is as follows: R = _____ ¢/kWh; G = _____ ¢/kWh; GV = _____ ¢/kWh; LG = _____ ¢/kWh; OL = _____ ¢/kWh."

EFFECTIVE DATE

In accordance with the Finance Order, Routine True-Up Letters for annual RRB Charges adjustments shall be filed not later than January 15 in each year (commencing with the year ending December 31, 2019), with the resulting upward or downward adjustments to the RRB Charge to be effective – absent manifest error in the Routine True-Up Letters – on the ensuing February 1. In accordance with the Finance Order, a Routine True-Up Letter shall also be filed not later than July 15 of each year, if the Servicer reasonably determines that an adjustment to the RRB Charges is necessary to meet the Periodic RRB Payment Requirements for the Remittance Period beginning on July 1 of such year, with the resulting upward adjustments to the RRB Charges to be effective – absent manifest error in such Routine True-Up Letter – on the August 1. In addition, the Finance Order permits (but does not require) the Servicer to file another Routine True-Up Letter not later than the date that is 15 days before the end of any calendar month if it reasonably determines that an adjustment to the RRB Charges is necessary to meet the Periodic RRB Payment Requirements for the then-current Remittance Period, with the resulting upward adjustments to the RRB Charges to be effective – absent manifest error in such Routine

True-Up Letter – on the first day of the ensuing calendar month. No approval by the Commission is required. Therefore, these RRB Charges shall be effective as of

_____.

NOTICE

Copies of this filing are being furnished to the New Hampshire Public Utilities Commission and the parties on the attached service list. Notice to the public is hereby given by filing this Routine True-Up Letter with the Commission and by keeping this filing open for public inspection at Eversource Energy Service Company's office in Westwood, Massachusetts, as agent for Public Services New Hampshire.

FORM OF ROUTINE TRUE-UP LETTER

[Date]

[Name]

New Hampshire Public Utilities Commission
21-~~S~~. Fruit Street, Suite 10
Concord, NH 03301

**Re: *Order No. [] (“Finance Order”), Docket No. DE 17-096
 Periodic RRB Charge True-Up Mechanism Advice Filing***

Dear [name]:

Pursuant to Order No. [] issued on [] in Docket No. DE 17-096 (the “Finance Order”), Public Service Company of New Hampshire (“PSNH”), as servicer of the Rate Reduction Bonds (“RRBs”) and on behalf of the RRB trustee as assignee of PSNH Funding LLC 3 (the special purpose entity, or “the SPE”), shall apply for adjustment to the RRB Charges annually and at such additional intervals, if necessary, as may be provided for in the Finance Order. Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Finance Order.

PURPOSE

This filing establishes the revised RRB Charges to be assessed and collected from retail users of PSNH’s distribution system within PSNH’s service territory, whether or not energy is purchased from PSNH or a third party supplier, and whether or not such distribution system is being operated by PSNH or a successor distribution company. The RRB Charges is a usage-based component of the stranded cost recovery charge on each retail user’s monthly bill until the Total RRB Payment Requirements are discharged in full. In the Finance Order, the Commission authorized PSNH to file Routine True-Up Letters annually and at such additional intervals, if necessary, as may be provided for in the Finance Order. The purpose of such filings and resulting adjusted RRB Charges is to ensure the timely recovery of revenues sufficient to provide for the payment of an amount equal to the Periodic RRB Payment Requirements for the upcoming period, which may include indemnity obligations of the SPE in the RRB transaction documents for SPE officers and directors, trustee fees and other liabilities of the SPE.

Using the methodology approved by the Commission in the Finance Order, this filing modifies the variables used in the RRB Charge calculation and provides the resulting modified RRB Charges. Table 1 shows the revised assumptions for each of the variables used in calculating the RRB Charges for customers classes. The assumptions underlying the current RRB Charges were filed in an Advice Letter, dated [].

TABLE 1
INPUT VALUES FOR RRB CHARGES

Forecasted annual kWh sales:

Percent of billed amounts expected to be charged-off: _____

Weighted average days sales outstanding: _____

Forecasted ongoing transaction expenses (including any already accrued but unpaid for the period): _____

Current Excess Funds Subaccount balance: _____

Current Capital Subaccount balance: _____

Initial Capital Subaccount balance: _____

Current RRB outstanding balance: _____

Scheduled RRB outstanding balance at the end of the period: _____

Deferred unpaid RRB principal: _____

Accrued but unpaid RRB interest: _____

The adjusted RRB Charge calculated for retail users in each of the following rate classifications is as follows: R = _____ ¢/kWh; G = _____ ¢/kWh; GV = _____ ¢/kWh; LG = _____ ¢/kWh; OL = _____ ¢/kWh."

EFFECTIVE DATE

In accordance with the Finance Order, Routine True-Up Letters for annual RRB Charges adjustments shall be filed not later than ~~December 1~~ January 15 in each year (commencing with the year ending December 31, ~~2018~~ 2019), with the resulting upward or downward adjustments to the RRB Charge to be effective – absent manifest error in the Routine True-Up Letters – on the ensuing ~~January~~ February 1. In accordance with the Finance Order, a Routine True-Up Letter shall also be filed not later than ~~June 1~~ July 15 of each year, if the Servicer reasonably determines that an adjustment to the RRB Charges is necessary to meet the Periodic RRB Payment Requirements for the Remittance Period beginning on ~~June~~ July 1 of such year, with the resulting upward adjustments to the RRB Charges to be effective – absent manifest error in such Routine True-Up Letter – on the ~~ensuing July~~ August 1. In addition, the Finance Order permits (but does not require) the Servicer to file another Routine True-Up Letter not later than the date that is 15 days before the end of any calendar month if it reasonably determines that an adjustment to the RRB Charges is necessary to meet the Periodic RRB Payment Requirements for the then-current Remittance Period, with the resulting upward

adjustments to the RRB Charges to be effective – absent manifest error in such Routine True-Up Letter – on the first day of the ensuing calendar month. No approval by the Commission is required. Therefore, these RRB Charges shall be effective as of

_____.

NOTICE

Copies of this filing are being furnished to the New Hampshire Public Utilities Commission and the parties on the attached service list. Notice to the public is hereby given by filing this Routine True-Up Letter with the Commission and by keeping this filing open for public inspection at Eversource Energy Service Company's office in Westwood, Massachusetts, as agent for Public ~~Service Company of~~Services New Hampshire.