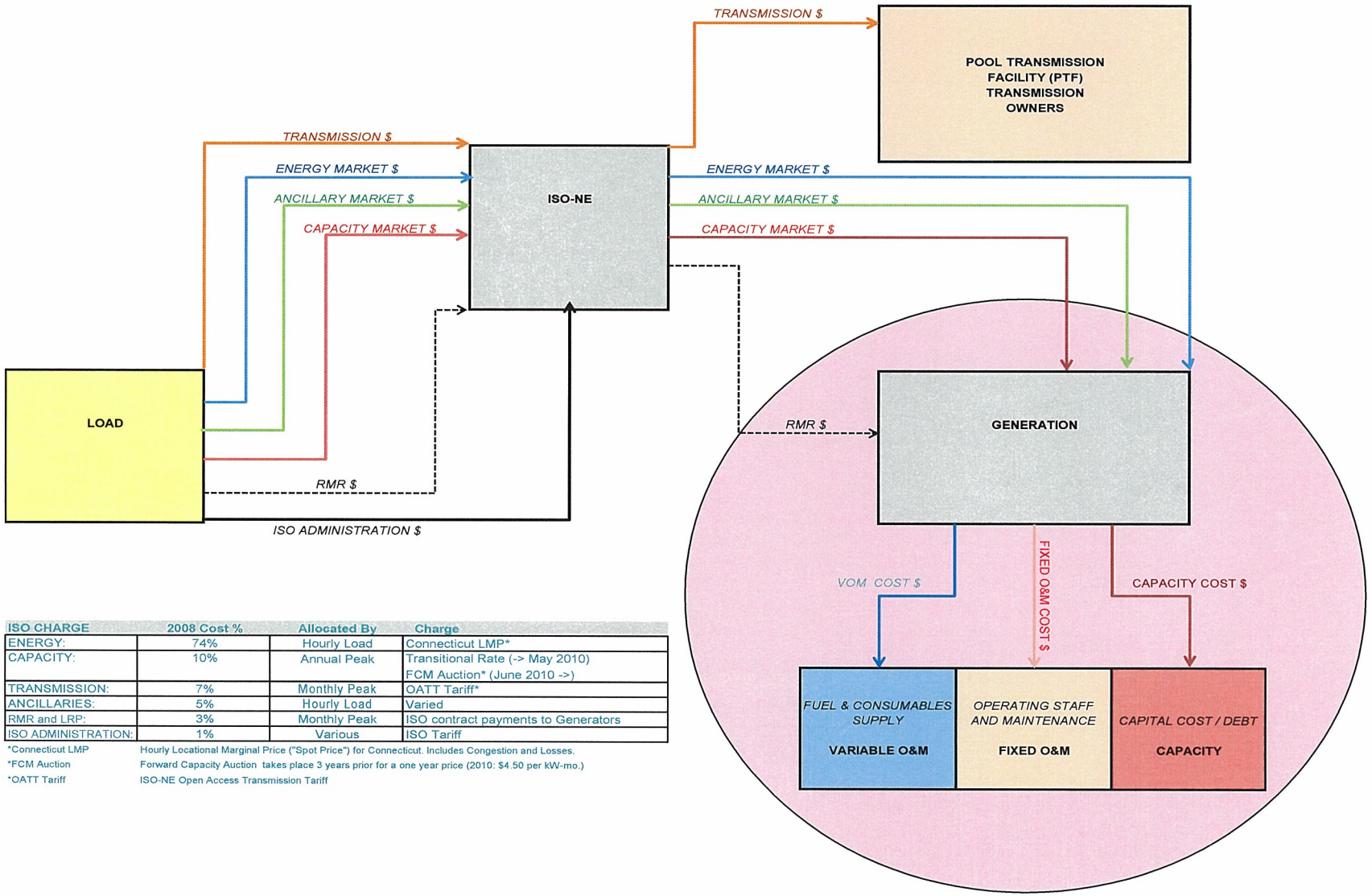
Load and Generation Costs and Revenues

FLOW of COSTS and REVENUES between LOADS, GENERATION and TRANSMISSION OWNERS in ISO-NE REGION



ISO CHARGE	2008 Cost %	Allocated By	Charge
ENERGY:	74%	Hourly Load	Connecticut LMP*
CAPACITY:	10%	Annual Peak	Transitional Rate (-> May 2010) FCM Auction* (June 2010 ->)
TRANSMISSION:	7%	Monthly Peak	OATT Tariff*
ANCILLARIES:	5%	Hourly Load	Varied
RMR and LRP:	3%	Monthly Peak	ISO contract payments to Generators
ISO ADMINISTRATION:	1%	Various	ISO Tariff

*Connecticut LMP — Hourly Locational Marginal Price ("Spot Price") for Connecticut. Includes Congestion and Losses.

*FCM Auction — Forward Capacity Auction takes place 3 years prior for a one year price (2010: $4.50 per kW-mo.)

*OATT Tariff — ISO-NE Open Access Transmission Tariff

PSNH PUBLIC SERVICE
Company of New Hampshire

NOTED DEC 22 1981 R.V.P.

December 21, 1981

Mr. Richard A. Normand
N.H. Hydro Associates
3 Capitol Street
Concord, NH 03301

Subject: Contract Negotiations - Penacook Lower Falls Hydro
Concord/Boscawen, New Hampshire

Dear Mr. Normand:

Attached are copies of worksheets showing our estimate of the average annual payments in cents/KWH, under the terms of a long-term contract as we have discussed. A payment of 10 cents/KWH will be made for the first eight contract years; thereafter, 2.77 cents/KWH will be deducted from payments so that PSNH can recover the front-end payments in excess of the index. It is estimated that payments will drop to 6.23 cents/KWH for years 1990 and 1991, will rise to exceed 9.0 cents/KWH by 1993, continue rising to exceed 10.5 cents/KWH by 1995, and will reach 36 cents/KWH by 2011. Please remember that these figures are estimated only and once our own costs exceed the 9.0 cents/KWH index, all contract prices will then be referenced to our actual costs.

Some contract provisions will have to be made to insure that our interests, and consequently, our customer's interests, are protected due to the front-end loading. We would be interested in any thoughts that you might have.

Please review this information and then give me a call. We are looking forward to purchasing the energy from your facility on a mutually beneficial basis.

Very truly yours,

JE Lyons

John E. Lyons, P.E.
Manager
Supplementary Energy Sources

ams
Enclosures

cc: H. J. Ellis

NOTED DEC 15 1981 R.V.P.

N.H. HYDRO ASSOCIATES
PENACOOK LOWER FALLS HYDRO
LONG-TERM CONTRACT
14 DEC. 81 RYP-1

Consider front-end loading of 10 ¢/KWH for first 8 contract years.

$$pwf'(17.75\%, 8) = \frac{1-(1+i)^{-n}}{i} = \frac{1-(1.1775)^{-8}}{0.1775} = 4.1093$$

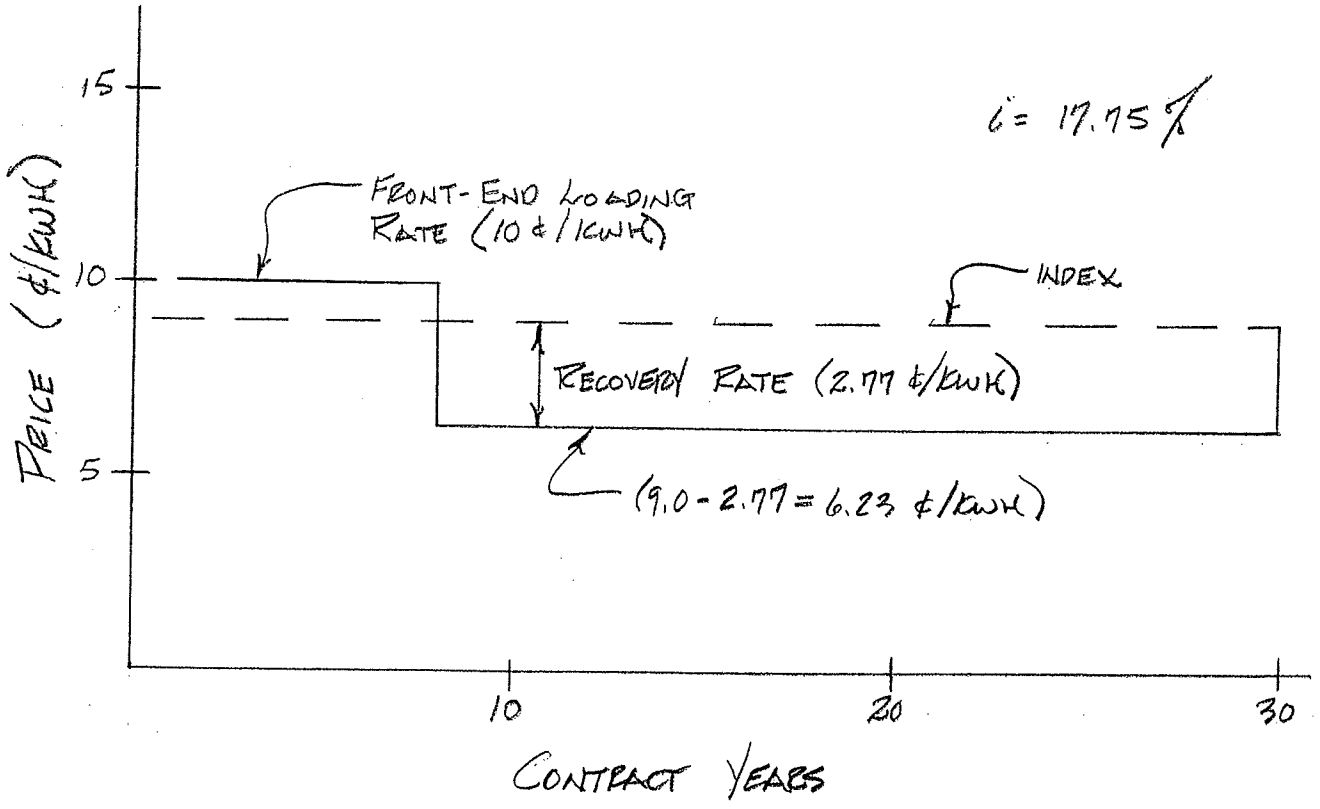
$$pwf'(17.75\%, 22) = \frac{1-(1+i)^{-n}}{i} = \frac{1-(1.1775)^{-22}}{0.1775} = 5.4790$$

$$pwf(17.75\%, 8) = (1+i)^{-n} = (1.1775)^{-8} = 0.2706$$

$$(10.0 - \text{index})(pwf'\text{-}17.75\%\text{-}8) = x\,(pwf'\text{-}17.75\%\text{-}22)(pwf\text{-}17.75\%\text{-}8)$$

$$(10.0 - 9.0)(4.1093) = x\,(5.4790)(0.2706)$$

$$x = 2.77 \text{ ¢/KWH (RECOVERY RATE)}$$



NOTED DEC 15 1981 R.V.P. PENACOOK LOWER FALLS
15 DEC. 81 RVP-2

YEAR	EST. PSNH* IEC	%	% x IEC	MINUS RECOVERY	CONTRACT* RATE
1982	5.77				10.00
83	7.27				10.00
84	5.94				10.00
85	6.56				10.00
86	5.53				10.00
87	4.72				10.00
88	5.30				10.00
89	6.42				10.00
1990	7.91		(index)	2.77	6.23
91	9.01		(index)		6.23
92	11.63	96	11.16		8.39
93	13.24	92	12.18		9.41
94	13.44	88	11.83		9.06
95	16.01	84	13.45		10.68
96	18.97	80	15.18		12.41
97	19.83	76	15.07		12.30
98	21.56	72	15.52		12.75
99	24.28	68	16.51		13.74
2000	27.16	64	17.38		14.61
01	30.11	60	18.07		15.30
02	33.39	56	18.70		15.93
03	37.01	52	19.25		16.48
04	41.04	50	20.52		17.75
05	45.50		22.75		19.98
06	49.99		25.00		22.23
07	54.92		27.46		24.69
08	60.34		30.17		27.40
09	66.30		33.15		30.38
2010	72.84		36.42		33.65
2011	79.31		39.66		36.89

FRONT-END LOADING

* ESTIMATED PSNH INCREMENTAL ENERGY COST (IEC).

** RATES BEYOND YEAR 1889 ARE ESTIMATED AND ARE NOT GUARANTEED BY PSNH.

EXHIBIT 1

FIXED RATE – FUTURE ESCALATING CONTRACT

Penacook Lower Falls
15 Dec. 81 RVP-3

NOTED DEC 15 1981 R.V.P.