

NEW HAMPSHIRE HYDRO ASSOCIATES
99 NORTH STATE STREET
CONCORD, N.H. 03301
(603) 224-8333

January 21, 1982

Mr. John E. Lyons
Public Service Company of New Hampshire
1000 Elm Street
Manchester, NH 02105

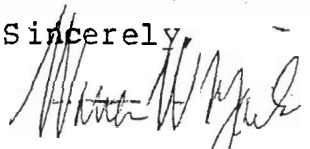
Re: Penacook Lower Falls Power Sales Agreement

Dear Mr. Lyons:

Attached is a copy of Essex's proposed contract provisions for Abandonment and Credit for Capacity that we discussed. I have also included two additional amendments for your consideration covering Termination and Test Power.

Essex looks forward to concluding our negotiations as soon as can be arranged.

Sincerely,


Warren W. Mack
Vice President, Development

WWM/hjd

Attachment

Reply to: 110 Tremont Street, Boston, MA 02108

LAWRENCE OFFICES
SIX ESSEX STREET, LAWRENCE, MA 01840 (617) 687-2312

RECEIVED MAR 03 1982

March 2, 1982

Mr. Richard A. Normand
New Hampshire Hydro Associates
3 Capitol Street
Concord, NH 03301

Subject: Long-Term Contract Pricing Provisions
Penacook Lower Falls Hydro
Concord/Boscawen, New Hampshire

Dear Mr. Normand:

This is to confirm the meeting held this date concerning contract provisions for the electric energy Public Service Company of New Hampshire (PSNH) is proposing to purchase from your Penacook Lower Falls Hydro Project.

The pricing provisions proposed by PSNH are as follows:

1. The contract rate for the first eight (8) contract years will be 11.00 cents per kilowatthour ($\text{\$/KWH}$). This front-end loading rate may, if necessitated by your financing experience, be extended for an additional one or two years. This 11.00 $\text{\$/KWH}$ rate exceeds PSNH's contract index price by 2.00 $\text{\$/KWH}$.
2. All payments above the 9.00 $\text{\$/KWH}$ index, during the first eight contract years, must be recovered by PSNH during the balance of the contract considering the present worth of money. Present worth computations will be based on PSNH weighted cost of capital (common equity, preferred equity, and long term debt), which is presently estimated at 17.75 percent.
3. From the ninth through the thirtieth contract years, the rate will be the index of 9.00 $\text{\$/KWH}$ minus the amount necessary for PSNH to recover the earlier payments in excess of the index. The contract rates during this period may escalate as discussed below.
4. All escalating payments in excess of the index will be determined as a percentage of PSNH's incremental energy cost, as discussed in our Policy Statement dated November 5, 1981 (copy attached).

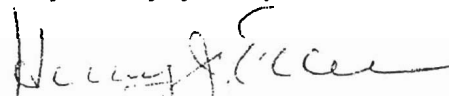
Mr. Richard A. Normand

March 2, 1982

5. The contract rates for the first twenty contract years are subject to the following adjustment. For the first eight contract years, 1.00¢/KWH will be retained by PSNH from the contract rate; for the next twelve years, 2/3¢/KWH will be added to the contract rate. The total of said additional payments, for any given year, shall not exceed one-twelfth (1/12) of the total money deducted during the first eight contract years.
6. All other provisions of our Policy Statement prevail.
7. If recovery by PSNH of any rates paid in excess of our actual avoided cost is denied by the N.H. Public Utilities Commission, contract rates during the final 22 contract years will be reduced accordingly, considering the present worth of money, in order to compensate PSNH for the losses.

We will prepare a draft contract for your review during the next few weeks.

Very truly yours,



Henry J. Ellis
Vice President

ams
Enclosure

cc: D. N. Merrill
J. E. Lyons