

SETTLEMENT AGREEMENT AND MUTUAL RELEASE OF CLAIMS

This Settlement Agreement and Mutual Release of Claims ("Agreement") is entered into this 23^d day of May, 2008, between Hemphill Power & Light Company ("Hemphill"), a New Hampshire general partnership, and Public Service Company of New Hampshire ("PSNH"), a New Hampshire corporation.

PREAMBLE

A. On April 2, 1985, the New Hampshire Public Utilities Commission ("Commission") entered Order *Nisi* No. 17,524 (the "Rate Order") approving Hemphill's long-term rate filing as amended.

B. The Rate Order entitled Hemphill to sell and required PSNH to buy Hemphill's on-peak and off-peak energy and its capacity for a term of twenty years at rates prescribed for each year.

C. A dispute has arisen between Hemphill and PSNH over whether the Rate Order expired on October 26, 2006, or October 26, 2007.

D. On April 30, 2007, Hemphill instituted an action against PSNH in the Hillsborough Superior Court, Northern District (the "Superior Court"), entitled Hemphill Power & Light Company v. Public Service Company of New Hampshire, Docket No. 07-C-294 (the "Litigation"), seeking damages and declaratory and injunctive relief against PSNH for terminating payments to Hemphill under the Rate Order after nineteen years of generation.

E. On or about June 29, 2007, PSNH filed with the Superior Court an answer to the Hemphill action including a counterclaim in the Litigation asserting a right to an offset against any recovery eventually awarded to Hemphill (the "Counterclaim").

F. On or about November 9, 2007, PSNH filed a petition with the Commission seeking a determination of the rights and obligations of Hemphill and PSNH with respect to Hemphill's claim to a twentieth year of rate order rates for its generation ("Docket DE 07-122").

G. The parties successfully sought a stay of both the Litigation and Docket DE 07-122 so that they could enter into settlement discussions.

H. The parties' settlement discussions have resulted in a resolution of their claims, and they desire to memorialize their agreement.

AGREEMENT

The parties therefore agree as follows:

ORIGINAL	
N.H.P.U.C. Case No.	<u>DE 07-122</u>
Exhibit No.	<u>2</u>
Witness	<u>Penel'</u>
DO NOT REMOVE FROM FILE	

1. Upon its execution, the parties will submit this Agreement to the Commission in Docket DE 07-122 for approval of both the Agreement and PSNH's recovery of the payment made to Hemphill pursuant to this Agreement without conditions that materially affect the parties' economic and regulatory expectations under this Agreement (the "Approvals").

2. Upon the Commission's issuance of the Approvals in a final order (a) PSNH will pay to Hemphill Three Million, Five Hundred Thousand Dollars (\$3,500,000.00) and (b) PSNH and Hemphill will take all necessary steps to dismiss the Litigation, including the Counterclaims, and Docket DE 07-122 with prejudice; provided, however, that the parties' obligations under this paragraph shall be suspended during the Commission's consideration of any motion for rehearing or the New Hampshire Supreme Court's consideration of any appeal of any such order, and such obligations shall be reinstated only upon a decision by the Commission or the New Hampshire Supreme Court affirming the issuance of the Approvals, which decision has become unappealable and no longer subject to reconsideration or rehearing by action of law.

3. Conditioned only upon PSNH's payment to Hemphill pursuant to paragraph 2 of this Agreement, Hemphill, for itself and its successors, assigns, partners, limited partners, creditors, affiliates, parents, trustees, agents, officers, directors, employees, and representatives, releases, forever discharges, indemnifies and agrees to defend PSNH and its successors, assigns, partners, limited partners, affiliates, parents, trustees, agents, officers, directors, employees, and representatives (the "PSNH Released Parties") from and against any and all action or actions, cause or causes of action, suits, petitions, motions, damages, claims, demands, judgments, or executions, whether asserted or unasserted, whether known or unknown, whether in contract, tort, or otherwise, whether under statute or rule, and whether at law or equity, which it ever had, now has, or in the future may have against the PSNH Released Parties, by reason of or arising from the Rate Order, the subject matter of the Litigation, the subject matter of Docket DE 07-122, the Litigation itself, or Docket DE 07-122 itself.

4. Conditioned only upon the Commission's issuance of the Approvals in a final, unappealable order, PSNH, for itself and its successors, assigns, partners, limited partners, affiliates, parents, trustees, agents, officers, directors, employees, and representatives, releases, forever discharges, indemnifies and agrees to defend Hemphill and its successors, assigns, partners, limited partners, affiliates, parents, trustees, agents, officers, directors, employees, and representatives (the "Hemphill Released Parties") from and against any and all action or actions, cause or causes of action, suits, petitions, motions, damages, claims, demands, judgments, or executions, whether asserted or unasserted, whether known or unknown, whether in contract, tort, or otherwise, whether under statute or rule, and whether at law or equity, which it ever had, now has, or in the future may have against the Hemphill Released Parties, by reason of or arising from the Rate Order, the subject matter of the Litigation, the subject matter of the Counterclaim, the subject matter of Docket DE 07-122, the Litigation itself, the Counterclaim itself, or Docket DE 07-122 itself.

5. This Agreement reflects the compromise of disputed claims and defenses and is not intended and should not be construed as an admission of the validity of any such claim or defense.

6. The provisions of this Agreement are not severable. If any part of this Agreement is not approved by the Commission in its entirety and without conditions that materially affect the parties' economic and regulatory expectations under this Agreement, it shall become void.

7. This Agreement shall be construed and enforced in accordance with New Hampshire law.

HEMPHILL POWER & LIGHT COMPANY

Dated:

By: [Signature]

Its: Resident Representative

COMMONWEALTH OF MASSACHUSETTS
COUNTY OF Norfolk

This instrument was acknowledged before me on May 10th, 2008 by Larry Fishman as Resident Representative of Hemphill Power & Light Company.

Claire Lee

Justice of the Peace/Notary Public
My Commission Expires
(Notarial Seal) **CLAIRE LEE**
Notary Public
COMMONWEALTH OF MASSACHUSETTS
My Commission Expires
February 13, 2015

PUBLIC SERVICE COMPANY
OF NEW HAMPSHIRE

Dated: 05/23/08

By: [Signature]

Its: President

STATE OF NEW HAMPSHIRE
COUNTY OF HILLSBOROUGH

This instrument was acknowledged before me on May 23rd, 2008 by Larry A. Long as President of Public Service Company of New Hampshire.

[Signature]

Justice of the Peace/Notary Public
My Commission Expires
(Notarial seal) My Commission Expires August 31, 2010