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EXHIBIT 10.55

TRANSITION PROPERTY PURCHASE AND SALE AGREEMENT

between

CL&P FUNDING LLC

Note Issuer

and

THE CONNECTICUT LIGHT AND POWER COMPANY

Seller

Dated as of March 30, 2001

This TRANSITION PROPERTY PURCHASE and SALE AGREEMENT, dated as of March 30, 2001, is between CL and P Funding LLC, a Delaware limited liability company (the "Note Issuer"), and The Connecticut Light and Power Company, a Connecticut corporation (together with its successors in interest to the extent permitted hereunder, the "Seller").

RECITALS

WHEREAS, the Note Issuer desires to purchase the Transition Property (as defined herein) created pursuant to the Statute and the Financing Order (each as defined herein); and

WHEREAS, the Seller is willing to sell the Transition Property to the Note 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. Whenever used in this Agreement, the

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following words and phrases shall have the following meanings:

"Administration Agreement" means the Administration Agreement dated as of March 30, 2001 between The Connecticut Light and Power Company, as Administrator, and the Note Issuer, as amended and supplemented from time to time.

"Agreement" means this Transition Property Purchase and Sale Agreement, as amended and supplemented from time to time.

"Authorized Officer" means an officer of the Seller listed on the list of Authorized Officers delivered by the Seller to the Note Trustee and the Certificate Trustee on the date of issuance of the Certificates (as such list may be modified or supplemented by the Seller from time to time).

"Back-Up Security Interest" has the meaning specified in Section 2.01.

"Basic Documents" means, collectively, this Agreement, the Note Indenture, the Declaration of Trust, the Certificate Indenture, the Servicing Agreement, the Administration Agreement, the Note Purchase Agreement, the Underwriting Agreement, the Fee and Indemnity Agreement, the Inter-Creditor Agreement and the Swap Agreement.

"Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions or trust companies in New York, New York, Hartford, Connecticut or Wilmington, Delaware are authorized or obligated by law, regulation or executive order to remain closed.

"Certificate Indenture" means the Certificate Indenture dated as of March 30, 2001, between the Certificate Issuer and the Certificate Trustee, as amended and supplemented from time to time.

"Certificate Trustee" means the Person acting as trustee under the Certificate Indenture.

"Certificateholders" has the meaning specified in Section 1.01(a) of the Certificate Indenture.

"Certificates" means the Connecticut RRB Special Purpose Trust CL and P- 1 Rate Reduction Certificates issued under the Certificate Indenture.

"Class A-4 Swap Agreement" has the meaning specified in Section 1.01 of the Certificate Indenture.

"Class A-4 Swap Counterparty" has the meaning specified in Section

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1.01 of the Certificate Indenture.

"Closing Date" means March 30, 2001.

"Collection Account" has the meaning specified in Section 8.02(a) of the Note Indenture.

"Corporate Trust Office" has the meaning specified in Section 1.01(a) of the Note Indenture.

"CTA" means the "competitive transition assessment" as defined in the Statute.

"Date of Breach" means, with respect to the repurchase obligation specified in Section 5.01(b), the date of a breach of a representation or warranty that triggers such repurchase obligation.

"Declaration of Trust" means the Declaration of Trust dated as of March 23, 2001, among the Finance Authority and the Delaware Trustee, as amended and supplemented from time to time.

"Delaware Trustee" means the Person acting as trustee under the Declaration of Trust.

"DPUC" means the Connecticut Department of Public Utility Control and any successor thereto.

"DPUC Regulations" has the meaning specified in Section 1.01 of the Servicing Agreement.

"Fee and Indemnity Agreement" means the Fee and Indemnity Agreement dated as of March 30, 2001 among the Note Issuer, the Delaware Trustee, the Certificate Trustee, the Trust and the Finance Authority, as amended and supplemented from time to time.

"Finance Authority" means, the State of Connecticut, acting through the office of the State Treasurer.

"Financing Order" means the order of the DPUC, issued on November 8, 2000 and supplemented on December 12, 2000 and March 12, 2001 in DPUC-00- 05-01.

"Fitch" means Fitch, Inc. or its successor.

"Indemnified Person" has the meaning specified in Section 5.01(c), Section 5.01(d), Section 5.01(e) or in Section 5.01(h), for the purposes set

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forth therein.

"Inter-Creditor Agreement" means the Inter-Creditor Agreement dated as of March 30, 2001 among Citicorp North America, Inc., Citibank, N.A., the Seller, the Note Trustee, the Note Issuer and CL and P Receivables Corporation, as amended, supplemented or modified from time to time.

"Issuance Advice Letter" means the initial Issuance Advice Letter, dated March 28, 2001, filed with the DPUC by the Seller pursuant to the Financing Order.

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

"Losses" has the meaning specified in Section 5.01(e).

"Moody's" means Moody's Investors Service, Inc. or its successor.

"Note Indenture" means the Note Indenture dated as of March 30, 2001, between the Note Issuer and the Note Trustee, as amended and supplemented from time to time.

"Note Issuer" has the meaning set forth in the preamble of this Agreement.

"Note Purchase Agreement" means the Note Purchase Agreement dated as of March 30, 2001 between the Note Issuer and the Trust, as amended and supplemented from time to time.

"Note Register" has the meaning specified in Section 2.05 of the Note Indenture.

"Note Trustee" means the Person acting as trustee under the Note Indenture.

"Noteholder" or "Holder" means the Person in whose name a Note is registered on the Note Register.

"Notes" means the CL and P Funding LLC Notes issued under the Note Indenture.

"Officer's Certificate" means a certificate signed by the chairman of the board, the chief executive officer, the president, the vice chairman of the board, any vice president, the treasurer, any assistant treasurer, the secretary, any assistant secretary, the controller or the finance manager of the Seller.

"Operating Expense" has the meaning specified in Section 1.01(a) of

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the Note Indenture.

"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 of counsel, which counsel shall be reasonably acceptable to the party receiving such opinion of counsel.

"Outstanding Amount" has the meaning specified in Section 1.01(a) of the Note Indenture.

"Overcollateralization Subaccount" has the meaning specified in Section 8.02(a) of the Note Indenture.

"Person" means any individual, corporation, limited liability company, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization or government or any agency or political subdivision thereof.

"Rating Agencies" means, collectively, S and P, Moody's and Fitch.

"Repurchase Date" means the date that is five Business Days after the date that is (i) if the terms of Section 5.01(b)(i)(A) and Section 5.01(b)(i)(B)(2) are applicable, two Business Days after the Date of Breach if the Seller fails to make the deposit required by Section 5.01(b)(i)(B)(2) or 90 days after the Date of Breach if the Seller makes the deposit required by Section 5.01(b)(i)(B)(2); (ii) if the terms of Section 5.01(b)(ii) are applicable, 90 days after the Date of Breach; and (iii) if the terms of Section 5.01(b)(i)(A) and Section 5.01(b)(i)(B)(1) are applicable, 90 days after the Date of Breach.

"Repurchase Price" has the meaning specified in Section 5.01(b)(i).

"Required Overcollateralization Level" has the meaning specified in Section 1.01(a) of the Note Indenture.

"RRB Charge" means the portion (which may become all) of the Seller's CTA designated pursuant to the Financing Order as the RRB Charge, as the same may be adjusted from time to time as provided in the Financing Order, and may in the future include a pro rata component of any exit fee collected pursuant to Section 16-245w of the Connecticut General Statutes.

"RRB Charge Collections" has the meaning specified in Section 1.01 of the Servicing Agreement.

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"Seller" has the meaning set forth in the preamble of this Agreement.

"Servicer Default" means an event specified in Section 7.01 of the Servicing Agreement.

"Servicing Agreement" means the Transition Property Servicing Agreement dated as of March 30, 2001 between The Connecticut Light and Power Company, as Servicer, and the Note Issuer, as amended and supplemented from time to time.

"S and P" means Standard and Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. or its successor.

"State Treasurer" means the Treasurer of the State of Connecticut.

"Statute" means Connecticut General Statutes 16-245e through and including 16-245k.

"Swap Agreement" means any interest rate swap agreement entered into by the Certificate Issuer with respect to any class of Certificates, including, without limitation, the ISDA Master Agreement and the related Schedule and Confirmation between the Certificate Issuer and a swap counterparty, as same may be amended or supplemented from time to time.

"Swap Counterparty" has the meaning specified in Section 1.01 of the Certificate Indenture.

"Transition Property" means the transition property that exists under Order 6 of Exhibit C to the Financing Order, including, without limitation, and as provided therein, the RRB Charge included in special contract customer rates.

"Trust" or "Certificate Issuer" means Connecticut RRB Special Purpose Trust CL and P-1, a Delaware business trust.

"Underwriting Agreement" means the Underwriting Agreement dated as of March 27, 2001 among The Connecticut Light and Power Company, the Note Issuer and the underwriters named therein.

Section 1.02. Other Definitional Provisions.

(a) 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.

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(b) 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 and Exhibit references contained in this Agreement are references to Sections, Schedules and Exhibits in or to this Agreement unless otherwise specified; and the term "including" shall mean "including without limitation".

(c) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms.

Article 2

CONVEYANCE OF TRANSITION PROPERTY

Section 2.01. Conveyance of Transition Property. In consideration of the Note Issuer's delivery to or upon the order of the Seller of 1,431,369,048.94 dollars net of underwriting discounts and commissions, original issue discount, if any, and other fees and expenses, the Seller does hereby irrevocably sell, transfer, assign, set over and otherwise convey to the Note Issuer, WITHOUT RECOURSE OR WARRANTY, except as specifically set forth herein, all right, title and interest of the Seller in and to the Transition Property (such sale, transfer, assignment, setting over and conveyance of the Transition Property includes, to the fullest extent permitted by the Statute, the assignment of all revenues, collections, claims, payments, money or proceeds of or arising from the RRB Charge pursuant to the Financing Order) and copies of all books and records related thereto. Such sale, transfer, assignment, setting over and

conveyance is hereby expressly stated to be a sale and , pursuant to Section 16-245k(h) of the Statute, shall be treated as an absolute transfer of all of the Seller's right, title and interest in (as in a true sale), and not as a pledge or other financing of, the Transition Property. If such sale, transfer, assignment, setting over and conveyance is held by any court of competent jurisdiction not to be a true sale as provided in Section 16- 245k(h) of the Statute, then such sale, transfer, assignment, setting over and conveyance shall be treated as the creation of a security interest in the Transition Property and , without prejudice to its position that it has absolutely transferred all of its rights in the Transition Property (including, to the fullest extent permitted by the Statute, the assignment of all revenues, collections, claims, payments, money or proceeds of or arising from the RRB Charge pursuant to the Financing Order) to the Note Issuer,

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the Seller hereby grants a security interest in the Transition Property to the Note Issuer (the "Back-Up Security Interest"). Such sale, transfer, assignment, setting over and conveyance of the Transition Property includes the right to use the Seller's computer software system to access and create copies of all books and records related to the Transition Property.

Article 3

REPRESENTATIONS and WARRANTIES OF SELLER

Subject to Section 3.09 hereof, the Seller makes the following representations and warranties, as of the Closing Date, on which the Note Issuer has relied in acquiring the Transition Property.

Section 3.01. Organization and Good Standing. The Seller is duly organized and validly existing as a corporation in good standing under the laws of the State of Connecticut, 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 now conducted by it, and has the requisite corporate power and authority to own the Transition Property.

Section 3.02. Due Qualification. The Seller 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 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 Seller's business, operations, assets, revenues or properties).

Section 3.03. Power and Authority. The Seller 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 Seller.

Section 3.04. Binding Obligation. This Agreement constitutes a legal, valid and binding obligation of the Seller enforceable against it in accordance with its terms, subject to applicable insolvency, reorganization, moratorium, fraudulent transfer and other laws relating to or affecting creditors' or secured parties' rights generally from time to time in effect and to general principles of equity (including concepts of materiality,

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reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at law.

Section 3.05. 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 Seller, or any material indenture, agreement or other instrument to which the Seller is a party or by which it is bound; (ii) result in the creation or imposition of any Lien upon any of the Seller's properties pursuant to the terms of any such indenture, agreement or other instrument (other than any Lien that may be granted under the Basic Documents or any Lien created pursuant to Section 245k(g) of the Statute); or (iii) violate any existing law or any existing order, rule or regulation applicable to the Seller of any court or of any federal or state regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Seller or its properties.

Section 3.06. No Proceedings. There are no proceedings pending and , to the Seller's knowledge, there are no proceedings threatened and , to the Seller'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 Seller or its properties involving or relating to the Seller or the Note Issuer or, to the Seller's knowledge, any other Person: (i) asserting the invalidity of this Agreement, any of the other Basic Documents, the Notes, the Certificates, the Statute or the Financing Order, (ii) seeking to prevent the issuance of the Notes or the Certificates or the consummation of any of the transactions contemplated by this Agreement or any of the other Basic Documents, (iii) seeking any determination or ruling that might materially and adversely affect the performance by the Seller of its obligations under, or the validity or enforceability of, this Agreement, any of the other Basic Documents, the Notes or the Certificates or (iv) seeking to adversely affect the federal or state income tax classification of the Notes or the Certificates as debt.

Section 3.07. Approvals. No approval, authorization, consent, order or other action of, or filing with, any court, federal or state regulatory body,

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administrative agency or other governmental instrumentality is required in connection with the execution and delivery by the Seller of this Agreement, the performance by the Seller of the transactions contemplated hereby or the fulfillment by the Seller of the terms hereof, except those that have been obtained or made and those that the Seller, in its capacity as Servicer under the Servicing Agreement, is required to make in the future pursuant to the Servicing Agreement and post closing filings required in connection therewith.

Section 3.08. The Transition Property.

(a) Title. It is the intention of the parties hereto that the transfer and assignment herein contemplated constitute a sale of the Transition Property from the Seller to the Note Issuer and that no interest in, or title to, the Transition Property shall be part of the Seller's estate in the event of the filing of a bankruptcy petition by or against the Seller under any bankruptcy law. No portion of the Transition Property has been sold, transferred, assigned or pledged by the Seller to any Person other than the Note Issuer. On the Closing Date, immediately upon the sale hereunder, the Seller has transferred, sold and conveyed the Transition Property to the Note Issuer, free and clear of all Liens, except for any Lien created pursuant to Section 16-245k(g) of the Statute and any Lien that may be granted under the Basic Documents, and pursuant to Section 16-245k(h) of the Statute such transfer shall be treated as an absolute transfer of all of the Seller's right, title and interest (as in a true sale), and not as a pledge or other financing of, the Transition Property.

(b) Transfer Filings. On the Closing Date, immediately upon the sale

hereunder, the Transition Property has been validly transferred and sold to the Note Issuer, the Note Issuer shall own all such Transition Property free and clear of all Liens (including the Lien of the Seller's first mortgage indenture but excluding any Lien created pursuant to Section 16-245k(g) of the Statute and any Lien that may be granted under the Basic Documents) and all filings to be made by the Seller (including filings with the DPUC under the Statute) necessary in any jurisdiction to give the Note Issuer an ownership interest (subject to any Lien created pursuant to Section 16- 245k(g) of the Statute and any Lien that may be granted under the Basic Documents) in the Transition Property have been made. No further action is

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required to maintain such ownership interest (subject to any Lien created pursuant to Section 16-245k(g) of the Statute and any Lien that may be granted under the Basic Documents). Filings have also been made to the extent required by Connecticut General Statutes Section 42a-9-204, 42a-9-205, 42a-9-401, 42a-9-402 and 42a-9-403 to perfect the Back-Up Security Interest granted by the Seller to the Note Issuer (subject to any Lien created pursuant to Section 16-245k(g) of the Statute and any Lien that may be granted under the Basic Documents).

(c) Financing Order and Issuance Advice Letter; Other Approvals. On the Closing Date, under the laws of the State of Connecticut and the United States in effect on the Closing Date, (i) the Financing Order pursuant to which the Transition Property has been created is in full force and effect; (ii) the Certificateholders are entitled to the protections of the Statute and , accordingly, the Financing Order is not revocable by the DPUC; (iii) the State of Connecticut may neither limit nor alter the CTA, the Transition Property, or the Financing Order and all rights thereunder until the Certificates, together with interest thereon, are fully met and discharged, absent a demonstration that an impairment is narrowly-tailored and is necessary to advance an important public interest, such as responding to a "great public calamity;" provided that the State of Connecticut is not precluded from such limitation or alteration if and when adequate provision shall be made by law for the protection of the owners of the Transition Property and Certificateholders; (iv) except for periodic adjustments to the RRB Charge required under the Statute, the DPUC shall not have authority either by rescinding, altering, or amending the Financing Order or otherwise, to revalue or revise for ratemaking purposes the stranded costs, or the costs of providing, recovering, financing, or refinancing the stranded costs, determine that the CTA is unjust or unreasonable, or in any way reduce or impair the value of Transition Property either directly or indirectly by taking the CTA into account when setting other rates for the Seller; nor shall the amount of revenues arising with respect thereto be subject to reduction, impairment, postponement, or termination; (v) the process by which the Financing Order was adopted and approved, and the Financing Order and Issuance Advice Letter themselves, comply with all applicable laws, rules and regulations; (vi) the Issuance Advice Letter has been filed in accordance with the Financing Order; (vii) no other approval, authorization, consent, order or other action of, or filing with, any court, Federal or state regulatory body, administrative agency or other governmental

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instrumentality is required in connection with the creation or sale of the Transition Property, except those that have been obtained or made and post closing filings required in connection therewith and those that the Seller, in its capacity as Servicer under the Servicing Agreement, is required to make in the future pursuant to the Servicing Agreement; (vii) under the Statute, the limit contained in Section 16-244c(a)(2) of the Connecticut General Statutes on standard offer service rates may be exceeded if necessary to establish, fix or revise the CTA (including the RRB Charge) at a level sufficient to pay principal of and interest on the Certificates and related expenses, to pay stranded costs

that are not recovered through the issuance of rate reduction bonds, and to pay capital costs specified in the Statute; and (viii) the State of Connecticut, in the exercise of its executive or legislative powers, may not repeal or amend the Statute or the Financing Order, or take any action in contravention of the pledge by the State of Connecticut in Section 16-245j(b) of the Statute without paying just compensation to the Certificateholders, as determined by a court of competent jurisdiction, if this action would constitute a permanent appropriation of a substantial property interest of Certificateholders in the Transition Property and deprive the Certificateholders of their reasonable expectations arising from their investments in the Certificates.

(d) Assumptions. On the Closing Date, based upon the information available to the Seller on the Closing Date, the assumptions used in calculating the initial RRB Charge are reasonable and are made in good faith. Notwithstanding the foregoing, the Seller makes no representation or warranty that the assumptions used in calculating such RRB Charge will in fact be realized.

(e) Creation of Transition Property. Upon the effectiveness of the Financing Order and the Issuance Advice Letter: (i) all of the Transition Property constitutes an existing property right; (ii) the Transition Property includes the right, title and interest in and to all revenues, collections, claims, payments, money, or proceeds of or arising from the RRB Charge (including, without limitation, the RRB Charge included in special contract customer rates), as adjusted from time to time pursuant to the Financing Order, and all rights to obtain adjustments to the RRB Charge pursuant to the Financing Order; and (iii) the owner of the Transition Property is legally entitled to collect payments in respect of the RRB Charge in the aggregate sufficient to pay the interest on and principal of the Notes,

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to pay the fees and expenses of servicing the Notes and the Certificates, to replenish the Capital Subaccount to the Required Capital Level and to fund the Overcollateralization Subaccount to the Required Overcollateralization Level until the Notes and the Certificates are paid in full. Notwithstanding the foregoing, the Seller makes no representation or warranty that any amounts actually collected in respect of the RRB Charge will in fact be sufficient to meet payment obligations with respect to the Notes and the Certificates.

(f) Prospectus. As of the date hereof, the information describing the Seller in "The Seller and Servicer" section of the prospectus dated March 27, 2001 offering the Notes and the Certificates is correct in all material respects.

Section 3.09. Limitations on Representations and Warranties. Notwithstanding any other provisions of this Agreement, the Seller will not be in breach of any representation or warranty as a result of a change in law by means of a legislative enactment or constitutional amendment or (if such means become available in the future) referendum or initiative petition. Notwithstanding anything to the contrary in this Agreement, the Seller makes no representation or warranty that any amounts actually collected in respect of the RRB Charge will in fact be sufficient to meet payment obligations with respect to the Notes and the Certificates or that the assumptions used in calculating the RRB Charge will in fact be realized nor shall the Seller be obligated to reduce, or accept a reduction of, any rates or charges to which it would otherwise be entitled in respect of services rendered or to be rendered to customers in order to permit the payment of the RRB Charge.

Article 4

COVENANTS OF THE SELLER

Section 4.01. Corporate Existence. So long as any of the Notes are

outstanding, the Seller (a) will keep in full force and effect its existence, rights and franchises as a corporation under the laws of the jurisdiction of its organization and (b) will obtain and preserve its qualification to do business, in each case to the extent that in each such jurisdiction such existence or qualification is or shall be necessary to protect the validity and enforceability of this Agreement, the other Basic

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Documents to which the Seller is a party and each other instrument or agreement necessary or appropriate to the proper administration of this Agreement and the transactions contemplated hereby.

Section 4.02. No Liens. Except for the conveyances hereunder or any Lien under Section 16-245k(g) of the Statute or for the benefit of the Note Issuer, the Seller will not sell, pledge, assign or transfer, or grant, create, or incur any Lien on, any of the Transition Property, or any interest therein, and the Seller shall defend the right, title and interest of the Note Issuer and the Note Trustee in, to and under the Transition Property against all claims of third parties claiming through or under the Seller. The Connecticut Light and Power Company, in its capacity as Seller, will not at any time assert any Lien against, or with respect to, any of the Transition Property.

Section 4.03. Delivery of Collections. If the Seller receives any payments in respect of the RRB Charge or the proceeds thereof when it is not acting as the Servicer, the Seller agrees to pay to the Servicer all payments received by it in respect thereof as soon as practicable after receipt thereof by it.

Section 4.04. Notice of Liens. The Seller shall notify the Note Issuer and the Note Trustee promptly after becoming aware of any Lien on any of the Transition Property, other than the conveyances hereunder, any Lien under the Basic Documents or any Lien under Section 16-245k(g) of the Statute or for the benefit of the Note Issuer.

Section 4.05. Compliance with Law. The Seller hereby agrees to comply with its organizational and governing documents and all laws, treaties, rules, regulations and determinations of any governmental instrumentality applicable to it, except to the extent that failure to so comply would not adversely affect the Note Issuer's or the Note Trustee's interests in the Transition Property or under any of the other Basic Documents to which the Seller is party or the Seller's performance of its obligations hereunder or under any of the other Basic Documents to which it is party.

Section 4.06. Covenants Related to Notes and Transition Property.

(a) So long as any of the Notes are outstanding, the Seller shall treat the Notes as debt of the Note Issuer and not of the Seller, except for

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financial accounting or tax reporting purposes.

(b) So long as any of the Notes are outstanding, the Seller shall indicate in its financial statements that it is not the owner of the Transition Property and that the assets of the Note Issuer are not available to pay creditors of the Seller or any of its Affiliates (other than the Note Issuer).

(c) So long as any of the Notes are outstanding, the Seller shall disclose the effects of all transactions between the Seller and the Note Issuer in accordance with generally accepted accounting principles.

(d) So long as any of the Notes or Certificates are outstanding, the Seller shall not own or purchase any Notes or Certificates.

(e) The Seller agrees that, upon the sale by the Seller of the Transition Property to the Note Issuer pursuant to this Agreement, (i) to the fullest extent permitted by law, including the Statute and applicable DPUC Regulations, the Note Issuer shall have all of the rights originally held by the Seller with respect to the Transition Property, including the right (subject to the terms of the Servicing Agreement) to exercise any and all rights and remedies to collect any amounts payable by any customer or third party supplier in respect of the Transition Property, notwithstanding any objection or direction to the contrary by the Seller and (ii) any payment by any customer or third party supplier to the Note Issuer shall discharge such customer's or third party supplier's obligations in respect of the Transition Property to the extent of such payment, notwithstanding any objection or direction to the contrary by the Seller.

(f) So long as any of the Notes are outstanding, (i) (A) the Seller shall affirmatively certify and confirm that it has sold the Transition Property to the Note Issuer (other than for financial accounting or tax reporting purposes), and (B) the Seller shall not make any statement or reference in respect of the Transition Property that is inconsistent with the ownership thereof by the Note Issuer (other than for financial accounting or tax reporting purposes), and (ii) the Seller shall not take any action in respect of the Transition Property except solely in its capacity as the Servicer thereof pursuant to the Servicing Agreement or as otherwise contemplated by the Basic Documents.

Section 4.07. Protection of Title. The Seller shall execute and file such filings, including filings with the DPUC pursuant to the Statute and
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Uniform Commercial Code continuation statements, and cause to be executed and filed such filings, all in such manner and in such places as may be required by law fully to preserve, maintain and protect the ownership interest of the Note Issuer in the Transition Property, including all filings required under the Statute relating to the transfer of the ownership interest in the Transition Property by the Seller to the Note Issuer and the continued perfection of such ownership interest. The Seller shall deliver (or cause to be delivered) to the Note Issuer file-stamped copies of, or filing receipts for, any document filed as provided above, as soon as available following such filing. The Seller shall institute any action or proceeding necessary to compel performance by the DPUC or the State of Connecticut of any of their obligations or duties under the Statute or the Financing Order, and the Seller 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 (i) to protect the Note Issuer, the Noteholders, the Certificateholders, the Note Trustee, the Delaware Trustee, the Certificate Trustee, the Certificate Issuer, the State of Connecticut, the Finance Authority, the State Treasurer, agencies of the State of Connecticut and any of their respective affiliates, officials, officers, directors, employees, consultants, counsel and agents from claims, state actions or other actions or proceedings of third parties which, if successfully pursued, would result in a breach of any representation set forth in Article III or (ii) to block or overturn any attempts to cause a repeal of, modification of or supplement to the Statute, the Financing Order, any Advice Letter or the rights of Noteholders by legislative enactment or constitutional amendment that would be adverse to the Note Issuer, the Note Trustee or the Noteholders. If the Servicer performs its obligations under Section 5.02(d) of the Servicing Agreement in all respects, such performance shall be deemed to constitute performance of the Seller's obligations pursuant to the immediately preceding sentence. In such event, the Seller agrees to assist the Servicer as reasonably necessary to perform its obligations under Section 5.02(d) of the Servicing Agreement in all respects. The costs of any such actions or proceedings 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 Note Indenture. The Seller's obligations pursuant to this

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Section 4.07 shall survive and continue notwithstanding the fact that the payment of Operating Expenses pursuant to Section 8.02(d) of the Note Indenture may be delayed (it being understood that the Seller may be required to advance its own funds to satisfy its obligations hereunder).

Section 4.08. Nonpetition Covenants. Notwithstanding any prior termination of this Agreement or the Note Indenture, but subject to the DPUC's right to order the sequestration and payment of revenues arising with respect to the Transition Property notwithstanding any bankruptcy, reorganization or other insolvency proceedings with respect to the Seller pursuant to Section 16-245k(e) or Section 16-245k(g) of the Statute, the Seller shall not, prior to the date which is one year and one day after the termination of the Note Indenture, petition or otherwise invoke or cause the Note Issuer to invoke the process of any court or government authority for the purpose of commencing or sustaining a case against the Note Issuer under any Federal or state bankruptcy, insolvency or similar law, appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Note Issuer or any substantial part of the property of the Note Issuer, or ordering the winding up or liquidation of the affairs of the Note Issuer.

Section 4.09. Taxes. So long as any of the Notes are outstanding, the Seller shall, and shall cause each of its subsidiaries to, pay all material taxes, assessments and governmental charges imposed upon it or any of its properties or assets or with respect to any of its franchises, business, income or property before any penalty accrues thereon if the failure to pay any such taxes, assessments and governmental charges would, after any applicable grace periods, notices or other similar requirements, result in a lien on the Transition Property; provided that no such tax need be paid if the Seller or one of its subsidiaries is contesting the same in good faith by appropriate proceedings promptly instituted and diligently conducted and if the Seller or such subsidiary has established appropriate reserves as shall be required in conformity with generally accepted accounting principles.

Section 4.10. Additional Sales of Transition Property. So long as any of the Notes are outstanding, the Seller shall not sell any transition property (as defined in the Statute) to secure another issuance of rate reduction bonds (as defined in the Statute) if it would cause the then existing ratings on any class of Certificates from the Rating Agencies to be

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withdrawn or downgraded.

Section 4.11. Issuance Advice Letter. The Seller hereby agrees not to withdraw the filing of the Issuance Advice Letter with the DPUC.

Section 4.12. Maintenance of Working Papers. So long as any of the Notes are outstanding, the Seller shall keep and maintain any and all working papers, reports and other documents used by the firm of Independent certified public accountants in the preparation of its letter letters delivered on the Issuance Date to the Note Issuer and the Note Trustee pursuant to Section 2.10(g) of the Note Indenture and Section 6(k) of the Underwriting Agreement.

Article 5

THE SELLER

Section 5.01. Liability of Seller; Indemnities.

(a) The Seller shall be liable in accordance herewith only to the

extent of the obligations specifically undertaken by the Seller under this Agreement.

(b) In the event of a breach by the Seller of any representation and warranty specified in Sections 3.08(c) or 3.08(e) that has a material adverse effect on the Certificateholders, the Seller shall repurchase the Transition Property from the Note Issuer at a purchase price equal to the then outstanding principal amount of the Notes and all accrued and unpaid interest thereon, excluding any premium or penalty of any kind (the "Repurchase Price"), as of the Repurchase Date; provided, however, that the Seller shall not be obligated to repurchase the Transition Property if (A) within 90 days after the Date of Breach such breach is cured or the Seller takes remedial action such that there is not and will not be a material adverse effect on the Certificateholders as a result of such breach and (B) either (1) if the Seller had, immediately prior to the Date of Breach, a long term debt rating of at least "A3" by Moody's and "BBB" or the equivalent by S and P or Fitch, and the Seller enters into a binding agreement with the Note Issuer to pay any amounts necessary so that all interest payments due on the Notes during such 90-day period will be paid in full, or (2) if the Seller does not have such long term debt ratings, the Seller deposits, within two Business Days after the Date of Breach, an amount in escrow with the Note Trustee sufficient, taking into account amounts on deposit in the Collection

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Account which will be available for such purpose, to pay all interest payments which will become due on the Notes during such 90-day period.

(i) In the event of a breach by the Seller of any representation and warranty specified in Sections 3.01, 3.03, 3.04, 3.05, 3.06, 3.08(a) or 3.08(b) that has a material adverse effect on the Certificateholders, if within 90 days after the Date of Breach such breach has not been cured or the Seller has not taken remedial action such that there is not and will not be a material adverse effect on the Certificateholders as a result of such breach, then the Seller shall repurchase the Transition Property from the Note Issuer for the Repurchase Price on the Repurchase Date.

(ii) Notwithstanding any other provision of this Agreement, upon the payment by the Seller of the Repurchase Price pursuant to this Section 5.01(b), neither the Note Issuer nor any other Person shall have any other claims, rights or remedies against the Seller under, arising from or with respect to this Agreement, except as set forth in Sections 5.01(b)(iv), 5.01(c), 5.01(d) and 5.01(h).

(iii) The Seller acknowledges that, upon the repurchase of the Transition Property pursuant to this Section 5.01(b), the Class A-4 Swap Agreement (as defined in the Certificate Indenture) will terminate. The Seller will indemnify, defend and hold harmless the Class A-4 Swap Counterparty for any Losses that may be imposed on, incurred by or asserted against the Class A-4 Swap Counterparty as a result of such termination.

(c) Subject to Section 5.01(i), the Seller shall indemnify the Note Issuer, the Note Trustee, the Certificate Trustee, the Delaware Trustee, the State of Connecticut, the Finance Authority, the State Treasurer, agencies of the State of Connecticut, the Certificate Issuer, the Noteholders, the Certificateholders and any Swap Counterparty (each an "Indemnified Person" for purposes of this Section 5.01(c) and Section 5.01(i)) for, and defend and hold harmless each such Indemnified Person from and against, any and all taxes (other than taxes imposed on Noteholders or Certificateholders solely as a result of their ownership of Notes or Certificates, respectively) that may at any time be imposed on or asserted against any such Person under existing law as of the Closing Date as a result of the sale of the Transition Property to the Note Issuer, including any sales, gross receipts, general corporation, tangible

personal property, privilege or license taxes; provided, however, that the Noteholders, the Certificateholders and any Swap Counterparty shall be entitled to enforce their rights against the Seller

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under this Section 5.01(c) solely through a cause of action brought for their benefit by the Note Trustee or the Certificate Trustee, as the case may be.

(d) Subject to Section 5.01(i), the Seller shall indemnify the Note Issuer, the Note Trustee, the Certificate Trustee, the Delaware Trustee, the State of Connecticut, the Finance Authority, the State Treasurer, agencies of the State of Connecticut, the Certificate Issuer, the Noteholders, the Certificateholders and any Swap Counterparty (each an "Indemnified Person" for purposes of this Section 5.01(d) and Section 5.01(i)) for, and defend and hold harmless each such Indemnified Person from and against, any and all taxes that may be imposed on or asserted against any such Indemnified Person under existing law as of the Closing Date as a result of the issuance and sale by the Note Issuer of the Notes, the issuance and sale by the Trust of the Certificates or the other transactions contemplated herein, including any sales, gross receipts, general corporation, tangible personal property, privilege or license taxes; provided, however, that the Noteholders, the Certificateholders and any Swap Counterparty shall be entitled to enforce their rights against the Seller under this Section 5.01(d) solely through a cause of action brought for their benefit by the Note Trustee or the Certificate Trustee, as the case may be. The Seller shall be reimbursed for any payments under this Section 5.01(d) from RRB Charge Collections as an Operating Expense in accordance with the priorities set forth in Section 8.02(d) of the Note Indenture.

(e) Subject to Section 5.01(i), the Seller shall indemnify the Note Issuer, the Noteholders and the Certificateholders (each an "Indemnified Person" for purposes of this Section 5.01(e) and Section 5.01(i)) for, and defend and hold harmless each such Person from and against, any and all liabilities, obligations, losses, actions, suits, claims, damages, payments, costs or expenses of any kind whatsoever (collectively, "Losses") that may be imposed on, incurred by or asserted against each such Indemnified Person as a result of (i) the Seller's willful misconduct or negligence in the performance of its duties or observance of its covenants under this Agreement, or (i) the Seller's breach in any material respect of any of its representations and warranties contained in this Agreement (other than the representations and warranties specified in Sections 3.01, 3.03, 3.04, 3.05, 3.06, 3.08(a), 3.08(b), 3.08(c) or 3.08(e), the breach of which are subject

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to the repurchase obligation set forth in Section 5.01(b)), except in the case of both clauses (i) and (ii) to the extent of Losses either resulting from the willful misconduct or gross negligence of such Indemnified Person or resulting from a breach of a representation and warranty made by such Indemnified Person in any of the Basic Documents that gives rise to the Seller's breach; provided, however, that the Noteholders and the Certificateholders shall be entitled to enforce their rights against the Seller under this indemnification solely through a cause of action brought for their benefit by the Note Trustee or the Certificate Trustee, as the case may be; provided, further, that the Seller may, at its election and in full satisfaction of its obligations under this Section 5.01(e), repurchase the Transition Property at the Repurchase Price, in which case neither the Note Issuer nor any other Person shall have any other claims, rights or remedies against the Seller under, arising from or with respect to this Agreement, except as set forth in Section Sections 5.01(b)(iv), 5.01(c), 5.01(d) and 5.01(h).

(f) Indemnification under Sections 5.01(c), 5.01(d), 5.01(e) and 5.01(h) shall include reasonable fees and out-of-pocket expenses of

investigation and litigation (including reasonable attorneys' fees and expenses), except as otherwise provided in this Agreement.

(g) Without prejudice to any of the other rights of the parties, the Seller will not be in breach of any representation or warranty as a result of a change in law by means of a legislative enactment or constitutional amendment or (if such means become available in the future) referendum or initiative petition. Notwithstanding anything to the contrary in this Agreement, the Seller makes no representation or warranty that any amounts actually collected in respect of the RRB Charge will in fact be sufficient to meet payment obligations with respect to the Notes and the Certificates or that the assumptions used in calculating the RRB Charge will in fact be realized nor shall the Seller be obligated to reduce, or accept a reduction of, any rates or charges to which it would otherwise be entitled in respect of services rendered or to be rendered to customers in order to permit the payment of the RRB Charge (other than deferrals for future recovery).

(h) Subject to Section 5.01(i), the Seller shall indemnify and hold harmless the Note Trustee, the Delaware Trustee, the Certificate Trustee, the Certificate Issuer, any Swap Counterparty, the State of Connecticut, the

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Finance Authority, the State Treasurer, agencies of the State of Connecticut and any of their respective affiliates, officials, officers, directors, employees, consultants, counsel and agents (each an "Indemnified Person" for purposes of this Section 5.01(h) and Section 5.01(i)) against any and all Losses incurred by any of such Indemnified Persons as a result of (i) the Seller's willful misconduct or negligence in the performance of its duties or observance of its covenants under this Agreement or (ii) the Seller's breach in any material respect of any of its representations and warranties contained in this Agreement, except in the case of both clauses (i) and (ii) to the extent of Losses either 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 Seller's breach. The indemnities contained in this Section 5.01(h) shall survive the resignation or termination of the Note Trustee, the Certificate Trustee or the Delaware Trustee or the termination of this Agreement or any Swap Agreement.

(i) The Seller shall not be required to indemnify any Indemnified Person under Sections 5.01(c), 5.01(d), 5.01(e) or 5.01(h) 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 Seller, 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 Seller under this Section 5.01, notify the Seller in writing of such involvement. Failure by an Indemnified Person to so notify the Seller shall relieve the Seller from the obligation to indemnify and hold harmless such Indemnified Person under this Section 5.01 only to the extent that the Seller 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 5.01, the Seller shall be entitled to assume the defense of any such action, proceeding or investigation. Upon assumption by the Seller 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 Seller shall be entitled to appoint counsel

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of the Seller's choice at the Seller's expense to represent the Indemnified

Person in any action, proceeding or investigation for which a claim of indemnification is made against the Seller under this Section 5.01 (in which case the Seller 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 Seller'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 local counsel), and the Seller shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the Seller 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 Seller 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 Seller, (iii) the Seller 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 Seller shall authorize the Indemnified Person to employ separate counsel at the expense of the Seller. Notwithstanding the foregoing, the Seller 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 local counsel). The Seller 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 5.01 (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.

(j) The remedies of the Note Issuer, the Noteholders, the Certificateholders and any Swap Counterparty provided in this Agreement are each such Person's sole and exclusive remedies against the Seller for breach of its representations and warranties in this Agreement.

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Section 5.02. Merger or Consolidation of, or Assumption of the Obligations of, Seller. Any Person (a) into which the Seller may be merged or consolidated, (b) that may result from any merger or consolidation to which the Seller shall be a party or (c) that may succeed to the properties and assets of the Seller substantially as a whole, which Person in any case described in the foregoing clause (c) executes an agreement of assumption to perform every obligation of the Seller hereunder, shall be the successor to the Seller under this Agreement without further act on the part of any of the parties to this Agreement; provided, however, that (i) if the Seller is the Servicer, 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 Seller shall have delivered to the Note Issuer and the Note Trustee an Officer's Certificate stating that such consolidation, merger or succession and such agreement of assumption comply with this Section and that all conditions precedent, if any, provided for in this Agreement relating to such transaction have been complied with, (iii) the Seller shall have delivered to the Note Issuer and the Note Trustee an Opinion of Counsel either (A) stating that, in the opinion of such counsel, all filings to be made by the Seller, including filings with the DPUC pursuant to the Statute, have been executed and filed that are necessary to fully preserve and protect the interest of the Note Issuer in the Transition Property and reciting the details of such filings, or (B) stating that, in the opinion of such counsel, no such action shall be necessary to preserve and protect such interests and (iv) the Rating Agencies shall have received prior written notice of such transaction. When any Person acquires the properties and assets of the Seller substantially as a whole and becomes the successor to the

Seller in accordance with the terms of this Section 5.02 and execution by such successor of an agreement of assumption to perform every obligation of the Seller hereunder, then upon satisfaction of all of the other conditions of this Section 5.02, the Seller shall automatically and without further notice be released from all of its obligations hereunder, except with respect to any acts or omissions of the Seller that occurred prior to such assumption.

Section 5.03. Limitation on Liability of Seller and Others. The

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Seller and any director, officer, employee or agent of the Seller may rely in good faith on the advice of counsel or on any document of any kind, prima facie properly executed and submitted by any Person, respecting any matters arising hereunder.

Article 6

MISCELLANEOUS PROVISIONS

Section 6.01. Amendment. This Agreement may be amended by the Seller and the Note Issuer, with ten Business Days' prior written notice given to the Rating Agencies and the prior written consent of the Note Trustee, but without the consent of any of the Noteholders, 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 Noteholders; provided, however, that such action shall not, as evidenced by an Officer's Certificate delivered to the Note Issuer, the Note Trustee and any Swap Counterparty, adversely affect in any material respect the interests of any Noteholder or adversely affect the interests of any Swap Counterparty.

This Agreement may also be amended from time to time by the Seller and the Note Issuer, with ten Business Days' prior written notice given to the Rating Agencies and the prior written consent of the Note Trustee and the prior written consent of the Holders of Notes evidencing not less than a majority of the Outstanding Amount of the Notes affected thereby, 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 Noteholders.

It shall not be necessary for the consent of Noteholders 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.

Prior to the execution of any amendment to this Agreement, the Note Trustee shall be entitled to receive and rely upon an Opinion of Counsel stating that the execution of such amendment is authorized or permitted by this Agreement. The Note Trustee may, but shall not be obligated to,

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enter into any such amendment which affects the Note Trustee's own rights, duties or immunities under this Agreement or otherwise.

No amendment may be made to this Agreement that would adversely affect any Swap Counterparty without its prior written consent.

Section 6.02. 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 (confirmed by telephone, United States mail or courier service in the case of notice by 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 Seller, to

The Connecticut Light and Power Company
if by U.S. Mail:
P.O. Box 270
Hartford, CT 02141-0270
if by courier:
107 Selden Street
Berlin, CT 06037
Attention: Treasurer
Facsimile: (860) 665-5457
Telephone: (860) 665-3258
Email: shoopra@nu.com

(b) if to the Note Issuer, to

CL and P Funding LLC
c/o The Connecticut Light and Power Company
if by U.S. Mail:
P.O. Box 270
Hartford, CT 06141-0270
if by courier:
107 Selden Street
Berlin, CT 06037
Attention: Treasurer
Facsimile: (860) 665-5457
Telephone: (860) 665-3258
Email: shoopra@nu.com

(c) if to the Note Trustee, to

First Union Trust Company, National Association
One Rodney Square
920 King Street, 1st Floor

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Wilmington, DE 19801-7475
Attention: Corporate Trust Administration
Facsimile: (302) 888-7544
Telephone: (302) 888-7500

(d) if to Moody's, to

Moody's Investors Service, Inc.
99 Church Street
New York, NY 10007
Attention: ABS Monitoring Department
Facsimile: (212) 553-0573
Telephone: (212) 553-3686

(e) if to S and P, to

Standard and Poor's
55 Water Street, 40th Floor
New York, NY 10041
Attention: Asset Backed Surveillance Department
Facsimile: (212) 438-2655

Telephone: (212) 438-2000

(f) if to Fitch, to

Fitch, Inc.
One State Street Plaza
New York, NY 10004
Attention: ABS Surveillance
Facsimile: (212) 514-9879
Telephone: (212) 908-0500
Email: surv@fitchratings.com

(g) if to the Finance Authority, to:

Office of the State Treasurer
55 Elm Street
Hartford, CT 06106
Attention: Assistant Treasurer - Debt Management
Facsimile: (860) 702-3127
Telephone: (860) 702-3034

(h) if to the Certificate Issuer, to:

Connecticut RRB Special Purpose Trust CL and P-1
c/o First Union Trust Company, National Association
One Rodney Square
920 King Street, 1st Floor
Wilmington, DE 19801-7475
Attention: Corporate Trust Administration
Facsimile: (302) 888-7544
Telephone: (302) 888-7500

(with copies to the Finance Authority at the addresses listed herein)

(i) if to any Swap Counterparty, to the address and in the manner set forth in any Swap Agreement (a copy of which will be provided

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by the Certificate Trustee, upon request); and

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

Section 6.03. Assignment. Notwithstanding anything to the contrary contained herein, except as provided in Section 5.02, this Agreement may not be assigned by the Seller.

Section 6.04. Limitations on Rights of Third Parties. The provisions of this Agreement are solely for the benefit of the Seller, the Note Issuer, the Noteholders, the Certificateholders, any Swap Counterparty, the Note Trustee, the Certificate Trustee, the Delaware Trustee, the Finance Authority, the Certificate Issuer 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 Noteholders and the Certificateholders shall be entitled to enforce their rights against the Seller under this Agreement solely through a cause of action brought for their benefit by the Note Trustee or the Certificate Trustee, as the case may be. 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 Transition Property or under or in respect of this Agreement or any covenants, conditions or provisions contained herein.

Section 6.05. 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 6.06. 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 6.07. 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 6.08. Governing Law. This Agreement shall be construed in accordance with the laws of the State of Connecticut, without reference to

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its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

Section 6.09. Assignment to Note Trustee. The Seller hereby acknowledges and consents to any mortgage, pledge, assignment and grant of a security interest by the Note Issuer to the Note Trustee pursuant to the Note Indenture for the benefit of the Noteholders of all right, title and interest of the Note Issuer in, to and under the Transition Property and the proceeds thereof and the assignment of any or all of the Note Issuer's rights and obligations hereunder to the Note Trustee.

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

CL&P FUNDING LLC,
Note Issuer

By: /S/ RANDY A. SHOOP

Name: Randy A. Shoop
Title: President

THE CONNECTICUT LIGHT AND
POWER COMPANY,
Seller

By: /S/ RANDY A. SHOOP

Name: Randy A. Shoop
Title: Treasurer

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EXHIBIT 10.56

CL&P FUNDING LLC,

as Note Issuer

and

THE CONNECTICUT LIGHT AND POWER COMPANY, as Servicer

TRANSITION PROPERTY SERVICING AGREEMENT

Dated as of March 30, 2001

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Section 6.02. Indemnities of Servicer
Section 6.03. Limitation on Liability of Servicer and Others
Section 6.04. Merger or Consolidation of, or Assumption of the Obligations of, Servicer
Section 6.05. The Connecticut Light and Power Company Not to Resign as Servicer
Section 6.06. Servicing Compensation
Section 6.07. Compliance with Applicable Law
Section 6.08. Access to Certain Records and Information Regarding Transition Property
Section 6.09. Appointments
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Section 8.03. Notices
Section 8.04. Assignment
Section 8.05. Limitations on Rights of Third Parties
Section 8.06. Severability
Section 8.07. Separate Counterparts
Section 8.08. Headings
Section 8.09. Governing Law
Section 8.10. Assignment to Note Trustee
Section 8.11. Nonpetition Covenants

This TRANSITION PROPERTY SERVICING AGREEMENT, dated as of March 30, 2001, is between CL&P Funding LLC, a Delaware limited liability company (together with any successor thereto permitted under the Note Indenture, as hereinafter defined, the "Note Issuer"), and The Connecticut Light and Power Company, a Connecticut corporation.

RECITALS

WHEREAS, pursuant to the Statute and the Financing Order, the Seller and the Note Issuer are concurrently entering into the Sale Agreement pursuant to

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which the Seller is selling to the Note Issuer the Transition Property created

pursuant to the Statute and the Financing Order.

WHEREAS, in connection with its ownership of the Transition Property and in order to collect the RRB Charge, the Note 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 to its customers and for others. In addition, the Note Issuer desires to engage the Servicer to act on its behalf in obtaining Periodic Adjustments from the DPUC. The Servicer desires to perform all of these activities on behalf of the Note 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. Whenever used in this Agreement, the following words and phrases shall have the following meanings:

"Advice Letter" means any filing made with the DPUC by the Servicer on behalf of the Note Issuer to set or adjust the RRB Charge, including the Issuance Advice Letter, a Routine Annual True-Up Letter, a Routine True-Up Letter or a Non-Routine True-Up Letter.

"Agreement" means this Transition Property 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.

"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 The Connecticut Light and Power Company on its own behalf and in its capacity as Servicer.

"Certificate of Compliance" has the meaning set forth in Section 3.03.

"Closing Date" means March 30, 2001.

"CTA" means the "competitive transition assessment" as defined in the

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Statute.

"Declaration of Trust" means the Declaration of Trust dated as of March 23, 2001 by First Union Trust Company, National Association, a national banking association, as Delaware Trustee, and the Finance Authority, as the same may be amended and supplemented from time to time.

"DPUC" means the Connecticut Department of Public Utility Control and any successor thereto.

"DPUC 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 DPUC.

"Expected Amortization Schedule" means Schedule 4.01(a) hereto.

"Finance Authority" means the State of Connecticut, acting through the

office of the State Treasurer.

"Financing Order" means the order of the DPUC, issued on November 8, 2000 and supplemented on December 12, 2000 and March 12, 2001 in DPUC-00-05-01.

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

"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

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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. "Inter-Creditor Agreement" means the Inter-Creditor Agreement dated as of March 30, 2001 among Citicorp North America, Inc., Citibank, N.A., the Servicer, the Note Trustee, the Note Issuer and CL&P Receivables Corporation, as amended, supplemented or modified from time to time.

"Issuance Advice Letter" means the initial Issuance Advice Letter, dated March 28, 2001, filed with the DPUC pursuant to the Financing Order.

"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(b).

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

"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 DPUC in accordance with the Financing Order with respect to any Non-Routine Periodic Adjustment, pursuant to which the related Non-Routine Periodic Adjustment will become effective within 60 days after filing of the Non-Routine True-Up Letter, subject to the review and approval of the DPUC.

"Note Indenture" means the Note Indenture dated as of March 30, 2001, between the Note Issuer and the Note Trustee, as the same may be amended and supplemented from time to time.

"Note Issuer" has the meaning set forth in the preamble to this Agreement.

"Officer's Certificate" means a certificate of the Servicer signed by a Responsible Officer.

"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

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pursuant to the terms of the Financing Order and in accordance with Section 4.01 hereof.

"Principal Balance" means, as of any Payment Date, the sum of the outstanding principal amount of the Notes.

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

"Quarterly Servicer Certificate" has the meaning assigned to that term in Section 4.01(d)(3).

"Remittance" means each remittance pursuant to Section 4.03 of RRB Charge Payments by the Servicer to the Note 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 Period" means the twelve-month period commencing on January 1 of each year and ending on the last day of December of each year; provided, however, that the initial Remittance Period shall commence on the Closing Date and end on December 31, 2001.

"Required Debt Service" means, for any Remittance Period, the total dollar amount calculated by the Servicer in accordance with Section 4.01(b)(1) 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 Reserve Subaccount at the time of calculation and which are available for payments on the Notes, (b) any shortfalls in Required Debt Service for any prior Remittance Period and (c) 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 period, (i) all accrued and unpaid interest on the Notes then due shall have been paid in full, (ii) the Principal Balance of the Notes is equal to the Projected Principal Balance of the Notes for that Payment Date, (iii) the balance on deposit in the Capital Subaccount equals the aggregate Required Capital Level, (iv) the balance on deposit in the Overcollateralization Subaccount equals the aggregate Required Overcollateralization Level and (v) all other fees, expenses and indemnities due and owing and required or allowed to be

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paid under Section 8.02 of the Note Indenture as of such date shall have been paid in full; provided, however, that, with respect to any Periodic Adjustment occurring after the last Scheduled Maturity Date for any Notes, the Required Debt Service shall be calculated to ensure that sufficient amounts will be collected to retire such Notes in full as of the earlier of (x) the next Payment Date and (y) the Final Maturity Date for such Notes. "Responsible Officer" means

the chief executive officer, the president, the chairman or vice chairman of the board, any vice president, the treasurer, any assistant treasurer, the secretary, any assistant secretary, the controller or the finance manager of the Servicer.

"Retirement of the Notes" means the day on which the final payment is made to the Note Trustee in respect of the last outstanding Note.

"Routine Annual True-Up Letter" means a letter filed with the DPUC, substantially in the form of Exhibit B hereto, at least 15 days prior to January 1 each year in respect of an annual Periodic Adjustment. The Routine Annual True-Up Letter will become effective on January 1 each year, or such other date as may be specified in such Routine Annual True-Up Letter, so long as such effective date is at least 15 days after the filing of such Routine Annual True-Up Letter.

"Routine True-Up Letter" means a letter filed with the DPUC, substantially in the form of Exhibit B hereto, in respect of a Periodic Adjustment. The Routine True-Up Letter will become effective 15 days after the filing thereof.

"RRB Charge" means the portion (which may become all) of the Seller's CTA designated pursuant to the Financing Order as the RRB Charge (including, without limitation, the RRB Charge included in special contract customer rates), as the same may be adjusted from time to time as provided in the Financing Order, and may in the future include a pro rata component of any exit fee collected pursuant to Section 16-245w of the Connecticut General Statutes.

"RRB Charge Collections" means the RRB Charge Payments remitted to the Collection Account.

"RRB Charge Payments" means the actual payments received by the Servicer, directly or indirectly (including through a TPS), from or on behalf of customers (including, without limitation, the RRB Charge included in special contract customer rates), multiplied by the percentage of such collections which is calculated in accordance with Annex II hereto to

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have been received in respect of the RRB Charge.

"Sale Agreement" means the Transition Property Purchase and Sale Agreement dated as of March 30, 2001, between The Connecticut Light and Power Company, as Seller, and the Note Issuer, as the same may be amended and supplemented from time to time.

"Seller" means The Connecticut Light and Power Company, a Connecticut corporation, and its permitted successors and assigns under the Sale Agreement.

"Seller's Receivables Purchase and Sale Agreement" means the Receivables Purchase and Sale Agreement dated as of September 30, 1997, as amended and restated as of March 30, 2001, among CL&P Receivables Corporation, the Servicer, Corporate Asset Funding Company, Inc., and Citibank, N.A. and Citicorp North America, Inc, as the same may be amended, supplemented, restated and renewed from time to time.

"Servicer" means The Connecticut Light and Power Company, as the servicer of the Transition Property, or each successor (in the same capacity) pursuant to Sections 6.04 or 7.02.

"Servicer Business Day" means any Business Day on which the Servicer's offices in the State of Connecticut 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).

"Statute" means Sections 16-245e through and including 16-245k of the Connecticut General Statutes.

"Termination Notice" has the meaning assigned to that term in Section 7.01(e).

"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 DPUC Regulations, the Financing Order and the guidelines described in Schedule A to Annex I.

"Transition Property" means the transition property that exists under Order 6 of the Financing Order (including, without limitation, the RRB Charge included in special contract customer rates) and is sold by the Seller to the

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Note Issuer under the Sale Agreement.

"Transition Property Records" has the meaning assigned to that term in Section 5.01.

Section 1.02. Other Definitional Provisions.

(a) Capitalized terms used herein and not otherwise defined herein have the meanings assigned to them in the Note 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 6.05 and Article 7, the Note 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 Note 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 Transition Property, the Servicer shall be, and hereby is, authorized and empowered by the Note Issuer to (a) execute and deliver, on behalf of itself and/or the Note Issuer, as the case may be, any and all instruments,

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documents or notices, and (b) on behalf of itself and/or the Note Issuer, as the case may be, make any filing and participate in proceedings of any kind with any governmental authorities, including with the DPUC. The Note Issuer shall execute and/or furnish the Servicer with such documents as have been prepared by the Servicer for execution by the Note Issuer, and with such other documents as may be in the Note 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 Note 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 Transition Property. Notwithstanding any other provision herein, the Note Issuer shall have dominion and control over the Transition Property, and the Servicer, in accordance with the terms hereof, is acting solely as the servicing agent and custodian for the Note Issuer with respect to the Transition Property and the Transition Property Records. The Servicer shall not take any action that is not authorized by this Agreement or that shall impair the rights of the Note Issuer in the Transition Property, in each case unless such action is required by applicable law.

ARTICLE 3

BILLING SERVICES

Section 3.01. Duties of Servicer. The Servicer, as agent for the Note 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 Transition 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 Transition Property; responding to inquiries by customers, the DPUC, or any federal, local or other state governmental authorities with respect to the Transition Property; delivering Bills to customers and TPSs, investigating and handling delinquencies, processing and depositing collections and making periodic remittances; furnishing periodic reports to the Note Issuer, the Note Trustee, the Certificate Trustee and the Rating Agencies; and taking all necessary action in connection with Periodic

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Adjustments as set forth herein. 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) DPUC 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 any DPUC Regulations as in effect at the time such duties are to be performed.

(3) Allocation of Special Contracts. The Servicer shall allocate revenues from special contract customers who are receiving services under special contracts which were in effect on July 1, 1998, until such contracts expire, on the same cents/kWh basis as the rest of the rate class in which the special contract customer resides. The Servicer shall calculate and include an unbundled breakdown at the bottom of each such special contract customer's bill. The Servicer shall allocate the total revenues from each such special contract customer to each of the unbundled rate components (including the unbundled CTA component and its RRB Charge subcomponent) on an equivalent cents/kWh basis times the actual kilowatt-hours. After the first six unbundled rate components (including the unbundled CTA component and its RRB Charge subcomponent) are fully satisfied with the proper revenue allocation, the Servicer shall allocate any remaining revenue to the unbundled distribution rate component. If more dollars are allocated to the first six rate components than were billed, the Servicer shall allocate a negative revenue amount to the unbundled distribution component.

(b) Reporting Functions.

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

(2) Other Information. Upon the reasonable request of the Note Issuer, the Note Trustee, the Certificate Trustee, or any Rating

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Agency, the Servicer shall provide to such Note Issuer, Note Trustee, Certificate Trustee, or the Rating Agencies, as the case may be, any public financial information in respect of the Servicer, or any material information regarding the Transition Property to the extent it is reasonably available to the Servicer, as may be reasonably necessary and permitted by law for the Note Issuer, the Note Trustee, the Certificate Trustee, or the Rating Agencies to monitor the Servicer's performance hereunder.

(3) 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 Note Issuer or the Certificate Issuer under the securities laws, including a copy of each Quarterly Servicer Certificate described in Section 4.01(d)(3), the annual Certificate of Compliance described in Section 3.03 and the Annual Accountant's Report described in Section 3.04.

Section 3.02. Servicing and Maintenance Standards. On behalf of the Note Issuer, the Servicer shall (a) manage, service, administer and make collections in respect of the Transition Property with reasonable care and in accordance with applicable law, including all applicable DPUC 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 perfected ownership or security interest of the Note Issuer and the Note Trustee in the Transition Property; and (e)

comply in all material respects with all laws and regulations applicable to and binding on it relating to the Transition 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 Transition Property, which, in the Servicer's judgment, may include the taking of legal action, at the Note Issuer's expense.

Section 3.03. Certificate of Compliance. The Servicer shall deliver to the Note Issuer, the Note Trustee, the Certificate Trustee and the Rating Agencies on or before March 31 of each year, commencing March 31, 2002

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to and including the March 31 succeeding the Retirement of the Notes, 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, 2002, the period of time from the date of this Agreement until December 31, 2001) and of its performance under this Agreement has been made under such Responsible Officer's supervision, and (ii) to such Responsible Officer's knowledge, based on such review, the Servicer has fulfilled all of its obligations in all material respects under this Agreement throughout such twelve months (or, in the case of the Certificate of Compliance to be delivered on or before March 31, 2002, the period of time from the date of this Agreement until December 31, 2001), or, if there has been a default in the fulfillment of any such material obligation, specifying each such material default known to such Responsible Officer and the nature and status thereof.

Section 3.04. Annual Report by Independent Public Accountants.

(a) The Servicer, at the Note 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 Note Issuer, the Note Trustee, the Certificate 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 Note Issuer, the Note Trustee, the Certificate Trustee and the Rating Agencies, on or before March 31 each year, beginning March 31, 2002 to and including the March 31 succeeding the Retirement of the Notes, 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, 2002, the period of time from the date of this Agreement until December 31, 2001), identifying the results of such procedures and including any exceptions noted.

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(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 Ethics of the American Institute of Certified Public Accountants.

ARTICLE 4

SERVICES RELATED TO PERIODIC ADJUSTMENTS; REMITTANCES

Section 4.01. Periodic Adjustments. From time to time, until the Retirement of the Notes, 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).

(b) Routine Periodic Adjustments and Yearly Filings.

(1) Routine Annual Periodic Adjustments and Filings. For the purpose of preparing a Routine Annual True-Up Letter, the Servicer shall: (A) update the assumptions underlying the calculation of the RRB Charge, including energy usage volume, the rate of charge-offs and estimated expenses and fees of the Note Issuer and the Certificate Issuer to the extent not fixed, in each case for the Remittance Period beginning on January 1 of each year; (B) determine the Required Debt Service for such Remittance Period based upon such updated assumptions; and (C) determine the RRB Charge to be charged during such Remittance Period based upon such Required Debt Service. The Servicer shall file a Routine Annual True-Up Letter with the DPUC no later than fifteen days prior to January 1 of each year.

(2) Routine Periodic Adjustments. Beginning in the last year the Notes are scheduled to be outstanding, the Servicer shall file a Routine True-Up Letter at least 15 days before the end of each calendar quarter. In addition, the Servicer shall file a Routine True-Up Letter at least 15 days before the end of any calendar quarter or, beginning in the last year the Notes are scheduled to be outstanding, at least 15 days before the end of any calendar month, at each such time as the Servicer may reasonably determine is necessary to meet the Required Debt Service for the then current Remittance Period.

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(3) 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 Note Issuer under the conditions set forth in Section 3.18 of the Note Indenture, the Servicer shall file a Non-Routine True-Up Letter with the DPUC 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 DPUC pursuant to the Financing 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 as of the effective date of the Non-Routine True-Up Letter.

(d) Reports.

(1) Notification of Advice Letter Filings and Periodic Adjustments. Whenever the Servicer files an Advice Letter with the DPUC, the Servicer shall send a copy of such filing to the Note Issuer, the Note Trustee, the Certificate 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 Financing Order, the Servicer shall notify the Note Issuer, the Note Trustee, the Certificate 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 Notes are outstanding, not later than fifteen (15) days after the end of each month after the Certificates are issued (excluding March, 2001), 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 Note Issuer, the Note Trustee, the Certificate Trustee and the Rating Agencies.

(3) Quarterly Servicer Certificate. So long as any Notes are

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outstanding, not later than 11:00 a.m. (New York City time) on 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 "Quarterly Servicer Certificate") to the Note Issuer, the Note Trustee, the Certificate 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 DPUC (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 Note 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 Note 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 any Periodic Adjustments or Non-Routine Periodic Adjustments), by the DPUC (or, in connection with any Non-Routine Periodic Adjustment, by the Rating Agencies) in any way related to the Transition 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) 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 energy usage volume, the rate of charge-offs, estimated expenses and fees of the Note Issuer and the Certificate Issuer, so long as the Servicer has not acted in a negligent manner in connection therewith, nor shall the Servicer have any liability whatsoever as a result of any Person, including the

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Noteholders or the Certificateholders, not receiving any payment, amount or return anticipated or expected in respect of any Note or Certificate generally, except only to the extent that the Servicer is liable under Section 6.02 of this

Agreement.

(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) Pursuant to the remittance methodology more fully described in Annex II hereto, starting with collections that are received on the first Servicer Business Day that is at least 45 days after the first day on which The Connecticut Light & Power Company imposes the RRB Charge, the Servicer will remit to the Note Trustee, within two Servicer Business Days after receipt, by wire transfer of immediately available funds to the General Subaccount of the Collection Account, an amount equal to the RRB Charge Payments (as calculated in accordance with Annex II hereto) received on such day and on any prior day that was not a Servicer Business Day for which a Remittance has not previously been made. Prior to or simultaneous with each Remittance to the General Subaccount of the Collection Account pursuant to this Section, the Servicer shall provide written notice to the Note Trustee of each such Remittance (including the exact dollar amount to be remitted). In accordance with to Section 16-245g(e) of the Statute, amounts collected from customers shall be allocated on a pro rata basis among (i) the RRB Charge, (ii) any remaining portion of the CTA not the subject of the Financing Order, and (iii) the Servicer's other charges.

(b) The Servicer may elect to make Remittances less frequently than on a daily basis, and shall be permitted to do so, but in any event shall make Remittances within one calendar month of collection thereof, provided that the Servicer shall send written notice of such election to the Note Issuer, the Note Trustee and the Certificate Trustee, together with (i) an Officer's Certificate stating that no Servicer Default has occurred and is continuing under this Servicing Agreement, (ii) evidence that the Rating Agency Condition has been satisfied, (iii) evidence of the delivery by the Servicer to the Note Issuer or the Note Trustee, as applicable, of any credit enhancement which may be required by the Rating Agencies in connection therewith in form and substance satisfactory to the Note Issuer and the Note Trustee, as applicable, the cost of which credit enhancement shall be

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borne solely by the Servicer, and (iv) an executed copy of any appropriate amendment hereto or to the Note Indenture or any other Basic Agreement as reasonably requested by the Servicer, the Note Issuer or the Note Trustee in connection therewith.

(c) The Servicer agrees and acknowledges that it will remit RRB Charge Payments in accordance with this Section 4.03 without any surcharge, fee, offset, charge or other deduction except for late fees permitted by Section 6.06.

ARTICLE 5

THE TRANSITION PROPERTY

Section 5.01. Custody of Transition Property Records. To assure uniform quality in servicing the Transition Property and to reduce administrative costs, the Note Issuer hereby revocably appoints the Servicer, and the Servicer hereby accepts such appointment, to act as the agent of the Note Issuer and the Note Trustee 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 Transition Property, including copies of the Financing Order and Advice Letters

relating thereto and all documents filed with the DPUC in connection with any Periodic Adjustment or Non-Routine Periodic Adjustment and computational records relating thereto (collectively, the "Transition Property Records"), which are hereby constructively delivered to the Note Trustee, as pledgee of the Note Issuer with respect to all Transition Property.

Section 5.02. Duties of Servicer as Custodian.

(a) Safekeeping. The Servicer shall hold the Transition Property Records on behalf of the Note Issuer and maintain such accurate and complete accounts, records and computer systems pertaining to the Transition Property Records on behalf of the Note Issuer and the Note Trustee as shall enable the Note Issuer to comply with this Agreement and the Note 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 Note Issuer and the Note Trustee any failure on its part to hold the Transition Property Records and maintain its accounts, records and computer systems

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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 Note Issuer or the Note Trustee of the Transition Property Records. The Servicer's duties to hold the Transition Property Records on behalf of the Note Issuer set forth in this Section 5.02, to the extent such Transition 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 Notes 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 Transition Property Records in Berlin, Connecticut or at such other office in the United States as shall be specified to the Note Issuer and the Note Trustee by written notice at least 30 days prior to any change in location. The Servicer shall make available for inspection to the Note Issuer and the Note Trustee or their respective duly authorized representatives, attorneys or auditors the Transition Property Records at such times during normal business hours as the Note Issuer or the Note Trustee shall reasonably request and which do not unreasonably interfere with the Servicer's normal operations. Nothing in this Section 5.02(b) shall affect the obligation of the Servicer to observe any applicable law (including any DPUC 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(b).

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

(d) Defending Transition Property Against Claims. The Servicer, on behalf of the Noteholders and the Certificateholders, shall institute any action or proceeding necessary to compel performance by the DPUC or the State of Connecticut of any of their obligations or duties under the Statute, the Financing Order or any Advice Letter, and the Servicer agrees to take

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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 Financing Order or the rights of holders of Transition 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 Certificateholders. 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 Note 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 Note Indenture may be delayed (it being understood that the Servicer may be required to advance its own funds to satisfy its obligations hereunder).

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

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accordance with the terms and provisions of the Financing Order, the TPS Service Agreement and Schedule A to Annex I hereto.

Section 5.06. Monitoring and Collecting Exit Charges. 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, bill and collect any exit charges to which it may be entitled pursuant to Section 16-245w of the Connecticut General Statutes, and shall remit that portion of the exit charges representing (or allocable to) the RRB Charge together with the RRB Charge Payments for a particular billing date.

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, on which the Note Issuer is deemed to have relied in entering into this Agreement relating to the servicing of the Transition Property.

(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 Connecticut, 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 now conducted by it, and has the requisite corporate power and authority to service the Transition Property and to hold the Transition 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 Transition 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 Transition 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

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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 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 Noteholders or the Certificateholders.

(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 Note Issuer or, to the Servicer's knowledge, any other Person: (i) asserting the invalidity of this Agreement; (ii) seeking to prevent the consummation of any of the transactions contemplated by this Agreement; or (iii) seeking any determination or ruling that might materially and adversely affect the

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performance by the Servicer of its obligations under, or the validity or enforceability of, this Agreement.

(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 4 and post-closing filings in connection therewith.

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 Note Issuer, the Noteholders, and the Certificateholders and any Swap Counterparty(each an "Indemnified Person" for purposes of Section 6.02 (b) and (d)) for, and defend and hold harmless each such Person from and against, any and all liabilities, obligations, losses, 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 negligence in the performance of its duties or observance of its covenants under this Agreement (including the Servicer's willful misconduct or negligence relating to the maintenance and custody by the Servicer, as custodian, of the Transition 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 Noteholders, and the Certificateholders and any Swap Counterparty 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 Note Trustee or the Certificate Trustee, as the case may be; and, provided, further, that the Servicer shall not be liable for any Losses, regardless of when incurred, after the Notes and the Certificates have been

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paid in full and any Losses are fully paid to any Swap Counterparty, except as provided in Section 6.02(c).

(c) The Servicer shall indemnify and hold harmless the Note Trustee, the Delaware Trustee, any Swap Counterparty, the Certificate Trustee, the Certificate Issuer, the State of Connecticut, the Finance Authority, the State Treasurer, agencies of the State of Connecticut and any of their 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 negligence in the performance of its duties or observance of its covenants under this Agreement (including the Servicer's willful misconduct or negligence relating to the maintenance and custody by the Servicer, as custodian, of the Transition 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 pursuant to Section 6.02(b) or (c) 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 Section 6.02 (b) or (c), 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 Section 6.02(b) or (c), as applicable, 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 Section 6.02(b) or (c), the Servicer shall be entitled to assume the defense of any such action, proceeding or

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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 Section 6.02(b) or (c) (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 local counsel), and the Servicer shall bear the reasonable 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 local counsel). 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 Section 6.02(b) or (c), as applicable (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

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all liability arising out of such claim, action, suit or proceeding.

(e) Indemnification under Section 6.02(b) and 6.02(c) shall include reasonable fees and out-of-pocket expenses of investigation and litigation (including reasonable attorneys' fees and expenses), except as otherwise provided in this Agreement.

(f) For purposes of Section 6.02(b) and 6.02(c), in the event of the termination of the rights and obligations of The Connecticut Light and Power Company (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.

(g) The indemnities contained in this Section 6.02 survive the resignation or termination of the Note Trustee, the Certificate Trustee or the Delaware Trustee or the termination of this Agreement or any Swap Agreement.

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 Note 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 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 Note 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 Transition Property.

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

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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 Note Issuer and the Note 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 Note Issuer and the Note Trustee an Opinion of Counsel either (A) stating that, in the opinion of such counsel, all statutory filings to be made by the Servicer, including filings with the DPUC pursuant to the Statute, have been executed and filed that are necessary to preserve and protect fully the interests of the Note Issuer in the Transition Property and reciting the details of such filings or (B) stating that, in the opinion of such counsel, no such action shall be necessary to preserve and protect such interests and (iv) 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. The Connecticut Light and Power Company Not to Resign as Servicer. Subject to the provisions of Section 6.04, The Connecticut Light and Power Company shall not resign from the obligations and duties hereby imposed on it as Servicer under this Agreement except upon either (a) a determination 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 (except that with respect to Moody's it shall be sufficient to provide ten days prior notice) and (ii) the DPUC shall have approved such resignation. Notice

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of any such determination permitting the resignation of The Connecticut Light and Power Company shall be communicated to the Note Issuer, the Note Trustee, the Certificate 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 The Connecticut Light and Power Company'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 The Connecticut Light and Power Company to the Note Issuer, the Note Trustee and the Certificate 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 The Connecticut Light and Power Company in accordance with Section 7.02.

Section 6.06. Servicing Compensation.

(a) In consideration for its services hereunder, until the Retirement of the Notes, the Servicer shall receive an annual fee (the "Servicing Fee") in an amount equal to (i) five one-hundredth of one percent (0.05%) of the initial principal balance of the Notes for so long as the Servicer is The Connecticut Light and Power Company or any successor Servicer that bills the RRB Charge concurrently with other charges for services or (ii) up to one and one-quarter percent (1.25%) of the initial principal balance of the Notes 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 Note Issuer and the Servicer). The Servicing Fee shall be payable in quarterly installments on each Payment Date. The Servicer also shall be entitled to retain as additional compensation (i) any interest earnings on RRB Charge Payments 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.

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

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be added to the Servicing Fee payable on the subsequent Payment Date.

(c) The Note Issuer shall pay all expenses incurred by the Servicer in connection with its activities hereunder (including any reasonable 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 Noteholders and Certificateholders, subject to the priorities set forth in Section 8.02(d) of the Note Indenture).

Section 6.07. Compliance with Applicable Law. The Servicer covenants and agrees, in servicing the Transition Property, to comply in all material respects with all laws applicable to, and binding upon, the Servicer and relating to such Transition Property the noncompliance with which would have a material adverse effect on the value of the Transition 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 Transition Property. The Servicer shall provide to the Noteholders, the Note Trustee and the Certificate Trustee access to the Transition Property Records in such cases where the Noteholders, the Note Trustee and the Certificate 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 DPUC 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 (except that with respect to Moody's it shall be sufficient to provide ten days prior notice); and, provided, further, that the Servicer shall remain obligated and be liable under this Agreement for the

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servicing and administering of the Transition 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 Transition Property; and, provided, further, however, that nothing herein (including the Rating Agency Condition) shall preclude the execution by the Servicer of a TPS Service Agreement with any TPS pursuant to applicable DPUC Regulations. 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 Note Issuer, the Note Trustee, the Noteholders 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 has no employees. Therefore, in carrying out the foregoing duties or any of its other obligations under this Agreement, the Servicer may enter into transactions with or otherwise deal with any of its Affiliates to obtain the services of employees 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 Note 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. The Servicer shall not make any

advances of interest on or principal of the Notes or the Certificates.

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 Note Issuer any required Remittance that shall continue unremedied for a period of five (5) Business Days after written notice of such failure is received by the Servicer from the Note Issuer or the Note

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Trustee; or

(b) any failure on the part of the Servicer duly to observe or to perform in any material respect any other covenants or agreements of the Servicer set forth in this Agreement, which failure shall (a) materially and adversely affect the rights of the Noteholders or Certificateholders and (ii) continue unremedied for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given (A) to the Servicer by the Note Issuer or (B) to the Servicer by the Note Trustee or by the Holders of Notes evidencing not less than 25 percent of the Outstanding Amount of the Notes; or

(c) any representation or warranty made by the Servicer in this Agreement shall prove to have been incorrect in any material respect when made, which has a material adverse effect on the Noteholders or Certificateholders 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 Note Issuer or the Note Trustee;

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

(e) an "Event of Termination" under the Seller's Receivables Purchase and Sale Agreement occurs and has not been remedied or waived; then, and in each and every case, so long as the Servicer Default shall not have been remedied, either the Note Trustee, or the Holders of Notes evidencing not less than 25 percent of the Outstanding Amount of the Notes, by notice then given in writing to the Servicer (and to the Note Trustee if given by the Noteholders) (a "Termination Notice") may terminate all the rights and obligations (other than the obligations set forth in Section 6.02) 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 DPUC for sequestration and payment of revenues arising with respect to the Transition Property in accordance with Sections 16-245k(e) and Section 16-245k(g) of the Statute: (1) the Note Trustee or the Noteholders; (2) the Certificate Trustee or the Certificateholders; (3) the Delaware Trustee; (4) the Note Issuer or its assignees; or (5) pledgees or transferees of the Transition Property. On or after the receipt by the Servicer of a Termination Notice, and subject to the approval of the DPUC, all authority and power of the Servicer under this Agreement, whether with respect to the Notes, the Transition Property, the RRB Charge or otherwise, shall,

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without further action, pass to and be vested in such successor Servicer as may be appointed under Section 7.02; and, without limitation, the Note 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 Transition Property Records and related documents, or otherwise. The predecessor Servicer shall cooperate with the successor Servicer, the Note Issuer and the Note 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 Transition 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 Transition 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. All other reasonable costs and expenses incurred in transferring servicing responsibilities to a successor servicer shall constitute Operating Expenses of the Note 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 Note Issuer shall appoint, subject to the approval of the DPUC, a successor Servicer with the Note 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 Note Issuer and the Note Trustee. If within 30 days after the delivery of the

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Termination Notice, the Note Issuer shall not have obtained such a new Servicer, the Note Trustee may appoint (subject to the approval of the DPUC) or petition the DPUC 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 DPUC 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 Note 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 Notes evidencing not

less than a majority of the Outstanding Amount of the Notes may, on behalf of all Noteholders, 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 Note Issuer, the Note Trustee, the Certificate Trustee, the Certificate Issuer, the Finance Authority and the Rating Agencies, promptly after any of its Responsible Officers having obtained actual knowledge thereof, but in no event later than five 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(a) or (b).

Section 7.05. Inter-Creditor Agreement. So long as the Inter-Creditor Agreement remains in effect, the rights and remedies set forth in this Article 7 shall be subject to the provisions of the Inter-Creditor Agreement.

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ARTICLE 8

MISCELLANEOUS PROVISIONS

Section 8.01. Amendment.

(a) This Agreement may be amended in writing by the Servicer and the Note Issuer with ten Business Days' prior written notice given to the Rating Agencies and the prior written consent of the Note Trustee (which consent shall not be unreasonably withheld), but without the consent of any of the Noteholders or any of the Certificateholders (notwithstanding any provision of any other document that would otherwise require such consent as a precondition of Note Trustee consent), 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 Noteholders; provided, however, that such action shall not, as evidenced by an Officer's Certificate delivered to the Note Issuer, the Note Trustee and any Swap Counterparty, adversely affect in any material respect the interests of any Noteholder, or any Certificateholder or adversely affect the interests of any Swap Counterparty. No amendment may be made to this Agreement that would adversely affect any Swap Counterparty without its prior written consent.

(b) This Agreement may also be amended in writing from time to time by the Servicer and the Note Issuer with ten Business Days' prior written notice given to the Rating Agencies and the prior written consent of the Note Trustee (which consent shall not be unreasonably withheld) and the prior written consent of the Holders of Notes evidencing not less than a majority of the Outstanding Amount of the Notes, 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 Noteholders; provided, however, that any amendment of the provisions of Sections 4.01 or 4.03 shall satisfy the Rating Agency Condition.

(c) If the written consent of Noteholders is required in connection with an amendment hereof, approval by Noteholders of the substance of any proposed amendment or consent shall constitute sufficient consent of the Noteholders pursuant to this Section, and it shall not be necessary that Noteholders approve

of the particular form of any amendment or consent.

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

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Agreement.

(e) Prior to its consent to any amendment to this Agreement, the Note 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 Note Trustee may, but shall not be obligated to, enter into any such amendment which affects the Note 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 Transition Property accurately and in accordance with its standard accounting procedures.

(b) The Servicer shall permit the Note 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 Transition 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 DPUC 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 (confirmed by telephone, United States mail or courier service in the case of notice by 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

The Connecticut Light and Power Company
c/o Northeast Utilities Service Company
if by U.S. Mail:
P.O. Box 270
Hartford, CT 06141-0270

<PAGE>

if by courier:
107 Selden Street
Berlin, CT 06037
Attention: Treasurer
Facsimile: (860) 665-5457
Telephone: (860) 665-3258
Email: shoopra@nu.com

(b) if to the Note Issuer, to

CL&P Funding LLC
c/o The Connecticut Light and Power Company
if by U.S. Mail:
P.O. Box 270
Hartford, CT 06141-0270

if by courier:
107 Selden Street
Berlin, CT 06037
Attention: President
Facsimile: (860) 665-5457
Telephone: (860) 665-3258
Email: shoopra@nu.com

with a copy to:

The Connecticut Light and Power Company
if by U.S. Mail:
P.O. Box 270
Hartford, CT 06141-0270
if by courier:
107 Selden Street
Berlin, CT 06037

Attention: Treasurer
Facsimile: 860-665-5457
Telephone: 860-665-3258
Email: shoopra@nu.com

(c) if to the Note Trustee, to

First Union Trust Company, National Association
One Rodney Square
920 King Street, 1st Floor
Wilmington, DE 19801-7475
Attention: Corporate Trust Administration
Facsimile: (302) 888-7544
Telephone: (302) 888-7500

(d) if to Moody's, to

Moody's Investors Service, Inc.
99 Church Street
New York, NY 10007
Attention: ABS Monitoring Department
Facsimile: (212) 553-0573
Telephone: (212) 553-3686

(e) if to S&P, to

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Standard & Poor's
55 Water Street, 40th Floor
New York, NY 10041
Attention: Asset Backed Surveillance Department
Facsimile: (212) 438-2655
Telephone: (212) 438-2000

(f) if to Fitch, to

Fitch, Inc.
One State Street Plaza
New York, NY 10004
Attention: ABS Surveillance
Facsimile: (212) 514-9879
Telephone: (212) 908-0500
Email: surv@fitchratings.com

(g) if to the Finance Authority, to

Office of the State Treasurer
55 Elm Street
Hartford, CT 06103
Attention: Assistant Treasurer - Debt Management
Facsimile: (860) 702-3127
Telephone: (860) 702-3034

(h) if to the Certificate Issuer, to:

Connecticut RRB Special Purpose Trust CL&P-1
First Union Trust Company, National Association
One Rodney Square
920 King Street, 1st Floor
Wilmington, DE 19801-7475
Attention: Corporate Trust Administration
Facsimile: (302) 888-7544
Telephone: (302) 888-7500

(with copies to the Finance Authority at the addresses listed herein)

(i) if to any Swap Counterparty, to the address and in the manner set forth in any Swap Agreement (a copy of which will be provided by the Certificate Trustee, upon request); and

(j) 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 Note Issuer, the Noteholders, the Certificateholders, any Swap Counterparty, the Note Trustee, the Certificate Trustee, the Delaware Trustee, the Finance

<PAGE>

Authority, the Certificate Issuer 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 Noteholders, and the Certificateholders and any Swap Counterparty 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 Note Trustee or the Certificate Trustee, as the case may be. 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 Transition 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 Connecticut, 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 Note Trustee. The Servicer hereby acknowledges and consents to the collateral assignment of any or all of the Note Issuer's rights and obligations hereunder to the Note Trustee for the benefit of the holders of the Notes and to the further assignment of the Note Trustee's rights and obligations under the Note Indenture to the

<PAGE>

Certificate Trustee for the benefit of the holders of the Certificates.

Section 8.11. Nonpetition Covenants. Notwithstanding any prior termination of this Agreement or the Note Indenture, but subject to the DPUC's right to order the sequestration and payment of revenues arising with respect to the Transition Property notwithstanding any bankruptcy, reorganization or other insolvency proceedings with respect to the debtor, pledgor or transferor of the Transition Property pursuant to Sections 16-245k(e) and 16-245k(g) of the Statute, the Servicer shall not, prior to the date which is one year and one day after the termination of the Note Indenture with respect to the Note Issuer, petition or otherwise invoke or cause the Note Issuer or the Trust to invoke the process of any court or governmental authority for the purpose of commencing or sustaining a case against the Note Issuer or the Trust 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 Note Issuer or the Trust or any substantial part of the property of the Note Issuer or the Trust, or ordering the winding up or liquidation of the affairs of the Note Issuer or the Trust.

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

CL&P FUNDING LLC,
Note Issuer

By: /S/RANDY A. SHOOP
Name: Randy A. Shoop
Title: President

THE CONNECTICUT LIGHT AND POWER COMPANY,
Servicer

By /S/RANDY A. SHOOP
Name: Randy A. Shoop
Title: Treasurer

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EXHIBIT A

CERTIFICATE OF COMPLIANCE

The undersigned hereby certifies that he/she is the duly elected and acting [_____] of The Connecticut Light and Power Company, as servicer (the "Servicer") under the Transition Property Servicing Agreement, dated as of March __, 2001 (the "Servicing Agreement"), between the Servicer and CL&P Funding LLC (the "Note Issuer"), and further certifies on behalf of the Servicer that:

1. 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 Section 3.03 of the Servicing Agreement; and

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

THE CONNECTICUT LIGHT AND POWER COMPANY,
Servicer
By: /S/ RANDY A. SHOOP
Name: RANDY A. SHOOP
Title: Treasurer

ANNEX A TO EXHIBIT A

LIST OF SERVICER DEFAULTS

Nature of Default	Status

EXHIBIT B

FORM OF ROUTINE TRUE-UP LETTER
[date]

ADVICE

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THE STATE OF CONNECTICUT DEPARTMENT OF PUBLIC UTILITY CONTROL (THE "DEPARTMENT")

SUBJECT: Periodic RRB Charge True-Up Mechanism Advice Filing

Pursuant to DPUC Docket No. 00-05-01 (the "Financing Order"), The Connecticut Light and Power Company ("CL&P"), as servicer of the RRBs or any successor Servicer and on behalf of the RRB Trustee as assignee of the special purpose entity (the "SPE"), shall apply for adjustment to the RRB Charge fifteen days prior to January first of each year and at such additional intervals as may be provided for in the Financing Order. Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Financing Order.

PURPOSE

This filing establishes the revised RRB Charge to be assessed and collected from CL&P's customers, whether or not CL&P's distribution system is being operated by CL&P or a successor distribution company. The RRB Charge is a usage-based component of the competitive transition assessment on each customer's monthly bill and may include any back-up, maintenance, emergency or other delivery or energy service fee collected until the Total RRB Payment Requirements are discharged in full. The RRB Charge is applied equally to all customers of the same class in accordance with the method of allocation in effect on July 1, 1998. In the Financing Order, the Department authorized CL&P to file Routine True-Up Letters fifteen days prior to the first day of January of each year and at such additional intervals, if necessary, as provided for in the Financing Order. CL&P, or a successor Servicer, is authorized to file periodic RRB Charge adjustments to the extent necessary to ensure the timely recovery of revenues sufficient to provide for the payment of an amount equal to the sum of the Periodic RRB Payment Requirement for the upcoming year, which may include indemnity obligations of the SPE in the RRB transaction documents for SPE officers and directors, trustee fees, liabilities of the special purpose trust and liabilities to the underwriters related to the underwriting of the RRBs. Routine True-Up Letter filings are those where CL&P uses the methodology approved by the Department in the Financing Order to adjust upward or downward the existing RRB Charge.

Using the methodology approved by the Department in the Financing Order, this

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filing modifies the variables used in the RRB Charge calculation and provides the resulting modified RRB Charge. Table I shows the revised assumptions for each of the variables used in calculating the RRB Charge for customers. The assumptions underlying the current RRB Charges were filed in an Issuance Advice Letter, dated March 30, 2001.

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

TABLE I

INPUT VALUES FOR RRB CHARGE

Forecasted retail kWh sales for the period:_____

Forecasted percent of customers' billed amounts charged-off:_____
Percent of customers' billed amounts charged-off:_____
Weighted average days sales outstanding:_____
(calculated as follows)

Percent of billed amounts collected in current month:_____
Percent of billed amounts collected in second month after billing:_____
Percent of billed amounts collected in third month after billing:_____
Percent of billed amounts collected in fourth month after billing:_____
Percent of billed amounts collected in fifth month after billing:_____

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

Current Overcollateralization Subaccount balance:_____
Scheduled Overcollateralization Subaccount balance at the end of the period:_____

Current Capital Subaccount balance:_____
Initial Capital Subaccount balance:_____

Current RRB outstanding balance:_____

Scheduled RRB outstanding balance at the end of the period:_____
Current Reserve Subaccount balance:_____

The adjusted RRB Charge calculated for customers is as follows: _____

EFFECTIVE DATE

In accordance with the Financing Order, Routine True-Up Letters for annual RRB Charge adjustments shall be filed fifteen days prior to January 1 each year or more frequently, if necessary, with the resulting changes to be effective 15 days after the filing, notwithstanding the fact that

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adjustments to other components of the CTA will occur simultaneously and may not become effective immediately. No approval by the Department is required. Therefore, these RRB Charges shall be effective as of _____.

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 CL&P's corporate headquarters.

Enclosures

EXHIBIT C
FORM OF MONTHLY SERVICER CERTIFICATE

Pursuant to Section 4.01(d)(2) of the Transition Property Servicing Agreement, dated as of March 30, 2001 (the "Agreement"), between The Connecticut Light and Power Company, as servicer (the "Servicer") and CL&P Funding LLC, 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:

a) Monthly kWh Consumption:
b) Applicable RRB Charge:
c) Total RRB Charge Amount Billed this Month:
d) Cumulative RRB Charge Amount Billed this Remittance Period:

2. Remittances:

a) Total Amount Remitted this Month:
b) Cumulative Amount Remitted this Remittance Period:
c) "RRB%" (calculated in accordance with Annex II to the Agreement)for this Remittance Period:

3. Draws on Subaccounts:

a) Reserve Subaccount Draw Amount this Month:
b) Cumulative Reserve Subaccount Draw Amount this Remittance Period (net of funding):
c) Overcollateralization Subaccount Draw Amount this Month:
d) Cumulative Overcollateralization Subaccount Draw Amount this Remittance Period (net of funding):
e) Capital Subaccount Draw Amount this Month:
f) Cumulative Capital Subaccount Draw Amount this Remittance Period (net of funding):

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Executed as of this day of .

THE CONNECTICUT LIGHT AND POWER COMPANY,
Servicer

By: /s/ RANDY A. SHOOP
Name: RANDY A. SHOOP
Title: TREASURER

EXHIBIT D

FORM OF QUARTERLY SERVICER CERTIFICATE

Pursuant to Section 4.01(d)(3) of the Transition Property Servicing Agreement, dated as of March 30, 2001 (the "Agreement"), between The Connecticut Light and Power Company, as servicer (the "Servicer"), and CL&P Funding LLC, 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. Amount Remitted [Month] [Year]
   viii. Amount Remitted [Month] [Year]
   ix. Total Amount Remitted for this Period (sum of i. through viii. above):
   x. Net Earnings on Collection Account:
   xi. Expenses Paid to Date:
   xii. General Subaccount Balance (sum of ix. and x.above minus xi.):
   xiii. Reserve Subaccount Balance
   xiv. Overcollateralization Subaccount Balance
   xv. Capital Subaccount Balance
   xvi. Collection Account Balance (sum of xii.through xv. above):

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

   i. Class A-1 Principal Balance Outstanding Note/Certificate:
   ii. Class A-2 Principal Balance Outstanding Note/Certificate:

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   iii. Class A-3 Principal Balance Outstanding Note/Certificate:
   iv. Class A-4 Principal Balance Outstanding Note/Certificate:
   v Class A-5 Principal Balance Outstanding Note/Certificate:
   vi. Total Note/Certificate Principal Balance:

3. Required Funding/Payments as of Current Payment Date

   a) Projected Principal Balances and Payments

		Projected Principal	Quarterly Principal Due
i.	Class A-1 Note/Certificate		
ii.	Class A-2 Note/Certificate		
iii.	Class A-3 Note/Certificate		
iv.	Class A-4 Note/Certificate		
v.	Class A-5 Note/Certificate		
vi.	Total Projected Principal Amount:		

b) Required Interest Payments

		Note/Cert Interest Rate	Days in Applicable	Interest Due
i.	Class A-1 Note/Certificate			
ii.	Class A-2 Note/Certificate			
iii.	Class A-3 Note/Certificate			
iv.	Class A-4 Note/Certificate			
v.	Class A-5 Note/Certificate			
vi.	Total Required Interest Amount:			

c) Projected Subaccount Payments and Levels

	Subaccount	Projected Level	Level Required
i.	Capital Subaccount:		
ii.	Overcollateralization Subaccount:		
iii.	Total Subaccount Payments and Levels:		

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

a) Quarterly Expenses

Net Expense Amount (Payable on Current Payment Date)

i. Note, Delaware and Certificate Trustee Fees and Expenses:
ii. Quarterly Servicing Fee:
iii. Quarterly Administration Fee:
iv. Operating Expenses (subject to $100,000 cap):

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v. Total Expenses:

b) Quarterly Interest

		Per $1000 of Original	Aggregate Principal Amount
i.	Class A-1 Note/Certificate		
ii.	Class A-2 Note/Certificate		
iii.	Class A-3 Note/Certificate		
iv.	Class A-4 Note/Certificate		
v.	Class A-5 Note/Certificate		
vi.	Total Quarterly Interest:		

c) Quarterly Principal

		Per $1000 of Original	Aggregate Principal Amount
i.	Class A-1 Note/Certificate		
ii.	Class A-2 Note/Certificate		
iii.	Class A-3 Note/Certificate		
iv.	Class A-4 Note/Certificate		
v.	Class A-5 Note/Certificate		
vi.	Total Quarterly Principal:		

d) Other Payments

i. Operating Expenses (in excess of $100,000):
ii. Funding of Capital Subaccount (to required amount):

iii. Funding of Overcollateralization Subaccount (to required level):
iv. Deposits to Reserve Subaccount:
v. Interest earnings on Capital Account Released to Note Issuer:

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

i. To Note Trustee, Certificate Trustee and Delaware Trustee:
ii. To Finance Authority and Certificate Issuer:

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 Principal Balance Outstanding Note/Certificate:
ii. Class A-2 Principal Balance Outstanding Note/Certificate:
iii. Class A-3 Principal Balance Outstanding Note/Certificate:
iv. Class A-4 Principal Balance Outstanding Note/Certificate:
v. Class A-5 Principal Balance Outstanding Note/Certificate:

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vi. Total Note/Certificate Principal Balance:

b) Collection Account Balances Outstanding:

i. Capital Subaccount:
ii. Overcollateralization Subaccount:
iii. Reserve Subaccount:
iv. Total Subaccount Amount:

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

i. Capital Subaccount:
ii. Overcollateralization Subaccount:
iii. Reserve Subaccount:
iv. Total Subaccount Draws:

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

a) Quarterly Interest Shortfall

i. Class A-1 Note/Certificate
ii. Class A-2 Note/Certificate
iii. Class A-3 Note/Certificate
iv. Class A-4 Note/Certificate
v. Class A-5 Note/Certificate
vi. Total Quarterly Interest Shortfall:

b) Quarterly Principal Shortfall

i. Class A-1 Note/Certificate
ii. Class A-2 Note/Certificate
iii. Class A-3 Note/Certificate
iv. Class A-4 Note/Certificate
v. Class A-5 Note/Certificate
vi. Total Quarterly Principal Shortfall:

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

i. Capital Subaccount

ii. Overcollateralization Subaccount:

iii. Total Subaccount Shortfalls:

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Quarterly Servicer Certificate this ___ day of ____, ____.

THE CONNECTICUT LIGHT AND POWER COMPANY,
Servicer

By: /s/RANDY A. SHOOP
Name: RANDY A. SHOOP
Title: TREASURER

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SCHEDULE 4.01(a)
Expected Amortization Schedule
Outstanding Principal Balance

<TABLE>
<CAPTION>

Payment Date	Class A-1	Class A-2	Class A-3	Class A-4	Class A-5
<S>	<C>	<C>	<C>	<C>	<C>
Closing	224,858,822	255,056,333	292,381,624	287,907,878	378,195,343
9/30/01	181,027,904	255,056,333	292,381,624	287,907,878	378,195,343
12/30/01	145,111,154	255,056,333	292,381,624	287,907,878	378,195,343
3/30/02	112,308,456	255,056,333	292,381,624	287,907,878	378,195,343
6/30/02	87,709,027	255,056,333	292,381,624	287,907,878	378,195,343
9/30/02	58,292,404	255,056,333	292,381,624	287,907,878	378,195,343
12/30/02	32,187,247	255,056,333	292,381,624	287,907,878	378,195,343
3/30/03	0	255,056,333	292,381,624	287,907,878	378,195,343
6/30/03	0	227,732,868	292,381,624	287,907,878	378,195,343
9/30/03	0	195,337,425	292,381,624	287,907,878	378,195,343
12/30/03	0	166,293,780	292,381,624	287,907,878	378,195,343
3/30/04	0	131,792,472	292,381,624	287,907,878	378,195,343
6/30/04	0	102,416,672	292,381,624	287,907,878	378,195,343
9/30/04	0	67,903,967	292,381,624	287,907,878	378,195,343
12/30/04	0	36,747,662	292,381,624	287,907,878	378,195,343
3/30/05	0	0	292,381,624	287,907,878	378,195,343
6/30/05	0	0	260,766,487	287,907,878	378,195,343
9/30/05	0	0	223,906,099	287,907,878	378,195,343
12/30/05	0	0	190,375,878	287,907,878	378,195,343
3/30/06	0	0	151,200,741	287,907,878	378,195,343
6/30/06	0	0	117,159,077	287,907,878	378,195,343
9/30/06	0	0	77,796,006	287,907,878	378,195,343
12/30/06	0	0	41,760,787	287,907,878	378,195,343
3/30/07	0	0	0	287,907,878	378,195,343
6/30/07	0	0	0	251,293,044	378,195,343

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<TABLE>

<S>	<C>	<C>	<C>	<C>	<C>

9/30/07	0	0	0	209,247,737	378,195,343
12/30/07	0	0	0	170,490,986	378,195,343
3/30/08	0	0	0	125,955,154	378,195,343
6/30/08	0	0	0	86,550,513	378,195,343
9/30/08	0	0	0	41,638,744	378,195,343
12/30/08	0	0	0	0	378,195,343
3/30/09	0	0	0	0	330,702,282
6/30/09	0	0	0	0	288,320,065
9/30/09	0	0	0	0	240,335,496
12/30/09	0	0	0	0	195,586,975
3/30/10	0	0	0	0	144,900,682
6/30/10	0	0	0	0	99,319,619
9/30/10	0	0	0	0	48,054,208
12/30/10	0	0	0	0	0

</TABLE>

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 or allocated from special contract customers in accordance with Section 3.01(a)(3) of the Agreement, in each case 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.

"Servicer Policies and Practices" means, with respect to the Servicer's duties under this Annex I, the policies and practices of the Servicer

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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 DPUC 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 Noteholders or Certificateholders.

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 DPUC 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 Note 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 Note 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 DPUC 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

<PAGE>

(a) The Servicer shall implement the RRB Charge as of the Closing Date and shall thereafter bill each customer or the Applicable TPS, or allocate from special contract customers in accordance with Section 3.01(a)(3) of the Agreement, in each case 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, or allocate from special contract customers in accordance with Section 3.01(a)(3) of the Agreement, in each case 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 Note Issuer, the Note Trustee, the Certificate 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 Certificateholders.

(c) Format.

(i) Each Bill to a customer shall contain or be deemed to contain a CTA that shall include the RRB Charge owed by such customer for the applicable billing period, subject, in the case of special contract customers, to Section 3.01(a)(3) of the Agreement.

(ii) Each Bill in which the CTA is listed as a line item shall contain a statement (as a footnote) to the effect that all or a portion of the CTA is owned by the Note 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 DPUC 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 DPUC 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

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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 DPUC 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 DPUC Regulations and the Servicer Policies and Practices.

(B) The Servicer shall deliver past-due and shut-off notices in accordance with applicable DPUC 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 Sections 16-262c, 16-262d and 16-262e of the Connecticut General Statutes or successor provisions, applicable DPUC Regulations and the Servicer Policies and Practices.

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

(F) The Servicer shall comply with the provisions of Section 3.01(a)(3) of the Agreement relating to special contract customers.

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(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, (B) would not materially adversely affect the Certificateholders 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 DPUC 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 one Servicer Business Day after receipt.

(c) Investment of RRB Charge Payments Received. Prior to remittance on the applicable Remittance Date, the Servicer may invest RRB Charge Payments 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 Payments invested by it.

(d) Calculation of RRB Charge Payments; Remittances. In accordance with Section 4.03(a) of the Agreement, the Servicer shall remit to the Note Trustee for deposit in the Collection Account an amount equal to the RRB Charge Payments calculated in accordance with the methodology described in Annex II attached to the Agreement.

(e) Remittances.

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

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(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 Note 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 DPUC 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 DPUC that each TPS is licensed to supply electricity in Connecticut;

(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 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 Financing Order and applicable TPS Service Agreement.

2. Monitoring TPS Obligations

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(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 DPUC and the Financing Order in the event of a default in payment.

3. Enforcing TPS Obligations

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

ANNEX II

REMITTANCE METHODOLOGY

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EX-10 3 nucreditagreement2010.htm EXH. 10 NU CREDIT AGREEMENT

EXECUTION COPY

CREDIT AGREEMENT

Dated as of September 24, 2010

among

NORTHEAST UTILITIES,
as Borrower

THE BANKS NAMED HEREIN,

UNION BANK, N.A.,
as Administrative Agent

and

BARCLAYS BANK PLC,
CITIBANK, N.A.,
JPMORGAN CHASE BANK, N.A.
and
UNION BANK, N.A.
as Fronting Banks

BARCLAYS CAPITAL,
CITIGROUP GLOBAL MARKETS INC.,
J.P. MORGAN SECURITIES LLC
and
UNION BANK, N.A.
Joint Lead Arrangers

BARCLAYS CAPITAL,
CITIBANK, N.A.
and
J.P. MORGAN SECURITIES LLC
Syndication Agents

WELLS FARGO BANK, NATIONAL ASSOCIATION
Documentation Agent

1193412

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Exhibit 10.07	-	*Form of Assignment and Assumption*

CREDIT AGREEMENT

Dated as of September 24, 2010

THIS CREDIT AGREEMENT is made by and among:

(i) **NORTHEAST UTILITIES**, an unincorporated voluntary business association organized under the laws of the Commonwealth of Massachusetts ("***NU***" or the "***Borrower***");

(ii) The financial institutions (the "***Banks***") listed on the signature pages hereof and the other Lenders (as hereinafter defined) from time to time party hereto;

(iii) **UNION BANK, N.A.** ("***Union Bank***"), as Administrative Agent (as hereinafter defined) for the Lenders and the Fronting Banks (as hereinafter defined); and

(iv) **BARCLAYS BANK PLC ("*Barclays*"), CITIBANK, N.A. ("*Citibank*") JPMORGAN CHASE BANK**, **N.A. ("*JPMorgan Chase*")** and **UNION BANK,** each as a Fronting Bank.

PRELIMINARY STATEMENT

The Borrower has requested that the Banks and the Fronting Banks agree, on the terms and conditions set forth herein, to provide the Borrower a $500,000,000 three-year revolving credit and letter of credit facility to be used for the purposes set forth herein. The Lenders and the Fronting Banks have indicated their willingness to provide such a facility on the terms and conditions of this Agreement.

Based upon the foregoing and subject to the terms and conditions set forth in this Agreement, the parties hereto hereby agree as follows:

ARTICLE I
DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms.

As used in this Agreement, the following terms shall have the following meanings (such meanings to be applicable to the singular and plural forms of the terms defined):

"***Account Party***" has the meaning assigned to that term in Section 2.02(a).

"***Additional Lender***" has the meaning assigned to that term in Section 2.04(b).

"***Administrative Agent***" means Union Bank, in its capacity as administrative agent hereunder, or any successor thereto as provided herein.

"***Advance***" means an advance by a Lender to the Borrower pursuant to Article III, and refers to a Eurodollar Rate Advance or a Base Rate Advance (each of which shall be a "***Type***" of Advance).

"***Affiliate***" means, with respect to any Person, any other Person directly or indirectly controlling (including, but not limited to, all directors and officers of such Person), controlled by, or under direct or indirect common control with such Person. A Person shall be deemed to control another entity if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such entity, whether through the ownership of voting securities, by contract or otherwise.

"***Agreement***" means this Credit Agreement, as the same may be modified, amended and/or supplemented pursuant to the terms hereof.

"***Applicable Facility Fee Rate***" means, for any day, the percentage *per annum* set forth below in effect on such day, determined on the basis of the Applicable Rating Level of the Borrower:

Applicable Facility Fee Rate	
Applicable Rating Level	***Percentage (%)***
Level I	0.175
Level II	0.225
Level III	0.350
Level IV	0.500
Level V	0.600

Any change in the Applicable Facility Fee Rate caused by a change in the Applicable Rating Level shall take effect at the time such change in the Applicable Rating Level shall occur.

"***Applicable Lending Office***" means, with respect to each Lender:

(i) in the case of any Advance, (A) such Lender's "Eurodollar Lending Office" in the case of a Eurodollar Rate Advance or (B) such Lender's "Domestic Lending Office" in the case of a Base Rate Advance, in each case as specified opposite such Lender's name on Schedule I hereto or in the Assignment and Assumption pursuant to which it became a Lender; or

(ii) in each case, such other office of such Lender as such Lender may from time to time specify in writing to the Borrower and the Administrative Agent.

"***Applicable Margin***" means, for any day for any outstanding Advance, the percentage *per annum* set forth below in effect on such day, determined on the basis of the Applicable Rating Level for the Borrower:

Applicable Margin (Percentage %)		
Rating Level	***Eurodollar Rate Advances (%)***	***Base Rate Advances (%)***
Level I	1.575	0.575
Level II	1.775	0.775
Level III	1.900	0.900
Level IV	2.000	1.000
Level V	2.400	1.400

Any change in the Applicable Margin caused by a change in the Applicable Rating Level shall take effect at the time such change in the Applicable Rating Level shall occur.

"***Applicable Rate***" means, with respect to any Advance made to the Borrower, either of (i) the Base Rate from time to time applicable to such Advance *plus* the Applicable Margin, or (ii) the Eurodollar Rate from time to time applicable to such Advance *plus* the Applicable Margin.

"***Applicable Rating Level***" shall be determined at any time and from time to time on the basis of the Reference Ratings in accordance with the following:

Applicable Rating Level	***S&P Rating***		***Moody's Rating***
Level I	A- or higher	or	A3 or higher
Level II	BBB+	or	Baa1
Level III	BBB	or	Baa2
Level IV	BBB-	or	Baa3
Level V	BB+ or lower (or unrated)	or	Ba1 or lower (or unrated)

"Level I" applies on any day on which the S&P Reference Rating is A- or higher or the Moody's Reference Rating is A3 or higher.

"Level II" applies on any day on which (i) the S&P Reference Rating is BBB+ or higher or the Moody's Reference Rating is Baa1 or higher and (ii) Level I does not apply.

"Level III" applies on any day on which (i) the S&P Reference Rating is BBB or higher or the Moody's Reference Rating is Baa2 or higher and (ii) neither Level I or Level II applies.

"Level IV" applies on any day on which (i) the S&P Reference Rating is BBB- or higher or the Moody's Reference Rating is Baa3 or higher and (ii) none of Levels I, II or III applies.

"Level V" applies on any day on which (i) the S&P Reference Rating is BB+ or lower or the Moody's Reference Rating is Ba1 or lower and (ii) none of Levels I, II, III or IV applies.

In the event that the Reference Ratings do not correspond to the same Applicable Rating Level and the Reference Ratings differ by (i) only one Applicable Rating Level, the Applicable Rating Level that corresponds to the higher of such Reference Ratings shall apply, and (ii) more than one Applicable Rating Level, the Applicable Rating Level that is immediately below the Applicable Rating Level that corresponds to the higher of such Reference Ratings shall apply;

provided that, in the case of this clause (ii), if the lower of such Reference Ratings corresponds to Level V, Level V shall apply. The Applicable Rating Level shall be redetermined as and when any change in the ratings used in the determination thereof shall be announced by S&P or Moody's, as the case may be.

"***Approved Fund***" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business that is administered or managed by (i) a Lender, (ii) an Affiliate of a Lender or (iii) an entity or an Affiliate of an entity that administers or manages a Lender.

"***Assignment and Assumption***" means an assignment and assumption entered into by a Lender and an assignee, and accepted by the Administrative Agent, in substantially the form of Exhibit 10.07.

"***Available Commitment***" means, for each Lender, the excess of such Lender's Commitment over such Lender's Percentage of the Outstanding Credits. "***Available Commitments***" shall refer to the aggregate of the Lenders' Available Commitments hereunder.

"***Bankruptcy Event***" means, with respect to any Person, such Person becomes the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, or, in the good faith determination of the Administrative Agent, has taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any such proceeding or appointment, *provided* that a Bankruptcy Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person by a governmental authority or instrumentality thereof if and for so long as such ownership interest does not result in or provide such Person with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such governmental authority or instrumentality) to reject, repudiate, disavow or disaffirm obligations such as those under this Agreement.

"***Banks***" has the meaning assigned to such term in the caption to this Agreement.

"***Barclays***" has the meaning assigned to that term in the caption to this Agreement.

"***Base Rate***" means, for any period, a fluctuating interest rate *per annum* as shall be in effect from time to time, which rate *per annum* shall at all times be equal to the highest of:

(i) the rate of interest announced publicly by the Administrative Agent in its principal place of business from time to time as the Administrative Agent's "base rate" or "reference rate";

(ii) 1/2 of one percent *per annum* above the Federal Funds Rate in effect from time to time; and

(iii) the rate of interest *per annum* appearing on a nationally recognized service such as Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in U.S. dollars at approximately 11:00 a.m. (London time) on such day for a term of one month (or if no such rates are quoted on such day, the previous day for which quotations are available) (the "***One-Month LIBOR Rate***") plus 1%; *provided, however*, if more than one rate is specified on such service, the applicable rate shall be the sum of (i) the arithmetic mean of all such rates plus (ii) 1%.

If the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Federal Funds Rate for any reason, including the inability or failure of the Administrative Agent to obtain sufficient quotations in accordance with the terms thereof, the Base Rate shall be determined without regard to clause (ii) of the first sentence of this definition, until the circumstances giving rise to such inability to determine the Federal Funds Rate no longer exist. Any change in the Base Rate due to a change in the Administrative Agent's base rate or reference rate, the Federal Funds Rate or the One-Month LIBOR Rate, shall be effective on the effective date of such change in the Administrative Agent's base rate or reference rate, the Federal Funds Rate or the One-Month LIBOR Rate, as the case may be.

"***Base Rate Advance***" means an Advance in respect of which the Borrower has selected in accordance with Article III, or this Agreement provides for, interest to be computed on the basis of the Base Rate.

"***Beneficiary***" means any Person designated by an Account Party to which a Fronting Bank is to make payment, or on whose order payment is to be made, under a Letter of Credit.

"***Borrower***" has the meaning assigned to that term in the caption to this Agreement.

"***Borrowing***" means a borrowing consisting of one or more Advances of the same Type and Interest Period, if any, made to the Borrower on the same Business Day by the Lenders, ratably in accordance with their respective Commitments. A Borrowing may be referred to herein as being a "***Type***" of Borrowing, corresponding to the Type of Advances comprising such Borrowing. For purposes of this Agreement, all Advances of the same Type and Interest Period, if any, made or converted on the same day to the Borrower shall be deemed a single Borrowing hereunder until repaid.

"***Business Day***" means a day of the year on which banks are not required or authorized to close in New York City and, if the applicable Business Day relates to any Eurodollar Rate Advances, on which dealings are carried on in the London interbank market.

"***Cash Collateral Account***" means an account maintained at the principal domestic office of the Administrative Agent for the purposes set forth herein, and subject to the terms and conditions, set forth in Section 2.06.

"***Change of Control***" means (i) any Person or "group" (within the meaning of Section 13 (d) or 14(d) of the Securities Exchange Act of 1934, as amended), shall either (A) acquire beneficial ownership of more than 50% of any outstanding class of common shares of NU having ordinary voting power in the election of Trustees of NU or (B) obtain the power

(whether or not exercised) to elect a majority of NU's Trustees or (ii) the Board of Trustees of NU shall not consist of a majority of Continuing Trustees. For purposes of this definition, the term "Continuing Trustees" means Trustees of NU on the date hereof and each other Trustee of NU, if such other trustee's nomination for election to the Board of Trustees of NU is recommended by a majority of the then Continuing Trustees.

"***Citibank***" has the meaning assigned to that term in the caption to this Agreement.

"***CL&P***" means The Connecticut Light and Power Company, a corporation organized under the laws of the State of Connecticut.

"***Closing Date***" has the meaning assigned to that term in Section 5.01.

"***Commitment***" means, for each Lender, the aggregate amount set forth opposite such Lender's name on Schedule I or, if such Lender has entered into one or more Assignment and Assumptions, set forth for such Lender in the Register maintained by the Administrative Agent pursuant to Section 10.07(c), in each such case as such amount may be reduced or increased from time to time pursuant to Section 2.04. "***Commitments***" shall refer to the aggregate of the Lenders' Commitments hereunder.

"***Commitment Increase***" has the meaning assigned to that term in Section 2.04(b).

"***Commitment Increase Approvals***" means any governmental approval or resolution of the board of directors of the Borrower that has not been obtained by or on behalf of the Borrower and is not in full force and effect on the date hereof, which governmental approval or resolution is required to be obtained in order to authorize a Commitment Increase and the performance by the Borrower of its obligations under this Agreement after giving effect to such Commitment Increase.

"***Common Equity***" means, at any date for the Borrower, an amount equal to the sum of the aggregate of the par value of, or stated capital represented by, the outstanding common shares of the Borrower and its Subsidiaries and the surplus, paid-in, earned and other capital, if any, of the Borrower and its Subsidiaries, in each case as determined on a consolidated basis in accordance with generally accepted accounting principles.

"***Confidential Information***" has the meaning assigned to that term in Section 10.08.

"***Consolidated Debt***" means, at any date for the Borrower, the total Debt of the Borrower and its Subsidiaries as determined on a consolidated basis in accordance with generally accepted accounting principles.

"***Credit Party***" means the Administrative Agent, each Fronting Bank and each Lender.

"***Date of Issuance***" means the date of issuance by any Fronting Bank of a Letter of Credit under this Agreement.

"***Debt***" means, for any Person, without duplication, (i) indebtedness of such Person for borrowed money, including but not limited to obligations of such Person evidenced by bonds,

debentures, notes or other similar instruments (excluding Stranded Cost Recovery Obligations that are non-recourse to such Person), (ii) obligations of such Person to pay the deferred purchase price of property or services (excluding any obligation of such Person to Dominion Resources, Inc. or its successor with respect to disposition of spent nuclear fuel burned prior to April 3, 1983), (iii) obligations of such Person as lessee under leases that shall have been or should be, in accordance with generally accepted accounting principles, recorded as capital leases, (iv) obligations under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (i) through (iii), above, including, without duplication, all Parent Support Obligations, (v) letters of credit that have not been fully cash collateralized, guaranties and other forms of credit enhancement issued to support power sales and trading activities, and (vi) liabilities in respect of unfunded vested benefits under ERISA Plans and ERISA Multiemployer Plans.

"***Declining Lender***" has the meaning to that term in Section 2.05(a).

"***Defaulting Lender***" shall mean any Lender, as reasonably determined by the Administrative Agent, that (i) has failed, within three Business Days after the date required to be funded or paid, (A) to fund any portion of its Advances, (B) to fund any portion of its participations in Letters of Credit or (C) to pay over to any Credit Party any other amount required to be paid by it under this Agreement, unless, in the case of clauses (A) and (C) above, such Lender notifies the Administrative Agent in writing that such failure is the result of such Lender's good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, (ii) has notified the Borrower or any Credit Party in writing that it does not intend to comply with any of its funding obligations under this Agreement or has made a public statement to the effect that it does not intend to comply with its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Lender's good faith determination that a condition precedent (specifically identified and including the particular default, if any) to funding an Advance cannot be satisfied) or generally under other agreements in which it commits to extend credit, (iii) has failed, within three Business Days after request by the Administrative Agent or any Fronting Bank, acting in good faith, to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations to fund prospective Advances and participations in Letters of Credit, *provided* that such Lender shall cease to be a Defaulting Lender pursuant to clause (iii) upon such requesting party's receipt of such certification in form and substance satisfactory to it and the Administrative Agent, or (iv) has become the subject of a Bankruptcy Event.

"***Disclosure Documents***" means for the Borrower and each Principal Subsidiary, as applicable: (i) such Person's Annual Report on Form 10-K for the fiscal year ended December 31, 2009; (ii) its Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31 and June 30, 2010; (iii) the Information Memorandum; and (iv) such Person's Current Reports on Form 8-K filed after December 31, 2009 but prior to the date hereof.

"***Drawing***" means a drawing by a Beneficiary under any Letter of Credit.

"***Eligible Assignee***" means (i) a Lender, (ii) an Affiliate of a Lender, (iii) an Approved Fund and (iv) any other Person (other than a natural person) approved by (A) the Administrative Agent, (B) in the case of any assignment of any Commitment, each Fronting Bank, and (C) unless an Event of Default has occurred and is continuing, the Borrower (each such approval not to be unreasonably withheld or delayed, and the Borrower shall be deemed to have consented to any assignment unless the Borrower provides notice of its objection to the Administrative Agent within ten business days of receipt of request for consent); *provided* that notwithstanding the foregoing, "Eligible Assignee" shall not include the Borrower or any of the Borrower's Affiliates or Subsidiaries.

"***ERISA***" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"***ERISA Affiliate***" means, with respect to any Person, any trade or business (whether or not incorporated) that is a "commonly controlled entity" of such Person within the meaning of the regulations under Section 414 of the Internal Revenue Code of 1986, as amended from time to time.

"***ERISA Multiemployer Plan***" means a "multiemployer plan" subject to Title IV of ERISA.

"***ERISA Plan***" means an employee benefit plan (other than a ERISA Multiemployer Plan) maintained for employees of the Borrower or any ERISA Affiliate of the Borrower and covered by Title IV of ERISA.

"***ERISA Plan Termination Event***" means (i) a Reportable Event described in Section 4043 of ERISA and the regulations issued thereunder (other than a Reportable Event not subject to the provision for 30-day notice to the PBGC under such regulations) with respect to an ERISA Plan or an ERISA Multiemployer Plan, or (ii) the withdrawal of the Borrower or any of its ERISA Affiliates from an ERISA Plan or an ERISA Multiemployer Plan during a plan year in which it was a "*substantial employer*" as defined in Section 4001(a)(2) of ERISA, or (iii) the filing of a notice of intent to terminate an ERISA Plan or an ERISA Multiemployer Plan or the treatment of an ERISA Plan amendment as a termination or of an ERISA Multiemployer Plan amendment as a termination under Section 4041 of ERISA, or (iv) the institution of proceedings to terminate an ERISA Plan or an ERISA Multiemployer Plan by the PBGC, or (v) any other event or condition that might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any ERISA Plan or ERISA Multiemployer Plan.

"***Eurocurrency Liabilities***" has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"***Eurodollar Rate***" means, for each Interest Period for each Eurodollar Rate Advance comprising part of the same Borrowing, an interest rate *per annum* equal to the rate of interest *per annum* (rounded upward to the nearest 1/100 of 1%) appearing on Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in U.S. dollars at approximately 11:00 a.m. (London time) two Business Days before the first day of such Interest

Period for a period equal to such Interest Period. If, for any reason, such rate is not available, the term "***Eurodollar Rate***" shall mean an interest rate *per annum* equal to the average rate *per annum* (rounded upward to the nearest 1/100 of 1%) at which deposits in U.S. dollars are offered by the Reference Banks to prime banks in the London interbank market at 11:00 a.m. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to each Reference Bank's pro rata share of such Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period, ***subject, however,*** to the provisions of Sections 3.05(d) and 4.03(g).

"***Eurodollar Rate Advance***" means an Advance in respect of which the Borrower has selected in accordance with Article III, or this Agreement provides for, interest to be computed on the basis of the Eurodollar Rate.

"***Eurodollar Reserve Percentage***" of any Lender or its subparticipant, for each Interest Period for each Eurodollar Rate Advance, means the reserve percentage applicable during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under Regulation D or other regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement, without benefit of or credit for proration, exemptions or offsets) for such Lender or its subparticipant with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to such Interest Period.

"***Event of Default***" has the meaning specified in Section 8.01.

"***Existing Credit Agreement***" means the Amended and Restated Credit Agreement, dated as of December 9, 2005, as amended, supplemented or modified as of the date hereof, among the Borrower, the lenders party thereto, Union Bank (formerly known as Union Bank of California, N.A.), as administrative agent, and the letter of credit fronting banks party thereto.

"***Existing Letter of Credit***" has the meaning set forth in Section 2.02(c).

"***Expiration Date***" means, with respect to a Letter of Credit, its stated expiry date.

"***Extending Lender***" has the meaning assigned to that term in Section 2.05(a).

"***Extension of Credit***" means the making of any Advance or the issuance or amendment (including, without limitation, an extension or renewal or amendment to increase the stated amount) of a Letter of Credit.

"***Extension Date***" means the first and second anniversaries of the date hereof.

"***Facility Fee***" has the meaning assigned to that term in Section 2.03(a).

"***Federal Funds Rate***" means, for any period, a fluctuating interest rate *per annum* equal to, for each day during such period, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as

published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"***Fee Letters***" means (i) that certain Fee Letter, dated August 23, 2010, among the Borrower, CL&P, WMECO, Yankee, PSNH, Barclays Capital, the investment banking division of Barclays, Union Bank, Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. and (ii) that certain Fee Letter, dated as of August 23, 2010, between the Borrower and Union Bank, each as amended, modified and supplemented from time to time.

"***FERC***" means the Federal Energy Regulatory Commission.

"***Financial Statements***" means, with respect to the Borrower and each Principal Subsidiary, as applicable, (i) the audited consolidated balance sheet of such Person as at December 31, 2009 (ii) the unaudited consolidated balance sheet of such Person as at June 30, 2010, (iii) the audited consolidated statements of income and cash flows of such Person for the Fiscal Year ended December 31, 2009 and (iv) the unaudited consolidated statements of income and cash flows of such Person for the 6-month period ended June 30, 2010, in each case as included in such Person's Annual Report on Form 10-K for the Fiscal Year ended December 31, 2009 or Quarterly Report on Form 10-Q for the Fiscal Quarter ended June 30, 2010.

"***First Mortgage Indentures***" means, (i) in the case of CL&P, the Indenture of Mortgage and Deed of Trust, dated as of May 1, 1921 (the "***CL&P Indenture***"), from CL&P to Deutsche Bank Trust Company Americas, as successor trustee, as previously and hereafter amended and supplemented from time to time, (ii) in the case of Yankee, the Indenture of Mortgage and Deed of Trust, dated as of July 1, 1989, between Yankee and The Bank of New York Mellon, as successor trustee, as in effect on the date hereof and as amended and supplemented from time to time, (iii) in the case of WMECO, any first mortgage indenture entered into after the date hereof, provided (A) such indenture covers substantially the same collateral as under the Old WMECO Indenture, (B) such indenture is substantially similar in form and substance to the CL&P Indenture and (C) such indenture and the lien created thereby are approved by the Massachusetts Department of Public Utilities, and (iv) in the case of PSNH, the First Mortgage Indenture, dated as of August 15, 1978, between PSNH and U.S. Bank, National Association, as successor trustee, as previously and hereafter amended and supplemented from time to time.

"***Fiscal Quarter***" means a period of three calendar months ending on the last day of March, June, September or December, as the case may be.

"***Fiscal Year***" means a period of twelve calendar months ending on the last day of December.

"***Fronting Bank***" means Barclays, Citibank, JPMorgan Chase and Union Bank, each in its capacity as issuer of Letters of Credit, and any other Lender having a long-term credit rating acceptable to the Borrower that delivers an instrument in form and substance satisfactory to the Borrower and the Administrative Agent whereby such other Lender agrees to issue Letters of Credit and otherwise act as "Fronting Bank" hereunder.

"***Fronting Commitment***" means, with respect to (i) Barclays, as Fronting Bank, $125,000,000, (ii) Citibank, as Fronting Bank, $125,000,000, (iii) JPMorgan Chase, as Fronting Bank, $125,000,000, (iv) Union Bank, as Fronting Bank, $125,000,000, and (v) any other Fronting Bank, such amount as may be agreed upon between such Fronting Bank and the Borrower, in each case, as such amount may be modified from time to time pursuant to agreement between the Borrower and the applicable Fronting Bank (with notice thereof to the Administrative Agent).

"***Governmental Approval***" means any authorization, consent, approval, license, permit, certificate, exemption of, or filing or registration with, any governmental authority or other legal or regulatory body (including, without limitation, the Securities and Exchange Commission, the FERC, the Nuclear Regulatory Commission, the Connecticut Department of Public Utility Control, the New Hampshire Public Utilities Commission and the Massachusetts Department of Public Utilities) required in connection with either (i) the execution, delivery or performance of any Loan Document, or (ii) the nature of the Borrower's or any Subsidiary's business as conducted or the nature of the property owned or leased by it.

"***Hazardous Substance***" means any waste, substance or material identified as hazardous, dangerous or toxic by any office, agency, department, commission, board, bureau or instrumentality of the United States of America or of the State or locality in which the same is located having or exercising jurisdiction over such waste, substance or material.

"***Increasing Lender***" has the meaning assigned to that term in Section 2.04(b)

"***Indemnified Person***" has the meaning assigned to that term in Section 10.04(b).

"***Information Memorandum***" means the Confidential Information Memorandum, dated August 2010, regarding the credit facility to be provided to the Borrower hereunder, as distributed to the Administrative Agent and the Lenders, including, without limitation, all schedules and attachments thereto.

"***Interest Period***" has the meaning assigned to that term in Section 3.05(a).

"***JPMorgan Chase***" has the meaning assigned to that term in the caption to this Agreement.

"***L/C Commitment Amount***" equals $500,000,000, as the same may be reduced or increased from time to time pursuant to Section 2.04.

"***LC Commitment***" means, for each Lender, the obligation of such Lender to participate in the LC Outstandings. "***LC Commitments***" shall refer to the aggregate of the Lenders' LC Commitments hereunder.

"***LC Outstandings***" means, on any date of determination, the sum of (i) the undrawn stated amounts of all Letters of Credit that are outstanding on such date plus (ii) the aggregate principal amount of all unpaid Reimbursement Obligations of the Borrower on such date (excluding Reimbursement Obligations that have been repaid with the proceeds of any Advance).

"***Lenders***" means the financial institutions listed on the signature pages hereof, and each assignee that shall become a party hereto pursuant to Section 10.07.

"***Letter of Credit***" has the meaning set forth in Section 2.02(a).

"***Letter of Credit Request***" has the meaning set forth in Section 2.02(c).

"***Lien***" means, with respect to any asset or property, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset or property. For the purposes of this Agreement, a Person or any of its Subsidiaries shall be deemed to own subject to a Lien any asset that it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"***Loan Documents***" means this Agreement and the Notes.

"***Majority Lenders***" means on any date of determination, Lenders who, collectively, on such date (i) have Percentages in the aggregate in excess of 50% and (ii) if the Commitments have been terminated, hold in excess of 50% of the then aggregate Outstanding Credits of the Lenders. Determination of those Lenders satisfying the criteria specified above for action by the Majority Lenders shall be made by the Administrative Agent and shall be conclusive and binding on all parties absent manifest error.

"***Moody's***" means Moody's Investors Service, Inc., or any successor thereto.

"***non-Defaulting Lender***" means, at the time of determination, a Lender that is not a Defaulting Lender.

"***non-Performing Lender***" has the meaning assigned to that term in Section 3.03(b).

"***Note***" means a promissory note of the Borrower payable to the order of a Lender, in substantially the form of Exhibit 1.01A hereto, evidencing the aggregate indebtedness of the Borrower to such Lender resulting from the Advances made by such Lender to the Borrower, as such may be amended, supplemented or otherwise modified from time to time.

"***Notice of Borrowing***" has the meaning assigned to that term in Section 3.01.

"***NU***" has the meaning assigned to that term in the caption to this Agreement.

"***NU System Money Pool***" means the money pool of NU and certain of its Subsidiaries, the terms of which are filed with the FERC, as amended from time to time.

"***NUSCO***" means Northeast Utilities Service Company, a Connecticut corporation.

"***Old WMECO Indenture***" means the First Mortgage Indenture and Deed of Trust dated as of August 1, 1954, from WMECO to State Street Bank and Trust Company, as successor trustee, as amended and supplemented.

"***One-Month LIBOR Rate***" has the meaning assigned to that term in the definition of "Base Rate".

"***Other Taxes***" has the meaning assigned to that term in Section 4.05(b).

"***Outstanding Credits***" mean, on any date of determination, an amount equal to (i) the aggregate principal amount of all Advances outstanding on such date *plus* (ii) the aggregate LC Outstandings on such date. The "Outstanding Credits" of a Lender on any date of determination shall be an amount equal to the outstanding Advances made by such Lender *plus* the amount of such Lender's participatory interest in the LC Outstandings.

"***Parent***" means, with respect to any Lender, any Person as to which such Lender is, directly or indirectly, a Subsidiary.

"***Parent Support Obligation***" means, without duplication, any obligation of the Borrower under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (i) through (iii) and (v) of the definition of "Debt", including any reimbursement obligation in respect of a letter of credit, any recourse obligation in respect of a surety or similar bond or other, similar obligation of the Borrower other than a construction completion or similar performance guaranty as permitted hereunder issued on behalf of Select Energy Services, Inc. The amount of each Parent Support Obligation shall be computed in good faith in accordance with the Borrower's then applicable mark-to-market and other risk management methods.

"***Participant***" has the meaning assigned to that term in Section 10.07(d).

"***Payment Date***" means the date on which payment of a Drawing is made by a Fronting Bank.

"***PBGC***" means the Pension Benefit Guaranty Corporation (or any successor entity) established under ERISA.

"***Percentage***" means, in respect of any Lender on any date of determination, the percentage obtained by dividing such Lender's Commitment on such day by the total of the Commitments on such day, and multiplying the quotient so obtained by 100%.

"***Person***" means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"***Principal Subsidiary***" shall mean, during any fiscal quarter, CL&P, WMECO, PSNH, Yankee and any other Subsidiary, whether owned directly or indirectly by the Borrower, which, with respect to the Borrower and its Subsidiaries taken as a whole, represents at least ten percent (10%) of the Borrower's consolidated assets (calculated as an average of such consolidated assets over the preceding four fiscal quarters) and ten percent (10%) of the Borrower's consolidated net income (or loss) (calculated as a sum of such net income (or loss) over the preceding four fiscal quarters).

"***PSNH***" means Public Service Company of New Hampshire, a corporation duly organized under the laws of the State of New Hampshire.

"***Recipient***" has the meaning assigned to that term in Section 10.08.

"***Reference Banks***" means Union Bank, Barclays, Citibank and JPMorgan Chase and any other bank or financial institution designated by the Borrower and the Administrative Agent with the approval of the Majority Lenders to act as a Reference Bank hereunder.

"***Reference Ratings***" means the ratings assigned by S&P and Moody's to the senior, unsecured, non-credit enhanced long-term Debt of the Borrower.

"***Register***" has the meaning assigned to that term in Section 10.07(c).

"***Regulatory Asset***" means, with respect to CL&P, PSNH, WMECO or Yankee, an intangible asset established by statute, regulation or regulatory order or similar action of a utility regulatory agency having jurisdiction over CL&P, PSNH, WMECO or Yankee, as the case may be, and included in the rate base of CL&P, PSNH, WMECO or Yankee, as the case may be, with the intention that such asset be amortized by rates over time.

"***Reimbursement Obligation***" means the absolute and unconditional obligation of the Borrower to reimburse a Fronting Bank for any Drawing pursuant to Section 2.02(f) or (g).

"***Related Parties***" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"***S&P***" means Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or any successor thereto.

"***Stated Amount***" means the maximum amount available to be drawn by a Beneficiary under a Letter of Credit.

"***Stated Termination Date***" means (i) September 24, 2013, or (ii) (A) with respect to any Extending Lender, such later date to which the Stated Termination Date shall be extended in accordance with Section 2.05, (B) with respect to any Declining Lender, the date of the termination of such Declining Lender's Commitment pursuant to Section 2.05(b) and (C) with respect to any Fronting Bank, such later date (if any) to which such Fronting Bank shall have consented pursuant to Section 2.05.

"***Stranded Cost Recovery Obligations***" means, with respect to any Person, such Person's obligations to make principal, interest or other payments to the issuer of stranded cost recovery bonds pursuant to a loan agreement or similar arrangement whereby the issuer has loaned the proceeds of such bonds to such Person.

"***Subsidiary***" shall mean, with respect to any Person, any corporation, association or other business entity of which securities or other ownership interests representing 50% or more of the ordinary voting power are, at the time as of which any determination is being made,

owned or controlled by such Person or one or more Subsidiaries of such Person (whether direct or indirect) or by such Person and one or more such Subsidiaries of such Person.

"***Termination Date***" with respect to any Lender or Fronting Bank means the earliest to occur of (i) the Stated Termination Date of such Lender or Fronting Bank, as applicable, (ii) the date of termination or reduction in whole of the Commitments pursuant to Section 2.04 or 8.02 and (iii) the date of acceleration of all amounts payable hereunder pursuant to Section 8.02.

"***Total Capitalization***" means, at any date, the sum of (i) Consolidated Debt of the Borrower and its Subsidiaries, (ii) the aggregate of the par value of, or stated capital represented by, the outstanding shares of all classes of common and preferred shares of the Borrower and its Subsidiaries and (iii) the consolidated su*rplus* of the Borrower and its Subsidiaries, paid-in, earned and other capital, if any, in each case as determined on a consolidated basis in accordance with generally accepted accounting principles consistent with those applied in the preparation of the Borrower's Financial Statements.

"***Total Commitment***" means $500,000,000, or such other amount from time to time as shall equal the sum of the Commitments.

"***Type***" has the meaning assigned to such term (i) in the definition of "Advance" when used in such context and (ii) in the definition of "Borrowing" when used in such context.

"Union Bank" has the meaning assigned to that term in the caption to this Agreement.

"***Unmatured Default***" means the occurrence and continuance of an event that, with the giving of notice or lapse of time or both, would constitute an Event of Default.

"***WMECO***" means Western Massachusetts Electric Company, a corporation organized under the laws of the Commonwealth of Massachusetts.

"***Yankee***" means Yankee Gas Services Company, a corporation duly organized under the laws of the State of Connecticut.

SECTION 1.02. Computation of Time Periods.

In the computation of periods of time under this Agreement, any period of a specified number of days or months shall be computed by including the first day or month occurring during such period and excluding the last such day or month. In the case of a period of time "from" a specified date "to" or "until" a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding".

SECTION 1.03. Accounting Terms; Financial Statements.

All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles applied on a basis consistent with the application employed in the preparation of the Financial Statements. All references contained herein to the Borrower's or a Principal Subsidiary's Annual Report on Form 10-K in respect of a Fiscal Year or Quarterly Report on Form 10-Q in respect of a Fiscal Quarter shall be deemed to include any exhibits and schedules thereto, including without limitation in the case of any Annual Report on Form 10-K, any "Annual Report" of the Borrower or such Principal Subsidiary referred to therein.

SECTION 1.04. Computations of Outstandings.

Whenever reference is made in this Agreement to the principal amount of Outstanding Credits under this Agreement on any date, such reference shall refer to the aggregate principal amount of all Outstanding Credits on such date after giving effect to (i) all Extensions of Credit to be made on such date and the application of the proceeds thereof and (ii) any repayment or prepayment of Advances, and any payment of Reimbursement Obligations, on such date by the Borrower.

ARTICLE II
COMMITMENTS

SECTION 2.01. The Commitments.

(a) Each Lender severally agrees, on the terms and conditions hereinafter set forth, to make Advances to the Borrower from time to time on any Business Day during the period from the Closing Date until the Termination Date, in an aggregate amount not to exceed on any day such Lender's Available Commitment. Within the limits of such Lender's Available Commitment, the Borrower may request Advances hereunder, repay or prepay Advances and utilize the resulting increase in the Available Commitments for further Advances in accordance with the terms hereof.

(b) In no event shall the Borrower be entitled to request or receive any Advance under subsection (a) that would cause the aggregate principal amount advanced pursuant thereto to exceed the Available Commitments. In no event shall the Borrower be entitled to request or receive any Advance that would cause the total principal amount of all Outstanding Credits to exceed the Total Commitment.

SECTION 2.02. Letters of Credit.

(a) ***Agreement of Fronting Banks.*** Subject to the terms and conditions of this Agreement, each Fronting Bank agrees to issue and amend (including, without limitation, to extend or renew) for the account of the Borrower or any Subsidiary thereof (each such Person, an ***"Account Party"***) one or more standby letters of credit (individually, a "***Letter of Credit***" and, collectively, the "***Letters of Credit***") from and including the Closing Date to the Termination Date with respect to such Fronting Bank, up to a maximum aggregate Stated Amount at any one time outstanding equal to the L/C Commitment Amount *minus* Reimbursement Obligations outstanding at such time (but in no event to exceed such Fronting Bank's Fronting Commitment), each having an Expiration Date no later than 365 days after the Date of Issuance, date of extension or renewal, as the case may be, of such Letter of Credit; *provided, however,* that no Fronting Bank will issue or amend a Letter of Credit if, immediately following such issuance or amendment, (i) the Stated Amount of such Letter of Credit would (A) exceed the Available Commitments or (B) when aggregated with (1) the Stated Amounts of all other outstanding Letters of Credit and (2) the outstanding Reimbursement Obligations, exceed the L/C Commitment Amount, or (ii) the total principal amount of all Outstanding Credits would exceed the Total Commitment. The Expiration Date of any Letter of Credit may not be specified to be later than the Stated Termination Date with respect to any Lender unless (x) the Stated Amount of such Letter of Credit, by the terms of such Letter of Credit, shall not be reinstated following any Drawing thereunder (whether automatically or upon reimbursement of such Drawing) and

(y) the Borrower shall, no later than the fifth day prior to such Stated Termination Date, deposit and thereafter maintain in the Cash Collateral Account cash collateral in accordance with Section 2.06 in an amount equal to such Lender's Percentage of the LC Outstandings as of such Lender's Stated Termination Date in respect of such Letter of Credit. Upon the payment in full of all amounts due hereunder in respect of the LC Outstandings and related Advances collateralized pursuant to this Section 2.02(a) and the expiration or termination of such collateralized Letters of Credit, and if no Unmatured Default or Event of Default shall have occurred and be continuing, the Administrative Agent shall pay to the Borrower amounts remaining in the Cash Collateral Account with respect to such Letters of Credit.

(b) ***Forms.*** Each Letter of Credit shall be in a form customarily used by the applicable Fronting Bank or in such other form as has been approved by such Fronting Bank. At the time of issuance or amendment, subject to the terms and conditions of this Agreement, the amount and the terms and conditions of each Letter of Credit shall be subject to approval by the applicable Fronting Bank and the Borrower.

(c) ***Notice of Issuance; Application.*** The Borrower shall give the applicable Fronting Bank and the Administrative Agent written notice (or telephonic notice confirmed in writing) at least three Business Days prior to the requested Date of Issuance of a Letter of Credit, such notice to be in substantially the form of Exhibit 2.02 hereto (a "***Letter of Credit Request***"). The Borrower shall also execute and deliver such customary letter of credit application forms as requested from time to time by such Fronting Bank. Such application forms shall indicate the identity of the Account Party and that the Borrower is the "Applicant" or shall otherwise indicate that the Borrower is the obligor in respect of any Letter of Credit to be issued thereunder. If the terms or conditions of the application forms conflict with any provision of this Agreement, the terms of this Agreement shall govern. Without limiting the foregoing and subject to the satisfaction of the conditions precedent in Section 5.02, each letter of credit outstanding under the Existing Credit Agreement immediately prior to the Closing Date (each, an "***Existing Letter of Credit***") shall be deemed to be a Letter of Credit issued hereunder on the Closing Date.

(d) ***Issuance.*** Provided the Borrower has given the notice prescribed by Section 2.02 (c) and subject to the other terms and conditions of this Agreement, including the satisfaction of the applicable conditions precedent set forth in Article V, the applicable Fronting Bank shall issue the requested Letter of Credit on the requested Date of Issuance as set forth in the applicable Letter of Credit Request for the benefit of the stipulated Beneficiary and shall deliver the original of such Letter of Credit to the Beneficiary at the address specified in the notice. At the request of the Borrower, such Fronting Bank shall deliver a copy of each Letter of Credit to the Borrower within a reasonable time after the Date of Issuance thereof. Upon the request of the Borrower, such Fronting Bank shall deliver to the Borrower a copy of any Letter of Credit proposed to be issued hereunder prior to the issuance thereof. The Administrative Agent shall promptly notify each Lender of its pro rata share of each issued Letter of Credit and the Expiration Date thereof.

(e) ***Notice of Drawing.*** Each Fronting Bank shall promptly notify the Borrower by telephone, facsimile or other telecommunication of any Drawing under a Letter of Credit issued by such Fronting Bank.

(f) ***Payments.*** The Borrower hereby agrees to pay to each Fronting Bank, in the manner provided in subsection (g) below:

(i) on each Payment Date, an amount equal to the amount paid by such Fronting Bank under any Letter of Credit issued by such Fronting Bank; and

(ii) if any Drawing shall be reimbursed to such Fronting Bank after 12:00 noon (New York time) on any Payment Date, interest on any and all amounts required to be paid pursuant to clause (i) of this subsection (f) from and after the due date thereof until payment in full, payable on demand, at an annual rate of interest equal to 2.00% above the rate of interest applicable to Base Rate Advances as in effect from time to time.

(g) ***Method of Reimbursement.*** The Borrower shall reimburse each Fronting Bank for each Drawing under any Letter of Credit issued by such Fronting Bank pursuant to subsection (f) above in the following manner:

(i) the Borrower shall immediately reimburse such Fronting Bank in the manner described in Section 4.01 to the extent that funds are not available to repay the applicable Reimbursement Obligation pursuant to Section 2.06(e); or

(ii) if (A) the Borrower has not reimbursed such Fronting Bank pursuant to clause (i) above, (B) the applicable conditions to the making of an Advance set forth in Articles II, III and V have been fulfilled, and (C) the Available Commitments in effect at such time exceed the amount of the Drawing to be reimbursed, the Borrower may reimburse such Fronting Bank for such Drawing with the proceeds of a Base Rate Advance or, if the conditions specified in clauses (A), (B) and (C) above have been satisfied and a Notice of Borrowing requesting a Eurodollar Rate Advance has been given in accordance with Section 3.01 three Business Days prior to the relevant Payment Date, with the proceeds of a Eurodollar Rate Advance.

(h) ***Transfer of Letters of Credit***. If, at any time following payment to the Lenders of any amounts owing or to become owing in respect thereof, the Borrower's reimbursement and other obligations under or in respect of any Letter of Credit shall be transferred to another credit facility in a manner satisfactory to each Fronting Bank in its sole and absolute discretion with the result that such Letter of Credit is deemed issued under such other credit facility, such Letter of Credit shall no longer be deemed to be a "Letter of Credit" for purposes of, and shall no longer be deemed to be outstanding under, this Agreement.

(i) ***Nature of Fronting Bank's Duties.*** In determining whether to honor any Drawing under any Letter of Credit, the applicable Fronting Bank shall be responsible only to determine that the documents and certificates required to be delivered under such Letter of Credit have been delivered and that they comply on their face with the requirements of such Letter of Credit. The Borrower otherwise assumes all risks of the acts and omissions of, or misuse of the Letters of Credit issued by each Fronting Bank by, the respective Beneficiaries of the Letters of Credit. In furtherance and not in limitation of the foregoing, but consistent with applicable law, no Fronting Bank shall be responsible (i) for the form, validity, sufficiency, accuracy, genuineness or legal effects of any document submitted by any party in connection with the application for and issuance of any drawing honored under a Letter of Credit, even if it should in

fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (ii) for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit, or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex, facsimile or otherwise, whether or not they be in cipher; (iv) for errors in interpretation of technical terms; (v) for any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any Letter of Credit, or the proceeds thereof; (vi) for the misapplication by the Beneficiary of any Letter of Credit or of the proceeds of any drawing honored under such Letter of Credit; and (vii) for any consequences arising from causes beyond the control of such Fronting Bank. None of the above shall affect, impair or prevent the vesting of any of the Fronting Banks' rights or powers hereunder. Not in limitation of the foregoing, any action taken or omitted to be taken by any Fronting Bank under or in connection with any Letter of Credit, whether in determining to honor any Drawing under any Letter of Credit or otherwise, shall not create against such Fronting Bank any liability to the Borrower or any Lender, except for actions or omissions resulting from the gross negligence or willful misconduct of such Fronting Bank or any of its agents or representatives.

(j) ***Obligations of Borrower Absolute.*** The obligation of the Borrower to reimburse each Fronting Bank for Drawings honored under the Letters of Credit issued by it shall be unconditional and irrevocable and shall be paid strictly in accordance with the terms of this Agreement under all circumstances including, without limitation, the following circumstances:

(i) any lack of validity or enforceability of any Letter of Credit;

(ii) the existence of any claim, set-off, defense or other right that the Borrower, any Account Party or any Affiliate of the Borrower or any Account Party may have at any time against a Beneficiary or any transferee of any Letter of Credit (or any Persons or entities for which any such Beneficiary or transferee may be acting), any Fronting Bank or any other Person, whether in connection with this Agreement, the transactions contemplated herein or any unrelated transaction;

(iii) any draft, demand, certificate or any other documents presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(iv) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Loan Documents;

(v) any non-application or misapplication by the Beneficiary of the proceeds of any Drawing under a Letter of Credit; or

(vi) the fact that an Unmatured Default or Event of Default shall have occurred and be continuing.

No payment made under this Section shall be deemed to be a waiver of any claim the Borrower may have against any Fronting Bank or any other Person.

(k) ***Participations by Lenders***.

(i) By the issuance of a Letter of Credit and without any further action on the part of any Fronting Bank or any Lender in respect thereof, such Fronting Bank shall hereby be deemed to have granted to each Lender, and each Lender shall hereby be deemed to have acquired from such Fronting Bank, an undivided interest and participation in such Letter of Credit (including any letter of credit issued by such Fronting Bank in substitution or exchange for such Letter of Credit pursuant to the terms thereof) equal to such Lender's Percentage of the Stated Amount of such Letter of Credit, effective upon the issuance of such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to each Fronting Bank, in accordance with this subsection (k), such Lender's Percentage of each payment made by such Fronting Bank in respect of an unreimbursed Drawing under a Letter of Credit. Such Fronting Bank shall notify the Administrative Agent of the amount of such unreimbursed Drawing honored by it not later than (x) 12:00 noon (New York time) on the date of payment of a draft under a Letter of Credit, if such payment is made at or prior to 11:00 a.m. (New York time) on such day, and (y) the close of business (New York time) on the date of payment of a draft under a Letter of Credit, if such payment is made after 11:00 a.m. (New York time) on such day, and the Administrative Agent shall notify each Lender of the date and amount of such unreimbursed Drawing under such Letter of Credit honored by such Fronting Bank and the amount of such Lender's Percentage therein no later than (1) 1:00 p.m. (New York time) on such day, if such payment is made at or prior to 11:00 a.m. (New York time) on such day, and (2) 11:00 a.m. (New York time) on the next following Business Day, if such payment is made after 11:00 a.m. (New York time) on such day. Not later than 2:00 p.m. (New York time) on the date of receipt of a notice of an unreimbursed Drawing by a Lender, such Lender agrees to pay to such Fronting Bank an amount equal to the product of (A) such Lender's Percentage and (B) the amount of the payment made by such Fronting Bank in respect of such unreimbursed Drawing.

(ii) If payment of the amount due pursuant to the preceding sentence from a Lender is received by such Fronting Bank after the close of business on the date it is due, such Lender agrees to pay to such Fronting Bank, in addition to (and along with) its payment of the amount due pursuant to the preceding sentence, interest on such amount at a rate *per annum* equal to (a) for the period from and including the date such payment is due to but excluding the second succeeding Business Day, the Federal Funds Rate, and (b) for the period from and including the second Business Day succeeding the date such payment is due to but excluding the date on which such amount is paid in full, the Federal Funds Rate *plus* 2.00%.

(l) ***Obligations of Lenders Absolute.*** Each Lender acknowledges and agrees that (i) its obligation to acquire a participation in each Fronting Bank's liability in respect of the Letters of Credit and (ii) its obligation to make the payments specified herein, and the right of each Fronting Bank to receive the same, in the manner specified herein, are absolute and unconditional and shall not be affected by any circumstances whatsoever, including, without limitation, (A) the occurrence and continuance of any Event of Default or any Unmatured Default; (B) any other breach or default by the Borrower, the Administrative Agent or any Lender hereunder; (C) any lack of validity or enforceability of any Letter of Credit or this Agreement; (D) the existence of any claim, setoff, defense or other right that the Lender may have at any time against the Borrower, any other Account Party, any Beneficiary, any Fronting Bank or any other Lender; (E) the existence of any claim, setoff, defense or other right that the

Borrower may have at any time against any Beneficiary, any Fronting Bank, the Administrative Agent, any Lender or any other Person, whether in connection with this Agreement or any other documents contemplated hereby or any unrelated transactions; (F) any amendment or waiver of, or consent to any departure from, all or any of the Letters of Credit or this Agreement; (G) any statement or any document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; (H) payment by such Fronting Bank under any Letter of Credit against presentation of a draft or certificate that does not comply with the terms of such Letter of Credit, so long as such payment is not the consequence of such Fronting Bank's gross negligence or willful misconduct in determining whether documents presented under a Letter of Credit comply with the terms thereof; (I) the occurrence of the Termination Date; or (J) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing. Nothing herein shall prevent the assertion by any Lender of a claim by separate suit or compulsory counterclaim, nor shall any payment made by a Lender under Section 2.02 be deemed to be a waiver of any claim that a Lender may have against any Fronting Bank or any other Person.

(m) ***Proceeds of Reimbursements***.

(i) Upon receipt by any Fronting Bank of a payment from the Borrower pursuant to subsection (f) above, such Fronting Bank shall promptly transfer to each Lender such Lender's *pro rata* share (determined in accordance with such Lender's Percentage) of such payment based on such Lender's *pro rata* share (determined as aforesaid) of amounts previously paid pursuant to subsection (k) above, and not previously transferred pursuant to this subsection (m) by such Fronting Bank.

(ii) All payments due to the Lenders from any Fronting Bank pursuant to this subsection (m) shall be made to the Lenders if, as, and, to the extent possible, when such Fronting Bank receives payments in respect of Drawings under the Letters of Credit pursuant to subsection (f) above, and in the same funds in which such amounts are received; *provided* that if any Lender to which such Fronting Bank is required to transfer any such payment (or any portion thereof) pursuant to this subsection (m) does not receive such payment (or portion thereof) prior to (A) the close of business on the Business Day on which such Fronting Bank received such payment from the Borrower, if such Fronting Bank received such payment prior to 1:00 p.m. (New York time) on such day, or (B) 1:00 p.m. (New York time) on the Business Day next succeeding the Business Day on which such Fronting Bank received such payment from the Borrower, if such Fronting Bank received such payment after 1:00 p.m. (New York time) on such day, such Fronting Bank agrees to pay to such Lender, along with its payment of the portion of such payment due to such Lender, interest on such amount at a rate *per annum* equal to (1) for the period from and including the Business Day when such payment was required to be made to the Lenders to but excluding the second succeeding Business Day, the Federal Funds Rate and (C) for the period from and including the second Business Day succeeding the Business Day when such payment was required to be made to the Lenders to but excluding the date on which such amount is paid in full, the Federal Funds Rate *plus* 2.00%. The provisions of this subsection (m) shall not affect or impair any of the obligations under this Agreement of any Lender to any Fronting Bank, all of which shall remain unaffected by any default in payment by the Fronting Bank to such Lender.

(iii) If, in connection with any case or other proceeding seeking liquidation, reorganization or other relief with respect to the Borrower or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect, or if for any other reason whatsoever, any Fronting Bank shall be required to return to the Borrower or to a trustee, receiver, liquidator, custodian or other similar official all or any portion of any payments to the Lenders pursuant to this subsection (m) or interest thereon (a "***Returned Payment***"), each Lender shall, upon demand of such Fronting Bank, forthwith return to such Fronting Bank any amounts transferred to such Lender by such Fronting Bank in respect thereof pursuant to this subsection (m) *plus* such Lender's *pro rata* share (determined in accordance with such Lender's Percentage) of interest (if any) that such Fronting Bank is required to pay to such trustee, receiver, liquidator, custodian or other similar official with respect to any Returned Payment.

(n) ***Concerning the Fronting Banks***.

(i) Each Fronting Bank will exercise and give the same care and attention to the Letters of Credit issued by it as it gives to its other letters of credit and similar obligations, and each Lender agrees that each Fronting Bank's sole liability to each Lender shall be (A) to distribute promptly, as and when received by such Fronting Bank, and in accordance with the provisions of subsection (m) above, such Lender's *pro rata* share (determined in accordance with such Lender's Percentage) of any payments to such Fronting Bank by the Borrower pursuant to subsection (g) above in respect of Drawings under the Letters of Credit issued by such Fronting Bank, (B) to exercise or refrain from exercising any right or to take or to refrain from taking any action under this Agreement or any Letter of Credit as may be directed in writing by the Majority Lenders (or, when expressly required by the terms of this Agreement, all of the Lenders) or the Administrative Agent acting at the direction and on behalf of the Majority Lenders (or, when expressly required by the terms of this Agreement, all of the Lenders), except to the extent required by the terms hereof or thereof or by applicable law, and (C) as otherwise expressly set forth in this Section. No Fronting Bank shall be liable for any action taken or omitted at the request or with approval of the Majority Lenders (or, when expressly required by the terms of this Agreement, all of the Lenders) or of the Administrative Agent acting on behalf of the Majority Lenders (or, when expressly required by the terms of this Agreement, all of the Lenders) or for the nonperformance of the obligations of any other party under this Agreement, any Letter of Credit or any other document contemplated hereby or thereby. Without in any way limiting any of the foregoing, each Fronting Bank may rely upon the advice of counsel concerning legal matters and upon any written communication or any telephone conversation that it believes to be genuine or to have been signed, sent or made by the proper Person and shall not be required to make any inquiry concerning the performance by the Borrower, any Beneficiary or any other Person of any of their respective obligations and liabilities under or in respect of this Agreement, any Letter of Credit or any other documents contemplated hereby or thereby. No Fronting Bank shall have any obligation to make any claim, or assert any Lien, upon any property held by such Fronting Bank or assert any offset thereagainst in satisfaction of all or any part of the obligations of the Borrower hereunder; *provided* that such Fronting Bank shall, if so directed by the Majority Lenders or the Administrative Agent acting on behalf of and with the consent of the Majority Lenders, have an obligation to make a claim, or assert a Lien, upon property held by such Fronting Bank in connection with this Agreement, or assert an offset thereagainst.

(ii) Each Fronting Bank may accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of banking or trust business with the Borrower or any of its Affiliates, or any other Person, and receive payment on such loans or extensions of credit and otherwise act with respect thereto freely and without accountability in the same manner as if this Agreement and the transactions contemplated hereby were not in effect.

(iii) Each Fronting Bank makes no representation or warranty, and shall have no responsibility, with respect to: (i) the genuineness, legality, validity, binding effect or enforceability of this Agreement or any other documents contemplated hereby; (ii) the truthfulness, accuracy or performance of any of the representations, warranties or agreements contained in this Agreement or any other documents contemplated hereby; (iii) the collectibility of any amounts due under this Agreement; (iv) the financial condition of the Borrower or any other Person; or (v) any act or omission of any Beneficiary with respect to its use of any Letter of Credit or the proceeds of any Drawing under any Letter of Credit.

(o) ***Indemnification of Fronting Banks by Lenders.*** To the extent that any Fronting Bank is not reimbursed and indemnified by the Borrower under Section 10.04, each Lender agrees to reimburse and indemnify such Fronting Bank on demand, *pro rata* in accordance with such Lender's Percentage, for and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by or asserted against such Fronting Bank, in any way relating to or arising out of this Agreement, any Letter of Credit or any other document contemplated hereby or thereby, or any action taken or omitted by such Fronting Bank under or in connection with this Agreement, any Letter of Credit or any other document contemplated hereby or thereby; *provided, however,* that such Lender shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Fronting Bank's gross negligence or willful misconduct; and *provided further, however,* that such Lender shall not be liable to such Fronting Bank or any other Lender for the failure of the Borrower to reimburse such Fronting Bank for any drawing made under a Letter of Credit with respect to which such Lender has paid such Fronting Bank such Lender's *pro rata* share (determined in accordance with such Lender's Percentage), or for the Borrower's failure to pay interest thereon. Each Lender's obligations under this subsection (o) shall survive the payment in full of all amounts payable by such Lender under subsection (k) above, and the termination of this Agreement and the Letters of Credit. Nothing in this subsection (o) is intended to limit any Lender's reimbursement obligation contained in subsection (k) above.

(p) ***Representations of Lenders.*** As between each Fronting Bank and the Lenders, by its execution and delivery of this Agreement each Lender hereby represents and warrants solely to such Fronting Bank that (i) it is duly organized and validly existing in good standing under the laws of the jurisdiction of its formation, and has full corporate power, authority and legal right to execute, deliver and perform its obligations to such Fronting Bank under this Agreement; and (ii) this Agreement constitutes its legal, valid and binding obligation enforceable against it in accordance with the terms hereof, except as such enforceability may be limited by applicable bank organization, moratorium, conservatorship or other laws now or hereafter in effect affecting the enforcement of creditors rights in general and the rights of creditors of banks, and except as

such enforceability may be limited by general principles of equity (whether considered in a proceeding at law or in equity).

(q) ***Multiple Fronting Banks.*** If there shall be more than one Fronting Bank holding Outstanding Credits at any time hereunder, each such Fronting Bank shall, with respect to the Letters of Credit issued by it and the Reimbursement Obligations owing to it, be regarded hereunder as the "Fronting Bank" and shall have all the rights, interests, protections and obligations of the "Fronting Bank" hereunder with respect to such Letters of Credit and Reimbursement Obligations and all matters relating thereto. Whenever any action may be, or is required to be, taken by any Fronting Bank hereunder, such Fronting Bank may, or shall, take such action only in respect of the Letters of Credit issued by it and the Reimbursement Obligations owing to it. Whenever the consent of the Fronting Banks is required hereunder with respect to any proposed action, the consent of each Fronting Bank holding Outstanding Credits shall be required for such proposed action to be taken. Any notice to be provided to the Fronting Banks shall be provided to each Fronting Bank holding Outstanding Credits, and each such Fronting Bank shall have the right to request any information, and take any other action, as any Fronting Bank is permitted to do hereunder. If at any time no Letters of Credit and no Reimbursement Obligations are outstanding, then Barclays, Citibank, JPMorgan Chase and Union Bank, in their respective capacities as Fronting Bank, shall have the sole right and/or obligation to take any action or issue any consent that a Fronting Bank may, or is required to, take or issue hereunder. The protections accorded the Fronting Banks hereunder shall inure to the benefit of each Fronting Bank holding Outstanding Credits from time to time hereunder, regardless of whether the same are outstanding at the time as the benefits of such protections are asserted.

SECTION 2.03. Fees.

(a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a facility fee (the "***Facility Fee***") on the amount of such Lender's Commitment (whether used or unused) at the Applicable Facility Fee Rate, from the date of this Agreement, in the case of each Bank, and from the effective date specified in the Assignment and Assumption pursuant to which it became a Lender, in the case of each other Lender, until the Termination Date. The Facility Fee payable by the Borrower shall be calculated and accrued daily and shall be payable quarterly in arrears on the last day of each December, March, June and September, commencing the first such date following the date hereof, with final payment payable on the final Termination Date.

(b) The Borrower further agrees to pay the fees specified in the Fee Letters (including the "Fronting Fee" referred to therein) that are for its account to the parties entitled thereto, together with such other fees as may be separately agreed to by the Borrower and the other parties thereto or their respective Affiliates.

(c) The Borrower shall pay to the Administrative Agent, for the account of the Lenders, a fee in an amount equal to the then Applicable Margin for outstanding Eurodollar Rate Advances multiplied by the Stated Amount of each Letter of Credit, in each case for the number of days that such Letter of Credit is issued but undrawn, payable quarterly in arrears on the last

day of each December, March, June and September, commencing the first such date following the Closing Date, with final payment payable on the final Termination Date.

SECTION 2.04. Reduction and Increase of the Commitments.

(a) ***Reduction***. The Borrower may, at any time, by providing at least three Business Days' prior written notice to the Administrative Agent, terminate in whole or reduce in part the Total Commitment (applied on a *pro rata* basis in accordance with each Lender's Percentage); *provided*, that any such partial reduction shall be in a minimum aggregate amount of $5,000,000 or an integral multiple of $1,000,000 in excess thereof; *provided, further*, that the Total Commitment may not be reduced to an amount that is less than the aggregate Stated Amount of outstanding Letters of Credit. Each such notice of termination or reduction shall be irrevocable. Subject to the foregoing, any reduction of the Commitments to an amount that is lower than the L/C Commitment Amount shall result in a reduction of the L/C Commitment Amount to the extent of such deficit.

(b) ***Increase***. From time to time prior to the Termination Date, the Borrower may increase the Total Commitment by an aggregate amount of $100,000,000 (any such increase, a "***Commitment Increase***"), up to a maximum Total Commitment of $600,000,000, by designating either one or more of the existing Lenders (each of which, in its sole discretion, may determine whether and to what degree to offer to participate in such Commitment Increase) or one or more other banks or other financial institutions reasonably acceptable to the Administrative Agent that at the time agree, in the case of any such bank or financial institution that is an existing Lender to increase its Commitment (an "***Increasing Lender***") and, in the case of any other such bank or financial institution (an "***Additional Lender***"), to become a party to this Agreement. The sum of the increases in the Commitments of the Increasing Lenders pursuant to this subsection (b) plus the Commitments of the Additional Lenders upon giving effect to the Commitment Increase shall not in the aggregate exceed the amount of the Commitment Increase. The Borrower shall provide prompt notice of any proposed Commitment Increase pursuant to this subsection (b) to the Administrative Agent, which shall promptly provide a copy of such notice to the Lenders.

(i) Any Commitment Increase shall become effective upon (A) the receipt by the Administrative Agent of (1) an agreement in form and substance satisfactory to the Administrative Agent (x) signed by the Borrower, each Increasing Lender, each Additional Lender and, if any portion of the Commitment Increase is to be allocated to increase the L/C Commitment Amount, each applicable Fronting Bank, (y) setting forth the new Commitment of each such Lender and setting forth the agreement of each Additional Lender to become a party to this Agreement and to be bound by all the terms and provisions hereof binding upon each Lender, and (z) if any portion of the Commitment Increase is to be allocated to increase the L/C Commitment Amount, setting forth the new L/C Commitment Amount, (2) certified copies of the Commitment Increase Approvals and such opinions of counsel for the Borrower with respect to the Commitment Increase as the Administrative Agent may reasonably request, and (3) a certificate (the statements contained in which shall be true) of a duly authorized officer of the Borrower stating that both before and after giving effect to such Commitment Increase (x) no Unmatured Default or Event of Default has occurred and is continuing, (y) all representations and warranties made by the Borrower in this Agreement are true and correct in all material respects, and (z) all Commitment Increase Approvals have been obtained and are in full force

and effect, and (B) the funding by each Increasing Lender and Additional Lender of the Advance (s) to be made by each such Lender described in paragraph (iii) below.

(ii) Upon the effective date of any Commitment Increase, each Increasing Lender and each Additional Lender shall provide funds to the Administrative Agent in the manner described in Section 3.03 in an amount equal to the product of (x) the aggregate principal amount of Advances outstanding hereunder, expressed as a percentage of the Total Commitment (calculated, in each case, immediately prior to such Commitment Increase) and (y) the amount of such Lender's Commitment Increase. The funds so provided by any Lender shall be deemed to be an Advance or Advances made by such Lender on the date of such Commitment Increase, with such Advance(s) being (A) in an amount equal to the product of (x) the aggregate outstanding principal amount of each Advance expressed as a percentage of the Total Commitment (calculated, in each case, immediately prior to such Commitment Increase) and (y) the amount of such Lender's Commitment Increase and (B) of the same Type(s) and having the same Interest Period(s) as each Advance described in the preceding clause (A), such that after giving effect to such Commitment Increase and the Advances(s) made on the date of such Commitment Increase, each Advance outstanding hereunder shall consist of Advances made by the Lenders ratably in accordance with their pro rata shares of the Total Commitment.

(iii) Notwithstanding any provision contained herein to the contrary, from and after the date of any Commitment Increase and the making of any Advances on such date pursuant to paragraph (iii) above, all calculations and payments of interest on the Advance comprising any Advances shall take into account the actual Commitment of each Lender and the principal amount outstanding of each Advance made by such Lender during the relevant period of time.

SECTION 2.05. Extension of the Stated Termination Date.

(a) Unless the Termination Date previously shall have occurred in accordance with the terms of this Agreement, at least 30 days but not more than 45 days before any Extension Date, the Borrower may, by notice to the Administrative Agent (any such notice being irrevocable), request that the Administrative Agent, the Fronting Banks and the Lenders extend the Stated Termination Date for a period of one year. If the Borrower shall make such request, the Administrative Agent shall promptly inform the Fronting Banks and the Lenders thereof. Each Fronting Bank and each Lender shall notify the Administrative Agent, in writing, of its agreement so to extend the Stated Termination Date at least 20 days prior to such Extension Date, and, no later than 15 days prior to such Extension Date, the Administrative Agent shall notify the Borrower in writing if the Fronting Banks and Lenders holding sufficient Commitments (determined per the last sentence of this subsection (a)) consent to such request. The granting of any such consent shall be in the sole and absolute discretion of each Fronting Bank and each Lender (each Lender that consents being an "***Extending Lender***" and each Lender that does not consent, or that does not notify the Administrative Agent of its consent to any request for extension, being a "***Declining Lender***"), and if the Administrative Agent shall not so notify the Borrower, such lack of notification shall be deemed to be a determination not to consent to such request. Any extension pursuant to this Section shall be effective only if (i) the sum of the Commitments, immediately following the effectiveness of any proposed extension, of (A) Extending Lenders and (B) third party financial institutions that become Lenders by accepting Commitments from Declining Lenders would exceed 50% of the Total Commitment in

effect immediately prior to the effectiveness of any proposed extension, (ii) no Unmatured Default or Event of Default has occurred and is continuing and (iii) all representations and warranties contained in Section 6.01 are true and correct on the Stated Termination Date as in effect immediately prior to the effectiveness of such proposed extension.

(b) The Commitment of each Declining Lender automatically will terminate on the Stated Termination Date as in effect immediately prior to the effectiveness of such extension. If there shall be any Declining Lenders, (i) Extending Lenders will have the right to increase their Commitments in an aggregate amount not to exceed the Commitments of such Declining Lenders and, (ii) if the aggregate amount of such increase in Commitments is less than the aggregate Commitments of such Declining Lenders, the Borrower will have the right to accept commitments from third party financial institutions acceptable to the Administrative Agent in an amount not greater than the amount of such shortfall. Any such increase in Commitments or accession of third party financial institutions shall be made via an Assignment and Assumption and shall be effective on the Stated Termination Date as in effect immediately prior to the effectiveness of such extension.

(c) The Borrower may extend the Stated Termination Date pursuant to this Section only twice.

SECTION 2.06. Cash Collateralization of LC Outstandings.

(a) If on any day the Borrower elects or is required to cash collateralize all or any portion of the LC Outstandings (including, without limitation, pursuant to the last sentence of Section 2.02(a), Section 4.02(c), Section 8.02 or Section 10.15), the Borrower shall deposit cash in immediately available funds in the Cash Collateral Account in an amount equal to the LC Outstandings to be so cash collateralized. The Borrower hereby collaterally assigns, and grants to the Administrative Agent, for the benefit of the Fronting Banks and the Lenders, a security interest in all funds held in the Cash Collateral Account from time to time and proceeds thereof, as security for the payment of all amounts due and to become due from the Borrower to the Fronting Banks and the Lenders under this Agreement with respect to the LC Outstandings so collateralized and the principal amount of Advances that were used to satisfy any related Reimbursement Obligation pursuant to Section 2.02(g)(ii). The Cash Collateral Account shall be in the name of the Borrower for the benefit of the Administrative Agent as a cash collateral account, but the Administrative Agent shall have sole dominion and control over, and sole access to, the Cash Collateral Account, all deposits and all investment property held therein. Neither the Borrower nor any Person claiming on behalf of or through the Borrower shall have any right to withdraw any of the funds or investments held in the Cash Collateral Account. The Borrower agrees that it will not (i) sell or otherwise dispose of any interest in the Cash Collateral Account or any funds held therein other than as permitted under subsection (b) below, or (ii) create or permit to exist any Lien upon or with respect to the Cash Collateral Account or any funds held therein. The Administrative Agent shall exercise reasonable care in the custody and preservation of any funds held in the Cash Collateral Account and shall be deemed to have exercised such care if such funds are accorded treatment substantially equivalent to that which the Administrative Agent accords other funds deposited with the Administrative Agent in like accounts, it being understood that the Administrative Agent shall not have any responsibility for

taking any necessary steps to preserve rights against any parties with respect to any funds held in the Cash Collateral Account.

(b) At the direction of the Borrower, if and for so long as no Unmatured Default or Event of Default shall have occurred and be continuing, the Administrative Agent shall invest funds on deposit in the Cash Collateral Account in certificates of deposit, other bank deposits of the Administrative Agent, or other high-quality short-term debt instruments, in each case at such rates and for such periods as the Borrower and the Administrative Agent shall agree. The Borrower shall bear all risks and costs associated with such investments and the liquidation thereof and shall make additional deposits in the Cash Collateral Account to the extent necessary to ensure that the amounts on deposit therein at all times equal or exceed the amounts required to be deposited therein pursuant to this Agreement. Upon the payment in full of all amounts due hereunder in respect of the LC Outstandings and related Advances collateralized pursuant to this Section 2.06 and the expiration or termination of such collateralized Letters of Credit, and if no Unmatured Default or Event of Default shall have occurred and be continuing, the Administrative Agent shall pay to the Borrower the proceeds of any investments remaining in the Cash Collateral Account.

(c) If at any time the Administrative Agent determines that any funds held in the Cash Collateral Account are subject to any right or claim of any Person other than the Administrative Agent, the Lenders and each Fronting Bank or that the total amount of such funds is less than the LC Outstandings required to be cash collateralized on such date, the Borrower will, forthwith upon demand by the Administrative Agent, pay to the Administrative Agent, as additional funds to be deposited and held in the Cash Collateral Account, an amount equal to the excess of (i) the LC Outstandings and related Advances required to be cash collateralized on such date over (ii) the total amount of funds, if any, then held in the Cash Collateral Account that the Administrative Agent determines to be free and clear of any such right and claim. Upon the drawing of any Letter of Credit for which funds are on deposit in the Cash Collateral Account, such funds shall be applied to reimburse the relevant Fronting Bank or Lender holding a participation in the Reimbursement Obligation to such Fronting Bank to the extent permitted by applicable law and in accordance with the terms of this Agreement.

(d) The Borrower will at its own expense promptly execute and deliver, or otherwise authenticate, all further instruments and documents, and take all further action that may be necessary, or that the Administrative Agent may reasonably request, in order to perfect and protect any pledge or security interest granted or purported to be granted by the Borrower hereunder with respect to the Cash Collateral Account or to enable the Administrative Agent to exercise and enforce its rights and remedies hereunder with respect to the Cash Collateral Account.

(e) Funds maintained in the Cash Collateral Account shall be applied as follows:

(i) amounts maintained in the Cash Collateral Account provided pursuant to Section 10.15 to secure the Borrower's obligations corresponding to any Defaulting Lender's Percentage of the LC Outstandings shall be applied immediately to repay the Reimbursement Obligations in respect of such LC Outstandings;

(ii) amounts maintained in the Cash Collateral Account provided pursuant to Section 2.02(a) with respect to any Letter of Credit with a Expiration Date beyond the Stated Termination Date of any Lender shall be applied immediately to repay Reimbursement Obligations in an amount equal to such Lender's Percentage (determined as of such Lender's Stated Termination Date) of such Reimbursement Obligations in respect of such Letter of Credit; and

(iii) following the application of funds described in clauses (i) and (ii), any other funds maintained in the Cash Collateral Account shall be applied to satisfy all other payment obligations of the Borrower hereunder.

ARTICLE III
ADVANCES

SECTION 3.01. Advances.

More than one Borrowing may be made on the same Business Day. Each Borrowing shall consist of Advances of the same Type and Interest Period made to the Borrower on the same Business Day by the Lenders ratably according to their respective Commitments. Each Borrowing shall be made on notice in substantially the form of Exhibit 3.01 hereto (a "***Notice of Borrowing***"), delivered by the Borrower to the Administrative Agent, by hand or facsimile, not later than 11:00 a.m. (New York City time) (i) in the case of Eurodollar Rate Advances, on the third Business Day prior to the date of the proposed Borrowing and (ii) in the case of Base Rate Advances, on the day of the proposed Borrowing. Upon receipt of a Notice of Borrowing, the Administrative Agent shall notify the Lenders thereof promptly on the day so received. Each Notice of Borrowing shall specify therein (x) the requested (A) date of such Borrowing, (B) principal amount and Type of Advances comprising such Borrowing and (C) initial Interest Period for such Advances, (y) the aggregate amount of Outstanding Credits on such date after giving effect to such proposed Borrowing and (z) if the Borrower so chooses, a term, expressed as a number of days (which shall in no event end later than the Termination Date), beyond which such Borrowing may not be outstanding. Each proposed Borrowing shall be subject to the satisfaction of the conditions precedent thereto as set forth in Article V.

SECTION 3.02. Terms Relating to the Making of Advances.

(a) Notwithstanding anything in Section 3.01 above to the contrary:

(i) at no time shall more than twelve different Borrowings be outstanding hereunder;

(ii) each Borrowing hereunder that is to be comprised of Base Rate Advances shall be in an aggregate principal amount of not less than $5,000,000 or an integral multiple of $1,000,000 in excess thereof, or such lesser amount as shall be equal to the total amount of the Available Commitments on such date, after giving effect to all other Borrowings to be made to, or repaid or prepaid by, the Borrower on such date; and

(iii) each Borrowing hereunder that is to be comprised of Eurodollar Rate Advances shall be in an aggregate principal amount of not less than $5,000,000 or an increment of $1,000,000 in excess thereof.

(b) Each Notice of Borrowing shall be irrevocable and binding on the Borrower.

SECTION 3.03. Making of Advances.

(a) Each Lender shall, before 1:00 p.m. (New York City time) on the date of such Borrowing, make available for the account of its Applicable Lending Office to the Administrative Agent at the Administrative Agent's address referred to in Section 10.02, in same day funds, such Lender's portion of such Borrowing. Advances shall be made by the Lenders ratably in accordance with their several Commitments. After the Administrative Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article V, the Administrative Agent will make such funds available to the Borrower at the Administrative Agent's aforesaid address.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the time of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's ratable portion of such Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with subsection (a) above, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount on such date. If and to the extent that any such Lender (a "***non-performing Lender***") shall not have so made such ratable portion available to the Administrative Agent, the non-performing Lender and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Borrower, the interest rate applicable at the time to Advances comprising such Borrowing and (ii) in the case of such Lender, the Federal Funds Rate. Nothing herein shall in any way limit, waive or otherwise reduce any claims that any party hereto may have against any non-performing Lender.

(c) The failure of any Lender to make the Advance to be made by it as part of any Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Advance on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Advance to be made by such other Lender on the date of any Borrowing.

SECTION 3.04. Repayment of Advances; Delivery of Notes.

(a) The Borrower shall repay the principal amount of each Advance made to it hereunder no later than on the earlier of (i) the last day of the term (if any) specified pursuant to clause (iii) of Section 3.01 in the Notice of Borrowing related to such Advance and (ii) the Termination Date (including the Stated Termination Date with respect to each Lender).

(b) Any Lender may request that the Extensions of Credit to be made by it be evidenced by a Note. Promptly upon receipt of such request, the Borrower shall prepare, execute and deliver to such Lender (or, if requested by such Lender, to such Lender and its assignees) a Note. Thereafter, the Extensions of Credit evidenced by such Note and interest thereon shall at

all times (including after assignment pursuant to Section 10.07) be represented by one or more Notes payable to the order of the payee named therein.

SECTION 3.05. Interest.

(a) ***Interest Periods.***

(i) The period commencing on the date of each Advance and ending on the last day of the period selected by the Borrower with respect to such Advance pursuant to the provisions of this Section is referred to herein as an "***Interest Period***". The duration of each Interest Period shall be (i) in the case of any Eurodollar Rate Advance, one, two, three or six months and (ii) in the case of any Base Rate Advance, the period of time beginning on the date of the making of, or the conversion of an outstanding Advance into, such Advance and ending on the last day of March, June, September or December next following the date on which such Advance was made; *provided, however*, that no Interest Period may be selected by the Borrower if such Interest Period would end after the Termination Date.

(ii) Subject to the terms and conditions of this Agreement, the initial Interest Period for any Advance made to the Borrower shall be determined by the Borrower as set forth in its Notice of Borrowing with respect to such Advance. The Borrower may elect to continue or convert one or more Advances of any Type and having the same Interest Period to one or more Advances of the same or any other Type and having the same or a different Interest Period on the following terms and subject to the following conditions:

(A) Each continuation or conversion shall be made as to all Advances comprising a single Borrowing upon written notice given by the Borrower to the Administrative Agent not later than 11:00 a.m. (New York City time) on the third Business Day prior to the date of the proposed continuation of or conversion, in the case of a continuation or conversion to a Eurodollar Rate Advance, or on the day of the proposed continuation of or conversion to a Base Rate Advance. The Administrative Agent shall notify each Lender of the contents of such notice promptly after receipt thereof. Each such notice shall specify therein the following information: (1) the date of such proposed continuation or conversion (which in the case of Eurodollar Rate Advances shall be the last day of the Interest Period then applicable to such Advances to be continued or converted), (2) the Type of, and Interest Period applicable to, the Advances proposed to be continued or converted, (3) the aggregate principal amount of Advances proposed to be continued or converted, and (4) the Type of Advances to which such Advances are proposed to be continued or converted and the Interest Period to be applicable thereto.

(B) If an Unmatured Default shall have occurred and be continuing, the right of the Borrower to continue or convert Advances to Eurodollar Rate Advances shall be suspended, and all Eurodollar Rate Advances then outstanding shall be converted to Base Rate Advances on the last day of the Interest Period then in effect, if, on such day, an Unmatured Default shall be continuing.

(C) If an Event of Default shall have occurred and be continuing, the right of the Borrower to continue or convert Advances to Eurodollar Rate Advances shall be suspended, and upon the occurrence of an Event of Default, all Eurodollar Rate Advances then outstanding shall immediately, without further act by the Borrower, be converted to Base Rate Advances.

(D) If no notice of continuation or conversion is received by the Administrative Agent as provided in paragraph (A) above with respect to any outstanding Advances on or before the third Business Day prior to the last day of the Interest Period then in effect for such Advances, the Administrative Agent shall treat such absence of notice as a deemed notice of continuation or conversion providing for such Advances to be continued as or converted to Base Rate Advances with an Interest Period of three months commencing on the last day of such Interest Period.

(b) ***Interest Rates***. The Borrower shall pay interest on the unpaid principal amount of each Advance owing by the Borrower from the date of such Advance until such principal amount shall be paid in full, at the Applicable Rate for such Advance (except as otherwise provided in this subsection (b)), payable as follows:

(i) ***Eurodollar Rate Advances***. If such Advance is a Eurodollar Rate Advance, interest thereon shall be payable (A) on the last day of the Interest Period applicable thereto, (B) in the case of a Eurodollar Rate Advance with an Interest Period of more than three months' duration, on each day that is a three-month anniversary of the date of such Advance, (C) on the date on which such Advance is repaid in full and (D) on the Termination Date; *provided* if an Event of Default shall have occurred and be continuing, such Advance shall bear interest at a rate *per annum* equal at all times to 2.0% *per annum* above the Applicable Rate for such Advance for such Interest Period, or, if higher, 2.0% *per annum* above the Applicable Rate in effect from time to time for Base Rate Advances.

(ii) ***Base Rate Advances***. If such Advance is a Base Rate Advance, interest thereon shall be payable (A) quarterly on the last day of each March, June, September and December, (B) on the date such Base Rate Advance shall be paid in full and (C) on the Termination Date; *provided* if an Event of Default shall occur and be continuing, such Advance shall bear interest at a rate *per annum* equal at all times to 2.0% *per annum* above the Applicable Rate for such Advance for such Interest Period.

(c) ***Other Amounts***. Except as otherwise provided in Section 2.02(f)(ii), any other amounts payable hereunder that are not paid when due shall (to the fullest extent permitted by law) bear interest, from the date when due until paid in full, at a rate *per annum* equal at all times to 2% *per annum* above the Applicable Rate in effect from time to time for Base Rate Advances, payable on demand.

(d) ***Interest Rate Determinations***. The Administrative Agent shall give prompt notice to the Borrower and the Lenders of the Applicable Rate determined from time to time by the Administrative Agent for each Advance. Each Reference Bank agrees to furnish to the Administrative Agent timely information for the purpose of determining the Eurodollar Rate for any Interest Period, if applicable. If any one Reference Bank shall not furnish such timely

information, the Administrative Agent shall determine such interest rate on the basis of the timely information furnished by the other Reference Banks.

ARTICLE IV
PAYMENTS

SECTION 4.01. Payments and Computations.

(a) The Borrower shall make each payment hereunder not later than 12:00 noon (New York City time) on the day when due in U.S. Dollars to the Administrative Agent or, with respect to payments made in respect of Reimbursement Obligations, the applicable Fronting Bank, at its address referred to in Section 10.02, in same day funds. The Administrative Agent or such Fronting Bank, as the case may be, will promptly thereafter cause to be distributed like funds relating to the payment of principal, interest, fees or other amounts payable to the Lenders, to the respective Lenders to whom the same are payable, for the account of their respective Applicable Lending Offices, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Assumption and recording of the information contained therein in the Register pursuant to Section 10.07, from and after the effective date specified in such Assignment and Assumption, the Administrative Agent or such Fronting Bank, as the case may be, shall make all payments hereunder in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Assumption shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) The Borrower hereby authorizes the Administrative Agent, each Fronting Bank and each Lender, if and to the extent payment owed to the Administrative Agent, such Fronting Bank or such Lender, as the case may be, is not made when due hereunder, to charge from time to time against any or all of the Borrower's accounts with the Administrative Agent, such Fronting Bank or such Lender, as the case may be, any amount so due.

(c) All computations of interest based on the Base Rate (except when determined on the basis of the Federal Funds Rate or the One-Month LIBOR Rate) shall be made on the basis of a year of 365 or 366 days, as the case may be. All computations of interest and other amounts payable pursuant to Section 4.03 shall be made by the Lender claiming such interest or other amount on the basis of a year of 360 days. All other computations of interest, including computations of interest based on the Eurodollar Rate, the Base Rate (when and if determined on the basis of the Federal Funds Rate or the One-Month LIBOR Rate), and all computations of fees and other amounts payable hereunder, shall be made on the basis of a year of 360 days. In each such case, such computation shall be made for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest, fees or other amounts are payable. Each such determination by the Administrative Agent, any Fronting Bank or a Lender shall be conclusive and binding for all purposes, absent manifest error.

(d) Whenever any payment under any Loan Document shall be stated to be due, or the last day of an Interest Period hereunder shall be stated to occur, on a day other than a Business Day, such payment shall be made, and the last day of such Interest Period shall occur, on the next succeeding Business Day, and such extension of time shall in such case be included

in the computation of payment of interest and fees hereunder; *provided, however*, that if such extension would cause payment of interest on, or principal of, Eurodollar Rate Advances to be made, or the last day of an Interest Period for a Eurodollar Rate Advance to occur, in the next following calendar month, such payment shall be made on the next preceding Business Day and such reduction of time shall in such case be included in the computation of payment of interest hereunder.

(e) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower shall not have so made such payment in full to the Administrative Agent, such Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender, together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Federal Funds Rate.

SECTION 4.02. Prepayments.

(a) The Borrower shall not have any right to prepay any Advances except in accordance with subsections (b) and (c) below.

(b) The Borrower may, (i) in the case of Eurodollar Rate Advances, upon at least three Business Day's written notice to the Administrative Agent (such notice being irrevocable) and (ii) in the case of Base Rate Advances, upon notice not later than 11:00 a.m. on the date of the proposed prepayment to the Administrative Agent (such notice being irrevocable), stating the proposed date and aggregate principal amount of the prepayment, and if such notice is given, the Borrower shall, prepay Advances comprising part of the same Borrowing, in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid and any amounts owing in connection therewith pursuant to Section 4.03(d); *provided, however*, that each partial prepayment shall be in an aggregate principal amount not less than $5,000,000 or an integral multiple of $1,000,000 in excess thereof.

(c) If at any time the aggregate principal amount of Outstanding Credits shall exceed the Total Commitment, the Borrower shall forthwith prepay so much of the outstanding Advances, and/or pay to the Administrative Agent an amount in immediately available funds (which funds shall be held as collateral in the Cash Collateral Account) equal to so much of the amount available for drawing under the Letters of Credit outstanding at such time as shall result in the amount of Outstanding Credits *minus* the amount Stated Amount of the Letters of Credit so collateralized by funds being held in the Cash Collateral Account being less than or equal to the Total Commitment at such time. All prepayments pursuant to this subsection (c) shall be effected from outstanding Advances comprising part of the same Borrowing or Borrowings and shall be accompanied by payment of accrued interest to the date of such prepayment on the principal amount prepaid and any amounts owing in connection therewith pursuant to Section 4.03(d).

SECTION 4.03. Yield Protection.

(a) ***Change in Circumstances***. Notwithstanding any other provision herein, if after the date hereof, the adoption of or any change in applicable law or regulation or in the interpretation or administration thereof (including, without limitation, pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010) by any governmental authority charged with the interpretation or administration thereof (whether or not having the force of law) shall (i) change the basis of taxation of payments to any Fronting Bank or any Lender of the principal of or interest on any Eurodollar Rate Advance made by such Lender or any fees or other amounts payable hereunder (other than changes in respect of taxes imposed on the overall net income of such Fronting Bank or such Lender, or its Applicable Lending Office, by the jurisdiction in which such Fronting Bank or such Lender has its principal office or in which such Applicable Lending Office is located or by any political subdivision or taxing authority therein), or (ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement against letters of credit (or participatory interests therein) issued by, commitments or assets of, deposits with or for the account of, or credit extended by, such Fronting Bank or such Lender, or (iii) shall impose on such Fronting Bank or such Lender any other condition affecting this Agreement, the Letters of Credit or participatory interests therein or Eurodollar Rate Advances, and the result of any of the foregoing shall be (A) to increase the cost to such Fronting Bank or such Lender of issuing, maintaining or participating in this Agreement or the Letter of Credit or of agreeing to make, making or maintaining any Advance or (B) to reduce the amount of any sum received or receivable by such Fronting Bank or such Lender hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Fronting Bank or such Lender, upon demand, such additional amount or amounts as will compensate such Fronting Bank or such Lender for such additional costs incurred or reduction suffered.

(b) ***Capital***. If any Fronting Bank or any Lender shall have determined that any change after the date hereof in any law, rule, regulation or guideline adopted pursuant to or arising out of the July 1988 report of the Basle Committee on Banking Regulations and Supervisory Practices entitled "*International Convergence of Capital Measurement and Capital Standards*", or the adoption after the date hereof of any law, rule, regulation or guideline regarding capital adequacy (including, without limitation, pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010), or any change in any of the foregoing or in the interpretation or administration of any of the foregoing by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Fronting Bank or any Lender (or any Applicable Lending Office of such Lender), or any holding company of any such entity, with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect (i) of reducing the rate of return on such entity's capital or on the capital of such entity's holding company, if any, as a consequence of this Agreement, the Letters of Credit or such entity's participatory interest therein, any Commitment or LC Commitment hereunder or the portion of the Advances made by such entity pursuant hereto to a level below that which such entity or such entity's holding company could have achieved, but for such applicability, adoption, change or compliance (taking into consideration such entity's policies and the policies of such entity's holding company with respect to capital adequacy), or (ii) of increasing or otherwise determining the amount of capital required or expected to be maintained by such entity or such entity's holding company based upon the

existence of this Agreement, the Letters of Credit or such entity's participatory interest therein, any Commitment or LC Commitment hereunder, the portion of the Advances made by such entity pursuant hereto and other similar such credits, participations, commitments, agreements or assets, then from time to time the Borrower shall pay to such Fronting Bank or such Lender, upon demand, such additional amount or amounts as will compensate such entity or such entity's holding company for any such reduction or allocable capital cost suffered.

(c) ***Eurodollar Reserves***. The Borrower shall pay to each Lender upon demand, so long as such Lender shall be required under regulations of the Board of Governors of the Federal Reserve System to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional interest on the unpaid principal amount of each Eurodollar Rate Advance of such Lender to the Borrower, from the date of such Advance until such principal amount is paid in full, at an interest rate *per annum* equal at all times to the remainder obtained by subtracting (i) the Eurodollar Rate for the Interest Period for such Advance from (ii) the rate obtained by dividing such Eurodollar Rate by a percentage equal to 100% *minus* the Eurodollar Reserve Percentage of such Lender for such Interest Period. Such additional interest shall be determined by such Lender and notified to the Borrower and the Administrative Agent.

(d) ***Breakage Indemnity***. The Borrower shall indemnify each Lender against any loss, cost or reasonable expense that such Lender may sustain or incur as a consequence of (i) any failure by the Borrower to fulfill on the date of any Borrowing or conversion of Advances hereunder the applicable conditions precedent set forth in Articles III and V, (ii) any failure by the Borrower to borrow any, or convert any outstanding Advance into a, Eurodollar Rate Advance hereunder after a Notice of Borrowing has been delivered pursuant to Section 3.01 or after delivery of a notice of conversion pursuant to Section 3.05(a)(ii), (iii) any payment, prepayment or conversion of a Eurodollar Rate Advance required or permitted by any other provision of this Agreement or otherwise made or deemed made on a date other than the last day of the Interest Period applicable thereto, (iv) any default by the Borrower in payment or prepayment of the principal amount of any Eurodollar Rate Advance or any part thereof or interest accrued thereon, as and when due and payable (at the due date thereof, by irrevocable notice of prepayment or otherwise) or (v) the occurrence of any Event of Default, including, in each such case, any loss or reasonable expense sustained or incurred or to be sustained or incurred in liquidating or employing deposits from third parties acquired to effect or maintain such Advance or any part thereof as a Eurodollar Rate Advance. Such loss, cost or reasonable expense shall include an amount equal to the excess, if any, as reasonably determined by such Lender, of (A) its cost of obtaining the funds for the Eurodollar Rate Advance being paid, prepaid, converted or not borrowed for the period from the date of such payment, prepayment, conversion or failure to borrow to the last day of the Interest Period for such Advance (or, in the case of a failure to borrow, the Interest Period for such Advance that would have commenced on the date of such failure) over (B) the amount of interest (as reasonably determined by such Lender) that would be realized by such Lender in reemploying the funds so paid, prepaid, converted or not borrowed for such period or Interest Period, as the case may be. For purposes of this subsection (d), it shall be presumed that in the case of any Eurodollar Rate Advance, each Lender shall have funded each such Advance with a fixed-rate instrument bearing the rates and maturities designated in the determination of the Applicable Rate for such Advance.

(e) ***Notices***. A certificate of any Fronting Bank or any Lender setting forth such entity's claim for compensation hereunder and the amount necessary to compensate such entity or its holding company pursuant to subsections (a) through (d) above shall be submitted to the Borrower and the Administrative Agent and shall be conclusive and binding for all purposes, absent manifest error. The Borrower shall pay such Fronting Bank or such Lender directly the amount shown as due on any such certificate within 10 days after its receipt of the same. The failure of any entity to provide such notice or to make demand for payment under this Section shall not constitute a waiver of such entity's rights hereunder; *provided* that such entity shall not be entitled to demand payment pursuant to subsections (a) through (d) above in respect of any loss, cost, expense, reduction or reserve, if such demand is made more than one year following the later of such entity's incurrence or sufferance thereof or such entity's actual knowledge of the event giving rise to such entity's rights pursuant to such subsections. Each Fronting Bank and each Lender shall use reasonable efforts to ensure the accuracy and validity of any claim made by it hereunder, but the foregoing shall not obligate any such entity to assert any possible invalidity or inapplicability of the law, rule, regulation, guideline or other change or condition that shall have occurred or been imposed.

(f) ***Change in Legality***. Notwithstanding any other provision herein, if the adoption of or any change in any law or regulation or in the interpretation or administration thereof by any governmental authority charged with the administration or interpretation thereof shall make it unlawful for any Lender to make or maintain any Eurodollar Rate Advance or to give effect to its obligations as contemplated hereby with respect to any Eurodollar Rate Advance, then, by written notice to the Borrower and the Administrative Agent, such Lender may:

(i) declare that Eurodollar Rate Advances will not thereafter be made by such Lender hereunder, whereupon the right of the Borrower to select Eurodollar Rate Advances for any Borrowing or conversion shall be forthwith suspended until such Lender shall withdraw such notice as provided herein below or shall cease to be a Lender hereunder pursuant to Section 10.07(g); and

(ii) require that all outstanding Eurodollar Rate Advances be converted to Base Rate Advances, in which event all Eurodollar Rate Advances shall be automatically converted to Base Rate Advances as of the effective date of such notice as provided herein below.

Upon receipt of any such notice, the Administrative Agent shall promptly notify the other Lenders. Promptly upon becoming aware that the circumstances that caused such Lender to deliver such notice no longer exist, such Lender shall deliver notice thereof to the Borrower and the Administrative Agent withdrawing such prior notice (but the failure to do so shall impose no liability upon such Lender). Promptly upon receipt of such withdrawing notice from such Lender (or upon such Lender assigning all of its Commitment, Advances, participation and other rights and obligations under the Loan Documents in accordance with Section 10.07(g)), the Administrative Agent shall deliver notice thereof to the Borrower and the Lenders and such suspension shall terminate. Prior to any Lender giving notice to the Borrower under this subsection (f), such Lender shall use reasonable efforts to change the jurisdiction of its Applicable Lending Office, if such change would avoid such unlawfulness and would not, in the sole determination of such Lender,be otherwise disadvantageous to such Lender. Any notice to the Borrower by any Lender shall be effective as to each Eurodollar Rate Advance on the last day

of the Interest Period currently applicable to such Eurodollar Rate Advance; *provided* that if such notice shall state that the maintenance of such Advance until such last day would be unlawful, such notice shall be effective on the date of receipt by the Borrower and the Administrative Agent.

(g) ***Market Rate Disruptions***. If (i) at any time the Eurodollar Rate is to be determined pursuant to the second sentence of the definition thereof fewer than two Reference Banks furnish timely information to the Administrative Agent for determining the Eurodollar Rate for Eurodollar Rate Advances in connection with any proposed Borrowing or (ii) the Majority Lenders shall notify the Administrative Agent that the Eurodollar Rate will not adequately reflect the cost to such Majority Lenders of making, funding or maintaining their respective Eurodollar Rate Advances, the right of the Borrower to select or receive Eurodollar Rate Advances for any Borrowing shall be forthwith suspended until the Administrative Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist, and until such notification from the Administrative Agent, each requested Borrowing of Eurodollar Rate Advances hereunder shall be deemed to be a request for Base Rate Advances.

(h) ***Rights of Participants***. Any participant in a Lender's interests hereunder may assert any claim for yield protection under Section 4.03 that it could have asserted if it were a Lender hereunder. If such a claim is asserted by any such participant, it shall be entitled to receive such compensation from the Borrower as a Lender would receive in like circumstances; *provided, however*, that with respect to any such claim, the Borrower shall have no greater liability to the Lender and its participant, in the aggregate, than it would have had to the Lender alone had no such participation interest been created.

SECTION 4.04. Sharing of Payments, Etc.

(a)

(a) If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of banker's lien, set-off or counterclaim, or otherwise, but excluding any proceeds received by assignments or sales of participation in accordance with Section 10.07 to a Person that is not an Affiliate of the Borrower) on account of the Advances and LC Outstandings owing to it (other than pursuant to Section 4.03) in excess of its ratable share of payments on account of the Advances and LC Outstandings obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participation in the Advances owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation. Notwithstanding the foregoing, if any Lender

shall obtain any such excess payment involuntarily, such Lender may, in lieu of purchasing participation from the other Lenders in accordance with this Section, on the date of receipt of such excess payment, return such excess payment to the Administrative Agent for distribution in accordance with Section 4.01(a).

(b) If and for so long as any Lender shall fail to make any payment required to be made by it pursuant to Section 2.02(k), Section 3.03(a) or Section 9.05 then the Administrative Agent may, in its discretion and notwithstanding any contrary provision hereof, (i) apply any amounts thereafter received by the Administrative Agent for the account of such Lender for the benefit of the Administrative Agent and the Fronting Banks to satisfy such Lender's obligations to it or them under such Section until all such unsatisfied obligations are fully paid, and/or (ii) hold any such amounts in a segregated account as cash collateral for, and application to, any future funding obligations of such Lender under any such Section in any order as determined by the Administrative Agent in its discretion.

SECTION 4.05. Taxes.

(a) All payments by or on behalf of the Borrower under any Loan Document shall be made in accordance with Section 4.01, free and clear of and without deduction for all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, *excluding*, in the case of each Lender, each Fronting Bank and the Administrative Agent, taxes imposed on its overall net income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Lender, such Fronting Bank or the Administrative Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Lender, taxes imposed on its overall net income, and franchise taxes imposed on it, by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "***Taxes***"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable under any Loan Document to any Lender, any Fronting Bank or the Administrative Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) such Lender, such Fronting Bank or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made by the Borrower under any Loan Document or from the execution, delivery or registration of, or otherwise with respect to, any Loan Document (hereinafter referred to as "***Other Taxes***").

(c) The Borrower hereby indemnifies each Lender, each Fronting Bank and the Administrative Agent for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes and any Other Taxes imposed by any jurisdiction on amounts payable under this Section) paid by such Lender, such Fronting Bank or the Administrative Agent (as the

case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. A claim for such indemnification shall be set forth in a certificate of such Lender, such Fronting Bank or the Administrative Agent (as the case may be) setting forth in reasonable detail the amount necessary to indemnify such Person pursuant to this subsection (c) and shall be submitted to such Borrower and the Administrative Agent and shall be conclusive and binding for all purposes, absent manifest error. The Borrower shall pay such Lender, such Fronting Bank or the Administrative Agent (as the case may be) directly the amount shown as due on any such certificate within 30 days after the receipt of same. If any Taxes or Other Taxes for which a Lender, such Fronting Bank or the Administrative Agent has received payments from the Borrower hereunder shall be finally determined to have been incorrectly or illegally asserted and are refunded to such Lender, such Fronting Bank or the Administrative Agent, such Lender, such Fronting Bank or the Administrative Agent, as the case may be, shall promptly forward to the Borrower any such refunded amount. The Borrower's, the Administrative Agent's, each Fronting Bank's and each Lender's obligations under this Section shall survive the payment in full of the Outstanding Credits.

(d) Within 30 days after the date of any payment of Taxes, the Borrower will furnish to the Administrative Agent, at its address referred to in Section 10.02, the original or a certified copy of a receipt evidencing payment thereof.

(e) Each Lender that is not incorporated under the laws of the United States of America or any state thereof shall, on or prior to the date it becomes a Lender hereunder, deliver to the Borrower and the Administrative Agent such certificates, documents or other evidence, as required by the Internal Revenue Code of 1986, as amended from time to time (the "***Code***"), or treasury regulations issued pursuant thereto, including Internal Revenue Service Form W-8BEN or Form W-8ECI and any other certificate or statement of exemption required by Treasury Regulation Section 1.1441-1(a) or Section 1.1441-6(c) or any subsequent version thereof, properly completed and duly executed by such Lender establishing that it is (i) not subject to withholding under the Code or (ii) totally exempt from United States of America tax under a provision of an applicable tax treaty. Each Lender shall promptly notify the Borrower and the Administrative Agent of any change in its Applicable Lending Office and shall deliver to the Borrower and the Administrative Agent together with such notice such certificates, documents or other evidence referred to in the immediately preceding sentence. Each Lender will use good faith efforts to apprise the Borrower and the Administrative Agent as promptly as practicable of any impending change in its tax status that would give rise to any obligation by the Borrower to pay any additional amounts pursuant to this Section. Unless the Borrower and the Administrative Agent have received forms or other documents satisfactory to them indicating that payments under the Loan Documents are not subject to United States of America withholding tax or are subject to such tax at a rate reduced by an applicable tax treaty, the Borrower or the Administrative Agent shall withhold taxes from such payments at the applicable statutory rate in the case of payments to or for any Lender organized under the laws of a jurisdiction outside the United States of America. Each Lender represents and warrants that each such form supplied by it to the Administrative Agent and the Borrower pursuant to this Section, and not superseded by another form supplied by it, is or will be, as the case may be, complete and accurate.

(f) Any Lender claiming any additional amounts payable pursuant to this Section shall use reasonable efforts (consistent with legal and regulatory restrictions) to file any certificate or document requested by the Borrower or to change the jurisdiction of its Applicable Lending Office if the making of such a filing or change would avoid the need for or reduce the amount of any such additional amounts that may thereafter accrue and would not, in the sole determination of such Lender, be otherwise disadvantageous to such Lender.

ARTICLE V
CONDITIONS PRECEDENT

SECTION 5.01. Conditions Precedent to Effectiveness.

The obligations of the Fronting Banks and the Lenders to make Extensions of Credit hereunder shall not become effective unless on and as of the date hereof (the "***Closing Date***") each of the following conditions is satisfied:

(a) The Administrative Agent shall have received on or before the Closing Date the following, each dated the Closing Date, in form and substance satisfactory to the Administrative Agent and in sufficient copies for each Fronting Bank and each Bank:

(i) Counterparts of this Agreement, duly executed by the Borrower, the Administrative Agent, each Fronting Bank and each Bank.

(ii) A certificate of the Secretary or Assistant Secretary of the Borrower certifying:

(A) the names and true signatures of the officers of the Borrower authorized to sign the Loan Documents;

(B) that attached thereto are true and correct copies of: (1) the Declaration of Trust of the Borrower, together with all amendments thereto, as in effect on such date; (2) the resolutions of the Borrower's board of trustees approving the execution, delivery and performance by the Borrower of the Loan Documents; (3) all documents evidencing other necessary organizational or other similar action, if any, with respect to the execution, delivery and performance of the Loan Documents by the Borrower; and (4) true and correct copies of all Governmental Approvals referred to in clause (i) of the definition of "Governmental Approval" required to be obtained by the Borrower in connection with the execution, delivery and performance by the Borrower of the Loan Documents; and

(C) that the resolutions referred to in clause (B)(2) above have not been modified, revoked or rescinded and are in full force and effect on such date.

(iii) A certificate signed by the Treasurer or Assistant Treasurer of the Borrower, certifying as to:

(A) the delivery to each Fronting Bank and each of the Banks, prior to the Closing Date, of true, correct and complete copies (other than exhibits thereto) of all of the Disclosure Documents; and

(B) the absence of any material adverse change in the business, condition (financial or otherwise), operations, properties or prospects of the Borrower or the Borrower and its Principal Subsidiaries, taken as a whole, since December 31, 2009, except as disclosed in the Disclosure Documents.

(iv) A certificate of a duly authorized officer of the Borrower stating that (i) the representations and warranties of the Borrower contained in Section 6.01 are correct, in all material respects, on and as of the Closing Date before and after giving effect to any Extensions of Credit to be made on such date and the application of the proceeds thereof, and (ii) no event has occurred and is continuing that constitutes an Event of Default or Unmatured Default, or would result from such initial Extensions of Credit or the application of the proceeds thereof.

(v) Such financial, business and other information regarding the Borrower and its Principal Subsidiaries, as any Fronting Bank or any Bank shall have reasonably requested.

(vi) Favorable opinions of:

(A) Jeffrey C. Miller, Assistant General Counsel of NUSCO, in substantially the form of Exhibit 5.01A hereto, and of such other counsel as relied upon therein; and as to such other matters any Fronting Bank or any Bank may reasonably request; and

(B) King & Spalding LLP, special New York counsel to the Administrative Agent, in substantially the form of Exhibit 5.01B hereto and as to such other matters as any Fronting Bank or any Bank may reasonably request.

(b) The Administrative Agent shall have received evidence satisfactory to it of the termination of the commitments under the Existing Credit Agreement and the payment of all obligations owing thereunder (except for any obligations that, by their terms, survive the termination of such commitments).

(c) All fees and other amounts payable pursuant to Section 2.03 or pursuant to the Fee Letters shall have been paid (to the extent then due and payable).

(d) The Administrative Agent shall have received such other approvals, opinions and documents as any Fronting Bank or the Majority Lenders, through the Administrative Agent, shall have reasonably requested as to the legality, validity, binding effect or enforceability of this Agreement or the financial condition, operations, properties or prospects of the Borrower and its Principal Subsidiaries.

SECTION 5.02. Conditions Precedent to All Extensions of Credit.

The obligation of each Fronting Bank and each Lender to make any Extension of Credit, including the initial Extension of Credit, shall be subject to the conditions precedent that, on the date of such Extension of Credit and after giving effect thereto:

(a) the following statements shall be true (and each of the giving of the applicable Notice of Borrowing or Letter of Credit Request with respect to such Extension of Credit and the acceptance of the proceeds of such Extension of Credit by the Borrower or the acceptance of a

Letter of Credit by the Beneficiary thereof, as the case may be, shall constitute a representation and warranty by the Borrower that on the date of such Extension of Credit such statements are true):

(i) the representations and warranties of the Borrower contained in Section 6.01 of this Agreement (other than those set forth in Section 6.01(g) and the last sentence of Section 6.01 (f)) are correct, in all material respects, on and as of the date of such Extension of Credit, before and after giving effect to such Extension of Credit and to the application of the proceeds therefrom, as though made on and as of such date;

(ii) no Event of Default or Unmatured Default has occurred and is continuing on or as of the date of such Extension of Credit or would result from such Extension of Credit or from the application of the proceeds thereof;

(iii) the making of such Extension of Credit, when aggregated with all other Outstanding Credits, would not cause the aggregate amount of Outstanding Credits to exceed the Total Commitment; and

(iv) if such Extension of Credit is the issuance of a Letter of Credit, the Stated Amount thereof, when aggregated with (A) the Stated Amount of each other Letter of Credit that is outstanding or with respect to which a Letter of Credit Request has been received and (B) the outstanding Reimbursement Obligations, would not exceed the L/C Commitment Amount; and

(b) the Borrower shall have furnished to the Administrative Agent such other approvals, opinions or documents as any Fronting Bank or any Lender may reasonably request through the Administrative Agent as to the legality, validity, binding effect or enforceability of any Loan Document.

SECTION 5.03. Reliance on Certificates.

Each Fronting Bank, each Lender and the Administrative Agent shall be entitled to rely conclusively upon the certificates delivered from time to time by officers of the Borrower as to the names, incumbency, authority and signatures of the respective persons named therein until such time as the Administrative Agent may receive a replacement certificate, in form acceptable to the Administrative Agent, from an officer of the Borrower identified to the Administrative Agent as having authority to deliver such certificate, setting forth the names and true signatures of the officers and other representatives of the Borrower thereafter authorized to act on behalf of the Borrower and, in all cases, such Fronting Bank, the Lenders and the Administrative Agent may rely on the information set forth in any such certificate.

ARTICLE VI
REPRESENTATIONS AND WARRANTIES

SECTION 6.01. Representations and Warranties of the Borrower.

The Borrower represents and warrants as follows:

The Borrower is a voluntary association organized under a Declaration of Trust, and each of its Principal Subsidiaries is a corporation, in each case duly organized, validly

existing and in good standing under the laws of the jurisdiction of its organization, has the requisite corporate power (or in the case of the Borrower, power under its Declaration of Trust) and authority to own its property and assets and to carry on its business as now conducted and is qualified to do business in every jurisdiction where, because of the nature of its business or property, such qualification is required, except where the failure so to qualify would not have a material adverse effect on the financial condition, properties, prospects or operations of the Borrower or of the Borrower and its Principal Subsidiaries taken as a whole. The Borrower has the requisite power to execute, deliver and perform its obligations under the Loan Documents and to borrow hereunder.

(b) The execution, delivery and performance of the Loan Documents by the Borrower are within the Borrower's powers under its Declaration or Trust, have been duly authorized by all necessary action under its Declaration of Trust and applicable law, and do not and will not contravene (i) the Borrower's Declaration of Trust or any law or legal restriction or (ii) any contractual restriction binding on or affecting the Borrower or its properties or its Principal Subsidiaries or their respective properties.

(c) Except as disclosed in the Disclosure Documents, neither the Borrower nor any of its Principal Subsidiaries is in violation of any law or in default with respect to any judgment, writ, injunction, decree, rule or regulation (including any of the foregoing relating to environmental laws and regulations) of any court or governmental agency or instrumentality where such violation or default would reasonably be expected to have a material adverse effect on the financial condition, properties, prospects or operations of the Borrower or of the Borrower and its Principal Subsidiaries, taken as a whole.

(d) All Governmental Approvals referred to in clause (i) of the definition of "Governmental Approval" have been duly obtained or made and are in full force and effect, and all applicable periods of time for review, rehearing or appeal with respect thereto have expired. The Borrower and each Subsidiary thereof has obtained or made all Governmental Approvals referred to in clause (ii) of the definition of "Governmental Approval", except (A) those that are not yet required but that are obtainable in the ordinary course of business as and when required, (B) those the absence of which would not materially adversely affect the financial condition, properties, prospects or operations of the Borrower or of the Borrower and its Principal Subsidiaries, taken as a whole, and (C) those that the Borrower or any such Subsidiary, as the case may be, is diligently attempting in good faith to obtain, renew or extend, or the requirement for which the Borrower or any such Subsidiary, as the case may be, is contesting in good faith by appropriate proceedings or by other appropriate means, in each case described in clause (C) above, except as is disclosed in the Disclosure Documents, such attempt or contest, and any delay resulting therefrom, is not reasonably expected to have a material adverse effect on the financial condition, properties, prospects or operations of the Borrower or of the Borrower and its Principal Subsidiaries, taken as a whole, or to magnify to any significant degree any such material adverse effect that would reasonably be expected to result from the absence of such Governmental Approval.

(e) The Loan Documents are legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms; subject to the qualification, however, that the enforcement of the rights and remedies herein and therein is

subject to bankruptcy and other similar laws of general application affecting rights and remedies of creditors and the application of general principles of equity (regardless of whether considered in a proceeding in equity or at law).

(f) The Financial Statements, copies of which have been provided to the Administrative Agent, each Fronting Bank and each Bank, fairly present in all material respects the consolidated financial condition and results of operations of the Borrower and each of its Principal Subsidiaries at and for the period ended on the dates thereof, and have been prepared in accordance with generally accepted accounting principles consistently applied. Since December 31, 2009, there has been no material adverse change in the consolidated financial condition, operations, properties or prospects of the Borrower or of the Borrower and its Principal Subsidiaries, taken as a whole, except as disclosed in the Disclosure Documents.

(g) There is no pending or known threatened litigation, investigation, action or proceeding (including, without limitation, any action or proceeding relating to any environmental protection laws or regulations) affecting the Borrower, any Principal Subsidiary thereof or any of their respective properties, before any court, governmental agency or arbitrator (i) that affects or purports to affect the legality, validity or enforceability of any Loan Document or (ii) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, would materially adversely affect the financial condition, properties, prospects or results of operations of the Borrower or of the Borrower and its Principal Subsidiaries, taken as a whole, except, for purposes of this clause (ii) only, such as is described in the Disclosure Documents or in Schedule II hereto.

(h) No ERISA Plan Termination Event has occurred nor is reasonably expected to occur with respect to any ERISA Plan or any ERISA Multiemployer Plan that would materially adversely affect the financial condition, properties, prospects or operations of the Borrower or of the Borrower and its Principal Subsidiaries, taken as a whole, except as disclosed to the Lenders and consented to by the Majority Lenders in writing. Since the date of the most recent Schedule B (Actuarial Information) to the annual report of each such ERISA Plan (Form 5500 Series), (i) there has been no material adverse change in the funding status of the ERISA Plans referred to therein, and (ii) no "prohibited transaction" (as defined in Section 4975 of the Internal Revenue Code of 1986, as amended, and in ERISA) has occurred with respect thereto that, singly or in the aggregate with all other "prohibited transactions" and, in the case of each of clauses (i) and (ii) hereof, after giving effect to all likely consequences thereof, would be reasonably expected to have a material adverse effect on the financial condition, properties, prospects or operations of the Borrower or of the Borrower and its Principal Subsidiaries, taken as a whole. Neither the Borrower nor any of its ERISA Affiliates has incurred nor reasonably expects to incur any material withdrawal liability under ERISA to any ERISA Multiemployer Plan, except as disclosed to and consented by the Majority Lenders in writing.

(i) The Borrower and each Principal Subsidiary thereof has good and marketable title (or, in the case of personal property, valid title) or valid leasehold interests in its assets, except for (i) minor defects in title that do not materially interfere with the ability of the Borrower or such Principal Subsidiary to conduct its business as now conducted and (ii) other defects that, either individually or in the aggregate, do not materially adversely affect the financial condition, properties, prospects or operations of the Borrower or of the Borrower and its Principal

Subsidiaries, taken as a whole. All such assets and properties are free and clear of any Lien, other than Liens permitted under Section 7.02(a). No Liens exist on the stock of CL&P, WMECO, PSNH or Yankee.

(j) All outstanding shares of capital stock having ordinary voting power for the election of directors of each Principal Subsidiary have been validly issued and are fully paid and nonassessable and are owned beneficially by NU, free and clear of any Lien.

(k) The Borrower and each of its Principal Subsidiaries has filed all tax returns (Federal, state and local) required to be filed and paid taxes shown thereon to be due, including interest and penalties, or, to the extent the Borrower or such Principal Subsidiary is contesting in good faith an assertion of liability based on such returns, has provided adequate reserves in accordance with generally accepted accounting principles for payment thereof.

(l) No exhibit, schedule, report or other written information provided by or on behalf of the Borrower or its agents to the Administrative Agent, any Fronting Bank or the Banks in connection with the negotiation, execution and closing of the Loan Documents (including, without limitation, the Financial Statements and the Information Memorandum (but excluding the projections contained in the Information Memorandum)) knowingly contained when made any material misstatement of fact or knowingly omitted to state any material fact necessary to make the statements contained therein not misleading in light of the circumstances under which they were made. Except as has been disclosed to the Administrative Agent, each Fronting Bank and each Bank, the projections delivered concurrently with the Information Memorandum were prepared in good faith on the basis of assumptions reasonable as of the date of the Information Memorandum, it being understood that such projections do not constitute a warranty or binding assurance of future performance. As of the date of this Agreement, except as has been disclosed to the Administrative Agent, each Fronting Bank and each Bank, nothing has come to the attention of the responsible officers of the Borrower that would indicate that any of such assumptions, to the extent material to such projections, has ceased to be reasonable in light of subsequent developments or events.

(m) All proceeds of the Advances shall be used (i) for the general corporate purposes of the Borrower, including to provide liquidity support for the Borrower's commercial paper, and (ii) to provide liquidity to the NU System Money Pool. The Letters of Credit shall be used for the general corporate purposes of the Borrower and its Subsidiaries. No proceeds of any Advance will be used in violation of, or in any manner that would result in a violation by any party hereto of, Regulation T, U or X promulgated by the Board of Governors of the Federal Reserve System or any successor regulations. Neither the Borrower nor any Subsidiary thereof (A) is an "investment company" within the meaning ascribed to that term in the Investment Company Act of 1940 and (B) is engaged in the business of extending credit for the purpose of buying or carrying margin stock.

(n) The Borrower and each Principal Subsidiary thereof has obtained the insurance specified in Section 7.01(c) and the same is in full force and effect.

(o) (i) The assets, at a fair valuation, of the Borrower exceed its debts; (ii) the Borrower has not incurred and does not intend to incur, and does not believe that it will incur,

debts beyond its ability to pay such debts as such debts mature; and (iii) the Borrower will have sufficient capital with which to conduct its business. As used in this paragraph, "***debt***" means any liability on a claim, and "***claim***" means (A) any right to payment from such person, whether or not such a right is reduced to judgment against such person, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (B) any right to an equitable remedy for breach of performance by such person if such breach gives rise to a payment from such person, whether or not such right to an equitable remedy is reduced to judgment against such person, whether fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured. The amount of unliquidated, contingent, unmatured or disputed liabilities of any person at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

ARTICLE VII
COVENANTS

SECTION 7.01. Affirmative Covenants.

On and after the date hereof, so long as any obligation hereunder shall remain unpaid or any Lender shall have any Commitment hereunder, the Borrower shall, unless the Majority Lenders shall otherwise consent in writing:

(a) ***Use of Proceeds***. Apply the proceeds of each Advance, and use, and cause its Subsidiaries to use, the Letters of Credit, solely as specified in Section 6.01(m).

(b) ***Payment of Taxes, Etc.*** Pay and discharge, and cause each of its Principal Subsidiaries to pay and discharge, before the same shall become delinquent, all taxes, assessments and governmental charges, royalties or levies imposed upon it or upon its property except to the extent the Borrower or such Principal Subsidiary is contesting the same in good faith by appropriate proceedings and has set aside adequate reserves in accordance with generally accepted accounting principles for the payment thereof.

(c) ***Maintenance of Insurance***. Maintain or cause to be maintained, and cause each of its Principal Subsidiaries to maintain or cause to be maintained, insurance (including appropriate plans of self-insurance) covering the Borrower, the Principal Subsidiaries and their respective properties, in effect at all times in such amounts and covering such risks as may be required by law and, in addition, as is usually carried by companies engaged in similar businesses and owning similar properties as the Borrower and such Principal Subsidiaries.

(d) ***Preservation of Existence, Etc.*** Except as permitted by Section 7.02(b), preserve and maintain, and cause each of its Principal Subsidiaries to preserve and maintain, its existence, corporate or otherwise, material rights (statutory and otherwise) and franchises except where the failure to maintain and preserve such rights and franchises would not materially adversely affect the financial condition, properties, prospects or operations of the Borrower or of the Borrower and its Principal Subsidiaries, taken as a whole.

(e) ***Compliance with Laws, Etc.*** Comply, and cause each of its Principal Subsidiaries to comply, in all material respects with the requirements of all applicable laws, rules, regulations and orders of any governmental authority, including, without limitation, any such laws, rules,

regulations and orders issued by the Securities and Exchange Commission or relating to zoning, environmental protection, use and disposal of Hazardous Substances, land use, construction and building restrictions, ERISA and employee safety and health matters relating to business operations, except to the extent (i) that the Borrower or any such Principal Subsidiary is contesting the same in good faith by appropriate proceedings or (ii) that any such non-compliance, and the enforcement or correction thereof, would not materially adversely affect the financial condition, properties, prospects or operations of the Borrower or of the Borrower and its Principal Subsidiaries, taken as a whole.

(f) ***Inspection Rights***. At any time and from time to time upon reasonable notice, permit, and cause each of its Principal Subsidiaries to permit, the Administrative Agent and its agents and representatives to examine and make copies of and abstracts from the records and books of account of, and the properties of, the Borrower and each Principal Subsidiary and to discuss the affairs, finances and accounts of the Borrower and each Principal Subsidiary (i) with the Borrower, each Principal Subsidiary and their respective officers and directors and (ii) with the consent of the Borrower and/or its Principal Subsidiaries, as the case may be (which consent shall not be unreasonably withheld or delayed), with the accountants of the Borrower or any such Principal Subsidiary.

(g) ***Keeping of Books***. Keep, and cause each Principal Subsidiary to keep, proper records and books of account, in which full and correct entries shall be made of all financial transactions of the Borrower and each Principal Subsidiary and the assets and business of the Borrower and each Principal Subsidiary, in accordance with generally accepted accounting practices consistently applied.

(h) ***Conduct of Business***. Except as permitted by Section 7.02(b), conduct, and cause each Principal Subsidiary to conduct, its primary business in substantially the same manner and in substantially the same fields as such business is conducted on the date hereof.

(i) ***Maintenance of Properties, Etc***. As to properties of the type described in Section 6.01(i), maintain, and cause each Principal Subsidiary to maintain, title of the quality described therein and preserve, maintain, develop, and operate, and cause each Principal Subsidiary to preserve, maintain, develop and operate, in substantial conformity with all laws, material contractual obligations and prudent practices prevailing in the industry, all of its properties that are used or useful in the conduct of its businesses in good working order and condition, ordinary wear and tear excepted, *except* (A) as permitted by Section 7.02(b), (B) as disclosed in the Disclosure Documents or otherwise in writing to the Administrative Agent, each Fronting Bank and the Lenders on or prior to the date hereof, and (C) to the extent such non-conformity would not materially adversely affect the financial condition, properties, prospects or operations of the Borrower or of the Borrower and its Principal Subsidiaries, taken as a whole; *provided, however*, that neither the Borrower nor any Principal Subsidiary will be prevented from discontinuing the operation and maintenance of any such properties if such discontinuance is, in the judgment of the Borrower or such Principal Subsidiary, desirable in the operation or maintenance of its business and would not materially adversely affect the financial condition, properties, prospects or operations of the Borrower or of the Borrower and its Principal Subsidiaries, taken as a whole.

(j) ***Governmental Approvals***. Duly obtain, and cause each Principal Subsidiary to duly obtain, on or prior to such date as the same may become legally required, and thereafter maintain, and cause each Principal Subsidiary to maintain, in effect at all times, all Governmental Approvals on its part to be obtained, except in the case of those Governmental Approvals referred to in clause (ii) of the definition of "Governmental Approval", (i) those the absence of which would not materially adversely affect the financial condition, properties, prospects or operations of the Borrower or of the Borrower and its Principal Subsidiaries, taken as a whole, and (ii) those that the Borrower or such Principal Subsidiary is diligently attempting in good faith to obtain, renew or extend, or the requirement for which the Borrower or such Principal Subsidiary is contesting in good faith by appropriate proceedings or by other appropriate means; provided, however, that the exception afforded by clause (ii), above, shall be available only if and for so long as such attempt or contest, and any delay resulting therefrom, does not have a material adverse effect on the financial condition, properties, prospects or operations of the Borrower or of the Borrower and its Principal Subsidiaries, taken as a whole, and does not magnify to any significant degree any such material adverse effect that would reasonably be expected to result from the absence of such Governmental Approval.

(k) ***Further Assurances***. Promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or that any Lender or any Fronting Bank through the Administrative Agent may reasonably request in order to fully give effect to the interests and properties purported to be covered by the Loan Documents.

SECTION 7.02. Negative Covenants.

On and after the date hereof, and so long as any obligation hereunder shall remain unpaid or any Lender shall have any Commitment hereunder, the Borrower shall not, or permit any Principal Subsidiary to, without the written consent of the Majority Lenders:

(a) ***Liens, Etc***. Create incur, assume or suffer to exist any Lien upon any of its properties or assets (including the stock of its Subsidiaries), whether now owned or hereafter acquired, except:

(i) any Liens existing on the date hereof;

(ii) Liens created by the First Mortgage Indentures, so long as by the terms thereof no "event of default" (howsoever designated) in respect of any bonds issued thereunder will arise upon the occurrence of an Unmatured Default or Event of Default hereunder;

(iii) with respect to any Principal Subsidiary, "Permitted Liens" or "Permitted Encumbrances" under the First Mortgage Indenture to which such Principal Subsidiary is a party, in each case to the extent such Liens do not secure Debt of such Principal Subsidiary;

(iv) any purchase money Lien or construction mortgage on assets hereafter acquired or constructed by the Borrower or any Principal Subsidiary and any Lien on any assets existing at the time of acquisition thereof by the Borrower or such Principal Subsidiary or created within 180 days from the date of completion of such acquisition or construction; ***provided*** that, such Lien shall at all times be confined solely to the assets so acquired or constructed and any additions thereto;

(v) any existing Liens on assets now owned by the Borrower or any Principal Subsidiary and Liens existing on assets of a corporation or other going concern when it is merged into or with the Borrower or such Principal Subsidiary or when substantially all of its assets are acquired by the Borrower or such Principal Subsidiary; *provided* that such Liens shall at all times be confined solely to such assets, or if such assets constitute a utility system, additions to or substitutions for such assets;

(vi) Liens resulting from legal proceedings being contested in good faith by appropriate legal or administrative proceedings by the Borrower or any Principal Subsidiary, and as to which the Borrower or such Principal Subsidiary, to the extent required by generally accepted accounting principles applied on a consistent basis, shall have set aside on its books adequate reserves;

(vii) Liens created in favor of the other contracting party in connection with advance or progress payments;

(viii) any Liens in favor of any state of the United States or any political subdivision of any such state, or any agency of any such state or political subdivisions, or trustee acting on behalf of holders of obligations issued by any of the foregoing or any financial institutions lending to or purchasing obligations of any of the foregoing, which Lien is created or assumed for the purpose of financing all or part of the cost of acquiring or constructing the property subject thereto;

(ix) Liens resulting from conditional sale agreements, capital leases or other title retention agreements;

(x) with respect to pollution control bond financings, Liens on funds, accounts and other similar intangibles of the Borrower or any Principal Subsidiary created or arising under the relevant indenture, pledges of the related loan agreement with the relevant issuing authority and pledges of the Borrower's or such Principal Subsidiary's interest, if any, in any bonds issued pursuant to such financings to a letter of credit bank or bond issuer or similar credit enhancer;

(xi) Liens granted on accounts receivable and Regulatory Assets in connection with financing transactions, whether denominated as sales or borrowings;

(xii) Liens on the assets of, the stock issued by or other equity of, any Subsidiary of the Borrower created to hold generating or transmission assets if such Liens are created to secure Debt that is nonrecourse to the Borrower and is incurred to acquire, construct or otherwise develop such generating or transmission assets;

(xiii) Liens created to secure Debt of a transmission company Subsidiary of the Borrower with respect to assets transferred to such transmission company by another Subsidiary of the Borrower;

(xiv) any other Liens incurred in the ordinary course of business otherwise than to secure Debt;

(xv) any extension, renewal or replacement of Liens permitted by clauses (i), (iii) through (v) and (vii) through (xiii); *provided, however*, that the principal amount of Debt secured thereby shall not, at the time of such extension, renewal or replacement, exceed the principal amount of Debt so secured and that such extension, renewal or replacement shall be limited to all or a part of the property that secured the Lien so extended, renewed or replaced or to other property of no greater value than the property that secured the Lien so extended, renewed or replaced; and

(xvi) Liens created under any Loan Document.

(b) ***Mergers, Sales of Assets, Etc***. Merge with or into or consolidate with or into, any Person, or sell, transfer, convey, lease or otherwise dispose of all or any substantial part of its assets or the capital stock of any Principal Subsidiary; except for the following, and then only after receipt of all necessary corporate and governmental or regulatory approvals and *provided* that, before and after giving effect to any such merger, consolidation, sale, transfer, conveyance, lease or other disposition, no Event of Default or Unmatured Default shall have occurred and be continuing:

(i) Subsidiaries of NU may merge with or consolidate into (x) wholly-owned Subsidiaries of NU so long as, in any such case, the wholly-owned Subsidiary is the survivor and (y) NU so long as NU is the survivor;

(ii) NU or any Principal Subsidiary of NU may merge with or consolidate into a Person that is not an Affiliate of NU so long as (1) NU or such Principal Subsidiary is the survivor of such merger or consolidation, (2) NU demonstrates pro forma compliance with the financial covenants set forth in Section 7.03, and (3) NU's indicative senior unsecured non-credit enhanced long-term debt ratings from S&P and Moody's in contemplation of such merger or consolidation, and NU's actual senior unsecured non-credit enhanced long-term debt ratings from S&P and Moody's following any such merger or consolidation, remain at or above the levels established immediately prior to the merger or consolidation;

(iii) any Principal Subsidiary may sell, lease, transfer or otherwise dispose of transmission assets (1) to another Subsidiary of NU on such basis as permitted by the appropriate regulatory authorities or (2) to any Person on such basis as required by the appropriate regulatory authorities;

(iv) NU or any Principal Subsidiary may sell, lease, transfer, convey or otherwise dispose of assets or security to any Principal Subsidiary or to NU; and

(v) the Borrower or any Principal Subsidiary may sell its assets in the ordinary course of business on customary terms and conditions, including any sale of accounts receivable on reasonable commercial terms (including a commercially reasonable discount) to obtain funding for any Principal Subsidiary.

For purposes of this subsection (b), any sale of assets by the Borrower or any Principal Subsidiary (in one or a series of transactions) will be deemed to be a "substantial part" of its assets if (i) the book value of such assets exceeds 15% of the total book value of the assets (net of Regulatory Assets) of such Person, as reflected in the most recent financial statements of the

Borrower or such Principal Subsidiary delivered to the Administrative Agent pursuant to Section 7.04 (or, if no such financial statements have been delivered to the Administrative Agent as of the relevant date of determination, the Financial Statements of such Person), or (ii) the gross revenue associated with such assets accounts for more than 15% of the total gross revenue of the Borrower or such Principal Subsidiary for the four proceeding fiscal quarters, as reflected in the most recent financial statements of the Borrower or such Principal Subsidiary delivered to the Administrative Agent pursuant to Section 7.04 (or, if no such financial statements have been delivered to the Administrative Agent as of the relevant date of determination, the Financial Statements of such Person). Notwithstanding anything to the contrary in this Section 7.02(b), the Borrower agrees that it will not, and will not cause or permit any of its Principal Subsidiaries to, except in accordance with one or more restructuring plans approved by the appropriate regulatory authorities, sell, transfer or otherwise dispose of (by lease or otherwise, and whether in one or a series of related transactions), except to NU or a Principal Subsidiary, any portion of its generation, transmission or distribution assets in excess of 15% of the net utility plant assets of the Borrower and its Principal Subsidiaries, taken as a whole, in each case as determined on a cumulative basis from the date of this Agreement through the Termination Date by reference to the published balance sheets of the Borrower and its Principal Subsidiaries.

(c) ***Compliance with ERISA***. (i) Terminate, or permit any of its ERISA Affiliates to terminate, any ERISA Plan so as to result in any liability of the Borrower or any Principal Subsidiary to the PBGC in an amount greater than $1,000,000, or (ii) permit to exist any occurrence of any Reportable Event (as defined in Title IV of ERISA) which, alone or together with any other Reportable Event with respect to the same or another ERISA Plan, has a reasonable possibility of resulting in liability of the Borrower or any Principal Subsidiary to the PBGC in an aggregate amount exceeding $1,000,000, or any other event or condition that presents a material risk of such a termination by the PBGC of any ERISA Plan or has a reasonable possibility of resulting in a liability of the Borrower or any Principal Subsidiary to the PBGC or an ERISA Multiemployer Plan in an aggregate amount exceeding $1,000,000

(d) ***Transactions with Affiliates***. Engage in any transaction with any Affiliate except in accordance with the Federal Power Act and the rules of the FERC or state utility commissions, in each case, to the extent applicable thereto and (iii) on terms no less favorable to the Borrower or the Principal Subsidiary party thereto than if the transaction had been negotiated in good faith on an arms-length basis with a non-Affiliate and on commercially reasonable terms or pursuant to a binding agreement in effect on the date hereof.

(e) ***Interests in Nuclear Plants***. Acquire any nuclear plant or any interest therein not held on the date hereof, other than so called "power entitlements" acquired for use in the ordinary course of business.

(f) ***Financing Agreements.*** With respect to the Borrower only, permit any Principal Subsidiary to enter into any agreement, contract, indenture or similar obligation, or issue any security (all of the foregoing being referred to as "***Financing Agreements***"), that is not in effect on the date hereof, or amend or modify any existing Financing Agreement, if the effect of such Financing Agreement (or amendment or modification thereof) is to impose any additional restriction not in effect on the date hereof on the ability of such Principal Subsidiary to pay dividends to the Borrower; ***provided***, that the foregoing shall not restrict the right of any

Subsidiary of the Borrower created to hold generating or transmission assets, to enter into any such Financing Agreement in connection with the incurrence of Debt that is nonrecourse to the Borrower and is incurred to acquire, construct or otherwise develop generating or transmission assets.

SECTION 7.03. Financial Covenant.

So long as any obligation hereunder shall remain unpaid or any Lender shall have any Commitment hereunder, the Borrower shall, unless the Majority Lenders shall otherwise consent in writing, maintain a ratio of Consolidated Debt to Total Capitalization of no more than 0.65 to 1.00, as of the end of each Fiscal Quarter.

SECTION 7.04. Reporting Obligations.

So long as any obligation hereunder shall remain unpaid or any Lender shall have any Commitment hereunder, the Borrower shall, unless the Majority Lenders shall otherwise consent in writing, furnish or cause to be furnished to the Administrative Agent in sufficient copies for each Lender, the following:

(a) as soon as possible and in any event within ten days after the occurrence of each Event of Default or Unmatured Default continuing on the date of such statement, a statement of the Chief Financial Officer, Treasurer or Assistant Treasurer of the Borrower setting forth details of such Event of Default or Unmatured Default and the action that the Borrower proposes to take with respect thereto;

(b) (1) as soon as available, and in any event within fifty (50) days after the end of each of the first three Fiscal Quarters of each Fiscal Year of the Borrower, a copy of the Borrower's and each of its Principal Subsidiary's Quarterly Reports on Form 10-Q (if such Principal Subsidiary is required to file such report with the U.S. Securities and Exchange Commission pursuant to Sections 13 or 15 of the U.S. Securities Exchange Act of 1934, as amended) submitted to the Securities and Exchange Commission with respect to such quarter, and, with respect to Yankee and any other Principal Subsidiary that is not required to, or ceases to be required to submit such report, consolidated balance sheets of Yankee and such other Principal Subsidiary, as of the end of such Fiscal Quarter and consolidated statements of income and retained earnings and of cash flows of such Person for the period commencing at the end of the previous Fiscal Year and ending with the end of such Fiscal Quarter, all in reasonable detail and duly certified (subject to year-end audit adjustments) by the Chief Financial Officer, Treasurer, Assistant Treasurer or Comptroller of the Borrower as having been prepared in accordance with generally accepted accounting principles consistent with those applied in the preparation of the Financial Statements; and

(ii) concurrently with the delivery of the financial statements described in clause (i) above, a certificate of the Chief Financial Officer, Treasurer, Assistant Treasurer or Comptroller of the Borrower:

(A) to the effect that such financial statements were prepared in accordance with generally accepted accounting principles consistent with those applied in the preparation of the Financial Statements,

(B) stating that no Event of Default or Unmatured Default has occurred and is continuing or, if an Event of Default or Unmatured Default has occurred and is

continuing, describing the nature thereof and the action that the Borrower proposes to take with respect thereto, and

(C) demonstrating the Borrower's compliance with the covenant set forth in Section 7.03, for and as of the end of such Fiscal Quarter, in each case such demonstration to be in form satisfactory to the Administrative Agent and to set forth in reasonable detail the computations used in determining such compliance;

(c) (2) as soon as available, and in any event within 105 days after the end of each Fiscal Year of the Borrower, a copy of the Borrower's and each of its Principal Subsidiary's Annual Reports on Form 10-K (if such Principal Subsidiary is required to file such report with the U.S. Securities and Exchange Commission pursuant to Sections 13 or 15 of the U.S. Securities Exchange Act of 1934, as amended) submitted to the Securities and Exchange Commission with respect to such Fiscal Year, and, with respect to Yankee and any other Principal Subsidiary that is not required to, or ceases to be required to submit such report, a copy of the annual audit report for such year for Yankee and such other Principal Subsidiary, including therein consolidated balance sheets of such Person as of the end of such Fiscal Year and consolidated statements of income and retained earnings and of cash flows of such Person, for such Fiscal Year, all in reasonable detail and certified by a nationally-recognized independent public accountant; and

(ii) concurrently with the delivery of the financial statements described in clause (i) above, a certificate of the Chief Financial Officer, Treasurer, Assistant Treasurer or Comptroller of the Borrower:

(A) to the effect that such financial statements were prepared in accordance with generally accepted accounting principles consistent with those applied in the preparation of the Financial Statements, and

(B) stating that no Event of Default or Unmatured Default has occurred and is continuing, or if an Event of Default or Unmatured Default has occurred and is continuing, describing the nature thereof and the action that the Borrower proposes to take with respect thereto, and

(C) demonstrating the Borrower's compliance with the covenant set forth in Section 7.03, for and as of the end of such Fiscal Year, in each case such demonstration to be in form satisfactory to the Administrative Agent and to set forth in reasonable detail the computations used in determining such compliance;

(d) upon the reasonable request of the Administrative Agent, but not more than once per Fiscal Quarter, copies of any or all filings or registrations with, or notices or reports to, any regulatory authority by the Borrower or any Principal Subsidiary;

(e) as soon as possible and in any event (i) within 30 days after the Chief Financial Officer, Treasurer or any Assistant Treasurer of the Borrower knows or has reason to know that any ERISA Plan Termination Event described in clause (i) of the definition of "ERISA Plan Termination Event" with respect to any ERISA Plan or ERISA Multiemployer Plan has occurred and (ii) within 10 days after the Borrower knows or has reason to know that any other ERISA

Plan Termination Event with respect to any ERISA Plan or ERISA Multiemployer Plan has occurred, a statement of the Chief Financial Officer, Treasurer or Assistant Treasurer of the Borrower describing such ERISA Plan Termination Event and the action, if any, which the Borrower proposes to take with respect thereto;

(f) promptly after receipt thereof by the Borrower or any of its ERISA Affiliates from the PBGC, copies of each notice received by the Borrower or any such ERISA Affiliate of the PBGC's intention to terminate any ERISA Plan or ERISA Multiemployer Plan or to have a trustee appointed to administer any ERISA Plan or ERISA Multiemployer Plan;

(g) promptly after receipt thereof by the Borrower or any of its ERISA Affiliates from an ERISA Multiemployer Plan sponsor, a copy of each notice received by the Borrower or any of its ERISA Affiliates concerning the imposition or amount of withdrawal liability in an aggregate principal amount of at least $10,000,000 pursuant to Section 4202 of ERISA in respect of which the Borrower may be liable;

(h) promptly after the Borrower becomes aware of the commencement thereof, notice of all actions, suits, proceedings or other events of the type described in Section 6.01(g) (including, without limitation, any action or proceeding relating to any environmental protection laws or regulations);

(i) promptly after the filing thereof, copies of each prospectus (excluding any prospectus contained in any Form S-8), Current Report on Form 8-K that the Borrower or any Principal Subsidiary files with the Securities and Exchange Commission or any successor governmental authority; and

(j) promptly after requested, such other information respecting the financial condition, operations, properties or prospects of the Borrower or its Subsidiaries as the Administrative Agent, or the Majority Lenders or Fronting Banks through the Administrative Agent, may from time to time reasonably request in writing.

ARTICLE VIII
DEFAULTS

SECTION 8.01. Events of Default.

The following events shall each constitute an "Event of Default":

(a) The Borrower shall fail to pay any principal of any Advance or any Reimbursement Obligation when due or shall fail to pay any interest on any Advance or fees or other amounts payable under the Loan Documents within two days after the same becomes due; or

(b) Any representation or warranty made by the Borrower (or any of its officers or agents) in any Loan Document, any certificate or other writing delivered pursuant hereto or thereto shall prove to have been incorrect in any material respect when made or deemed made; or

(c) The Borrower shall fail to perform or observe any term or covenant on its part to be performed or observed contained in the last sentence of Section 2.02(a), Section 2.06, Section 4.02(c), Section 7.01(d), Section 7.02, Section 7.03 or Section 7.04(a); or

(d) The Borrower shall fail to perform or observe any other term or covenant on its part to be performed or observed contained in any Loan Document and any such failure shall remain unremedied for a period of 30 days after the earlier of (i) written notice of such failure having been given to the Borrower by the Administrative Agent or (ii) the Borrower having obtained actual knowledge of such failure; or

(e) The Borrower or any Principal Subsidiary shall fail to pay any of its Debt when due (including any interest or premium thereon but excluding Outstanding Credits and excluding other Debt aggregating in no event more than $50,000,000 in principal amount at any one time) whether by scheduled maturity, required prepayment, acceleration, demand or otherwise, and such failure shall continue after the applicable grace period, if any, specified in any agreement or instrument relating to such Debt; or any other default under any agreement or instrument relating to any such Debt, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment or as a result of the Borrower's or such Principal Subsidiary's exercise of a prepayment option) prior to the stated maturity thereof; or

(f) The Borrower or any Principal Subsidiary shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make an assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower or any Principal Subsidiary seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of its debts under any law relating to bankruptcy, insolvency, or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property and, in the case of a proceeding instituted against the Borrower or any Principal Subsidiary, the Borrower or such Principal Subsidiary shall consent thereto or such proceeding shall remain undismissed or unstayed for a period of 90 days or any of the actions sought in such proceeding (including without limitation the entry of an order for relief against the Borrower or such Principal Subsidiary or the appointment of a receiver, trustee, custodian or other similar official for the Borrower or such Principal Subsidiary or any of its property) shall occur; or the Borrower or any Principal Subsidiary shall take any corporate or other action to authorize any of the actions set forth above in this subsection (f); or

(g) Any judgments or orders for the payment of money in excess of $50,000,000 (or aggregating more than $50,000,000 at any one time) shall be rendered against the Borrower or its properties or any Principal Subsidiary or its properties, and either (A) enforcement proceedings shall have been commenced by any creditor upon such judgment or order and shall not have been stayed or (B) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(h) Any material provision of any Loan Document shall at any time for any reason cease to be valid and binding on the Borrower, or shall be determined to be invalid or unenforceable by any court, governmental agency or authority having jurisdiction over the Borrower, or the Borrower shall deny that it has any further liability or obligation under any Loan Document; or

(i) A Change of Control shall have occurred; or

(j) The Borrower shall cease to own at least 85% of the outstanding common stock of any Principal Subsidiary, free and clear of all Liens except for Liens permitted by Section 7.02 (a); or

(k) Any legal restriction that is not in existence on the date hereof shall materially adversely affect the ability of any Principal Subsidiary to pay dividends or make other distributions to the Borrower.

SECTION 8.02. Remedies Upon Events of Default.

Upon the occurrence and during the continuance of any Event of Default, the Administrative Agent shall at the request, or may with the consent, of the Lenders entitled to make such request, upon notice to the Borrower (i) declare the obligation of each Lender to make Advances to the Borrower, and the obligation of each Fronting Bank to issue Letters of Credit, to be terminated, whereupon such obligations of the Lenders and the Fronting Banks shall forthwith terminate, provided, that any such request or consent pursuant to this clause (i) shall be made solely by Lenders having Percentages in the aggregate of in excess of 50%, (ii) declare the Advances, all interest thereon and all other amounts payable by the Borrower under this Agreement and the other Loan Documents to be forthwith due and payable, whereupon such Advances, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower, and (iii) demand the Borrower to, and forthwith upon such demand the Borrower will, deposit in the Cash Collateral Account in same day funds an amount equal to the aggregate LC Outstandings on such date, *provided*, that any demand pursuant to clause (ii) or clause (iii) shall be made solely by the Lenders holding in excess of 50% of the aggregate Outstanding Credits; *provided, however*, that if such Event of Default is an Event of Default pursuant to Section 8.01(f), then (A) the obligation of each Lender to make Advances to the Borrower, and the obligation of each Fronting Bank to issue Letters of Credit, shall automatically be terminated, (B) the Advances and all interest thereon and all other amounts payable by the Borrower under this Agreement and the other Loan Documents shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower, and (C) the Borrower shall automatically and without any demand by the Administrative Agent deposit funds in the Cash Collateral Account in the manner and amount described in clause (iii) above.

ARTICLE IX
THE ADMINISTRATIVE AGENT AND THE FRONTING BANKS

SECTION 9.01. Authorization and Action.

Each Lender hereby appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by the Loan Documents (including, without limitation, enforcement or collection thereof), the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Lenders, and such instructions shall be binding upon all Lenders; provided, however, that the Administrative Agent shall not be required to take any action that exposes the Administrative Agent to personal liability or that is contrary to the Loan Documents or applicable law. The Administrative Agent agrees to deliver promptly to each Lender notice of each notice given to it by the Borrower and each Fronting Bank pursuant to the terms of this Agreement.

SECTION 9.02. Administrative Agent's Reliance, Etc.

Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with any Loan Document, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Administrative Agent: (i) may treat each Lender party hereto as a "Lender" hereunder and for all purposes hereof until the Administrative Agent receives and accepts an Assignment and Assumption entered into by such Lender, as assignor, and an assignee, as provided in Section 10.07; (ii) may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to any Lender and shall not be responsible to any Lender for the Information Memorandum or any other statements, warranties or representations made in or in connection with any Loan Document; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of any Loan Document on the part of the Borrower to be performed or observed, or to inspect any property (including the books and records) of the Borrower; (v) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any Loan Document or any other instrument or document furnished pursuant hereto; and (vi) shall incur no liability under or in respect of any Loan Document by acting upon any notice, consent, certificate or other instrument or writing (which may be by facsimile) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 9.03. Union Bank, Barclays, Citibank, JPMorgan Chase and Affiliates.

With respect to its Commitment and the Advances made by it, each of Union Bank, Barclays, Citibank and JPMorgan Chase (and/or any other Lender then acting as "Fronting Bank") shall have the same rights and powers under the Loan Documents as any other Lender and may exercise the same as though it were not the Administrative Agent or a Fronting Bank, as the case may be, and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include Union Bank, Barclays, Citibank and JPMorgan Chase (and/or any other Lender then acting as

"Fronting Bank") in its individual capacity. Union Bank, Barclays, Citibank, JPMorgan Chase (and/or any other Lender acting as "Fronting Bank") and their respective Affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, the Borrower, any of its Subsidiaries and any Person who may do business with or own securities of the Borrower or any such Subsidiary, all as if Union Bank were not the Administrative Agent and none of Barclays, Citibank, JPMorgan Chase and Union Bank (and/or any other Lender then acting as "Fronting Bank") were a Fronting Bank and without any duty to account therefor to the Lenders.

SECTION 9.04. Lender Credit Decision.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent, any Fronting Bank or any other Lender and based on the Information Memorandum and the Financial Statements and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent, any Fronting Bank or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 9.05. Indemnification.

The Lenders agree to indemnify the Administrative Agent (to the extent not reimbursed by the Borrower), ratably according to their respective Commitments (or, if the Commitments have been terminated, ratably according to the respective principal amounts of Outstanding Credits held by them (provided, that if any Commitments or Outstanding Credits are held by the Borrower or any Affiliate thereof, any ratable apportionment hereunder shall exclude their respective Commitments hereunder or the principal amounts of Outstanding Credits held by the Borrower or such Affiliate)), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Administrative Agent in its capacity as such in any way relating to or arising out of any Loan Document or any action taken or omitted by the Administrative Agent in its capacity as such under any Loan Document, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Administrative Agent promptly upon demand for such Lender's ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, the Loan Documents to the extent that the Administrative Agent is entitled to reimbursement for such expenses pursuant to Section 10.04 but is not reimbursed for such expenses by the Borrower.

SECTION 9.06. Successor Administrative Agent.

The Administrative Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower, with any such resignation to become effective only upon the appointment of a successor Administrative Agent pursuant to this Section. Upon any such resignation, the Majority Lenders shall have the right to appoint a successor Administrative Agent, which shall be a Lender or another commercial bank or trust company reasonably acceptable to the Borrower organized or licensed

under the laws of the United States, or of any State thereof. If no successor Administrative Agent shall have been so appointed by the Majority Lenders, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving of notice of resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which shall be Lender or shall be another commercial bank or trust company organized or licensed under the laws of the United States or of any State thereof reasonably acceptable to the Borrower. In addition to the foregoing right of the Administrative Agent to resign, the Majority Lenders may remove the Administrative Agent at any time, with or without cause, concurrently with the appointment by the Majority Lenders of a successor Administrative Agent. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Article IX shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under the Loan Documents.

ARTICLE X
MISCELLANEOUS

SECTION 10.01 Amendments, Etc.

No amendment or waiver of any provision of any Loan Document, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Majority Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; *provided, however*, that no amendment, waiver or consent shall, unless in writing and signed by all the Lenders, but subject to Section 10.15, do any of the following: (a) waive, modify or eliminate any of the conditions specified in Article V, (b) other than as contemplated by Section 2.04(b), increase the Commitment of any Lender hereunder or increase the Commitments of the Lenders that may be maintained hereunder or subject the Lenders to any additional obligations, (c) reduce the principal of, or interest on, the Advances, any Applicable Margin or any fees or other amounts payable hereunder (other than fees payable to the Administrative Agent pursuant to Section 2.03 (b)), (d) other than as contemplated by Section 2.05, postpone any date fixed for any payment of principal of, or interest on, the Advances or any fees or other amounts payable under the Loan Documents (other than fees payable to the Administrative Agent pursuant to Section 2.03(b)), (e) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Outstanding Credits, or the number of Lenders that shall be required for the Lenders or any of them to take any action under the Loan Documents, (f) amend any Loan Document in a manner intended to prefer one or more Lenders over any other Lenders, (g) waive the requirement set forth in Section 2.06 or 4.02(c) that cash be held in respect of outstanding Letters of Credit, (h) amend this Section or the definition of "Majority Lenders", or (i) amend Section 10.15; *provided* that (i) any waiver of, or consent to a departure from, the requirements of Section 2.02(i) shall be effective if authorized in writing by the Majority Lenders and each Fronting Bank; (ii) no amendment that would increase the Fronting Commitment of any Fronting Bank shall be effective without the consent of such Fronting Bank and (iii) no amendment, waiver or consent shall, unless in writing and signed by

the Administrative Agent or each Fronting Bank, as the case may be, in addition to the Lenders required above to take such action, affect the rights or duties of the Administrative Agent or the Fronting Banks, as the case may be, under any Loan Document; and ***provided further*** that this Agreement may be amended and restated without the consent of any Lender or the Administrative Agent or any Fronting Bank if, upon giving effect to such amendment and restatement, such Lender or the Administrative Agent or such Fronting Bank, as the case may be, shall no longer be a party to this Agreement (as so amended and restated) or have any Commitment or other obligation hereunder and shall have been paid in full all amounts payable hereunder to such Lender or the Administrative Agent or such Fronting Bank, as the case may be.

SECTION 10.02 Notices, Etc.

Except as otherwise expressly provided herein, all notices and other communications provided for under the Loan Documents shall be in writing (including facsimile communication) and mailed, sent by facsimile or hand delivered:

(a) if to the Borrower, to it at 56 Prospect Street, Hartford, CT 06103, Attention: Assistant Treasurer - Finance, facsimile number: (860) 728-4585, confirm number: (860) 728-4632, email: webersb@nu.com;

(b) if to any Bank, at its Domestic Lending Office specified opposite its name on Schedule I hereto;

(c) if to any Lender other than a Bank, at its Domestic Lending Office specified in the Assignment and Assumption pursuant to which it became a Lender;

(d) if to the Administrative Agent, at its address at 445 South Figueroa Street, 15th Floor, Los Angeles, California 90071, Attention: Kevin Zitar, Senior Vice President, facsimile number: (213) 236-4096, confirm number: (213) 236-5503, email: kevin.zitar@unionbank.com; and

(e) if to (i) Barclays, as Fronting Bank, to it at 70 Hudson Street, 10th Floor, Jersey City, NJ 07302, Attention: Letter of Credit, email: xraletterofcredit@barclayscapital.com, fax (212) 412-5011, (ii) Citibank, as Fronting Bank, at 1615 Brett Road, Ops III, New Castle, DE 19720, Attention: Charles Huester, email: charles.huester@citi.com, Phone: 302-323-3188, Fax: 212-994-0961 (ii) JPMorgan Chase, as Fronting Bank, to it at 10420 Highland Manor Drive, Floor 4, Tampa, Florida 33610, Stby Letter of Credit Department, Attention: James Alonzo, facsimile number: (813) 432-5161, and (iii) Union Bank, as Fronting Bank, to it at 1980 Saturn Street, MC V02-905, Monterey Park, CA 91755 445 (Attention: Benedicto Cortes, Fax: 323-720-2773).

or, as to each party, at such other address as shall be designated by such party in a written notice to the other parties. All such notices and communications shall, when mailed, sent by facsimile or hand delivered, be effective five days after when deposited in the mails, or when sent by facsimile, or when delivered, respectively, except that notices and communications to the Administrative Agent pursuant to Article II, III, IV or IX shall not be effective until received by the Administrative Agent. With respect to any telephone notice given or received by the

Administrative Agent pursuant to Section 3.03, the records of the Administrative Agent shall be conclusive for all purposes.

SECTION 10.03 No Waiver of Remedies.

No failure on the part of the Administrative Agent, any Fronting Bank or any Lender to exercise, and no delay in exercising, any right under any Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 10.04 Costs, Expenses and Indemnification.

(a) The Borrower agrees to pay when due, in accordance with the terms hereof: (i) all costs and expenses of the Administrative Agent in connection with the preparation, negotiation, execution and delivery of the Loan Documents, the administration of the Loan Documents, and any proposed modification, amendment, or consent relating thereto (including, in each case, the reasonable fees and expenses of counsel to the Administrative Agent); (ii) all customary and reasonable charges, costs and expenses of each Fronting Bank in connection with the issuance, transfer, modification or amendment of any Letter of Credit (including, in each case, the reasonable fees and expenses of counsel to such Fronting Bank); and (iii) all costs and expenses of the Administrative Agent, each Fronting Bank and each Lender (including all fees and expenses of counsel) in connection with the enforcement, whether through negotiations, legal proceedings or otherwise, of the Loan Documents.

(b) The Borrower hereby agrees to indemnify and hold each Person identified on the cover page of this Agreement as a "Joint Lead Arranger", the "Syndication Agent" and a "Documentation Agent", and the Administrative Agent, each Fronting Bank and each Lender, and its officers, directors, employees, professional advisors and affiliates (each, an "***Indemnified Person***") harmless from and against any and all claims, damages, losses, liabilities, costs or expenses (including settlement costs and reasonable attorney's fees and expenses, whether or not such Indemnified Person is named as a party to any proceeding or investigation or is otherwise subjected to judicial or legal process arising from any such proceeding or investigation and whether or not such proceeding or investigation is brought by the Borrower or any of its Affiliates or any of their respective directors, securityholders or creditors, an Indemnified Person or any other Person) that any of them may incur or that may be claimed against any of them by any person or entity (except to the extent such claims, damages, losses, liabilities, costs or expenses arise from the gross negligence or willful misconduct of the Indemnified Person):

(i) by reason of or in connection with the execution, delivery or performance of the Loan Documents or any transaction contemplated thereby, or the use by the Borrower of the proceeds of any Advance, or the issuance of, or the use by the Borrower of, or the use by any Beneficiary of the proceeds of, any Letter of Credit;

(ii) in connection with or resulting from the utilization, storage, disposal, treatment, generation, transportation, release or ownership of any Hazardous Substance (A) at, upon or under any property of the Borrower or any of its Affiliates or (B) by or on behalf of the Borrower or any of its Affiliates at any time and in any place; or

(iii) in connection with any documentary taxes, assessments or charges made by any governmental authority by reason of the execution and delivery of the Loan Documents.

(c) The Borrower's obligations under this Section shall survive the assignment by any Lender pursuant to Section 10.07 and shall survive as well the repayment of all amounts owing to the Lenders and the Fronting Banks under the Loan Documents and the termination of the Commitments. If and to the extent that the obligations of the Borrower under this Section are unenforceable for any reason, the Borrower agrees to make the maximum contribution to the payment and satisfaction thereof which is permissible under applicable law.

(d) The Borrower's obligations under this Section are in addition to and shall not be deemed to supersede its indemnification and similar obligations set forth in that certain Commitment Letter, dated August 23, 2010, among the Borrower, Union Bank, JPMorgan Chase, J.P. Morgan Securities, Inc., Citigroup Global Markets Inc. and Barclays.

SECTION 10.05 Right of Set-off.

(a) Upon (i) the occurrence and during the continuance of any Event of Default, and (ii) the making of the request or the granting of the consent specified by Section 8.02 to authorize the Administrative Agent to declare the Advances due and payable pursuant to the provisions of Section 8.02, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under the Loan Documents held by such Lender, irrespective of whether or not such Lender shall have made any demand under the Loan Documents and although such obligations may be unmatured. Each Lender agrees promptly to notify the Borrower after any such set-off and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) that such Lender may have.

(b) The Borrower agrees that it shall have no right of off-set, deduction or counterclaim in respect of its obligations under the Loan Documents, and that the obligations of the Lenders hereunder are several and not joint. Nothing contained herein shall constitute a relinquishment or waiver of the Borrower's rights to any independent claim that the Borrower may have against the Administrative Agent, any Fronting Bank or any Lender, but no Lender shall be liable for the conduct of the Administrative Agent, any Fronting Bank or any other Lender, and neither the Administrative Agent nor any Fronting Bank shall be liable for the conduct of the other or any Lender.

SECTION 10.06 Effectiveness.

This Agreement shall become effective when it shall have been executed by the Borrower, the Administrative Agent and each Fronting Bank and when the Administrative Agent shall have been notified by each Bank that such Bank has executed it. No Person designated as a "Joint Lead Arranger", the "Documentation Agent" or the "Syndication Agent" on the cover page of this Agreement shall have any duties under this Agreement.

SECTION 10.07 Assignments and Participation.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of subsection (b) below, (ii) by way of participation in accordance with the provisions of subsection (d) below or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) below (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) below and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under the Loan Documents (including all or a portion of its Commitment and the Advances at the time owing to it); provided that (i) such Lender provides notice thereof to the Borrower at least 10 Business Days prior to such assignment (but the failure to provide such notice shall not affect the validity of such assignment), (ii) except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Advances at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, the aggregate amount of the Commitment (which for this purpose includes Advances outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Advances of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date) shall not be less than $5,000,000, unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed), (iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Advance or the Commitment assigned, (iv) any assignment of a Commitment must be approved by the Administrative Agent (unless the Person that is the proposed assignee is itself a Lender with a Commitment) and each Fronting Bank, in each case, whether or not the proposed assignee would otherwise qualify as an Eligible Assignee and (v) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500. Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) below, from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of a Assignment and Assumption covering all of the assigning Lender's rights and

obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 4.03 and 4.05 with respect to facts and circumstances occurring prior to the effective date of such assignment. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) below.

(c) The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at one of its addresses referred to in Section 10.02 a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Advances owing to, each Lender pursuant to the terms hereof from time to time (the "***Register***"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Any Lender may at any time, without the consent of the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "***Participant***") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Advances owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in Section 10.01(a)-(g) that affects such Participant. Subject to subsection (e) below, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 4.03 and 4.05 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) above. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.05 as though it were a Lender, provided such Participant agrees to be subject to Section 4.04 as though it were a Lender.

(e) A Participant shall not be entitled to receive any greater payment under Sections 4.03 and 4.05 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with each Borrower's prior written consent. A Participant that is not incorporated under the laws of the United States of America or any state thereof shall not be entitled to the benefits of Section 4.05 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 4.05(e) as though it were a Lender.

(f) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) If (i) any Lender shall have delivered a notice to the Administrative Agent described in Section 4.03(a), (b), (c) or (f), (ii) any Lender shall have become a Defaulting Lender or (iii) a Bankruptcy Event shall have occurred with respect to the Parent of a Lender, the Borrower may demand that such Lender assign, in accordance with Section 10.07, to one or more assignees (with the consent of such assignee(s)) designated by either the Borrower or the Administrative Agent (and reasonably acceptable to the other), all (but not less than all) of such Lender's Commitment, Advances, participation and other rights and obligations under the Loan Documents; provided that any such demand by the Borrower during the continuance of an Event of Default or an Unmatured Default shall be ineffective without the consent of the Majority Lenders. If, within 30 days following any such demand by the Borrower, such Lender shall fail to tender such assignment on terms reasonably satisfactory to such Lender or the Borrower and the Administrative Agent shall have failed to designate any such assignee, then such demand by the Borrower shall become ineffective, it being understood for purposes of this provision that such assignment shall be conclusively deemed to be on terms reasonably satisfactory to such Lender, and such Lender shall be compelled to tender such assignment forthwith, if (i) such assignee (A) shall agree to such assignment in substantially the form of the Assignment and Assumption and (B) shall tender payment to such Lender in an amount equal to the full outstanding dollar amount accrued in favor of such Lender hereunder (as computed in accordance with the records of the Administrative Agent) and (ii) in the event the Borrower demanded such assignment, the Borrower shall tender payment to the Administrative Agent of the processing and recording fee specified in Section 10.07(b) for such assignment.

SECTION 10.08 Confidentiality.

In connection with the negotiation and administration of the Loan Documents, the Borrower has furnished or caused to have furnished and will from time to time furnish or cause to be furnished to the Administrative Agent, each Fronting Bank and the Lenders (each, a "Recipient") written information that when delivered to the Recipient will be deemed to be confidential (such information, other than any such information that (i) was publicly available, or otherwise known to the Recipient, at the time of disclosure, (ii) subsequently becomes publicly available other than through any act or omission by the Recipient or (iii) otherwise subsequently becomes known to the Recipient other than through a Person whom the Recipient knows to be acting in violation of his or its obligations to the Borrower, being hereinafter referred to as "Confidential Information"). The Recipient will not knowingly disclose any such Confidential Information to any third party (other than to those Persons who have a confidential relationship with the Recipient), and will take all reasonable steps to restrict access to such information in a manner designed to maintain the confidential nature of such information, in each case until such time as the same ceases to be Confidential Information or as the Borrower may otherwise instruct. It is understood, however, that the foregoing will not restrict the Recipient's ability to freely exchange such Confidential Information with prospective participants in or assignees of the Recipient's position herein, but the Recipient's ability to so exchange Confidential Information shall be conditioned upon any such prospective participant's entering into an understanding as to confidentiality similar to this

provision. It is further understood that the foregoing will not prohibit the disclosure of any or all Confidential Information if and to the extent that such disclosure may be required (i) by a regulatory agency or otherwise in connection with an examination of the Recipient's records by appropriate authorities, (ii) pursuant to court order, subpoena or other legal process or (iii) otherwise, as required by law; in the event of any required disclosure under clause (ii) or (iii), above, the Recipient agrees to use reasonable efforts to inform the Borrower as promptly as practicable unless the Lender is prohibited from doing so by court order, subpoena or other legal process.

Notwithstanding the foregoing, each party hereto (and each officer, director, employee, representative, agent and advisor of each party hereto) may disclose to any and all persons, without limitation of any kind, the "tax treatment" and "tax structure" (in each case within the meaning of Treasury Regulation Section 1.6011-4) of the transactions contemplated by the Loan Documents and all materials of any kind (including opinions or other tax analyses) that are provided to such person relating to such "tax treatment" and "tax structure". The foregoing is intended to comply with the presumption set forth in Treasury Regulation Section 1.6011-4(b)(3)(iii) and should be interpreted in a manner consistent with such regulation.

SECTION 10.09 Electronic Communications.

(a) The Borrower hereby agrees that it will provide to the Administrative Agent all information, documents and other materials that it is obligated to furnish to the Administrative Agent pursuant to Section 7.04 (collectively, the "***Communications***"), by transmitting the Communications in an electronic/soft medium in a format acceptable to the Administrative Agent to each of efrain.soto@unionbank.com, cld.sf@uboc.com and margaret.elower@uboc.com, or faxing the Communications to each of 213-236-4096 and 323-720-2780. In addition, the Borrower agrees to continue to provide the Communications to the Administrative Agent in the manner otherwise specified in this Agreement, but only to the extent requested by the Administrative Agent.

(b) The Borrower further agrees that the Administrative Agent may make the Communications available to the Lenders by posting the Communications on Intralinks or a substantially similar electronic transmission systems (the "***Platform***"). The Borrower acknowledges that the distribution of material through an electronic medium is not necessarily secure and that there are confidentiality and other risks associated with such distribution.

(c) THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE". THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE COMMUNICATIONS, OR THE ADEQUACY OF THE PLATFORM AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS OR OMISSIONS IN THE COMMUNICATIONS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY THE AGENT PARTIES IN CONNECTION WITH THE COMMUNICATIONS OR THE PLATFORM. IN NO EVENT SHALL THE ADMINISTRATIVE AGENT OR ANY OF ITS AFFILIATES OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS,

EMPLOYEES, AGENTS, ADVISORS OR REPRESENTATIVES (COLLECTIVELY, "***AGENT PARTIES***") HAVE ANY LIABILITY TO ANY BORROWER, ANY LENDER OR ANY OTHER PERSON OR ENTITY FOR DAMAGES OF ANY KIND, INCLUDING, WITHOUT LIMITATION, DIRECT OR INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, LOSSES OR EXPENSES (WHETHER IN TORT, CONTRACT OR OTHERWISE) ARISING OUT OF THE BORROWER'S OR THE ADMINISTRATIVE AGENT'S TRANSMISSION OF THE COMMUNICATIONS THROUGH THE PLATFORM, EXCEPT TO THE EXTENT THE LIABILITY OF ANY AGENT PARTY IS FOUND IN A FINAL NON-APPEALABLE JUDGMENT BY A COURT OF COMPETENT JURISDICTION TO HAVE RESULTED PRIMARILY FROM SUCH AGENT PARTY'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

(d) The Administrative Agent agrees that the receipt of the Communications by the Administrative Agent at its e-mail address set forth above shall constitute effective delivery of the Communications to the Administrative Agent for purposes of the Loan Documents. Each Lender agrees that notice to it (as provided in the next sentence) specifying that the Communications have been posted to the Platform shall constitute effective delivery of the Communications to such Lender for purposes of the Loan Documents. Each Lender agrees to notify the Administrative Agent in writing (including by electronic communication) from time to time of such Lender's e-mail address to which the foregoing notice may be sent by electronic transmission and that the foregoing notice may be sent to such e-mail address.

(e) Nothing herein shall prejudice the right of the Administrative Agent or any Lender to give any notice or other communication pursuant to any Loan Document in any other manner specified in such Loan Document.

SECTION 10.10 Waiver of Jury Trial.

The Borrower, the Administrative Agent, each Fronting Bank and each of the Lenders hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim arising out of or relating to the Loan Documents, or any other instrument or document delivered hereunder or thereunder.

SECTION 10.11 Governing Law.

The Loan Documents shall be governed by, and construed in accordance with, the laws of the State of New York. The Borrower, each of the Lenders, each Fronting Bank and the Administrative Agent: (i) irrevocably submits to the jurisdiction of any New York State Court or Federal court sitting in New York City in any action arising out of or relating to the Loan Documents, (ii) agrees that all claims in such action may be decided in such court, (iii) waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum and (iv) consents to the service of process by mail. A final judgment in any such action shall be conclusive and may be enforced in other jurisdictions. Nothing herein shall affect the right of any party to serve legal process in any manner permitted by law or affect its right to bring any action in any other court.

SECTION 10.12 Relation of the Parties; No Beneficiary or Fiduciary Relationships.

No term, provision or requirement, whether express or implied, of any Loan Document, or actions taken or to be taken by any party thereunder, shall be construed to create a partnership, association, or joint venture between such parties or any of them. No term or provision of any Loan Document shall be construed to confer a benefit upon, or grant a right or privilege to, any

Person other than the parties hereto. The Borrower agrees that the Credit Parties do not have any fiduciary, advisory or agency relationship with the Borrower and are not advising the Borrower as to any legal, accounting, regulatory or tax matters as a result of the transactions contemplated by this Agreement, and the Borrower waives, to the fullest extent permitted by law, any claims the Borrower may have against the Credit Parties for breach of fiduciary duty or alleged breach of fiduciary duty and agree that the Credit Parties will have no liability (whether direct or indirect) to the Borrower in respect of such a fiduciary duty claim or to any Person asserting a fiduciary duty claim on the Borrower's behalf, including the Borrower's equity holders, employees or creditors.

SECTION 10.13 Execution in Counterparts.

This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

SECTION 10.14 Limitation of Liability.

No shareholder or trustee of NU shall be held to any liability whatever for the payment of any sum of money or for damages or otherwise under any Loan Document, and such Loan Documents shall not be enforceable against any such trustee in their or his or her individual capacities or capacity and such Loan Documents shall be enforceable against the trustees of NU only as such, and every person, firm, association, trust or corporation having any claim or demand arising under such Loan Documents and relating to NU, its shareholders or trustees shall look solely to the trust estate of NU for the payment or satisfaction thereof.

SECTION 10.15 Defaulting Lenders.

Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(i) Facility Fees shall cease to accrue pursuant to Section 2.03(a) during such period on the Available Commitment of such Defaulting Lender and the Borrower shall not be required to pay such fees to the Administrative Agent for the account of such Defaulting Lender;

(ii) the Commitment and Outstanding Credits of such Defaulting Lender shall not be included in determining whether the Majority Lenders have taken or may take any action hereunder (including any consent to any amendment, waiver or other modification pursuant to Section 10.01); *provided*, that this clause (ii) shall not apply to the vote of a Defaulting Lender in the case of an amendment, waiver or other modification pursuant to clauses (a) through (h) of Section 10.01;

(iii) if any LC Outstandings exist at the time such Lender becomes a Defaulting Lender, then:

(A) all or any part of the LC Commitment of such Defaulting Lender shall be reallocated among the non-Defaulting Lenders in accordance with their respective Percentages but only to the extent (x) the sum of all non-Defaulting Lenders' Outstanding Credits plus such Defaulting Lender's LC Commitment does not exceed the total of all non-Defaulting Lenders' Commitments and (y) the sum of each non-Defaulting Lender's

Outstanding Credits plus the portion of such Defaulting Lender's LC Commitment allocated to such non-Defaulting Lender does not exceed such non-Defaulting Lender's Commitment;

(B) if and for so long as the reallocation described in clause (A) above cannot, or can only partially, be effected, the Borrower shall within one Business Day following notice by the Administrative Agent deliver, and thereafter maintain, cash collateral for the benefit of the Fronting Banks only to secure the Borrower's Reimbursement Obligations corresponding to such Defaulting Lender's LC Commitment (after giving effect to any partial reallocation pursuant to clause (A) above) in accordance with the procedures set forth in Section 2.06 for so long as such LC Outstandings are outstanding. Upon the payment in full of all amounts due hereunder in respect of the LC Outstandings collateralized pursuant to this Section 10.15(iii)(B) and the expiration or termination of such collateralized Letters of Credit, and if no Unmatured Default or Event of Default shall have occurred and be continuing, the Administrative Agent shall pay to the Borrower amounts remaining in the Cash Collateral Account with respect to such Letters of Credit;

(C) if the Borrower cash collateralizes any portion of such Defaulting Lender's LC Commitment pursuant to clause (B) above, the Borrower shall not be required to pay any fees to the Administrative Agent for the account of such Defaulting Lender pursuant to Section 2.03(c) with respect to such Defaulting Lender's LC Outstandings during the period such Defaulting Lender's LC Commitment is cash collateralized;

(D) if the LC Commitments of the non-Defaulting Lenders are adjusted pursuant to clause (A) above, then the fees payable to the Lenders pursuant to Section 2.03(c) shall be adjusted in accordance with such non-Defaulting Lenders' Percentages;

(E) if all or any portion of such Defaulting Lender's LC Commitment is neither reallocated nor cash collateralized pursuant to clause (A) or (B) above, then, without prejudice to any rights or remedies of any Fronting Bank or any other Lender hereunder, the fees payable to the Administrative Agent for the account of such Defaulting Lender under Section 2.03(c) with respect to such Defaulting Lender's LC Commitment shall be payable to the Administrative Agent, for the account of the applicable Fronting Banks, until and to the extent that such LC Commitment is reallocated and/or cash collateralized; and

(F) so long as such Lender is a Defaulting Lender, no Fronting Bank shall be required to issue, amend or increase any Letter of Credit, unless it is satisfied that the related exposure and the Defaulting Lender's LC Commitment will be 100% covered by the Commitments of the non-Defaulting Lenders and/or cash collateral will be provided by the Borrower in accordance with clause (B) above and participating interests in any newly issued or increased Letter of Credit shall be allocated among non-Defaulting Lenders in a manner consistent with clause (A) above (and such Defaulting Lender shall not participate therein).

If (i) a Bankruptcy Event with respect to a Parent of any Lender shall occur following the date hereof and for so long as such event shall continue or (ii) any Fronting Bank has a good faith belief that any Lender has defaulted in fulfilling its obligations under one or more other agreements in which such Lender commits to extend credit, no Fronting Bank shall be required to issue, amend or increase any Letter of Credit unless each Fronting Bank shall have entered into arrangements with the Borrower or such Lender, satisfactory to each Fronting Bank, to defease any risk to it in respect of such Lender hereunder.

In the event that each of the Administrative Agent, the Borrower and each Fronting Bank agrees that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then the LC Commitment of the Lenders shall be readjusted to reflect the inclusion of such Lender's LC Commitment, and on such date such Lender shall purchase at par such of the Advances of the other Lenders as the Administrative Agent shall determine may be necessary in order for such Lender to hold such Advances in accordance with its Percentage.

Nothing in this Section 10.15 shall constitute a waiver or release of any claim of any party hereunder with respect to any failure to perform hereunder by any Defaulting Lender.

SECTION 10.16 USA Patriot Act.

Each of the Lenders and the Fronting Banks hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law as of October 26, 2001)) (as amended, restated, modified or otherwise supplemented from time to time, the "***Act***"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or Fronting Bank, as the case may be, to identify the Borrower in accordance with the Act.

SECTION 10.17 Waiver of Notice of Termination of Existing Credit Agreement.

Each of the Lenders party hereto that is party to the Existing Credit Agreement, in its capacity as a "Lender" under the Existing Credit Agreement, hereby waives as of the date hereof the notice requirement under Section 2.04(a) of the Existing Credit Agreement for three Business Days prior notification of termination of the commitments thereunder.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

NORTHEAST UTILITIES

By /S/ RANDY A. SHOOP
Name: Randy A. Shoop
Title: Vice President and Treasurer

UNION BANK, N.A., as Administrative Agent, as a Fronting Bank and as a Bank

By /S/ JEFFREY P. FASENMAIER
Name: Jeffrey P. Fesenmaier
Title: Vice President

Signature Page to NU Credit Agreement

BARCLAYS BANK PLC, as a Fronting Bank and as a Bank

By /S/ ALICIA BERYS
Name: Alicia Berys
Title: Assistant Vice President

CITIBANK, N.A., as a Fronting Bank and as a Bank

By /S/ MAUREEN P. MARONEY
Name: Maureen P. Maroney
Title: Authorized Signatory

Signature Page to NU Credit Agreement

JPMORGAN CHASE BANK, N.A., as a Fronting Bank and as a Bank

By /S/ JUAN J. JAVELLANA
Name: Juan J. Javellana
Title: Vice President

Signature Page to NU Credit Agreement

BANK OF AMERICA, N.A., as a Bank

By /S/ JACOB DOWDEN
Name: Jacob Dowden
Title: Senior Vice President

Signature Page to NU Credit Agreement

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as a Bank

By /S/ KEITH LUETTEL
Name: Keith Luettel
Title: Vice President

Signature Page to NU Credit Agreement

THE BANK OF NEW YORK MELLON, as a Bank

By /S/ JOHN N. WATT
Name: John N. Watt
Title: Vice President

Signature Page to NU Credit Agreement

MORGAN STANLEY BANK, N.A., as a Bank

By /S/ SHERRESE CLARKE
Name: Sherrese Clarke
Title: Authorized Signatory

Signature Page to NU Credit Agreement

GOLDMAN SACHS BANK USA, as a Bank

By /S/ MARK WALTON
Name: Mark Walton
Title: Authorized Signatory

Signature Page to NU Credit Agreement

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as a Bank

By /S/ SHAHEEN MALIK
Name: Shaheen Malik
Title: Vice President

By /S/ RAHUL PARMAR
Name: Rahul Parmar
Title: Associate

Signature Page to NU Credit Agreement

UBS LOAN FINANCE LLC, as a Bank

By /S/ IRJA R. OTSA
Name: Irja R. Otsa
Title: Associate Director

By /S/ MARY E. EVANS
Name: Irja R. Otsa
Title: Associate Director

Signature Page to NU Credit Agreement

TD BANK, N.A., as a Bank

By /S/ ROBYN ZELLER
Name: Robyn Zeller
Title: Senior Vice President

Signature Page to NU Credit Agreement

SCHEDULE I

APPLICABLE LENDING OFFICES AND COMMITMENTS

Name of Bank	Domestic Lending Office	Eurodollar Lending Office	Commitment (in US$)
Union Bank, N.A.	445 South Figueroa Street 15th Floor Los Angeles, CA 90071	445 South Figueroa Street 15th Floor Los Angeles, CA 90071	$48,611,111.11
Barclays Bank PLC	745 Seventh Avenue 26th Floor New York, NY 10019	745 Seventh Avenue 26th Floor New York, NY 10019	$48,611,111.11
Citibank, N.A.	388 Greenwich Street New York, NY 10013	388 Greenwich Street New York, NY 10013	$48,611,111.11
JPMorgan Chase Bank, N.A.	500 Stanton Christiana Rd Newark, DE 19713-2107	500 Stanton Christiana Rd Newark, DE 19713-2107	$48,611,111.11
Bank of America, N.A.	100 North Tryon Street Charlotte, NC 28255	100 North Tryon Street Charlotte, NC 28255	$44,444,444.45
Wells Fargo Bank, National Association	90 S. 7th Street MAC: N9305-077 Minneapolis, MN 55402	90 S. 7th Street MAC: N9305-077 Minneapolis, MN 55402	$44,444,444.45
The Bank of New York Mellon	Rm 1900 1 Wall St. New York, NY 10286	Rm 1900 1 Wall St. New York, NY 10286	$36,111,111.11
Morgan Stanley Bank, N.A.	One Utah Center. 201 South Main Street, 5th Floor Salt Lake City, Utah 84111	One Utah Center. 201 South Main Street, 5th Floor Salt Lake City, Utah 84111	$36,111,111.11
Goldman Sachs Bank USA	200 West Street New York, NY 10282	200 West Street New York, NY 10282	$36,111,111.11
Credit Suisse AG	Eleven Madison Avenue New York, NY 10010	Eleven Madison Avenue New York, NY 10010	$36,111,111.11
UBS Loan Finance LLC	677 Washington Boulevard Stamford, CT 06901 Attne: Ray Ciraco Phone: 203-719-3571 Fax: 203-719-3888 Email: ray.ciraco@ubs.com	677 Washington Boulevard Stamford, CT 06901 Attne: Ray Ciraco Phone: 203-719-3571 Fax: 203-719-3888 Email: ray.ciraco@ubs.com	$36,111,111.11
TD Bank, N.A.	200 State Street, 10th Floor Boston, MA 02109	200 State Street, 10th Floor Boston, MA 02109	$36,111,111.11

SCHEDULE II

PENDING ACTIONS

None

Exhibit 1.01A
Form of Note

NOTE

New York, New York
[Date]

$[_____]

FOR VALUE RECEIVED, the undersigned, NORTHEAST UTILITIES, an unincorporated voluntary business association organized under the laws of the Commonwealth of Massachusetts (the "***Borrower***"), hereby promises to pay to the order of [_____] (the "***Lender***"), on the Termination Date (as defined in the Credit Agreement referred to below) applicable to the Lender, the lesser of the principal sum of [_____]DOLLARS ($[_____]) and the aggregate unpaid principal amount of all Advances made by the Lender to the Borrower pursuant to the Credit Agreement referred to below, in lawful money of the United States of America in immediately available funds, and to pay interest on such principal amount from time to time outstanding, in like funds, at a rate or rates *per annum* and payable with respect to such periods and on such dates as determined pursuant to the Credit Agreement. The due date for any Advance made pursuant to this Note shall be as set forth on the Notice of Borrowing pertaining to such Advance but in no event later than the Termination Date.

The Borrower promises to pay interest, on demand, on any overdue principal and overdue interest from their due dates at a rate or rates determined as set forth in the Credit Agreement.

The Borrower hereby waives diligence, presentment, demand, protest and notice of any kind whatsoever. The nonexercise by the holder of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

All borrowings evidenced by this Note and all payments and prepayments of the principal hereof and interest hereon and the respective dates thereof shall be endorsed by the holder hereof on the schedule attached hereto and made a part hereof, or on a continuation thereof which shall be attached hereto and made a part hereof, or otherwise recorded by such holder in its internal records; *provided, however*, that any failure of the holder hereof to make such a notation or any error in such notation shall not in any manner affect the obligation of the Borrower to make payments of principal and interest in accordance with the terms of this Note and the Credit Agreement.

This Note is one of the Notes referred to in the Credit Agreement, dated as of September 24, 2010 (as amended, supplemented or modified, the "***Credit Agreement***"), among the Borrower, the Lenders party thereto, Union Bank, N.A., as Administrative Agent, and Barclays Bank PLC, Citibank, N.A., JPMorgan Chase Bank, N.A. and Union Bank, N.A., each as Fronting Bank, and is subject to the terms and conditions contained in the Credit Agreement and is entitled to the benefits thereof. The Credit Agreement, among other things, contains

provisions for the acceleration of the maturity hereof upon the happening of certain events, for prepayment of the principal hereof prior to the maturity thereof and for the amendment or waiver of certain provisions of the Credit Agreement, all upon the terms and conditions therein specified. This Note shall be construed in accordance with and governed by the laws of the State of New York and any applicable laws of the United States of America.

No shareholder or trustee of the Borrower shall be held to any liability whatever for the payment of any sum of money or for damages or otherwise under this Note, and this Note shall not be enforceable against any such trustee in their or his or her individual capacities or capacity; this Note shall be enforceable against the trustees of the Borrower only as such, and every, person, firm, association, trust or corporation having any claim or demand arising under this Note relating to the Borrower, its shareholders or trustees shall look solely to the trust estate of the Borrower for payment or satisfaction thereof.

NORTHEAST UTILITIES

By_____
Name:
Title:

GRID NOTE SCHEDULE

DATE OF ADVANCE	AMOUNT OF PRINCIPAL	INTEREST RATE	INTEREST PERIOD	NUMBER OF DAYS	INTEREST DUE	DATE PAID	AMOUNT PAID	NOTED BY

Exhibit 2.02
Form of Letter of Credit Request

LETTER OF CREDIT REQUEST

[Date]

[**JPMorgan Chase Bank, N.A., as Fronting Bank**
10420 Highland Manor Drive, Floor 4
Tampa, Florida 33610
Stby Letter of Credit Department
Attention: James Alonzo
Fax: (813) 432-5161]

[**Barclays Bank, PLC, as Fronting Bank**
70 Hudson Street, 10th Floor
Jersey City, NJ 07302
Attention: Letter of Credit
email:xraletterofcredit@barclayscapital.com
Fax (212) 412-5011]

[**Union Bank, N.A., as Fronting Bank**
1980 Saturn Street
MC V02-905
Monterey Park, CA 91755 445
Attention: Benedicto Cortes]

[Citibank, N.A., as Fronting Bank
1615 Brett Road, Ops III
New Castle, DE 19720,
Attention: Charles Huester
email: charles.huester@citi.com
Phone: 302-323-3188
Fax: 212-994-0961]

Union Bank, N.A., as Administrative Agent
445 South Figueroa Street
Los Angeles, California 90071
Attention: Kevin Zitar, Senior Vice President
Fax: (213)236-4096
Confirm: (213) 236-5503
Email: Kevin.zitar@unionbank.com

Ladies and Gentlemen:

The undersigned, a responsible officer of Northeast Utilities (the "***Borrower***"), refers to that certain Credit Agreement, dated as of September 24, 2010 (as amended, supplemented and modified, the "***Credit Agreement***"), among the Borrower, the Banks party thereto, Union Bank, N.A., as administrative agent, and Barclays Bank PLC, Citibank, N.A., JPMorgan Chase Bank, N.A. and Union Bank, N.A., each as a Fronting Bank. Capitalized terms used herein, and not otherwise defined herein, shall have their respective defined meanings as set forth in the Credit Agreement.

Pursuant to Section 2.02(d) of the Credit Agreement, the Borrower irrevocably requests that the Fronting Bank issue a Letter of Credit on the following terms:

1. Date of Issuance:[1]

2. Expiration Date:[2]

3. Stated Amount:

4. Beneficiary:

5. Account Party:

and the terms set forth in the attached application for said Letter of Credit.

The Borrower hereby further certifies that (i) as of the date hereof, (ii) as of the Date of Issuance, and (iii) after the issuance of the Letter of Credit requested hereby:

(A) the representations and warranties of the Borrower contained in Section 6.01 (other than subsection (g) and the last sentence of subsection (f)) of the Credit Agreement are correct in all material respects as though made on and as of such dates;

(B) no Event of Default or Unmatured Default has occurred and is continuing on or as of such dates;

(C) the issuance of such Letter of Credit, when aggregated with all other Outstanding Credits, will not cause the aggregate amount of Outstanding Credits to exceed the Total Commitment; and

[1] At least three Business Days after the date of the Letter of Credit Request.

[2] Not later than 364 days after the Date of Issuance

(D) the Stated Amount of such Letter of Credit, when aggregated with (1) the Stated Amount of each other Letter of Credit that is outstanding or with respect to which a Letter of Credit Request has been received and (2) the amount of all Reimbursement Obligations then outstanding, will not cause the L/C Commitment Amount to be exceeded.

If notice of the request for the above referenced Letter of Credit has been given by the Borrower previously by telephone, then this notice shall be considered a written confirmation of such telephone notice as required by Section 2.02(c) of the Credit Agreement.

NORTHEAST UTILITIES

By_____
Name:
Title:

Exhibit 3.01
Form of Notice of Borrowing

NOTICE OF BORROWING

[Date][3]

Union Bank, N.A., as Administrative Agent
for the Lenders party to the Credit
Agreement referred to below
445 South Figueroa Street
15th Floor
Los Angeles, California 90071
Attention: Kevin Zitar, Senior Vice President

Ladies and Gentlemen:

The undersigned, Northeast Utilities (the "***Borrower***"), refers to the Credit Agreement, dated as of September 24, 2010 (as amended, supplemented or modified, the "***Credit Agreement***"), among the Borrower, the Banks party thereto, Union Bank, N.A., as administrative agent, and Barclays Bank PLC, Citibank, N.A., JPMorgan Chase Bank, N.A. and Union Bank, N.A., each as a Fronting Bank. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The undersigned hereby gives you notice pursuant to Section 3.01 of the Credit Agreement that it requests a Borrowing under the Credit Agreement, and in that connection sets forth below the terms on which such Borrowing is requested to be made:

(A) Date of proposed Borrowing[4] _____

(B) Principal Amount of Borrowing[5] _____

(C) Type of Advance[6] _____

(D) Initial Interest Period _____

[3]Must be a Business Day. The Notice of Borrowing must be received by the Administrative Agent (i) in the case of a proposed Borrowing to consist of Eurodollar Rate Advances, by hand or facsimile not later than 11:00 a.m. (New York City time), three Business Days prior to a proposed Borrowing and (ii) in the case of a proposed Borrowing to consist of Base Rate Advances, by hand or facsimile not later than 11:00 a.m. (New York City time), on the day of a proposed Borrowing.

[4]Must be a Business Day.

[5]Not less than $5,000,000 and in integral multiples of $1,000,000.

[6]Eurodollar Rate Advance or Base Rate Advance.

(E) Aggregate amount of Outstanding Credits after giving effect to requested Borrowing, which shall be calculated as follows: _____

(i) aggregate amount of all Advances outstanding after giving effect to requested Borrowing: _____

(ii) aggregated Stated Amount of all issued but undrawn Letters of Credit outstanding: _____

(iii) aggregate amount of outstanding Reimbursement Obligations (exclusive of Reimbursement Obligations which are to be repaid with proceeds of Advance requested in this Notice of Borrowing): _____

(iv) total of (i), (ii) and (iii): _____

(F) Date[7] beyond which the Borrowing hereby requested may no longer be outstanding[8]: _____

Upon acceptance of any or all of the Advances requested in this Notice of Borrowing, the undersigned shall be deemed to have represented and warranted that the conditions precedent to each Advance applicable to it specified in Section 5.02(a) of the Credit Agreement have been satisfied.

Very truly yours,

NORTHEAST UTILITIES

By_____
Name:
Title:

[7] In no event later than the Termination Date.

[8] (F) may be selected at the option of the Borrower; if no election is made, such date shall be earlier of (i) the Termination Date and (ii) the date 364 days from the date of the proposed Borrowing.

Exhibit 5.01A
Form of Opinion of Jeffrey C. Miller,
Assistant General Counsel of NUSCO

September 24, 2010

Union Bank, N.A.,

as Administrative Agent
445 South Figueroa Street
Los Angeles, California 90071

Each Fronting Bank and Lender from time to time
party to the captioned Credit Agreement

Re: ***Credit Agreement, dated as of September 24, 2010, among Northeast Utilities, the lenders party thereto, Union Bank, N.A., as Administrative Agent, and Barclays Bank PLC, Citibank, N.A., JPMorgan Chase Bank, N.A. and Union Bank, N.A., each as a Fronting Bank***

Ladies and Gentlemen:

I am Assistant General Counsel of Northeast Utilities Service Company ("***NUSCO***"), a service company affiliate of Northeast Utilities ("***NU***"). I am rendering this opinion to you in connection with the transactions contemplated by the Credit Agreement, dated as of September 24, 2010 (the "***Credit Agreement***"), among NU, the Banks from time to time party thereto, Union Bank, N.A., as Administrative Agent, and Barclays Bank PLC, Citibank, N.A., JPMorgan Chase Bank, N.A. and Union Bank, N.A., each as a Fronting Bank. Capitalized terms used herein and not otherwise defined are used as defined in the Credit Agreement.

In connection with this opinion, I or attorneys working under my supervision have examined:

(1) The Credit Agreement

(2) The form of promissory notes to be issued by NU pursuant to the terms of the Credit Agreement to any of the Lenders who request such notes (the "***Notes***").

(3) The Declaration of Trust of NU and all amendments thereto (the "***Declaration of Trust***"), as in effect on the date hereof.

(4) The other documents furnished by NU on the Closing Date pursuant to Section 5.01(a) of the Credit Agreement.

(4) A certificate of the Secretary of the Commonwealth of Massachusetts dated September 10, 2010, attesting to the authority of NU to transact business in the Commonwealth of Massachusetts.

In addition, I or attorneys working under my supervision have examined originals, or copies certified to my satisfaction, of such other corporate (or analogous) records of NU, certificates of public officials and of officers of NU, and agreements, instruments, and other documents, as I have deemed necessary as a basis for the opinions expressed below. In my examination of such agreements, instruments, and documents, I have assumed the genuineness of all signatures (other than those of NU), the authenticity of all agreements, instruments, and documents submitted to me as originals, and the conformity to original agreements, instruments, and documents of all agreements, instruments, and documents submitted to me as certified, conformed, or photostatic copies and the authenticity of the originals of such copies. As to questions of fact material to such opinions, I have assumed without verification and relied upon the accuracy of the representations as to factual matters set forth in the Credit Agreement and in certificates of NU or its officers or of public officials. Nothing has come to my attention, however, calling into question the accuracy of such representations.

The opinions set forth below are subject to the qualification that no opinion is expressed with respect to laws other than those of (i) the United States of America, (ii) the Commonwealth of Massachusetts and (iii) the State of New York. I am a member of the bar of the State of New York and an Authorized House Counsel in the State of Connecticut. I am not a member of the bar of the Commonwealth of Massachusetts, and do not hold myself out as an expert in the laws of such Commonwealth, although I have made a study of relevant laws of such Commonwealth. In expressing opinions about matters governed by the laws of the Commonwealth of Massachusetts, I have relied upon the opinion of Kerry J. Tomasevich, Esq., Senior Counsel of NUSCO, who is a member of the bar of such Commonwealth and whose opinion is attached hereto.

My opinion in Paragraph 5 below (i) is subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium, or similar law affecting creditors' rights generally, to the effect of general principles of equity, including (without limitation) concepts of materiality, reasonableness, good faith, and fair dealing (regardless of whether considered in a proceeding in equity or at law), and to the effect of certain laws and judicial decisions that may affect the enforceability of certain rights and remedies provided in the documents referred to therein, none of which laws and judicial decisions, however, will make the rights and remedies provided in such documents inadequate for the practical realization of the benefits provided therein and (ii) assumes the binding effect of all documents referred to therein on all parties thereto other than NU.

I note further that, in addition to the effect of general principles of equity described in the preceding paragraph, courts have imposed an obligation on contracting parties to act reasonably and in good faith in the exercise of their contractual rights and remedies, and may also apply public policy considerations in limiting the right of parties seeking to obtain indemnification under circumstances where the conduct of such parties in the circumstances in question is determined to have constituted negligence.

I express no opinion herein as to (i) the enforceability of provisions purporting to grant to a party conclusive rights of determination, (ii) the availability of specific performance or other equitable remedies, or (iii) the enforceability of waivers by parties of their respective rights and remedies under law.

Based upon the foregoing and upon such investigation as I have deemed necessary, I am of the following opinion:

1. NU is validly organized and duly existing as a voluntary association under the laws of the Commonwealth of Massachusetts and has the requisite power under the Declaration of Trust and authority to own its property and assets and to carry on its business as now conducted in the Commonwealth of Massachusetts. NU is duly qualified to do business in, and is in good standing in all other jurisdictions where the nature of its business or the nature of property owned or used by it makes such qualification necessary, except where the failure to so qualify would not have a material adverse effect on the financial condition, properties, prospects or operations of NU or of NU and its Principal Subsidiaries taken as a whole.

2. The execution, delivery, and performance by NU of the Credit Agreement and the Notes (a) are within NU's powers under the Declaration of Trust and have been duly authorized by all necessary corporate (or equivalent) or other similar action and (b) do not and will not contravene (i) the Declaration of Trust, (ii) any law, or (iii) to the best of my knowledge, any contractual restriction contained in any material agreement binding on or affecting NU.

3. The Credit Agreement has been duly executed and delivered by NU.

4. No authorization, consent, approval, license, permit, certificate, exemption of, or filing or registration with, any governmental authority or other legal or regulatory body (other than in connection with or in compliance with the provisions of the state securities or "Blue Sky" laws of any jurisdiction, as to which I express no opinion) is required to be obtained or made in connection with the execution, delivery, or performance by NU of the Credit Agreement or the Notes, except for those that have been obtained and are in full force and effect.

5. The Credit Agreement is, and the Notes, when executed and delivered for value will be, the legal, valid and binding obligations of NU, enforceable against NU in accordance with their respective terms.

6. There is no pending or, to the best of my knowledge, threatened action or proceeding affecting NU or its properties before any court, governmental agency, or arbitrator (a) which affects or purports to affect the legality, validity, or enforceability of the Credit Agreement or the Notes or (b) as to which there is a reasonable possibility of an adverse determination and which, if adversely determined, would materially adversely affect the financial condition, properties, or operations of NU, except, for purposes of this clause (b) only, such as is described in the Disclosure Documents.

7. NU is not an "investment company" within the meaning ascribed to that term in the Investment Company Act of 1940, as amended.

Very truly yours,

S.01A-4

Exhibit 5.01B
Form of Opinion of King & Spalding LLP,
Special New York Counsel to the Administrative Agent

September 24, 2010

Union Bank, N.A., as Administrative Agent
and as a Fronting Bank under the captioned
Credit Agreement, Barclays Bank PLC,
Citibank, N.A. and JPMorgan Chase Bank,
N.A., as Fronting Banks thereunder, and
each of the Lenders from time to time party
thereto

Re: ***Credit Agreement, dated as of September 24, 2010 (the "Credit Agreement"), among Northeast Utilities (the "Borrower"), the lenders party thereto, Union Bank, N.A., as Administrative Agent (the "Administrative Agent"), and Barclays Bank PLC, Citibank, N.A., JPMorgan Chase Bank, N.A. and Union Bank, N.A., each, as a Fronting Bank***

Ladies and Gentlemen:

We have acted as special New York counsel to the Administrative Agent in connection with the preparation, execution and delivery of the Credit Agreement. Unless otherwise indicated, terms defined in the Credit Agreement are used herein as therein defined.

In that connection, we have examined the following documents:

(1) counterparts of the Credit Agreement, executed by the Borrower, the Administrative Agent, the Fronting Banks and the Banks;

(2) the form of Note to be executed by the Borrower and delivered to any Bank that requests a Note pursuant to the terms of the Credit Agreement; and

(3) the other documents furnished by the Borrower on the Closing Date pursuant to Section 5.01(a) of the Credit Agreement, including the opinion of Jeffery C. Miller, Assistant General Counsel of NUSCO (the "***NU Opinion***").

Our engagement as special counsel has been limited to the specific matters as to which we were consulted. We have no direct knowledge of the day-to-day affairs of the Borrower and have not reviewed generally its business affairs. In our examination of the documents referred to above, we have assumed the authenticity of all such documents submitted to us as originals, the genuineness of all signatures, the due authority of the parties executing such documents and the conformity to the originals of all such documents submitted to us as copies. We have also

assumed that each of the Banks, the Administrative Agent and the Fronting Banks has duly executed and delivered, with all necessary power and authority (corporate and otherwise), each Loan Document to which each such Person is a party and that each such Loan Document is enforceable against each such Person in accordance with its terms. We have relied, as to factual matters, on the documents we have examined and, as to matters addressed by the NU Opinion, on the NU Opinion (with the exception of paragraph 5 thereof).

Based upon the foregoing, and subject to the qualifications set forth below, we are of the opinion that:

(i) the Credit Agreement is, and each of the Notes, when executed and delivered for value received in accordance with the terms of the Credit Agreement will be, the legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms; and

(ii) while we have not independently considered the matters covered by the NU Opinion to the extent necessary to enable us to express the conclusions stated therein, the NU Opinion and the other documents referred to in item (3) above are substantially responsive to the corresponding requirements set forth in Section 5.01(a) of the Credit Agreement pursuant to which the same have been delivered.

The opinions expressed herein are subject to the following qualifications:

(a) Our opinion set forth in paragraph (i) above is subject to (i) the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and to general principles of equity, including (without limitation) concepts of materiality, reasonableness, good faith and fair dealing (regardless of whether considered in a proceeding in equity or at law) and (ii) applicable laws that limit the enforceability of provisions releasing, exculpating or exempting a party from, or requiring indemnification of a party for, liability for its own action or inaction in circumstances involving such party's gross negligence, bad faith or similar conduct.

(b) We express no opinion herein as to (i) the availability of specific performance or other equitable remedies or (ii) the enforceability of waivers by parties of their respective rights and remedies under law, (iii) Section 10.05 of the Credit Agreement, (iv) the enforceability of provisions purporting to grant to a party conclusive rights of determination, (v) the availability of specific performance or other equitable remedies, (vi) the enforceability of rights to indemnity under Federal or state securities laws and (vii) the enforceability of waivers by parties of their respective rights and remedies under law.

(c) In connection with Section 10.11 of the Credit Agreement whereby each party to the Credit Agreement submits to the jurisdiction of certain Federal courts, we note the limitations of 28 U.S.C. §§1331 and 1332 on Federal court jurisdiction.

(d) Our opinions expressed above are limited to the law of the State of New York and the Federal law of the United States, and we do not express any opinion herein concerning any other law. Without limiting the generality of the foregoing, we express no opinion as to the effect of the law of any jurisdiction other than the State of New York wherein any Lender may be located or wherein enforcement of any Loan Document may be sought that limits the rates of interest legally chargeable or collectible.

The foregoing opinion is solely for your benefit and may not be relied upon by any other Person other than any Person that may become a Lender under the Credit Agreement after the date hereof.

Very truly yours,

Exhibit 10.07
Form of Assignment and Assumption

FORM OF ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the "***Assignment and Assumption***") is dated as of the Effective Date set forth below and is entered into by and between the Assignor identified in item 1 below (the "***Assignor***") and [the][each][9] Assignee identified in item 2 below ([the][each, an] "***Assignee***"). [It is understood and agreed that the rights and obligations of the Assignees hereunder are several and not joint.][10] Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the "***Credit Agreement***"), receipt of a copy of which is hereby acknowledged by [the][each] Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to [the Assignee][the respective Assignees], and [the][each] Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Loan Documents to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including without limitation any letters of credit included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Loan Documents, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned by the Assignor to [the] [any] Assignee pursuant to clauses (i) and (ii) above being referred to herein collectively as [the] [an] "***Assigned Interest***"). Each such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: _____

2. Assignee[s]: _____
for each Assignee, indicate whether such Assignee is an affiliate of
[*identify Lender*]

[9] For bracketed language here and elsewhere in this form relating to the Assignee(s), if the assignment is to a single Assignee, choose the first bracketed language. If the assignment is to multiple Assignees, choose the second bracketed language.
[10] Include bracketed language if there are multiple Assignees.

3. Borrower: Northeast Utilities

4. Administrative Agent: Union Bank, N.A., as the administrative agent under the Credit Agreement

5. Credit Agreement: Credit Agreement, dated as of September 24, 2010. among Northeast Utilities, the Lenders and Fronting Banks parties thereto, and Union Bank, N.A., as Administrative Agent.

6. Assigned Interest[s]:

Assignor	Assignee[s][11]	Aggregate Amount of Commitment/Advances for all Lenders[12]	Amount of Commitment/Advances Assigned[8]	Percentage Assigned of Commitment/Advances[13]	CUSIP Number
		$	$	%	
		$	$	%	
		$	$	%	

[7.
Trade Date: _____]14

Effective Date: _____ ___, 20___ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR
[NAME OF ASSIGNOR]

By:_____
Title:

ASSIGNEE[S]15
[NAME OF ASSIGNEE]

By:_____
Title:

[11] List each Assignee, as appropriate.
[12] Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.
[13] Set forth, to at least 9 decimals, as a percentage of the Commitment/Advances of all Lenders thereunder.
[14] To be completed if the Assignor(s) and the Assignee(s) intend that the minimum assignment amount is to be determined as of the Trade Date.
[15] Add additional signature blocks as needed.

[NAME OF ASSIGNEE]

By:_____
Title:

Consented to:[16]

UNION BANK, N.A., as
Administrative Agent

By_____
Title:

NORTHEAST UTILITIES

By_____
Title:

[Consented to:][17]

BARCLAYS BANK PLC,
as Fronting Bank

By_____
Title:

CITIBANK, N.A.,
as Fronting Bank

By_____
Title:

JPMORGAN CHASE BANK, N.A.,
as Fronting Bank

By_____
Title:

UNION BANK, N.A.,
as Fronting Bank

[16]To be added only if the consent of the Company and/or the Administrative Agent is required by the terms of the Credit Agreement.
[17]To be added only if the consent of the each Fronting Bank is required by the terms of the Credit Agreement

By_____
Title:

ANNEX 1

Credit Agreement, dated as of September 24, 2010 among Northeast Utilities, the Lenders and Fronting Banks parties thereto, and Union Bank, N.A., as Administrative Agent

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION

Representations and Warranties.

1.1. Assignor[s]. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents, (iii) the financial condition of the Borrower, any of its subsidiaries or affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its subsidiaries or affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee[s]. [The][Each] Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of [the][the relevant] Assigned Interest, shall have the obligations of a Lender thereunder, (iii) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, (iv) it has received a copy of the Credit Agreement, and has received or has been accorded the opportunity to receive copies of the most recent financial statements delivered pursuant to Section 7.04 (b) thereof and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase [the][such] Assigned Interest, and (v) it has, independently and without reliance upon the Administrative Agent or any other Credit Party and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment and Assumption and to purchase [the][such] Assigned Interest; (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Credit Party, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance

with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender and (c) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Loan Documents as are delegated to the Administrative Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of [the][each] Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to [the][the relevant] Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by fax shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

PHASE II MASSACHUSETTS TRANSMISSION

FACILITIES SUPPORT AGREEMENT

This AGREEMENT dated as of June 1, 1985, is between New England Hydro-Transmission Electric Company, Inc. (New England Hydro) and the New England utilities listed in Attachment A hereto. Those New England utilities that have executed this Agreement and meet the further conditions for participation hereunder are hereinafter referred to as Participants or individually as a Participant. The Participants, each of which is a member of the New England Power Pool (NEPOOL), are sometimes referred to collectively herein, but their rights and obligations hereunder are several and not joint as described in Section 5 hereof.

In consideration of the premises, the concurrent execution of the other Basic Agreements hereinafter referred to, the mutual covenants hereinafter and therein set forth, and other good and valuable consideration, receipt whereof is hereby acknowledged, it is hereby agreed as follows:

Section 1. Basic Understandings and Purpose

Some or all of the Participants are participants in the existing arrangements for the Phase I interconnection planned by NEPOOL with Hydro-Quebec, which is to consist of a ± 450 kV HVDC transmission line from a terminal at the Des Cantons Substation on the Hydro-Quebec system near Sherbrooke, Quebec to a terminal having an approximate rating of 690 MW at a substation at the Comerford Generating Station on the Connecticut River (hereinafter referred to as Phase I). The

basic arrangements covering the portion of Phase I in the United States are set forth in the New England Power Pool Agreement, as amended (the NEPOOL Agreement) and three contracts among the participants in Phase I as follows:

1. Vermont Transmission Line Support Agreement, dated as of December 1, 1981, as amended, with Vermont Electric Transmission Company, Inc.
2. Phase I Terminal Facilities Support Agreement, dated as of December 1, 1981, as amended, with New England Electric Transmission Corporation, and
3. Agreement With Respect To Use Of Quebec Interconnection, dated as of December 1, 1981, as amended, including the restatement thereof in connection with Phase II (this Agreement as restated to cover Phase II is hereinafter referred to as the Use Agreement).

These Phase I interconnection facilities are currently under construction with completion scheduled during 1986.

With the completion of arrangements for Phase I and the related contracts with Hydro-Quebec, the members of NEPOOL have conducted studies of the benefits of an expanded interconnection for NEPOOL with Hydro-Quebec (Phase II) and have negotiated with Hydro-Quebec a firm energy arrangement to utilize the expanded interconnection facilities. The results of these studies indicate that such an expansion of the interconnection capacity will be beneficial to the New England utilities and to their respective customers.

The portion of Phase II in the United States will consist of an extension of the Phase I DC transmission line from the proposed terminus of Phase I at the Comerford Station through New Hampshire to a site in Massachusetts with additional terminal facilities installed at that site to increase the total transfer capacity between Hydro Quebec and NEPOOL from the 690 MW of Phase I to approximately 2000 MW. Reinforcements to the existing AC transmission system of New England Power and to certain AC facilities of Boston Edison Company will also be required. The United States portion of the Phase II facilities will be designated as pool-planned facilities in the same manner as the United States portion of the Phase I facilities was so designated.

Hydro Quebec and the Participants have agreed to enter into a ten year energy contract for Phase II. Under that contract, the Participants would purchase, at favorable prices from Hydro Quebec, 7 Twh of energy per year. The Phase II energy will provide an opportunity to displace oil as a fuel for generation and should reduce consumers' annual fuel costs in New England. The commitment of Hydro Quebec to supply to the Participants this large amount of energy should also defer New England's need for expensive new generation. There is also the potential for additional benefits from Phase II, such as energy banking, energy interchange, and emergency transfer for mutual reliability purposes.

Studies performed on behalf of and by NEPOOL show that the aggregate present value of these benefits is expected to significantly exceed the cost of Phase II. The Phase I Support Agreements provide for allocation of participation in Phase II pro rata among all Participants based upon their proportionate shares of the 1980 NEPOOL load with provision for some preferential allocations to certain Participants involved in Phase II.

Each Participant acknowledges that it has been represented on the Executive and Planning Committees of NEPOOL that had responsibility for evaluating the feasibility of Phase II and, through this representation, actively participated in the decision of NEPOOL to go forward with Phase II. Furthermore, each Participant represents that it made its own independent investigations and inquiries as it deemed appropriate and did not rely upon representations (other than those contained in this Agreement) of New England Hydro or its affiliates in deciding to enter into this Agreement.

The sharing of benefits among the Participants associated with Phase II is set forth in the Use Agreement. The Use Agreement also permits each Participant to make its own entitlement transactions with Hydro Quebec and to use the interconnection for such transactions. Each Participant acknowledges that the benefits of participating in Phase II set forth in the Use Agreement are the fundamental consideration for its signing of this Agreement and making the significant commitments to each other Participant specified herein.

The provisions of this Agreement cover the Phase II Massachusetts HVDC transmission line and terminal facilities in Massachusetts (the Transmission Facilities) as described in more detail in Attachment B hereto. In accordance with the provisions hereof, New England Hydro agrees to build, own, operate, and maintain the Transmission Facilities. Each Participant hereby agrees to support the construction, operation, maintenance, and capital costs of the Transmission Facilities in accordance with the provisions hereof. In connection with the HVDC transmission line to be constructed by New England Hydro in Massachusetts, New England Power has agreed to lease rights-of-way to New England Hydro for the full term of this Agreement.

All improvements and reinforcements to AC transmission systems in Massachusetts necessitated by Phase II are covered under the Phase II New England Power AC Facilities Support Agreement and the Phase II Boston Edison AC Facilities Support Agreement.

The portion of the Phase II HVDC transmission line to be constructed in New Hampshire is covered under the Phase II New Hampshire Transmission Facilities Support Agreement among New England Hydro-Transmission Corporation (New Hampshire Hydro), an affiliate of New England Hydro, and the Participants. New Hampshire Hydro will build, own, operate, and maintain these New Hampshire Phase II facilities.

In view of the need to formalize the agreements among the parties at an early date so that (i) binding commitments with Hydro Quebec for Phase II may be made, (ii) binding commitments for ultimate construction and the financing of the United States portion of Phase II may be undertaken consistent with the time schedule anticipated by NEPOOL and with the assurance that the Participants' commitments are in place and (iii) licensing activities may proceed on a schedule that enables completion of such construction consistent with the time schedule anticipated by NEPOOL, the following agreements are concurrently being entered into (the "Basic Agreements") which collectively set forth rights and obligations with respect to the foregoing undertaking: (1) this Agreement; (2) the Equity Funding Agreement for New England Hydro; (3) the Phase II New Hampshire Transmission Facilities Support Agreement; (4) the Equity Funding Agreement for New Hampshire Hydro; (5) the Phase II New England Power AC Facilities Support Agreement; (6) the Use Agreement; (7) various amendments to the NEPOOL Agreement relating to the sharing of savings, capability responsibilities, and Pool transmission arrangements; and (8) the Phase II Boston Edison AC Facilities Support Agreement.

In order to coordinate each Participant's participation in Phase II to the fullest extent possible, each Participant acknowledges that it is to have the same participating interest under each of these agreements: this Agreement, the Phase II New Hampshire Transmission Facilities Support Agreement, the

Phase II New England Power AC Facilities Support Agreement, the Phase II Boston Edison AC Facilities Support Agreement, and the Use Agreement. Each Participant acknowledges that these agreements have been drafted with the overriding intent to so coordinate participating interests and that, notwithstanding any provision thereof that may be interpreted to the contrary, the proper interpretation of each of these agreements is to be consistent with such overriding intent. The Equity Funding Agreement for New Hampshire Hydro and the Equity Funding Agreement for New England Hydro have also been drafted to require actions of Equity Sponsors or their appointees affecting such participating interests to be the same under each Equity Funding Agreement in order to also be consistent with such overriding intent.

During the term of this Agreement, New England Hydro shall limit its activities to those necessary or desirable in connection with Phase II unless New England Hydro requests authority from the Advisory Committee for other activities and such authority is granted. New England Hydro shall endeavor to obtain permanent debt financing at reasonable rates with maturities approximating to the extent practicable the then remaining useful life of the Transmission Facilities or to secure other advantageous financial arrangements. New England Hydro will limit its equity investment to a maximum of 40% of its total capital as of the Effective Date. During the time that New England Hydro has outstanding debt in its capital

structure, New England Hydro shall use its best efforts to continue to limit its equity investment to 40% of its total capital; provided, however, that New England Hydro shall be under no obligation to so limit its equity investment in the event that, after the Date of Full Support Payment (as defined in Section 13) the term of its debt financing or other financing arrangements is less than ten years.

New England Hydro's common equity will be provided under the Equity Funding Agreement by the Equity Sponsors thereunder including New England Electric System (NEES) and those Participants or their authorized designees that qualify by having outstanding long-term debt securities rated at least one grade above the lowest investment grade rating as of the date so required under the Equity Funding Agreement. (The form of Equity Funding Agreement is included as Attachment G hereto.) The Equity Funding Agreement requires equity contributions to New England Hydro from Equity Sponsors up to a maximum of $140 million unless Equity Sponsors having an aggregate of 66-2/3% equity participation agree to increase such maximum.

However, prior to the date that New England Hydro first calls for equity contributions from all Equity Sponsors, all equity of New England Hydro will be contributed by NEES.

To provide assurance that adequate funds will be available to support the financing of the Transmission Facilities, each Participant has agreed, in accordance with Section 14 hereof, to an absolute and unconditional obligation to make payments

hereunder and to meet all other commitments hereunder, including but not limited to those of Section 19 hereof. In order to provide further assurance that adequate debt financing will be available to New England Hydro, the Equity Sponsors have agreed in the Equity Funding Agreement to severally guarantee certain obligations under Section 19 hereof of certain Participants with respect to each debt financing of New England Hydro; provided that the several guarantees of the Equity Sponsors are subject to the limits as set forth in section 8 C and D of the Equity Funding Agreement for New England Hydro; and further provided that one or more Equity Sponsors or their appointees may voluntarily agree to guarantee additional amounts of obligations under such debt financing. During the term of each New England Hydro debt financing, any Participant which, on the commitment date of that financing, (a) had below investment grade debt ratings on its most junior long-term debt securities or did not have a debt rating, (b) had not provided substitute credit enhancement in accordance with Attachment F, and (c) is credit enhanced by Equity Sponsors for such financing, is a Credit Enhanced Participant. In addition, any Participant which is a credit enhanced participant under the Phase II New Hampshire Transmission Facilities Support Agreement is also a Credit Enhanced Participant hereunder.

Section 2. Conditions Precedent to Effectiveness

The effectiveness of this Agreement, and all rights, obligations, and performance of the signatories hereunder, is subject to (a) New England Hydro having executed this Agreement, (b) members of NEPOOL serving at least 66 2/3% of the aggregate kilowatthour load served by all NEPOOL members in 1980 (i) each having executed this Agreement and the other Basic Agreements (except for the two Equity Funding Agreements executed by the Equity Sponsors and the amendments to the NEPOOL Agreement) and (ii) each having satisfied the conditions precedent set forth below, (c) Equity Sponsors covering at least 100% of New England Hydro's equity requirements having executed the Equity Funding Agreement with New England Hydro and covering at least 100% of New Hampshire Hydro's equity requirements having executed the Equity Funding Agreement with New Hampshire Hydro, and (d) members of NEPOOL having executed the amendments to the NEPOOL Agreement for Phase II in order that such amendments may become effective in accordance with the NEPOOL Agreement. The signatories to this Agreement shall also sign and supply any required documentation under the Phase II New Hampshire Transmission Facilities Support Agreement, the Phase II New England Power AC Facilities Support Agreement, the Phase II Boston Edison AC Facilities Support Agreement, the Use Agreement, and amendments to the NEPOOL Agreement relating to Phase II.

By September 15, 1988, each signatory to this Agreement shall provide certificates and legal opinions from counsel satisfactory to New England Hydro, together with certified copies of related resolutions, consents, approvals, authorizations, and other documents (Documentation) necessary to establish to the satisfaction of New England Hydro that all corporate and regulatory consents, waivers, approvals, authorizations and other actions necessary in connection with performance by such signatory of its obligations under the Agreement have been obtained and are in full force and effect, that the Agreement has been duly authorized, executed, and delivered by such signatory, and that it constitutes a binding commitment by the signatory enforceable in accordance with its terms. Forms of Documentation acceptable to New England Hydro are included in Attachment C hereto. Prior to signing this Agreement, each signatory has provided to New England Hydro a listing of all consents, waivers, approvals, authorizations, and other actions required for that signatory to deliver its Documentation.

Since Vermont Electric Power Company, Inc. (VELCO) and Massachusetts Municipal Wholesale Electric Company (MMWEC) represent a number of electric systems, in calculating their respective kilowatthour loads on Attachment A, they are deemed to have signed on behalf of those respective systems listed in Schedules I or II, respectively. By September 1, 1988, VELCO and MMWEC will provide New England Hydro with copies of contracts with those respective systems which impose absolute

and unconditional obligations on such systems to pay their proportionate shares of all costs incurred under this Agreement by VELCO or MMWEC, respectively. By that date, VELCO and MMWEC will also provide to New England Hydro, as part of their Documentation, certificates, legal opinions (from counsel satisfactory to New England Hydro), and other documents in form and substance satisfactory to New England Hydro representing unconditionally that all consents, approvals, and authorizations have been obtained by their contracting systems in connection with each such system's performance of its obligations under its respective contract with VELCO or MMWEC and that each such contract imposes absolute and unconditional obligations on such systems to pay their proportionate shares of all costs incurred under this Agreement by VELCO or MMWEC, respectively, and has been duly authorized, executed, and delivered and is a binding commitment of such system enforceable in accordance with its terms. If regulatory approvals have not been obtained by September 1, 1988, such representations shall be conditioned upon receipt of regulatory approvals. VELCO and MMWEC will have until September 15, 1988 to receive such approvals and make such representations unconditionally. In order that percentages of participation be consistent among the Basic Agreements, VELCO and MMWEC shall have their contracts with their contracting systems cover the necessary commitments for each Basic Agreement.

All expenses in connection with obtaining and delivering any Documentation under this Agreement, including legal opinions, are to be borne by the signatory incurring such expense. New England Hydro will have no responsibility for any expenses incurred by VELCO and MMWEC in providing Documentation for their respective contracting systems. (All expenses of further Documentation including legal opinions required for any financing by New England Hydro with an unaffiliated third party will be borne by the Participants in the same manner).

In the event that VELCO or MMWEC does not provide such contracts and Documentation by the aforementioned deadlines under this Agreement and similar contracts and documentation as required by the other Basic Agreements, for all electric systems shown on Schedules I or II, their respective kilowatthour loads on Attachment A will be automatically adjusted to equal the 1980 kilowatthour loads of those contracting electric systems for which the required contracts and Documentation have been provided. Promptly thereafter, New England Hydro will prepare and distribute an appropriately modified Attachment A with an additional column showing Participating Shares for all Participants and modified Schedules I and II.

If MMWEC provides by December 31, 1985, to New England Hydro at MMWEC's expense an opinion of nationally recognized bond counsel (listed in the Blue Book) stating unequivocally that MMWEC is not legally authorized to enter into and perform the obligations of this Agreement on any basis other than as an

obligation payable solely from revenues derived by MMWEC under the contracts entered into with its contracting electric systems, then New England Hydro and the other Participants agree that MMWEC's liability hereunder shall be so limited. Otherwise, MMWEC's liability hereunder shall not be so limited and shall be on the same basis as that of the other Participants.

VELCO and MMWEC hereby grant to New England Hydro, on a pari passu basis with New Hampshire Hydro, New England Power Company, and Boston Edison Company, a security interest in, and pledge of, their respective contracts with their respective systems covering Phase II, including but not limited to all revenues derived or to be derived therefrom. VELCO and MMWEC also agree not to grant to any other party any lien upon, or pledge or assignment of revenues from, such contracts, except as required in connection with any financing by New England Hydro with an unaffiliated third party (Lender) or by New Hampshire Hydro with a Lender, or except with the approval of New England Hydro and New Hampshire Hydro, as required in connection with any financing by MMWEC, the proceeds of which are to be applied exclusively by MMWEC to meet its obligations under Phase II, provided that such grant by MMWEC to its third party lenders shall be on a pari passu basis with the Lenders, New England Hydro, New Hampshire Hydro, New England Power Company and Boston Edison Company, and provided further that MMWEC shall have its third party lenders execute and deliver intercreditor agreements acceptable to the Lenders, New England

Hydro, New Hampshire Hydro, New England Power Company and Boston Edison Company providing an appropriate allocation between MMWEC's third party lenders and the Lenders, New England Hydro, New Hampshire Hydro, New England Power Company and Boston Edison Company of payments made under MMWEC's contract with its systems and including appropriate notice provisions. VELCO and MMWEC will execute and deliver in a timely manner all Documentation requested by New England Hydro to perfect such grants.

Any signatory, that is unable to provide all Documentation by the applicable deadlines required by this Section 2 or that fails to obtain any regulatory approval required to deliver such Documentation by the applicable deadlines, will not be a Participant under this Agreement and will not have any rights and obligations hereunder after the date of such deadline. All obligations of New England Hydro hereunder are subject to obtaining all regulatory approvals necessary for New England Hydro to charge the Participants in accordance with the terms of this Agreement.

New England Hydro by written notice to all signatories may extend any deadline date specified in this Agreement to a later date, provided that any extension for longer than six months requires the consent of the Advisory Committee.

Section 3. Effective Date and Term

This Agreement shall become effective (the Effective Date) upon the last to occur of the following dates:

(i) the date that Participants serving at least 66 2/3% of the aggregate kilowatthour load in 1980 served by NEPOOL members have satisfied all conditions precedent to effectiveness set forth in Section 2;

(ii) the date that New England Hydro shall give written notice to all Participants that it has determined (such notice to be promptly given upon such determination) that all regulatory approvals necessary for it to charge the Participants in accordance with the terms of this Agreement have been obtained and are no longer subject to appeal;

(iii) the date on which New England Hydro shall give written notice to all Participants that it has determined (such notice to be promptly given upon such determination) that all major regulatory approvals and licenses necessary for construction and operation of Phase II have been obtained and are no longer subject to appeal, unless New England Hydro and the Advisory Committee agree that this Agreement shall become effective before one or more of such approvals and licenses has been obtained and is no longer subject to appeal;

(iv) the date that New England Hydro first receives borrowed funds as part of a financing arranged with Lenders for construction of the Transmission Facilities; and

(v) the date that the last of the other Basic Agreements (excluding the Use Agreement) becomes effective or would become effective but for a condition that its effectiveness is subject to this Agreement becoming effective.

Upon execution and delivery of the Agreement by members of NEPOOL serving at least 66 2/3% of the aggregate kilowatthour load in 1980 served by NEPOOL members, and notwithstanding any provision herein to the contrary, no signatory may terminate its obligations hereunder except in accordance with provisions of this Agreement.

Each Participant which is also a participant under the Phase I Support Agreements shall exercise its rights and take all actions under the Phase I Support Agreements to assure that the Phase I facilities are available to permit continued operation of Phase II. (In order to assure that Phase II is permitted to operate for a full maximum term of fifty years, New England Hydro understands that New England Electric Transmission Corporation and Vermont Electric Transmission Company, Inc. have agreed to extend the provisions of the Phase I Support Agreements to the Phase II Participants to cover this time period.)

The initial term of this Agreement shall expire thirty years from the Date of Full Support Payment as defined in Section 13. If (i) the Transmission Facilities are in commercial operation and (ii) there are continuing commitments by Participants to support the full costs of the Transmission Facilities, a Participant at that time shall be entitled not less than two years prior to the expiration of the initial term to elect to continue participation for an additional period not to exceed 20 years upon the terms and conditions of this Agreement. Such additional period is to be determined by the Advisory Committee no later than two years and three months prior to the end of the initial term. The Advisory Committee in determining this additional period shall take into account the then remaining term of the Phase I Support Agreements.

If all regulatory approvals authorizing New England Hydro to charge the Participants in accordance with the Support Charge described in Section 12 hereof are not received by June 1, 1986, New England Hydro may thereafter elect to terminate this Agreement by notice in writing to the signatories.

Section 4. Participating Shares

A. Allocation. Each Participant shall have and be charged with a percentage interest in all of the rights and obligations hereunder determined in accordance with this Section 4 (which interest is herein referred to as its "Participating Share").

The Participating Share of each Participant shall be computed both initially and as changed from time to time in accordance with the terms hereof, by New England Hydro as hereinafter provided. Such computations shall be made as of the first day of any month in which there is a change in the number of Participants or any change in the interest of any Participant as herein provided. The initial computation of Participating Shares shall be made on the basis that each signatory to this Agreement as shown in Attachment A is a Participant. After such initial computation and before the Effective Date, each Participant shall be entitled to transfer any or all of its Participating Share to one or more other Participants. On or before September 1, 1988, any Participant listed in Attachment A who has transferred, or intends to transfer, any or all of its Participating Share to one or more other Participants listed in Attachment A must provide documentation to New England Hydro covering the transfer. The initial computation is to be recomputed on and as of the Effective Date on the basis that each signatory to this Agreement which has provided timely documentation of its participation or transfer is a Participant. Any such transfers of Participating Shares will be taken into account after such recomputation. Any such transfer of Participating Shares hereunder shall have no effect on the interests, rights, or obligations of participants in Phase I. Subsequent computations are to be made thereafter as of the first day of

each month in which an interest is modified or terminated pursuant to any provision hereof. All computations shall be final unless there is a manifest error.

B. The Participating Shares on and as of the initial computation will be calculated as follows:

(1) up to 5% to VELCO, if then a Participant;

(2) up to 5% to Participants that serve "kilowatthour loads" in New Hampshire (New Hampshire Participants), if then Participants, (Apportioned on the basis of their relative "kilowatthour loads" in New Hampshire); and

(3) the balance (after deducting the percentages, if any, under paragraphs B(1) and B(2) above, respectively) apportioned among all Participants, including VELCO (if then a Participant) and the New Hampshire Participants (if then Participants) on the basis of an initial share allocation determined by the subscription process as described in Attachment E.

C. The term "kilowatthour load," as used herein, shall mean the sum of a Participant's 1980 kilowatthour sales as shown on Attachment A hereto.

D. The precise percentages under B(1) and B(2) shall be specified by VELCO and the New Hampshire Participants, on or before the date of signing this Agreement.

Section 5. Relationship among Participants

The rights and obligations of the Participants hereunder are several, in accordance with their respective Participating Shares, and not joint. The rights and obligations of New England Hydro hereunder are also several and not joint with those of the Participants, the Equity Sponsors, or any one thereof. There is no intention to create by this Agreement, or by any grant, lease, license, or activity related hereto, an association, joint venture, trust, or partnership or to impose on New England Hydro or any Participant trust or partnership rights or obligations; and any such implied intention is expressly negated. Except as expressly provided in this Agreement, no Participant shall have by virtue of this Agreement or of any such grant, lease, license, or activity the right or power to bind any other Participant without its express written consent.

Section 6. Project Control and Advisory Committee

Each Participant may designate in writing, initially on or before June 1, 1986, and from time to time thereafter, a representative and an alternate representative to serve on the Advisory Committee. If a representative is unable to attend, an alternate may attend in his or her place. The Advisory Committee shall have the power and responsibilities set forth in this Agreement and shall adopt its own by-laws, provided that (i) voting shall be by Participating Shares at the time of the vote, (ii) a vote of two-thirds or more of Participating Shares is required to accept a New England Hydro proposal or to

take other affirmative action and a vote of more than one-third is required to reject a New England Hydro proposal, and (iii) one or more Participants having Participating Shares of at least 10% in the aggregate may by reasonable written notice to all Participants call a meeting of the Advisory Committee. The Advisory Committee will advise New England Hydro on all major matters of concern to the Participants regarding the Transmission Facilities and Phase II.

New England Hydro shall make prompt proposals for decisions on the following, and the Advisory Committee shall accept or reject these proposals for decisions on the following:

(i) Commencement of construction of the Transmission Facilities;

(ii) The original design concept for the Transmission Facilities;

(iii) Overall project budget estimate for design, engineering and construction of the Transmission Facilities;

(iv) Major changes to the original design concept of the Transmission Facilities that, based on reasonable engineering estimates, will increase or decrease the cost by more than 10% of the overall budget approved in (iii) above or might have a significant detrimental effect on reliability or availability; any changes whether changes to the original design concept or otherwise that will result in an increase

in the cost to more than 100% above the initial overall project budget approved in (iii), which will require an affirmative vote of at least 80% to accept the changes, or an affirmative vote of a percentage less than 80% in the event that only one Participant (subsidiaries of Northeast Utilities shall be treated as a single Participant for this sole purpose) having more than 20% casts a negative vote;

(v) General terms of major contracts in excess of $25 million;

(vi) Capital additions to the Transmission Facilities in excess of $5 million;

(vii) Major changes in operation and maintenance of the Transmission Facilities that will increase operation and maintenance costs by more than 10% of previous year's actual operation and maintenance costs or might have a significant detrimental effect on reliability or availability;

(viii) Delay, restriction, suspension, termination or cancellation of planning or construction, or shut down of Transmission Facilities, for a period of six months or longer or permanently under Section 16;

(ix) The term of any New England Hydro debt financing or any other financial arrangements (other than any construction financing) with a principal amount in excess of $25 million, provided that such term must be between 5 and 30 years; the Advisory Committee may reject the proposed term only if it is less than 10 years and is unreasonable or impracticable; New England Hydro shall consult with the Advisory Committee on the other principal terms of such financings and any construction financing and shall use reasonable efforts to accommodate their reasonable requests;

(x) The target date for commercial operation of the Transmission Facilities for purposes of Section 13B which shall be determined at least 90 days before the Effective Date; and

(xi) Such other matters as are specified elsewhere in this Agreement.

If New England Hydro makes a proposal for a decision from the Advisory Committee and the Advisory Committee fails, however, to accept or reject such proposal within thirty days, the Advisory Committee shall be deemed by New England Hydro to have approved New England Hydro's proposal and New England Hydro may immediately proceed to implement its proposal.

Each Participant shall be responsible for all of its expenses related to membership on the Advisory Committee.

This Section shall be effective on June 1, 1986, notwithstanding that the Effective Date has not yet occurred.

Section 7. Design and Construction of the Transmission Facilities

Except for those areas of responsibility assigned to the Advisory Committee as specified in Section 6, New England Hydro shall be responsible for the design, engineering, procurement, installation, and all other aspects of the construction of the Transmission Facilities, and any modifications or additions made to the Transmission Facilities at any time before or after completion of the Transmission Facilities, all in accordance with good utility practice for the benefit of all Participants, the objective being to achieve an appropriate balance among minimization of construction cost, minimization of operation and maintenance cost, licensing and environmental considerations, and safety and reliability of service. In carrying out these activities, New England Hydro may utilize the services of its affiliates and may also select and employ a financial adviser, legal counsel, design engineering firm, a construction engineering firm, consultants, and such other firms as it considers desirable. To the extent services are performed by an affiliate of New England Hydro, such affiliate will charge on the same basis that it would charge its costs to other affiliates pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) under the Public Utility Holding Company Act of 1935 (the 1935 Act).

In order for the Advisory Committee to meet its responsibilities as specified in Section 6, New England Hydro will provide all necessary information reasonably requested by the Advisory Committee. During the course of the work, New England Hydro shall furnish quarterly reports to all Participants with respect to the progress of the work and an annual report to all Participants of actual and estimated construction expenditures for the Transmission Facilities.

New England Hydro intends, consistent with good utility practice, to construct the Transmission Facilities on a schedule that permits the commercial operation of Phase II by September 1, 1990. However, New England Hydro does not represent that construction will be completed by such date or any other date.

Section 8. Operation and Maintenance of the Transmission Facilities

Except for those areas of responsibility assigned to the Advisory Committee as specified in Section 6, New England Hydro shall be responsible for the operation and maintenance of the Transmission Facilities in accordance with good utility practice for the benefit of all Participants, the objective being to operate the Transmission Facilities as efficiently, economically, safely, and reliably as feasible. New England Hydro shall use its best efforts to coordinate the operation and maintenance of the Transmission Facilities with the operation and maintenance of the Phase I facilities and other Phase II facilities. In carrying out these activities, New

England Hydro may utilize the services of its affiliates and may also select and employ a financial adviser, legal counsel, consultants, and such other firms as it considers desirable. In furtherance of its responsibility, New England Hydro may from time to time designate a company, which need not be a Participant, to operate and maintain the Transmission Facilities. To the extent services are performed by an affiliate of New England Hydro, such affiliate will charge its costs on the same basis that it would charge to other affiliates pursuant to the rules and regulations of the SEC under the 1935 Act.

In order for the Advisory Committee to meet its responsibilities as specified in Section 6, New England Hydro will provide all necessary information reasonably requested by the Advisory Committee.

After the Transmission Facilities are placed in commercial operation, New England Hydro shall furnish quarterly reports to all Participants with respect to the operation and maintenance of the Transmission Facilities and an annual report to all Participants of estimated operation and maintenance expenses.

Section 9. New England Hydro Relationship to Participants

In carrying out its responsibilities hereunder, New England Hydro agrees that it shall use its best efforts to act for the collective benefit of all Participants and New England Hydro, to include in its contracts with independent contractors the customary provisions for assuring professional and workmanlike performance, including warranties, insurance coverage and other

protections consistent with good utility practice, and to enforce its rights under such contracts against the other contracting parties to the extent reasonable, reserving the discretion to settle claims on a reasonable basis. All costs of construction, including damages caused by the risks of negligence (other than gross negligence) and other risks of construction in excess of the recoveries obtained from offending parties or insurers, shall be included as part of investment in the Transmission Facilities (as defined in Section 12 below) and all costs of operating the Transmission Facilities, including damages caused by risks of negligence (other than gross negligence) or other risks of operation in excess of any recoveries obtained from offending parties or insurers, shall be included in New England Hydro's operating costs (as defined in Section 12 below).

Section 10. Payment for Preliminary Costs

New England Hydro agrees to pay those New England utilities that initially paid for costs related to the Transmission Facilities incurred under the Preliminary Quebec Interconnection Support Agreement - Phase II (the Preliminary Agreement) that are determined by New England Hydro to be capitalizable costs of the Transmission Facilities, in accordance with the Uniform System (as defined hereinafter in Section 12). It is understood that it is the intention of New England Hydro and the Participants for all costs related to and allocated to the Transmission Facilities incurred under the Preliminary Agreement, to be capitalized to the extent

permitted in accordance with good utility practice. Within ninety days after the Effective Date, New England Hydro agrees to make the repayment with interest calculated from the original date of payment using the monthly average rate on one month commercial paper as published in the Federal Reserve Bulletin for each month during such time period.

Section 11. Transmission and Other Services

In accordance with good utility practice, New England Hydro will make the Transmission Facilities available for the Participants for transmission services as part of Phase II. New England Hydro hereby grants to each Participant an exclusive right to use its Participating Share of the Transmission Facilities in accordance with the Use Agreement.

New England Hydro agrees that it will serve as an agent or in other similar capacity for any Participant that so requests for the buying or selling of power to be transmitted over the Transmission Facilities as an entitlement transaction with Hydro-Quebec pursuant to the terms of the Use Agreement or otherwise, provided, however, that a formal written contract with terms and conditions, including compensation for services, satisfactory to New England Hydro is executed and delivered prior to performance of such services.

Section 12. Support Charge

Commencing in the month of the Date of Full Support Payment (as defined in Section 13) and in each month thereafter, each Participant shall pay in accordance with Section 13 its Participating Share of a monthly Support Charge in an amount

determined in accordance with this Section 12, plus a credit enhancement charge calculated in accordance with Attachment F. The Support Charge shall be equal to New England Hydro's total cost of service related to the Transmission Facilities for such month.

The "total cost of service related to the Transmission Facilities" for any month commencing with the month in which the Date of Full Support Payment occurs shall be the sum of (a) New England Hydro's operating expenses for such month with respect to the Transmission Facilities, plus (b) an amount equal to one-twelfth of the composite percentage for such month times the average net rate base for the Transmission Facilities, less (c) investment earnings of the Debt Service Fund, as defined in Section 18, realized by New England Hydro, less (d) any other income received by New England Hydro resulting from costs or rate base supported by the Participants other than income received pursuant to (a), (b), or (c) above or Credit Enhancement Charges and other income allocated to Equity Sponsors elsewhere under this Agreement. If a Support Charge payment under Section 13 is to be calculated from a date other than the first day of a month, an appropriate proration of the amount determined in (b) above shall be made for such payment only.

"Uniform System" shall mean the appropriate Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) for Public Utilities and Licensees, as from time to time in effect.

New England Hydro's "operating expenses" shall include all amounts related to the Transmission Facilities and properly chargeable to expense accounts less any applicable credits thereto, in accordance with the Uniform System, including but not limited to operation and maintenance expense such as rent on leased property and administrative and general expenses, state and Federal income and franchise taxes, property taxes, payroll taxes, any other taxes not based on income, and depreciation and/or amortization expense; it being understood that unless the FERC, upon application by New England Hydro, authorizes a shorter depreciation and/or amortization period, for purposes of this Agreement depreciation and/or amortization shall be at a rate sufficient to recover the investment in the Transmission Facilities (including estimated cost of removal less any salvage value which salvage value, for the purpose of calculating such depreciation and/or amortization, will not exceed the amount of cost of removal) over the greater of: (i) ten years from the Date of Full Support Payment or (ii) the term of New England Hydro's permanent debt financings or other permanent financing arrangements related to the Transmission Facilities, adjusted for multiple maturities and repayment schedules; and it also being understood that rents on leased property shall include the rental of property or property rights related to the Transmission Facilities from any Participant with rent based on book value. In addition, each Participant will pay to New England Hydro, and New England Hydro will pay to New England Power Company, for the benefit of

its customers, such Participant's Participating Share of a monthly charge of $49,000 to compensate New England Power for the lost capacity on its Massachusetts right-of-way, provided however that no such charge shall be paid during such time as construction or operation is suspended on account of a defect in title for such rights-of-way. The allowance for state and Federal income taxes included in operating expenses shall reflect the normalization of timing differences and the flow through of permanent differences between book income and tax income. New England Hydro, as the tax owner of the Transmission Facilities, will be entitled to the benefits and subject to the burdens of such ownership for tax purposes. The allowance for state and Federal income taxes included in operating expenses shall include a provision for taxes on dividends received by stockholders, calculated at the then current statutory rate for corporate stockholders.

The "investment in the Transmission Facilities" shall be the aggregate amount incurred at any time either before or after commercial operation of the Transmission Facilities which relates to the Transmission Facilities and is properly chargeable to New England Hydro's utility plant accounts in accordance with the Uniform System. The investment in the Transmission Facilities shall also include operating expenses incurred prior to the month in which the Date of Full Support Payment occurs and an allowance for funds used during the period prior to the Date of Full Support Payment (AFDC) accrued on the investment in the Transmission Facilities. The AFDC

rate shall be calculated pursuant to the last FERC approved AFDC formula including in construction work in progress all investment in the Transmission Facilities prior to the Date of Full Support Payment and using 14 percent as the return on equity for such calculation.

"Composite percentage" shall be computed as of the last day of each month (the "computation date"). "Composite percentage" as of a computation date shall be the sum of (i) Return on Equity then in effect multiplied by the percentage which equity investment as of such date is of the total capital as of such date; plus (ii) the average monthly effective interest rate per annum of each principal amount of indebtedness outstanding on such date for money borrowed, whether long term or short term, multiplied by the percentage which each such principal amount is of total capital as of such date. The effective interest rate shall take into account premiums, discounts, fees, and other costs that are related to the indebtedness.

"Return on Equity" shall be the return on equity on file with the FERC and in effect under The Federal Power Act.

"Equity investment" as of any date shall consist of the sum of (i) all amounts theretofore paid to New England Hydro for all capital stock theretofore issued, plus all capital contributions, less the sum of any amounts paid by New England Hydro in the form of stock retirements, repurchases or redemptions or return of capital including liquidating dividends; plus (ii) any credit balance in the capital surplus account not included in (i) and any credit balance in the

earned surplus (retained earnings) account on the books of New England Hydro as of such date.

"Total capital" as of any date shall be the equity investment plus the total of all indebtedness then outstanding for money borrowed.

From the Date of Full Support Payment until the first to occur of June 30 or December 31 thereafter, the "average net rate base" for the Transmission Facilities shall be the average of the net rate base determined as of the Date of Full Support Payment and the first to occur of June 30 or December 31 thereafter. Thereafter, for subsequent months of January through June, average net rate base shall be the average of the net rate base as of the preceding December 31 and the following June 30. For other months, average net rate base shall be the average of the net rate base as of the preceding June 30 and the following December 31. The "net rate base" shall consist of (i) the investment in the Transmission Facilities, less (ii) the amount of any accumulated provision for depreciation and amortization related to the investment in the Transmission Facilities, less (or plus) (iii) the amount of any reserve for deferred income taxes received (or paid) by New England Hydro, such deferred income taxes to include deferred income taxes due to accelerated depreciation, construction tax benefits, and any other book/tax timing differences related to the Transmission Facilities, less (iv) the amount of any unamortized investment tax credits (ITC), plus (v) such allowances related to the Transmission Facilities for materials and supplies, prepaid

items and cash working capital as may from time to time by determined by New England Hydro, as reasonably necessary and in accordance with accepted utility accounting practice, plus (vi) the amounts held in the Debt Service Fund, as described in Section 18. New England Hydro shall normalize ITC over the depreciation and/or amortization period relating to the Transmission Facilities. Any allowance for cash working capital shall be limited to that not sufficiently recovered through the use of estimated billing for the current month.

Section 13. Payments

A. Commencing on or about the Date of Full Support Payment and for each month thereafter, New England Hydro will render to each Participant an invoice for its Participating Share of the Support Charge and the Credit Enhancement Charge, if any, for such month calculated on an estimated basis for the current month and subject to corrective adjustment in subsequent months. Unless New England Hydro is prevented by circumstances beyond its reasonable control, New England Hydro shall use its best efforts to render final bills within two years after the end of the calendar year in which the estimated bill was rendered. New England Hydro will also render to each Participant an invoice or notice for its Participating Share of any amounts due under this Agreement (other than monthly Support Charge and the Credit Enhancement Charge) including but not limited to payments to be made under Sections 15, 16, 17, and 20D.

Each Participant shall promptly pay to New England Hydro the amount shown on any invoice submitted under this Section. New England Hydro will date and mail monthly invoices for the Support Charge and Credit Enhancement Charge, if any, on or about the 25th day of the month for the coming month and this invoice shall be due and payable by the 15th day of the coming month and if not paid within that time period shall bear interest compounded monthly from the first day of the month in which payment is due to the date when payment is made at an annual rate equal to two percent (2%) over the current interest rate on prime commercial loans from time to time in effect (the Base Rate) at the principal office of The First National Bank of Boston.

Any invoice or notice for payments due under this Agreement (other than a monthly Support Charge and Credit Enhancement Charge invoice), that is not paid when due under this Agreement shall bear interest compounded monthly from the mailing date of the invoice to the date when payment is made at an annual rate equal to two percent (2%) over the Base Rate at the principal office of The First National Bank of Boston.

B. The "Date of Full Support Payment" shall be the later of (i) the target date for commercial operation of the Transmission Facilities as determined by the Advisory Committee, or (ii) the date on which the Transmission Facilities are ready for commercial operation, but in no event later than one year after the date specified in subpart (i) above unless an extension is agreed to in writing by all

Lenders. However, if all of Phase II commences commercial operation prior to the target date specified in subpart (i) above, the "Date of Full Support Payment" shall be the date on which Phase II is in commercial operation.

Section 14. Character of Payment Obligations

The obligations of each Participant to make payments hereunder, and to perform and observe all other agreements on its part contained herein, are absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any insolvency, composition, bankruptcy, reorganization, arrangement, liquidation or similar proceedings relating to New England Hydro, the Participant, any other Participant, any Equity Sponsor, or any affiliate thereof, (ii) any failure of the Transmission Facilities to operate for any reason, including but not limited to the failure of Hydro-Quebec to sell electric power to the Participants, (iii) any damage to or destruction of the Transmission Facilities, including but not limited to any defect in the title, quality, condition, design, operation, or fitness for use of, or any loss of use of, all or any part of the Transmission Facilities, (iv) any interruption or prohibition of the use or possession by New England Hydro of, or any ouster or dispossession by paramount title or otherwise of New England Hydro from, all or any part of the Transmission Facilities, or any interference with such use or possession by any governmental agency or authority or other person or otherwise, (v) any inability to use the Transmission Facilities because a necessary license or

other necessary public authorization cannot be obtained or is revoked, or because the utilization of such a license or authorization is made subject to specified conditions which are not met, (vi) any invalidity or unenforceability or disaffirmance by New England Hydro or any Participant of any provision of this Agreement or any failure, omission, delay, or inability of New England Hydro to perform any of its obligations contained herein, (vii) any amendment, extension, or other change of, or any assignment or encumbrance of any rights or obligations under, this Agreement, or any waiver or other action or inaction, or any exercise or nonexercise of any right or remedy, under or in respect to this Agreement, (viii) any inability of the Participant or any other Participant to obtain regulatory approvals for financing its Participating Share of any obligations under this Agreement or for meeting any other obligations under this Agreement, or (ix) any inability to start, complete, or use the Transmission Facilities due to any other circumstance, happening, or event whatsoever, whether foreseeable or unforeseeable and whether similar or dissimilar to the foregoing, it being the intention of the parties hereto that all amounts payable by each Participant in respect of this Agreement shall begin to be payable and shall continue to be payable in all events in the manner and at the time herein provided; provided, however, that nothing in this Section 14 shall (a) prevent a Participant from transferring its interests and obligations hereunder to another Participant prior to the Effective Date, or (b) impose any

continuing liabilities or obligations on said transferring Participant with respect to this Agreement incurred or relating to the period of time after said transferring Participant's Participating Share has been reduced to zero. In that connection, each Participant hereby waives, to the extent permitted by applicable law, any and all rights which it may now have or which may at any time hereafter be conferred upon it (other than those expressly conferred in this Agreement), by statute or otherwise, to terminate, cancel, or surrender any of its obligations under this Agreement, and agrees that if, for any reason whatsoever, this Agreement shall be terminated in whole or in part by operation of law or otherwise, each Participant will nonetheless promptly pay to New England Hydro amounts as required by Section 16 of this Agreement.

Notwithstanding the character of the above payment obligations, when the net proceeds from a total taking of the Transmission Facilities in an eminent domain proceeding or from insurance in the event of complete destruction of the Transmission Facilities have been received by New England Hydro in an amount equal to or greater than the amounts then due hereunder from the Participants, then no payment shall be required.

Section 15. Default

A. If any of the following events (Events of Default) shall occur and be continuing:

(i) a Participant shall fail to pay when due any amount which it has agreed to pay under any

provision of this Agreement, and such failure shall continue for more than 10 days after written notice thereof has been given to such Participant by New England Hydro; or

(ii) a Participant shall fail to supply in accordance with the terms hereof any documentation required by New England Hydro in connection with financing with Lenders by New England Hydro (for VELCO and MMWEC, this includes documentation for their respective contracting electric systems), and such failure shall continue for more than 30 days after written notice of such failure has been given to such Participant by New England Hydro; or

(iii) a Participant shall admit in writing its inability to pay its debts, or shall make a general assignment for the benefit of its creditors; or any proceeding shall be instituted against a Participant (and is not dismissed within sixty days), or by a Participant, seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, or composition of it or its debt under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or seeking appointment of a receiver, trustee, or other

similar official for it or for any substantial part of its property; or if a Participant shall take any action to authorize any of the actions set forth in this subsection (iii); or

(iv) prior to the retirement of the last amount of New England Hydro's debt and prior to the reduction of New England Hydro's equity investment to an amount less than or equal to 10% of its highest previous amount, a Participant shall fail to make a payment of principal under any bank loan or other obligation for borrowed money (including financing leases or other similar arrangements) exceeding the lesser of $1 million or 5% of such Participant's total capitalization, which failure is not excused or cured within the earlier of 30 days or the acceleration of the maturity thereof; or

(v) a Participant shall fail to perform any other obligation under this Agreement in accordance with the terms hereof, and such failure shall continue for more than 30 days after written notice thereof has been given to such Participant by New England Hydro; or

(vi) a Participant shall experience an event of default under any of the other Basic Agreements

or under any of the basic agreements for Phase I listed in the first paragraph of Section 1; then, and in any such event, in addition to any other rights or remedies that it may have against such Participant by reason thereof, New England Hydro shall, by written notice to such Participant, terminate all rights of such Participant under this Agreement as of the date of such Event of Default. New England Hydro may with the approval of the Advisory Committee waive any Event of Default hereunder or grant extensions of time to cure any Event of Default.

B. Immediately upon termination of the rights of a Participant pursuant to A above:

(i) if such terminated Participant was then a Credit Enhanced Participant, then New England Hydro shall allocate the Participating Share of the terminated Participant to the Equity Sponsors or their appointees in proportion to the Equity Sponsors' then respective equity percentages;

(ii) if such terminated Participant was not then a Credit Enhanced Participant, then New England Hydro will offer the Participating Share of the terminated Participant as of the date of the termination to the Equity Sponsors or their

appointees and upon acceptance of the offer will allocate the Participating Share in accordance with the acceptance (if the offer is oversubscribed by Equity Sponsors, the allocation will be made in proportion to such Equity Sponsors' then respective equity percentages); provided that, if such Participating Share is not so completely allocated, then New England Hydro will offer such unallocated Participating Share to Participants whose most junior long-term debt securities are then rated at least one grade above investment grade or, if not so rated, who have obtained the consent of all New England Hydro's Equity Sponsors (if the offer is oversubscribed, the allocation will be made in proportion to respective participating shares); and provided further that such Equity Sponsors or their appointees or Participants receiving such an allocation accept an equal support or participating share under the Phase II New England Power AC Facilities Support Agreement, the Phase II Boston Edison AC Facilities Support Agreement, and the Phase II New Hampshire Transmission Facilities Support Agreement; and

(iii) the Equity Sponsors or their appointees that have been allocated Participating Shares under B (i) or (ii) above or any Participants that have been allocated Participating Shares under B (ii) above or New England Hydro, if no such allocation is made, shall be entitled to receive in accordance with the Use Agreement from the escrow agent as liquidated damages the allocated share of all Phase II amounts retained under the Use Agreement on or after the date of such termination for the account of such terminated Participant.

C. The terminated Participant shall immediately pay either (i) if an allocation is made under Section 15B, to the Equity Sponsors or their appointees or any Participants that have received such allocation or (ii) otherwise, to New England Hydro, in addition to any other amounts due under any provisions of this Agreement, an amount equal to its Participating Share of the investment in the Transmission Facilities (including any cost of removal and disposal) less any depreciation and amortization relating to the Transmission Facilities to the date of such payment. New England Hydro will credit any such amounts it receives from the terminated Participant for the benefit of the Equity Sponsors.

D. New England Hydro or any Equity Sponsor or any Participant shall be free to invoke such remedies at law or in equity as may be deemed appropriate against any Participant that defaults under this Agreement.

Section 16. Delay, Suspension, Termination, Cancellation, or Shutdown

If at any time New England Hydro determines that continued planning, construction, or operation of the Transmission Facilities is not advisable for any reason New England Hydro deems appropriate, it may, after written notice to all Participants, delay, restrict, or suspend planning, construction, or operation, or shut the Transmission Facilities down for a period of less than six months. In accordance with Section 6, the Advisory Committee has responsibility for accepting or rejecting a proposal submitted by New England Hydro recommending a delay, restriction, suspension, termination, or cancellation of planning or construction, or shut down of the Transmission Facilities for a period of six months or longer or permanently. In any case in which New England Hydro determines that safety considerations require an immediate shutdown, it shall proceed without consultation with the Advisory Committee or written notice to the Participants.

If the Advisory Committee has determined that (i) planning or construction of the Transmission Facilities is to be terminated or cancelled, or (ii) the Transmission Facilities are to be permanently shutdown, then New England Hydro shall give each Participant not less than ninety days advance written notice of any such event. Each Participant shall pay to New England Hydro within such notice period an amount, as specified in such notice and calculated as of the date of the event so notified, equal to the greater of:

(a) its Participating Share of the investment in the Transmission Facilities (less any depreciation and amortization to the date of payment) together with all costs relating to or resulting from such termination, cancellation or permanent shutdown, including any premiums and penalties incurred because of the early retirement of any indebtedness and further including without limitation any costs of total or partial demolition and disposal of the Transmission Facilities net of any actual salvage value received by New England Hydro including the proceeds from any sale and net of the actual proceeds received by New England Hydro from any condemnation proceeding or insurance for destruction; or

(b) its Participating Share of the then total capital of New England Hydro plus any premiums and penalties incurred because of the early retirement of any financing plus without limitation any costs of total or partial demolition and disposal of the Transmission Facilities net of any actual salvage value received by New England Hydro including the proceeds from any sale and net of the actual proceeds received by New England Hydro from any condemnation proceeding or insurance for destruction.

If New England Hydro and the Advisory Committee agree on the decision to terminate, cancel or permanently shutdown the Transmission Facilities under this Section 16, New England Hydro shall have and retain, upon termination of this Agreement, the right to sell the Transmission Facilities at fair market value to any NEES affiliate of New England Hydro. Any amounts received from such sale shall be considered salvage value under (a) or (b) above. If New England Hydro's recommendation to terminate, cancel or permanently shutdown is not adopted by the Advisory Committee, New England Hydro shall be paid an amount determined in accordance with this Section 16 and if directed by the Advisory Committee shall transfer its rights, assets, and obligations related to the Transmission Facilities to the Participants or any group or designee thereof. New England Hydro's lease of the right-of-way shall be assigned in connection with such transfer.

If New England Hydro is paid such amount and transfers its rights, assets, and obligations related to the Transmission Facilities to the Participants or any group or designee thereof, New England Hydro shall refund any costs of total or partial demolition and disposal of the Transmission Facilities to such Participants or group or designee thereof.

Section 17. Termination by New England Hydro

If at any time New England Hydro elects and so notifies in writing all Participants that, as a result of a default under Section 15, the Participating Share of a terminated Participant cannot be allocated to Equity Sponsors or their appointees or

other Participants pursuant to Section 15B and the aggregate of the Participating Shares of all nonterminated Participants is less than 100%, each such other Participant's participation hereunder shall terminate on a date (effective date of termination) not less than 90 days after the date of New England Hydro's written notice, and each such other Participant on or before the effective date of termination shall pay to New England Hydro an amount calculated in accordance with the second paragraph of Section 16.

Upon termination of this Agreement pursuant to this Section 17, New England Hydro shall offer each Participant which (i) was not a terminated Participant immediately prior to termination of the Agreement pursuant to this Section 17 and (ii) has paid all amounts due under the first paragraph of this Section 17, an opportunity to participate in a new support agreement, provided that all participants in such new support agreement agree to pay 100% of the costs of service of New England Hydro. The new support agreement will have a term equal to the remaining term of this Agreement. Other provisions of the new support agreement will be substantially similar to those in this Agreement. The investment in the Transmission Facilities under the new support agreement shall be reduced by any amount received as termination payments hereunder which would be properly applied to utility plant accounts in accordance with the Uniform System less any costs of termination or premiums or penalties incurred because of the early retirement of any financing of New England Hydro. Any

participant in the new support agreement shall also be a supporter of the AC facilities of New England Power and Boston Edison Company and the transmission facilities of New Hampshire Hydro.

No termination of this Agreement shall relieve any party of any obligation arising prior to making the payment to New England Hydro required by the first paragraph of this Section 17. In addition, notwithstanding the termination of this Agreement for other purposes, this Agreement shall continue in effect to the extent necessary to provide for paying all "windup costs" and final billings, billing adjustments and payments.

Section 18. Debt Service Fund

New England Hydro may establish and maintain at its option a Debt Service Fund with funds which may be borrowed from unaffiliated third parties. The Debt Service Fund may be assigned in connection with a financing by New England Hydro with the Lenders in order to provide assurance to such Lenders that New England Hydro will pay its debt service obligations in a timely manner.

The Debt Service Fund shall not exceed the lesser of (i) the amount required to pay six months of interest on indebtedness plus five percent of the largest principal amount of debt outstanding at any time plus any accrued earnings from investment of the amounts in the Debt Service Fund not yet credited to Support Charges as provided in Section 12 or (ii) the total amount of debt service remaining to be paid.

Section 19. Cash Deficiency Commitment

A. "Cash Deficiency" attributed to a Participant means with respect to any Due Date, the amount by which that Participant's Participating Share of the aggregation of the principal of, premium, if any, and interest on any of the funds borrowed by New England Hydro from Lenders to finance the Transmission Facilities or the construction thereof and payable on such Due Date (whether at maturity, pursuant to mandatory prepayment, by acceleration or otherwise) exceeds the amount of cash from such Participant's payments made under any other section of this Agreement and available to New England Hydro for repayment to Lenders of such borrowed funds.

B. If New England Hydro has a Cash Deficiency attributed to a Participant on any Due Date, that Participant agrees that it shall absolutely and unconditionally guarantee to pay its Cash Deficiency on demand of Lenders, to be paid directly on demand to Lenders, in cash, provided, however, that no Cash Deficiency attributed to a Participant shall include any unpaid obligations hereunder of other Participants.

For purposes of this Section 19, "Due Date" shall mean the date any payments are due and payable under the terms of any indebtedness of New England Hydro with Lenders.

C. Payments by Participants under this section shall be considered by New England Hydro to be prepayments of amounts due or to become due to New England Hydro pursuant to any other section hereof.

Section 20. Miscellaneous

A. Insurance. New England Hydro will at all times during the term of this Agreement keep the Transmission Facilities insured against such risks as electric utility companies, similarly situated, constructing and operating like properties, usually insure against. Any uninsured loss, damage, or liability related to the Transmission Facilities or arising out of New England Hydro's performance hereunder and any expenses in connection with any such loss, damage, or liability shall be deemed to be an expense reimbursable by the Participants in accordance with Section 12. New England Hydro will assist any Participant, at the Participant's expense, in obtaining any other insurance coverage related to the Transmission Facilities that such Participant requires. Upon request, New England Hydro will supply certificates of insurance coverage.

B. Limitation of Liability. For and in consideration of the fact that New England Hydro is undertaking to design, engineer, procure, install, construct, operate, and maintain the Transmission Facilities for and on behalf of Participants without any compensation or charge other than the payments provided under this Agreement, no Participant shall be entitled to recover from New England Hydro or any affiliate or any shareholder, director, officer, employee, or agent of New England Hydro or any affiliate, any damages resulting from error or delay, whether or not due to negligence, in the design, engineering, procurement, installation or construction of the Transmission Facilities, or for any damage to the

Transmission Facilities, any curtailment of power, or any other damages of any kind, including but not limited to consequential damages, arising out of or in connection with the performance of this Agreement by New England Hydro. Notwithstanding the above limitation, if New England Hydro is found by a court of competent jurisdiction to have intentionally violated this Agreement in a material manner or to have acted hereunder in a grossly negligent manner and if such court finding is final and no longer subject to appeal, then the Participants shall be entitled to recover from New England Hydro direct damages (but not consequential or any other damages) resulting from such material intentional violation or gross negligence, unless New England Hydro's actions or omissions have been expressly approved in advance by the Advisory Committee. New England Hydro will use its best efforts to enforce all contracts related to the construction and operation of the Transmission Facilities for the benefit of New England Hydro and the Participants.

C. Audit. New England Hydro will arrange for an annual audit to be performed by an independent public accounting firm of recognized standing selected by New England Hydro. The costs of the annual audit will be included in the operating expenses under Section 12. The books and records of New England Hydro (including metering records) shall be open to reasonable inspection and audit by any Participant. The costs of any such additional audit, including the costs of New England Hydro in connection with such audit, shall be borne by

the Participant or Participants requesting such audit. New England Hydro will promptly make any reasonable corrections necessitated as a result of the annual audit or an additional audit.

D. Cost Reimbursement. In the event New England Hydro reasonably incurs any costs not provided for elsewhere herein in connection with or as a result of planning, organizing, documenting, construction, suspensions, rescheduling, cancellation, operation, maintenance, shutdown, demolition, disposition, or termination of the Transmission Facilities, or otherwise arising in connection with this Agreement, each Participant shall promptly reimburse to New England Hydro, within 15 days of the mailing date of the invoice, its Participating Share of such costs. However, New England Hydro will endeavor to finance any additional costs, to the extent such additional costs are properly capitalizable, over the shorter of the then remaining useful life of the Transmission Facilities, the remaining term of the Agreement, or the remaining term of its permanent financing.

E. Uncontrollable Force. No delay or failure in the performance of any obligation by New England Hydro shall be deemed to exist if it is the result of an "uncontrollable force". The term "uncontrollable force" shall be deemed to mean any cause beyond the reasonable control of New England Hydro, which New England Hydro could not reasonably have been expected to avoid by exercise of due diligence and foresight, including, without limiting the generality of the foregoing,

storm, flood, lightning, earthquake, fire, explosion, failure of facilities not due to lack of proper care or maintenance, civil disturbance, labor disturbance, sabotage, war, national emergency, or restraint by court or public authority. In such event, New England Hydro shall use reasonable diligence to notify the Participants of such event.

F. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of, and may be performed by, the successors and assigns of the parties and shall also be binding, insofar as permitted by law, on any receiver or trustee in bankruptcy, receivership, or reorganization of any party. Except (i) for a reallocation resulting from a default as provided in Section 15, (ii) for a sale, merger, or consolidation which is approved by New England Hydro and results in the transfer of substantially all of a Participant's assets to, and the assumption of all of the Participant's obligations hereunder by, an electric utility which is a member of NEPOOL, and (iii) for an assignment by New England Hydro to a NEES affiliate of New England Hydro which expressly assumes New England Hydro's rights and obligations hereunder and acquires the Transmission Facilities, and (iv) for a transfer of any or all of a Participant's Participating Share prior to the Effective Date as provided in Section 4A hereof, no assignment of this Agreement shall operate to relieve the assignor of its obligations under this Agreement without the written consent of the parties hereto. In addition to New England Hydro's right to assign to an affiliate, New

England Hydro may assign, without the consent of the Participants, its right, title, and interest in this Agreement, in whole or in part, and any security interests contained herein or granted hereunder, to one or more banks, investment banking firms, insurance companies, other financial institutions, or others as collateral security for New England Hydro's obligations in connection with financing the Transmission Facilities. Written notice to all parties will be given prior to any assignment hereunder.

G. Right of Setoff. No Participant shall be entitled to set off against the payments required to be made by it hereunder (1) any amounts owed to it by New England Hydro, any affiliate of New England Hydro, any Equity Sponsor, or any other Participant or (2) the amount of any claim by it against New England Hydro, any affiliate of New England Hydro, any Equity Sponsor, or any other Participant. However, the foregoing shall not affect in any other way any Participant's rights and remedies with respect to any such amounts owed to it by New England Hydro, any affiliate of New England Hydro, any Equity Sponsor, or any other Participant or any such claim by it against New England Hydro or any other Participant.

H. Amendments. New England Hydro shall have the right to amend the provisions of Section 12 hereof from time to time by serving an appropriate statement of such amendment upon the Participants and filing the same with the Federal Energy Regulatory Commission (or such other regulatory agency as may have jurisdiction) in accordance with the provisions of

applicable laws and any rules and regulations thereunder, and the amendment shall thereupon become effective on the date specified therein, subject to any suspension order duly issued by such agency. The Participants have the right to intervene in any regulatory proceeding brought by New England Hydro to consider such amendment of the provisions of Section 12.

Any amendments changing the Participating Shares of the Participants, the rights of the Participants or a Participant as specified in Section 11, or the several nature of the obligations and rights of the Participants hereunder as specified in Section 5, shall require consent by all parties. All other amendments to this Agreement shall be by mutual agreement of New England Hydro and Participants owning Participating Shares aggregating at least 66 2/3%, evidenced by a written amendment signed by New England Hydro and such Participants; and New England Hydro and all Participants shall be bound by any such amendment.

I. Notices. Except as the parties may otherwise agree, any notice, request, bill, or other communication, relating to this Agreement, or the rights, obligations or performance of the parties hereunder, shall be in writing and shall be effective upon delivery. Any such communication shall be considered as duly delivered when delivered in person or mailed by registered or certified mail, postage prepaid, to the respective post office address of the other parties shown following the signatures of such other parties hereto, or such other address as may be designated by written notice given as provided in this paragraph I.

J. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of The Commonwealth of Massachusetts.

K. Other.

(1) No action, regardless of form, arising out of this Agreement may be brought by any party hereto more than three years after the cause of action has arisen.

(2) In the event that any clause or provision of this Agreement, or any part thereof, shall be declared invalid or unenforceable by any court having jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining portions of this Agreement.

(3) All provisions of this Agreement providing for limitation of, or protection against, liability shall apply to the full extent permitted by law, and regardless of fault, and shall survive either termination pursuant to this Agreement or cancellation.

(4) Each party shall, upon request of another party, execute and deliver any document reasonably required to implement any provision hereof.

(5) Any number of counterparts of this Agreement may be executed and each shall have the same force and effect as the original.

(6) This Agreement, with the other Basic Agreements, Preliminary Quebec Interconnection Support Agreement - Phase II, the agreements with Hydro-Quebec regarding Phase II, and the basic agreements covering Phase I shall constitute the

entire understanding among the parties and shall supersede any and all previous understandings pertaining to the subject matter of this Agreement.

(7) This Agreement is the act and obligation of the parties hereto in their corporate or governmental capacity, and any claim hereunder against any shareholder, director, officer, employee, or agent of any party, as such, is expressly waived.

Section 21. Refund of Gain on Sale or Other Disposition of Transmission Facilities

In the event that any of the Transmission Facilities are sold or otherwise disposed of during the term of this Agreement, if the Net Proceeds (defined as the amount received from such sale or disposition less all costs relating to or resulting from such sale or disposition, including without limitation any income taxes relating to or resulting from such sale or disposition, any premiums and penalties incurred because of the early retirement of any indebtedness associated with the sold or disposed of Transmission Facilities, and any costs of total or partial demolition of the sold or otherwise disposed of Transmission Facilities) from such sale or disposition exceed the greater of (i) the investment in the entire Transmission Facilities (less any depreciation and amortization to the date of sale or disposition) or (ii) the then total capital of New England Hydro (as defined in Section 12), New England Hydro shall (a) refund to the then current Participants, in proportion to their then current Participating Shares, any such excess, and (b) credit to the accumulated

provision for depreciation and amortization related to the investment in the Transmission Facilities the investment in the entire Transmission Facilities (less any depreciation and amortization to the date of sale or disposition). The total capital of New England Hydro, for the purposes of this section, may exceed the investment in the entire Transmission Facilities (less any depreciation and amortization to the date of sale or disposition) due to (1) any reserve for deferred income taxes paid by New England Hydro or (2) for other reasons related to the investment in the Transmission Facilities. If the Net Proceeds do not exceed the greater of (i) or (ii) above, the Net Proceeds will be credited to the accumulated provision for depreciation and amortization related to the investment in the Transmission Facilities in lieu of payment to the Participants. The Participants agree to flow through any such refunds to their customers and shall seek any necessary regulatory approvals to reflect in their rates any such refunds and the effect of any such credits to the accumulated provision for depreciation and amortization related to the investment in the Transmission Facilities; except that to the extent that a Participant's customers' rates have not reflected all or a portion of that Participant's share of the costs of the Transmission Facilities, then that Participant agrees that a complete flow-through of such refunds may not be appropriate and that particular Participant shall seek any necessary regulatory approvals for the appropriate disposition of an appropriate portion of such refunded amounts or credits.

IN WITNESS WHEREOF, the signatories have caused this Agreement to be executed by their duly authorized officers or agents.

NEW ENGLAND HYDRO-TRANSMISSION ELECTRIC COMPANY, INC.

By s/R.O. Bigelow
Its President

Address: 25 Research Drive
Westborough, MA 01582

Vermont Electric Power Company, Inc., as agent for each Vermont electric utility named, and with authority to bind each such utility to the extent of the percentage interest of the VELCO entitlement hereunder that is specified, on Schedule 1 to this signature page.

VERMONT ELECTRIC POWER COMPANY, INC.

By s/S. John Zuckernick
Its President

Address: Pinnacle Ridge Road
P. O. Box 548
Rutland, VT 05701

CENTRAL MAINE POWER COMPANY

By s/Donald F. Kelly
Its Vice President of Power Supply

Address: Edison Drive
Augusta, ME 04336

BOSTON EDISON COMPANY

By s/Stephen J. Sweeney
Its President & CEO

Address: 800 Boylston Street
Boston, MA 02199

CHICOPEE MUNICIPAL LIGHTING PLANT

By s/Herve L. Plasse
Its Manager

Address: 725 Front Street
Chicopee, MA 01013

THE CONNECTICUT LIGHT AND POWER COMPANY
WESTERN MASSACHUSETTS ELECTRIC COMPANY
HOLYOKE WATER POWER COMPANY
HOLYOKE POWER AND ELECTRIC COMPANY

By s/William B. Ellis
Their Chairman
c/o Northeast Utilities Service Company

Address: P. O. Box 270
Hartford, CT 06141-0270

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY

By s/Frank L. Childs
Its President

Address: 285 John Fitch Highway
P. O. Box 2070
Fitchburg, MA 01420

THE UNITED ILLUMINATING COMPANY

By s/Richard J. Grossi
Its Exec. Vice President

Address: 80 Temple Street
New Haven, CT 06506

NEW ENGLAND POWER COMPANY

By s/J.F. Kaslow
Its President

Address: 25 Research Drive
Westborough, MA 01582

BANGOR HYDRO-ELECTRIC COMPANY

By s/T.A. Greenquist
Its President

Address: 33 State Street
Bangor, ME 04401

CANAL ELECTRIC COMPANY

By s/Jeremiah V. Donovan
Its President

Address: 675 Massachusetts Avenue
Cambridge, MA 02139

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

By s/R.J. Harrison
Its President & Chief Executive Officer

Address: 1000 Elm Street
P. O. Box 330
Manchester, NH 03105

MONTAUP ELECTRIC COMPANY

By s/Arthur A. Hatch
Its Vice President
c/o Eastern Utilities Associates

Address: P. O. Box 2333
Boston, MA. 02107

MASSACHUSETTS MUNICIPAL WHOLESALE ELECTRIC COMPANY

By s/Richard K. Byrne
Its General Manager & Secretary

Address: P. O. Box 426
Ludlow, MA 01056

TAUNTON MUNICIPAL LIGHTING PLANT

By s/Joseph M. Blain
Its General Manager

Address: 55 Weir Street
Taunton, MA 02780

CONNECTICUT MUNICIPAL ELECTRIC ENERGY COOPERATIVE

By s/Maurice R. Scully
Its Executive Director

Address: 268 Thomas Road
Groton, CT 06340

NEWPORT ELECTRIC CORPORATION

By s/Elliot G. Whitney
Its President & Gen. Mgr.

Address: 12 Turner Road
P. O. Box 4128
Middletown, R.I. 02840-0011

UNITIL POWER CORP.

By s/David K. Foote
Its Vice President

Address: 436 South River Road
RFD #5
Bedford, NH 03102-6197

PEABODY MUNICIPAL LIGHT PLANT

By s/Bruce P. Patten
Its Manager

Address: 70 Endicott Street
Peabody, MA 01960

APPROVED:

By s/William A. Kennedy, Jr.
Town Manager of Town of Holden

TOWN OF HOLDEN

By s/Neil E. Murray
Its Light Department Operating Manager

Address: Reservoir Street
Holden, MA 01520

Town of Holden

Light Department's
1980 Kilowatthour load 63,676,000

TOWN OF MIDDLEBOROUGH

By s/John W. Dunfey
Its General Manager

Address: 32 South Main Street
Middleborough, MA 02346

Town of Middleborough

Light Department's
1980 Kilowatthour load 92,081,000

TOWN OF WAKEFIELD

By s/William J. Wallace
Its Manager

Address: Wakefield Mun. Lt. Dept.
9 Albion Street
Wakefield, MA 01880

Town of Wakefield

Light Department's
1980 Kilowatthour load 107,609,000

TOWN OF NORTH ATTLEBORO

By s/David Sweetland
Its Manager

Address: P.O. Box 790
North Attleboro, MA 02761

Town of North Attleboro

Light Department's
1980 Kilowatthour load 93,816,000

TOWN OF BOYLSTON

By s/Edward H. Kimbell
Its Manager

Address: Sanatorium Road
Boylston, MA 01505

Town of Boylston

Light Department's
1980 Kilowatthour load 17,324,000

TOWN OF HINGHAM

By s/Joseph R. Spadea, Jr.
Its Manager

Address: Hingham Municipal Lighting Plant
19 Elm Street
Hingham, MA 02043

Town of Hingham

Light Department's
1980 Kilowatthour load 103,929,000

TOWN OF ROWLEY

By s/G. Robert Merry
Its Manager

Address: Rowley Municipal Lighting Plant
47 Summer Street
Rowley, MA 01969

Town of Rowley

Light Department's
1980 Kilowatthour load 13,551,000

TOWN OF HUDSON

By s/Horst Huehmer
Its Manager

Address: TOWN OF HUDSON
Light & Power Department,
Hudson, MA

WESTFIELD GAS & ELECTRIC LIGHT DEPARTMENT

By s/Daniel Golubek
Its Manager

Address: 100 Elm Street
Westfield, MA 01085

TOWN OF BRAINTREE ELECTRIC LIGHT DEPARTMENT

By s/Walter R. McGrath
Its General Manager

Address: 44 Allen Street
Braintree, MA 02184

Town of Braintree

Light Department's
1980 Kilowatthour load 267,289,000

TOWN OF DANVERS

By s/Wayne P. Marquis
Its Town Manager

By s/Michael W. Madore
Its Electric Superintendent

Address: Electric Division
2 Burroughs Street
Danvers, MA 01923

Town of Danvers

Light Department's
1980 Kilowatthour load 206,806,000

TOWN OF WEST BOYLSTON

By s/Charles H. Coughlin
Its Manager

Address: 4 Crescent Street
West Boylston, MA 01583

Town of West Boylston

Light Department's
1980 Kilowatthour load 43,974,000

CITY OF HOLYOKE

By s/G.E. Leary
Its Manager

Address: Gas & Electric Department
70 Suffolk Street
Holyoke, MA 01040

City of Holyoke

Light Department's
1980 Kilowatthour load 232,301,707

TOWN OF READING

By s/Allan Ames
Its Secretary, Reading Municipal Light Board

Address: 25 Haven Street
P.O. Box 150
Reading, MA 01867

Town of Reading

Light Department's
1980 Kilowatthour load 401,794,849

CONCORD MUNICIPAL LIGHT PLANT

By s/Steven E. Sheiffer
Its Town Manager

Address: 135 Keyes Road
Concord, MA 01742

TOWN OF GROTON

By s/Roger H. Beeltje
Its Manager of Municipal Lght.

Address: Groton Electric Light Department
Station Avenue
Groton, MA 01450

Town of Groton

Light Department's
1980 Kilowatthour load 22,908,000

TOWN OF PRINCETON

By s/Richard F. Wheeler
Its Manager

Address: Municipal Light Department
4 Town Hall Drive
P.O. Box 247
Princeton, MA 01541-0247

Town of Princeton

Light Department's
1980 Kilowatthour load 7,130,000

TOWN OF SHREWSBURY

By s/Thomas R. Josie
Its Acting General Mgr.

Address: 100 Maple Avenue
Sharewsbury, MA 01545

Town of Shrewsbury

Light Department's
1980 Kilowatthour load 146,303,000

TOWN OF STERLING

By s/William H. Rugg
Its Manager

Address: 50 Main Street
Sterling, MA 01564-0430

Town of Sterling

Light Department's
1980 Kilowatthour load 24,510,000

TOWN OF SOUTH HADLEY

By s/Wayne D. Doerpholz
Its Manager

Address: 85 Main Street
South Hadley, MA

Town of South Hadley

Light Department's
1980 Kilowatthour load 99,981,000

VELCO SCHEDULE 1

Vermont Phase II Participant	1980 Kilowatthour Load	Percentage Interest
Central Vermont Public Service Corporation	1,895,922,200	58.1197
Citizens Utilities Company	184,496,600	5.6558
Franklin Electric Light Company, Inc.	7,159,900	0.2195
Green Mountain Power Corporation	1,174,519,500	36.0050

Schedule I

Vermont Electric Power Company, Inc.
Contracting Electric Systems

Central Vermont Public Service Corporation
Citizens Utilities Company
Franklin Electric Light Company, Inc.
Green Mountain Power Corporation

Schedule II

Massachusetts Municipal Wholesale Electric Company
Contracting Electric Systems

Massachusetts Systems

Town of Ashburnham Municipal Light Plant
Town of Georgetown Municipal Light Department
Town of Hull Municipal Lighting Plant
Town of Littleton Electric Light Department
Town of Mansfield Municipal Electric Department
Town of Marblehead Municipal Light Department
Town of Middleton Municipal Electric Department
Town of Paxton Municipal Light Department
Town of Templeton Municipal Lighting Plant

Rhode Island System

Pascoag Fire District

ATTACHMENT A

Except as provided below, if any participant does not receive required consents, waivers, regulatory approvals, or other actions of governmental authorities within the time period required by this Agreement, the listing of Participants and 1980 kilowatthour load will be appropriately modified.

Participant	1980 Kilowatthour Load
The Connecticut Light and Power Company	16,002,437,000
Western Massachusetts Electric Company	3,252,432,000
Holyoke Water Power Company	106,905,000
Holyoke Power and Electric Company	0
New England Power Company	15,444,975,840 (a),
Boston Edison Company (Edison)	9,531,773,000 (b),
Central Maine Power Company	6,053,571,000
Public Service Company of New Hampshire	5,043,242,871 (d)
The United Illuminating Company	4,715,078,120
Vermont Electric Power Company	3,262,098,200
Canal Electric Company	3,227,553,000
Montaup Electric Company	3,096,872,000 (e)
Bangor Hydro-Electric Company	1,305,625,118
Connecticut Municipal Electric Energy Cooperative	718,177,538
UNITIL Power Corp.	609,873,261 (f)
Massachusetts Municipal Wholesale Electric Company	470,025,000
Town of Reading Municipal Light Department	401,795,000
Newport Electric Corporation	382,745,000
Fitchburg Gas and Electric Light Co.	369,055,118
Taunton Municipal Lighting Plant	307,460,361
City of Chicopee Municipal Lighting Plant	279,273,169
Town of Braintree Electric Light Department	267,289,000
City of Peabody Municipal Light Plant	245,010,000
City of Westfield Gas & Electric Light Department	219,026,000
City of Holyoke Gas & Electric Light Department	214,448,000
Town of Danvers Electric Department	206,806,000
Town of Shrewsbury Electric Light Department	146,303,000
Hudson Light and Power Department	127,808,000
Town of Wakefield Municipal Lighting Department	107,609,000
Town of Hingham Municipal Lighting	103,929,000
Town of South Hadley Electric Light Department	99,981,000
Town of North Attleborough Electric Department	93,816,000
Town of Middleborough Gas and Electric Department	92,081,000
Town of Holden Municipal Light Department	63,676,000
Town of West Boylston Municipal Lighting Department	43,974,000
Town of Sterling Municipal Electric Department	24,510,000
Town of Groton Electric Light Department	22,908,000
Town of Boylston Municipal Light Department	17,324,000
Town of Rowley Municipal Light Department	13,551,000
Princeton Municipal Light Department	7,130,000
Town of Concord Municipal Light Plant	0 (c)
	76,698,146,596

(a) Includes New Hampshire retail 1980 kilowatthour load of 434,290,243.

(b) The 1980 Kilowatthour loads shown for Boston Edison Company and New England Power Company have been adjusted to reflect the current status of Norwood as a full requirements customer of New England Power Company.

(c) As of June 1, 1985, Concord continues to be a full requirements customer of Edison. At such time as Concord ceases to be a full requirements customer of Edison, for purposes of this Agreement, Concord shall have an additional Participating Share equal to 1.087% of Edison's initial Participating Share (based on a 1980 Kwh load of 103,629,000 Kwh for Concord) and Edison's Participating Share shall be reduced by such amount.

(d) Includes New Hampshire retail 1980 kilowatthour load of 4,939,218,744.

(e) The amount shown for Montaup Electric Company includes the load of the other members of the Eastern Utilities Associates system.

(f) The amount shown for UNITIL Power Corp. represents the 1980 kilowatthour load of its affiliates, Concord Electric Company and Exeter & Hampton Electric Company.

ATTACHMENT B

Description of the Transmission Facilities

The Transmission Facilities will include the following:

(1) the continuation of a single circuit ± 450 kV DC line on an existing right-of-way from the New Hampshire state line at Tyngsboro to Sandy Pond Substation in Ayer, a distance of 12.1 miles;

(2) the converter terminal (1800 MW) and the site thereof to be located in the vicinity of the Sandy Pond substation;

(3) electric power equipment and associated structures in the switchyard at the converter terminal location;

(4) communication equipment located in Massachusetts; and

(5) such other facilities in Massachusetts as approved by the Advisory Committee.

ATTACHMENT C

Forms of the following documentation:

1. Opinion of Counsel
2. Certificate
3. Incumbency and Signature Certificate
4. Directors' Vote

[Please note - governmental entities may make appropriate modifications to these documents to reflect that they are not corporations.]

[Form of Opinion of Counsel for Each Utility Participant]

New England Hydro-Transmission
Electric Company, Inc.;
New England Hydro Transmission
Corporation; or
New England Power Company

Gentlemen:

This opinion is furnished in connection with the execution and delivery by _____ (the Company) of the following Agreements: _____.

We have acted as counsel to the Company, one of the Utility Participants, in connection with the execution and delivery of the Basic Agreements. We participated in reviewing and/or drafting the Agreements.

As general [special] counsel to the Company, we are generally familiar with its affairs. [If special counsel is giving the opinion, describe relationship to the Company.] We have reviewed the proceedings taken by the Company in connection with its authorization, execution, and delivery of the Agreements and any documentation supplied by the Company thereunder. We have also examined executed counterparts of the Agreements, have made such other investigation, and have examined such other records and documents, and have made such examination of law and satisfied ourselves as to such other matters as we have deemed relevant and necessary in order to enable us to express the opinions set forth below.

Based upon and subject to the foregoing and to the further qualifications in this opinion, we are of the opinion that:

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of [the jurisdiction of its incorporation], has the corporate power to own its assets and to transact the business in which it is engaged, and is duly qualified as a foreign corporation in, and is in good standing under the laws of, each jurisdiction in which the conduct of its business or the ownership of its assets requires such qualification.

2. The Company has (and in the case of the Agreements at the time of execution and delivery thereof, had) full corporate power, and legal right to execute, deliver and perform the Agreements, and the Company has taken all necessary corporate action to authorize the execution, delivery, and performance by it of the Agreements.

3. The execution, delivery, and performance by the Company of the Agreements do not (a) contravene the Company's [charter documents] or by-laws, (b) violate any applicable law, rule, regulation, order, writ, judgment, injunction, decree, or award known to us by which the Company is bound, (c) violate any indenture, instrument, or agreement known to us by which the Company is bound, or (d) result in or require the creation or the imposition of any lien pursuant to the provisions of any indenture, instrument, or agreement known to us by which the Company is bound.

4. No authorization, approval, consent, or other action by, and no notice to or filing with, any federal, state, or other governmental authority or regulatory body which has not been obtained or given and is not in full force and effect is required for the valid and lawful execution, delivery, and performance by the Company of the Agreements. [In this connection, to the extent it may be required by law, the approval of the Massachusetts Department of Public Utilities [Connecticut PUC, or other] has been given for the Agreements and the Company's performance thereunder by order(s) dated _____, which remains in full force and effect.]

5. The Agreements have each been duly executed and delivered by the Company and constitute the legal, valid, and binding obligations of the Company enforceable against it in accordance with their respective terms.

6. No action, suit, proceeding, or investigation at law or in equity or by or before any governmental instrumentality or other agency now pending or threatened against or affecting the Company or its property or rights which, if adversely determined, would materially impair the ability of the Company to perform its obligations under the Agreements is known to us.

Our opinion that the Agreements are enforceable, each in accordance with the terms thereof, is qualified to the extent that the enforcement of the rights and remedies created thereby is subject to bankruptcy, insolvency, reorganization, and similar laws of general application affecting the rights and remedies of creditors and secured parties, and to the further extent that the availability of the remedies of specific enforcement, injunctive relief, or any other equitable remedy is subject to the discretion of the court before which any proceeding therefor may be brought.

Very truly yours,

CERTIFICATE

I, (insert name), the Clerk (or Secretary or other principal recording officer) of (insert name of Utility Participant), a (insert state of organization) (the "Company") do hereby certify that:

(1) Attached hereto as Exhibit A is a true and correct copy of a vote duly adopted at a meeting of the Board of Directors of the Company, duly called and held on _____, 198_, and that such vote and the authority vested thereby have not been amended or revoked and are still in full force and effect.

(2) Attached hereto as Exhibit B is a true and correct copy of the Articles of Organization (or other charter documents) of the Company, as amended and in effect as of the date of this Certificate.

(3) Attached hereto as Exhibit C is a true and correct copy of the By-Laws of the Company, as amended and in effect as of the date of this Certificate.

(4) The persons (or person) listed on Exhibit D have been duly elected to the offices set forth adjacent to their respective names since the first day of June, 1985, and the signatures adjacent to their respective names are the genuine signatures of said officers.

IN WITNESS WHEREOF, I have placed my hand and the seal of the Company this _____ day of _____, 198_.

By _____

Name:
Title:

CONFIRMATION OF INCUMBENCY AND SIGNATURE OF
CLERK, SECRETARY, OR OTHER PRINCIPAL RECORDING OFFICER

I, (name), (title) of the Company, do hereby certify that (name of officer executing certificate) is and at all times subsequent to _____, 198_, has been the duly elected (title) of the Company and that the signature adjacent to his (or her) name is the genuine signature of said officer.

By _____

Name:
Title:

FORM OF DIRECTORS' VOTE APPROVING AGREEMENTS

VOTED: That in connection with this Company's participation in the Phase II expansion of the proposed interconnection between the New England Power Pool companies and Hydro-Quebec, the execution and delivery on behalf of this Company by _____, President, of the following agreements: (being collectively referred to in this vote as "Agreements") copies of which Agreements have been presented at this meeting, are hereby authorized, approved, ratified, and confirmed, and that the officers of this Company are further authorized severally to take any and all such further actions including the execution and delivery of such further documents, as such officers or any of them may deem necessary or appropriate in connection with the actions and documents authorized by this vote.

ATTACHMENT E

Subscription Process for Determining Initial Participating Shares

After allocation of up to 10% of the Participating Shares pursuant to Section 4(B)(1) and (2), the remaining shares shall be allocated to Participants as follows:

a. Each Participant shall be entitled to a pro rata share of the remainder based on its 1980 Kwh load as a percentage of all Participants' 1980 Kwh loads.

b. Upon execution of this Agreement, each Participant may subscribe for more or less than its share under (a) above.

c. If there are no undersubscriptions or oversubscriptions under (b) above or if the sum of the shares under (a) or (b) above for all Participants equals 100% of such remaining shares, then each Participant shall have a share as determined under (a) or (b) above. (For the purposes of this section, oversubscription shall mean, with respect to any Participant, a subscription under (b) above of more than its share under (a) above. For the same purposes, undersubscription shall mean, with respect to any Participant, a subscription under (b) above of less than its share under (a) above. The amount of such oversubscription shall be equal to (b) minus (a) and the amount of such undersubscription shall be equal to (a) minus (b).)

d. If there are undersubscriptions but no oversubscriptions or if there are oversubscriptions but no undersubscriptions, then each Participant shall have a share as determined under (a) above.

e. If the net result of subtracting the aggregate amount of all undersubscriptions from the aggregate amount of all oversubscriptions is greater than zero, the aggregate amount of all oversubscriptions must be reduced to the aggregate amount of all undersubscriptions. This amount shall be referred to as the total permitted amount of oversubscriptions. Each oversubscriber shall initially be allocated a share of the total permitted amount of oversubscriptions (pro rata by the 1980 kwh loads of the oversubscribers); provided that no oversubscriber shall be allocated more than its requested amount under (b) above. Any remaining unallocated portion of the

total permitted amount of oversubscriptions shall be allocated to all oversubscribers that have not yet reached their requested amount under (b) above pro rata by the differences between their requested amounts under (b) above and their amounts allocated thus far under this section (d).

f. If the net result of subtracting the aggregate amount of all oversubscriptions from the aggregate amount of all undersubscriptions is greater than zero, the aggregate amount of all undersubscriptions must be reduced to the aggregate amount of all oversubscriptions. This amount shall be referred to as the total permitted amount of undersubscriptions. The total permitted amount of undersubscriptions shall be allocated to the undersubscribers pro rata by the amounts of their undersubscriptions.

ATTACHMENT F

As a result of the support arrangements for building, owning, and financing the Transmission Facilities, Equity Sponsors have provided credit support for the project in excess of their Participating Shares. This enhances New England Hydro's ability to finance the project. The status of a Participant as a Credit Enhanced Participant that receives credit enhancement or not will be determined in connection with, and as of the date of commitment for, each debt financing, including any construction financing, in accordance with Section 1 hereof, and the Credit Enhancement Charge will be determined with respect to each such financing and will continue to be paid as long as the financing is outstanding and as long as any accrued unamortized Credit Enhancement Charges for said Participant remain outstanding.

An "investment grade" Participant is defined in this Agreement as a Participant which has outstanding junior long-term debt securities which have qualified debt ratings by two of the three major rating agencies. An "investment grade" Participant is also defined as a Participant which has a Participating Share of four-tenths of one percent (0.4%) or less and which has outstanding junior long-term debt securities having a rating from only one of the three major rating agencies with that rating being a qualified debt rating. (For these purposes, the outstanding junior long-term debt securities of a Participant shall mean (i) its outstanding long-term debentures, or (ii) if no long-term debentures are outstanding, its most junior outstanding long-term mortgage or revenue bonds, or (iii) if no long-term debentures, mortgage bonds or revenue bonds are outstanding, its most junior outstanding long-term debt.) "Qualified debt ratings" are defined as a minimum rating of Baa3 by Moody's Investors Service, BBB- by Standard & Poor's Corporation and D&P 10 by Duff & Phelps, Inc.

Any "substitute credit enhancement" shall mean, with respect to any New England Hydro debt financing, including any construction financing (i) a letter of credit from a commercial bank having capital, surplus, and undivided profits of at least $250 million and a credit rating of "AA" or better in form and substance satisfactory to New England Hydro or (ii) a credit support that is equivalent to (i) above which is satisfactory in form and substance to New England Hydro, or (iii) a guarantee from an Equity Sponsor which at that time the guarantee is made satisfies the requirements to be an Equity Sponsor as set forth in section 4 of the Equity Funding Agreements; provided that such enhancement is irrevocable until the final maturity of such debt financing, including any optional extensions thereof. The first time that a Participant supplies substitute credit enhancement under this Agreement or under the Phase II Massachusetts Facilities Support Agreement, the substitute credit enhancement shall also cover such

Participant's share of the debt obligations of New England Power Company and Boston Edison Company relating to their respective AC Facilities and the term of such credit enhancement shall extend for the full term of the then remaining depreciation period for the AC facilities supported under such AC Facilities Support Agreements.

The principal amount of such substitute credit enhancement shall equal that Participant's Participating Share of the maximum amount of obligations under such New England Hydro debt financing plus, if not already provided in connection with any other debt financing of New England Hydro or New Hampshire Hydro, that Participant's Participating Share of the maximum amount of debt obligations of New England Power Company and Boston Edison Company relating to the AC Facilities as determined by New England Power and Boston Edison, respectively.

For any substitute credit enhancement that covers that Participant's Participating Share of the debt obligations of Boston Edison Company and New England Power Company relating to the AC Facilities, such substitute credit enhancement shall provide for direct payment to New England Power and Boston Edison, respectively, of the amounts included therein for covering such debt obligations.

As compensation to Equity Sponsors for providing this additional credit support, a Credit Enhancement Charge, as calculated in connection with each debt financing is required to be paid by the Participants. If a Participant is a Credit Enhanced Participant by reason of below-investment grade, withdrawn or suspended debt ratings, the Credit Enhancement Charge attributed to that Credit Enhanced Participant will be paid by all Participants with each Participant paying its Participating Share thereof; provided, however, that if a Participant is a Credit Enhanced Participant due to lack of debt ratings, the Credit Enhancement Charge attributed to that Credit Enhanced Participant shall be paid by such Participant.

The Credit Enhancement Charge (E) attributed to a redit Enhanced Participant is a dollar value determined monthly for each Credit Enhanced Participant by the following formula:

$$E = \sum_{i=1}^{n} F_i$$

$$\text{where } F_i = \left(\frac{G}{100} \times H_i \times \frac{I_i}{100} \times 0.8 \times \frac{1}{12}\right) + J_i$$

F = the Credit Enhancement Change for each New England Hydro debt financing that is credit enhanced for the Participant.

i = a number from 1 to n representing each of New England Hydro debt financings.

n = total number of such financings.

G = the Participant's Participating Share (in percent)

H = the maximum outstanding amount of New England Hydro debt during the month which was credit enhanced for such Participant

I = debt premium (in percent) for the Credit Enhanced Participant as shown in the following table:

Participant's Debt Rating*	I(%)
Below B3 or not rated	7.57
B3	5.32
B2	4.82
B1	4.32
Ba3	3.82
Ba2	3.32
Ba1	2.82

* Debt rating shall be the lower of the two highest ratings assigned to the Participant's outstanding junior long-term debt securities by Moody's, Standard and Poor's, and Duff & Phelps, converted to a Moody's equivalent as measured at the commitment date of such New England Hydro debt financing. If the Participant has a Participating Share of four tenths of one percent (0.4%) or less and has only one debt rating, then the debt rating for such Participant shall be that rating converted to a Moody's equivalent as measured at the commitment date of such New England Hydro debt financing.

J = an amount calculated as follows:

During the period from the Effective Date to the Date of Full Support Payment, J shall equal 0 and the Credit Enhancement Charge calculated during such

period pursuant to the above formula shall be accrued for each Participant during such period with interest calculated at New England Hydro's AFDC rate. After the Date of Full Support Payment, such previously accrued amount for such Participant shall be treated as if it represented additional investment in the Transmission Facilities relating only to such Participant. As a result J shall include monthly amounts attributable to such Participant (whether or not it continues to be a Credit Enhanced Participant after the Date of Full Support Payment and whether or not the debt being enhanced continues to be outstanding) representing amortization of such previously accrued amount (with amortization over the period that the investment in the Transmission Facilities is being amortized) plus one-twelfth of the composite percentage (as defined in Section 12 hereof) times the unamortized accrued amount plus a provision for income taxes.

ATTACHMENT G

FORM OF
EQUITY FUNDING AGREEMENT

FOR

NEW ENGLAND HYDRO-TRANSMISSION ELECTRIC COMPANY, INC.

This AGREEMENT dated as of June 1, 1985, is between New England Hydro-Transmission Electric Company, Inc. (New England Hydro) and the New England entities listed in Attachment A hereto. New England Power Company is signing this Agreement only with respect to the commitments made to it by the Equity Sponsors under Section 10 hereof. Those New England entities that have executed this Agreement and that meet the further conditions for participation and qualification hereunder are hereinafter referred to as Equity Sponsors or individually as an Equity Sponsor. The Equity Sponsors are sometimes referred to collectively herein, but their rights and obligations hereunder are several and not joint as described in Section 6 hereof.

In consideration of the premises, the concurrent execution of the other Basic Agreements hereinafter referred to, the mutual covenants hereinafter and therein set forth, and other good and valuable consideration, receipt whereof is hereby acknowledged, it is hereby agreed as follows:

Section 1. Basic Understandings and Purpose

New England utilities are currently participating in the arrangements for the Phase I interconnection planned by the New England Power Pool (NEPOOL) with Hydro-Quebec, which is to consist of a ± 450 kV HVDC transmission line from a terminal at the DES Cantons Substation on the Hydro-Quebec system near Sherbrooke, Quebec to a terminal having an approximate rating of 690 MW at a substation at the Comerford Generating Station on the Connecticut River (hereinafter referred to as Phase I). The basic arrangements covering the portion of Phase I in the United States are set forth in the New England Power Pool Agreement, as amended (the NEPOOL Agreement) and three contracts among the participants in Phase I as follows:

1. Vermont Transmission Line Support Agreement, dated as of December 1, 1981, as amended, with Vermont Electric Transmission Company, Inc.
2. Phase I Terminal Facilities Support Agreement, dated as of December 1, 1981, as amended, with New England Electric Transmission Corporation, and
3. Agreement With Respect To Use Of Quebec Interconnection, dated as of December 1, 1981, as amended, including the restatement thereof in connection with Phase II (this Agreement as restated to cover Phase II is hereinafter referred to as the Use Agreement).

These Phase I interconnection facilities are currently under construction with completion scheduled during 1986.

With the completion of arrangements for Phase I and the related contracts with Hydro-Quebec, the members of NEPOOL have conducted studies of the benefits of an expanded interconnection for NEPOOL with Hydro-Quebec (Phase II) and have negotiated with Hydro-Quebec a firm energy arrangement to utilize the expanded interconnection facilities.

The portion of Phase II in the United States will consist of an extension of the Phase I DC transmission line from the proposed terminus of Phase I at the Comerford Station through New Hampshire to a site in Massachusetts with additional terminal facilities installed at that site to increase the total transfer capacity between Hydro Quebec and NEPOOL from the 690 MW of Phase I to approximately 2000 MW. Reinforcements to the existing AC transmission system of New England Power and to certain AC facilities of Boston Edison Company will also be required. The United States portion of the Phase II facilities will be designated as pool-planned facilities in the same manner as the United States portion of the Phase I facilities was so designated.

Each Equity Sponsor acknowledges that it has been represented on the Executive and Planning Committees of NEPOOL that had responsibility for evaluating the feasibility of Phase II and, through this representation, actively participated in the decision of NEPOOL to go forward with Phase II. Furthermore, each Equity Sponsor represents that it made its own independent investigations and inquiries as it deemed

appropriate and did not rely upon representations (other than those contained in this Agreement) of New England Hydro or its affiliates in deciding to enter into this Agreement.

The share of benefits among the New England utilities associated with Phase II is set forth in the Use Agreement. The Use Agreement also permits each New England utility to make its own entitlement transactions with Hydro Quebec and to use the interconnection for such transactions.

The provisions of the Phase II Massachusetts Transmission Facilities Support Agreement (Massachusetts HVDC Support Agreement) cover the Phase II Massachusetts HVDC transmission line and terminal facilities in Massachusetts. New England Hydro will build, own, operate, and maintain those Massachusetts HVDC transmission facilities.

The portion of the Phase II HVDC transmission line to be constructed in New Hampshire is covered under the Phase II New Hampshire Transmission Facilities Support Agreement (New Hampshire HVDC Support Agreement). New England Hydro-Transmission Corporation (New Hampshire Hydro, an affiliate of New England Hydro) will build, own, operate, and maintain those New Hampshire HVDC transmission facilities.

All improvements and reinforcements to the AC transmission system in Massachusetts necessitated by Phase II are covered under the Phase II New England Power AC Facilities Support Agreement (New England Power AC Support Agreement) and the Phase II Boston Edison AC Facilities Support Agreement (Boston Edison AC Support Agreement.

The provisions of this Agreement cover the commitments of the Equity Sponsors of New England Hydro to contribute equity funds to New England Hydro, to provide certain limited credit support in connection with debt financing of New England Hydro, to provide certain limited credit support in connection with the New England Power AC Support Agreement and the Boston Edison AC Support Agreement, and to accept an allocation of a share of Phase II in the event of a default by certain participating New England utilities under certain other Basic Agreements.

In view of the need to formalize the agreements among the parties at an early date so that (i) binding commitments with Hydro Quebec for Phase II may be made, (ii) binding commitments for ultimate construction and the financing of the United States portion of Phase II may be undertaken consistent with the time schedule anticipated by NEPOOL and with the assurance that commitments among the New England utilities are in place, and (iii) licensing activities may proceed on a schedule that enables completion of such construction consistent with the time schedule anticipated by NEPOOL, the following agreements are concurrently being entered into (the "Basic Agreements") which collectively set forth rights and obligations with respect to the foregoing undertaking: (1) this Agreement, (2) the Massachusetts HVDC Support Agreement; (3) the New Hampshire HVDC Support Agreement; (4) the Equity Funding Agreement for New Hampshire Hydro; (5) the New England Power AC Support

Agreement; (6) the Use Agreement; (7) various amendments to the NEPOOL Agreement relating to the sharing of savings, capability responsibilities, and Pool transmission arrangements; and (8) the Boston Edison AC Support Agreement.

In order to coordinate each participating utility's interest in Phase II to the fullest extent possible, each of the following Basic Agreements have been drafted with the intent that the participating interest of each participating utility will be the same under each agreement: the Massachusetts HVDC Support Agreement, the New Hampshire HVDC Support Agreement, the New England Power AC Support Agreement, the Boston Edison AC Support Agreement, and the Use Agreement. These Basic Agreements also provide that, notwithstanding any provision thereof that may be interpreted to the contrary, the proper interpretation of each of these Basic Agreements is to be consistent with such overriding intent. Each Equity Sponsor acknowledges this overriding intent and agrees that any action by it or its appointee affecting such participating interests shall be the same under this Agreement and the Equity Funding Agreement with New Hampshire Hydro in order to also be consistent with such overriding intent.

Section 2. Conditions Precedent to Effectiveness

The effectiveness of this Agreement, and all rights, obligations, and performance of the signatories hereunder, is subject to (i) New England Electric System (NEES) and other signatories having executed this Agreement committing in the

aggregate to Equity Shares (as hereinafter defined) equal to at least 100%, and each such signatory having demonstrated by December 30, 1985, to the satisfaction of New England Hydro that is qualified to be an Equity Sponsor pursuant to Section 4, (ii) New England Hydro or New Hampshire Hydro or New England Power or Boston Edison and members of NEPOOL (including Boston Edison and New England Power) serving at least 66-2/3% of the aggregate kilowatthour load served by NEPOOL members in 1980 having executed the other Basic Agreements (except for the Equity Funding Agreement for New Hampshire Hydro and the amendments to the NEPOOL Agreement), (iii) each signatory having also executed the Equity Funding Agreement for New Hampshire Hydro and having the same percentage of New Hampshire Hydro's equity as its Equity Share hereunder, (iv) members of NEPOOL having executed the amendments to the NEPOOL Agreement for Phase II in order that such amendments may become effective in accordance with the NEPOOL Agreement, and (v) each signatory having satisfied the conditions precedent set forth below.

By June 1, 1986, each signatory to this Agreement shall provide certificates and legal opinions from counsel satisfactory to New England Hydro, together with certified copies of related resolutions, consents, approvals, authorizations, and other documents (Documentation) necessary to establish to the satisfaction of New England Hydro that all corporate and regulatory consents, waivers, approvals, authorizations and other actions necessary in connection with

performance by such signatory of its obligations under the Agreement have been obtained and are in full force and effect, that the Agreement has been duly authorized, executed, and delivered by such signatory, and that it constitutes a binding commitment by the signatory enforceable in accordance with its terms. Forms of Documentation acceptable to New England Hydro are included in Attachment B hereto. Prior to signing this Agreement, each signatory has provided to New England Hydro a listing of all consents, waivers, approvals, authorizations, and other actions required for that signatory to deliver its Documentation.

Vermont Electric Power Company, Inc. (VELCO) and Massachusetts Municipal Wholesale Electric Company (MMWEC) represent a number of electric systems. If they desire and are qualified to be Equity Sponsors, they shall be deemed to have signed on behalf of those respective systems listed in Schedules I or II, respectively. By March 1, 1986, VELCO and MMWEC will provide New England Hydro with copies of contracts with their respective systems which impose absolute and unconditional obligations on such systems to pay their proportionate shares of all costs or obligation incurred under this Agreement by VELCO or MMWEC, respectively. By that date, VELCO and MMWEC will also provide to New England Hydro as part of their Documentation certificates, legal opinions (from counsel satisfactory to New England Hydro), and other documents in form and substance satisfactory to New England Hydro

representing unconditionally that all consents, approvals, and authorizations have been obtained by their contracting systems in connection with each such system's performance of its obligations under its respective contract with VELCO or MMWEC and that each such contract imposes absolute and unconditional obligations on such systems to pay their proportionate shares of all costs incurred under this Agreement by VELCO or MMWEC, respectively, and has been duly authorized, executed, and delivered and is a binding commitment of such system enforceable in accordance with its terms. If regulatory approvals have not been obtained by March 1, 1986, such representations shall be conditioned upon receipt of regulatory approvals. VELCO and MMWEC will have until June 1, 1986, to receive such approvals and make such representations unconditionally. In order that percentages of participation be consistent among the Basic Agreements, VELCO and MMWEC shall have their contracts with their contracting systems cover the necessary commitments for each Basic Agreement.

All expenses in connection with obtaining and delivering any Documentation under this Agreement, including legal opinions, are to be borne by the signatory incurring such expense. New England Hydro will have no responsibility for any expenses incurred by VELCO and MMWEC in providing Documentation for their respective contracting systems.

Any signatory that fails to meet the requirements of Section 2 by the deadlines contained herein will not be an Equity Sponsor under this Agreement and will not have any rights and obligations hereunder.

New England Hydro by written notice to all signatories may extend any deadline date specified in this Section to a later date, provided that any extension for longer than six months requires the consent of the Advisory Committee under the Massachusetts HVDC Support Agreement.

Section 3. Effective Date and Term

This Agreement shall become effective (the Effective Date) upon the last to occur of the following dates:

(i) the date that the Equity sponsors, committing in the aggregate to Equity Shares (as hereinafter defined) equal to at least 100%, have met the requirements of Section 2; and

(ii) the date that the last of the other Basic Agreements (excluding the Use Agreement) becomes effective or would become effective but for a condition that its effectiveness is subject to this Agreement becoming effective.

Upon execution and delivery of the Agreement by New England Hydro and NEES and other signatories committing in the aggregate to Equity Shares (as hereinafter defined) equal to no less than 100%, and notwithstanding any provision herein to the contrary, no signatory may terminate its obligations hereunder except in accordance with provisions of this Agreement.

The term of this Agreement shall expire on the alter to occur of the termination dates of the Massachusetts HVDC Support Agreement or the New England Power and Boston Edison AC Support Agreements.

Section 4. Equity Sponsor Qualification

A. In order to enhance New England Hydro's ability to finance its portion of Phase II as required under the Massachusetts HVDC Support Agreement and to enhance the credit support of certain Supporters under the AC Support Agreement, some or all of the New England utilities participating in Phase II whose credit ratings are at least one grade above the lowest investment grade have agreed to provide, or to cause their designees to provide, credit support for those New England utilities participating in Phase II whose credit ratings are below investment grade. NEES and those New England utilities or their designees which have agreed to provide this credit support are the Equity Sponsors of New England Hydro under this Agreement.

B. A Participant under the Massachusetts HVDC Support Agreement or its authorized designee qualifies to be an Equity Sponsor by having its outstanding long-term debentures rated at least one grade above the lowest investment grade rating as of September 1, 1985. If no long-term debentures are outstanding, the ratings used shall be those of such company's most junior long-term mortgage or revenue bonds. If no mortgage bonds, revenue bonds, or debentures are outstanding, the ratings used

shall be those of the most junior long-term debt. VELCO shall qualify to be an Equity Sponsor if 80% or more of its common stock is owned by utilities whose debt securities qualify pursuant to this subsection 4(B).

For purposes of this Agreement, "one grade above the lowest investment grade rating" means a rating equal to the following ratings from two of these rating agencies: Standard and Poor's Corporation - Rating BBB; Moodys Investor Service - Rating Baa2; and Duff & Phelps - Rating D&P 9 (or the equivalent municipal ratings).

C. A "designee" shall be authorized to be an Equity Sponsor if it is a parent company of such Participant and (i) its debt securities meet the appropriate test specified in B above, or (ii) at least 80% of its consolidated utility revenues are derived from subsidiaries whose debt securities meet the appropriate test specified in B above. (For VELCO, each stockholder of VELCO shall be a parent company of VELCO.) On or before the date of execution of this Agreement, each Participant shall identify its designee, if any.

D. In order that the necessary credit enhancement is provided as specified in A above, the qualification of each Equity Sponsor shall be reviewed by New England Hydro as of the date that the first equity contributions are to be made by such Equity Sponsor. If an Equity Sponsor fails to qualify on such date, appropriate actions and allocations shall be instituted as provided elsewhere in this Agreement.

Section 5. Equity Shares

A. Each Equity Sponsor shall have and be charged with a percentage interest in all rights and obligations hereunder determined in accordance with this Section 5 (which interest is hereinafter referred to as its "Equity Share"). All of the equity of New England Hydro will be owned by the Equity Sponsors in proportion to their Equity Shares.

The Equity Share of each Equity Sponsor shall be computed both initially and as changed from time to time in accordance with the terms hereof, by New England Hydro as hereinafter provided. Such computations shall be made as of the first day of any month in which there is a change in the number of Equity Sponsors or any change in the interest of any Equity Sponsor as herein provided. The initial computation is to be made as of September 15, 1985, and subsequent computations are to be made in any month thereafter in which an interest is modified or terminated due (i) to the failure of a signatory to provide proof that it is qualified to be an Equity Sponsor by December 30, 1985, or (ii) to the failure to provide Documentation by June 1, 1986, or (iii) to the failure to be so qualified on the date the first equity contributions are to be made by such Equity Sponsor, or (iv) to the operation of any provision of this Agreement. All computations shall be final unless there is a manifest error. Such computations of Equity Sponsors' Equity Shares as initially calculated and as changed under (i) and (ii) shall be made pursuant to Attachment C. Changes under

(iii) shall be made pursuant to section 5(C) below, and changes under (iv) shall be made pursuant to the appropriate section requiring the change.

B. The Equity Shares on and as of the initial computation date, and as of the date of subsequent computations under subparts (i) and (ii) of the second paragraph of A above, will be calculated as follows:

1. 51% to NEES; and
2. 49% apportioned among the other Equity Sponsors on the basis of the subscription process as described in Attachment C.

(Attachment C provides that each Equity Sponsor may specify a maximum percentage of equity and that such maximum shall remain in effect until June 1, 1986 or such later deadline if extended pursuant to Section 2 hereof.)

C. On the basis of New England Hydro's review of the qualifications of each Equity Sponsor other than NEES as of the date that the first equity contributions are to be made by such Equity Sponsor, if one or more Equity Sponsors are no longer qualified under Section 4, (i) the aggregate Equity Shares of such unqualified Equity Sponsors shall first be offered in writing by New England Hydro to all then qualified Equity Sponsors other than NEES for voluntary subscription, (ii) second, any remaining shortfall shall be allocated pro rata among such qualified Equity Sponsors not including NEES in proportion to their Equity Shares determined as of June 1, 1986, provided that the aggregate of all involuntary

allocations under this Section 4(C) to such qualified Equity Sponsors shall not exceed an aggregate Equity Share of 10%, and further provided that the aggregate of all such involuntary allocations to any such Equity Sponsor shall not increase such Equity Sponsor's Equity Share determined as of June 1, 1986, by more than 25% thereof, and (iii) finally, any remaining shortfalls shall be retained pro rata by such no longer qualified Equity Sponsors in proportion to their Equity Shares determined as of June 1, 1986; provided, however, that NEES and all qualified Equity Sponsors may agree to other allocation arrangements; and further provided that NEES shall not have an Equity Share of less than 51% unless it so consents. (The above deadlines of June 1, 1986 may be extended to a later deadline pursuant to Section 2 hereof.)

All offerings above shall be made in accordance with a voluntary subscription process as specified in New England Hydro's offering letter, and any oversubscriptions will be treated as provided therein.

Section 6. Relationship Among Equity Sponsors

The rights and obligations of the Equity Sponsors hereunder are several, in accordance with their respective Equity Shares, and not joint. The rights and obligations of New England Hydro hereunder are also several and not joint with those of the Equity Sponsors or any one thereof. There is no intention to create by this Agreement, or by any grant, lease, license, or activity related hereto, an association, joint venture, trust, or partnership or to impose on New England Hydro or any Equity Sponsor trust or partnership rights or obligations; and any such implied intention is expressly negated. Except as

expressly provided in this Agreement, no Equity Sponsor shall have by virtue of this Agreement or of any such grant, lease, license, or activity the right or power to bind any other Equity Sponsor without its express written consent.

Section 7. Equity Contribution

A. Under the Massachusetts HVDC Support Agreement, New England Hydro has agreed to limit its equity investment to a maximum of 40% of its total capital as of the effective date of that agreement and has agreed to use its best efforts to continue to limit its equity investment to 40% of its total capital during the time that New England Hydro has outstanding debt in its capital structure.

New England Hydro may call from time to time by written notification upon the Equity Sponsors to contribute equity in any of the forms set forth in this Section up to a maximum aggregate amount of $140 million, provided that Equity Sponsors having 66-2/3% of Equity Shares may agree to increase this maximum aggregate amount; and then all Equity Sponsors shall contribute such requested amount with each Equity Sponsor contributing up to its Equity Share of the new maximum. Any contribution made in response to New England Hydro's call in excess of the maximum aggregate amount, as adjusted from time to time, may be made on a voluntary basis by any contributing Equity Sponsor, and New England Hydro will make an appropriate adjustment in Equity Shares.

B. During the term of this Agreement, New England Hydro

has the option from time to time to call for contribution of equity in any of the following forms:

1. New England Hydro may offer shares of its common stock to its Equity Sponsors and each Equity Sponsor shall subscribe for and purchase, for cash at a price set by New England Hydro, its Equity Share of the common stock so offered.
2. After each Equity Sponsor owns common stock of New England Hydro, New England Hydro may request that capital contributions be made, and each Equity Sponsor shall contribute to New England Hydro its Equity Share of the total capital contribution so requested.

C. In order that New England Hydro may limit its equity investment to a maximum of 40% of its total capital, New England Hydro may, at its option, from time to time, take any of the following actions:

1. New England Hydro may repurchase for cash its common stock from Equity Sponsors in amounts that will not change the relative Equity Shares among Equity Sponsors and at a price per share equal to book value per share at the time of repurchase. Each Equity Sponsor shall sell such common stock to New England Hydro in the full amount so requested.
2. New England Hydro may return any capital

contribution previously received from Equity Sponsors in amounts that will not change the relative Equity Shares among Equity Sponsors. Each Equity Sponsor shall accept such return of capital contribution in the full amount so returned.
3. New England Hydro may pay dividends out of earnings or make liquidating dividends to the Equity Sponsors.

D. New England Hydro shall give written notice of any call for contributions of equity under B above to each Equity Sponsor. Such notice shall specify the amount to be contributed, the form of the contribution, and a date, at least thirty days after the date of the notice, that the equity is to be contributed. New England Hydro will provide annually estimates of its equity requirements and estimated dates when any equity contributions hereunder will be due. New England Hydro shall give written notice of any action to reduce its equity under C above to each Equity Sponsor. Such notice shall specify the amount and form of the reduction and a date, at least fifteen days after the date of the notice, that the reduction in equity is to occur.

E. New England Hydro shall use the proceeds of any equity contribution under this Agreement for the sole purpose of meeting its capital requirements under the Massachusetts HVDC Support Agreement.

F. All transactions under B, up to a maximum aggregate amount of $140 million, and under C above shall be subject to receipt of all necessary regulatory approvals, and New England Hydro and the Equity Sponsors shall use their best efforts to obtain, or to assist in obtaining, these approvals in advance of the Effective Date.

G. New England Hydro shall have two classes of common stock, both of which will have the same preferences, qualifications, special or relative rights or privileges, except that only one class shall have voting powers. Equity Shares allocated to NEES shall be evidenced by voting common stock. The Equity Shares allocated to each other Equity Sponsor shall, at the option of such Equity Sponsor, be evidenced by shares of voting common stock or non-voting common stock. Any reallocation of Equity Shares pursuant to Section 5 hereof shall be effected in such manner as to involve the issuance of additional common stock to each Equity Sponsor of the class then held by such Sponsor. Such election to take voting or non-voting stock shall be made in writing to New England Hydro by December 31, 1985.

H. Notwithstanding any provision of this Agreement to the contrary, prior to the date that New England Hydro first calls for equity contributions from all Equity Sponsors, all equity of New England Hydro will be owned and contributed by NEES.

Section 8. Cash Deficiency Guarantee

A. The Massachusetts HVDC Support Agreement provides

that, if New England Hydro has, on any Due Date, a Cash Deficiency attributed to a Participant, the Participant absolutely and unconditionally guarantees to pay its Cash Deficiency on demand of Lenders. (The commitment is made in section 19 of that Agreement.) To provide further credit support to New England Hydro, each Equity Sponsor absolutely and unconditionally guarantees to pay its then Equity share of the Cash Deficiency attributed to any Credit Enhanced Participant (as defined in the Massachusetts HVDC Support Agreement) with respect to any third party debt financing of New England Hydro that was credit enhanced for such Participant, with such amounts to be paid directly on demand to Lenders, in cash, if for any reason a Credit Enhanced Participant fails to pay when due its Cash Deficiency on demand of Lenders. Each Equity Sponsor agrees that its obligations under this Section shall be continuing, absolute, and unconditional and without the benefit of any defense, claim, set-off, recoupment, abatement, or other right, existing or future, which an Equity Sponsor may have against the Lenders, New England Hydro, or any other person, and shall remain in full force and effect until all of the obligations of New England Hydro to the Lenders have been discharged.

Each Equity Sponsor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of merger or bankruptcy of any Lender or New England Hydro or any other Equity Sponsor, protest or notice with respect to

this guarantee, and covenants that the obligations contained in this guarantee will not be discharged except by complete performance of the obligations of New England Hydro to the Lenders.

B. Notwithstanding any other provision contained herein, each Equity Sponsor's obligations under this Section 8 shall be limited to its Equity Share of the Cash Deficiency attributed to any Credit Enhanced Participant with respect to any financing of any New England Hydro that was credit enhanced for such Participant.

C. In no event shall the several guarantees of the Equity Sponsors attributable to Credit Enhanced Participants for each debt financing of New England Hydro exceed in the aggregate 35% of the aggregate amount of the obligations relating to such financing, provided that Equity Sponsors having an aggregate of at least 80% of the Equity Shares may agree to exceed such 35% maximum and subject to receipt of any necessary regulatory approvals, such agreement shall be binding on all Equity Sponsors.

D. In no event shall Equity Sponsors be required to provide guarantees for a Participant with respect to a particular third party debt financing of New England Hydro if that would result in Credit Enhanced Participants with respect to that and all other outstanding financings of New England Hydro and New Hampshire Hydro having Participating Shares exceeding 35% under the Massachusetts HVDC Support Agreement,

provided that Equity Sponsors having an aggregate of at least 80% of the Equity Shares may agree to exceed such 35% maximum and subject to receipt of any necessary regulatory approvals, such agreement shall be binding on all Equity Sponsors.

E. Each Equity Sponsor shall use its best efforts to obtain and assist others in obtaining all necessary regulatory approvals required for the several guarantees made in this Section.

Section 9. Acceptance of Participating Shares

A. In accordance with section 15 of the Massachusetts HVDC Support Agreement, if a Participant that is a Credit Enhanced Participant is terminated by New England Hydro as a Participant, each Equity Sponsor or its appointee shall be allocated by New England Hydro its then Equity Share of the Participating Share of such terminated Participant; such allocation to be made as of the date of such termination. Each Equity Sponsor or its appointee shall accept such allocation from New England Hydro and shall unconditionally and absolutely assume the rights and obligations associated therewith from the date of such allocation. If a Participant that was not also a Credit Enhanced Participant is terminated, then acceptance of any allocation shall be voluntary by any Equity Sponsor or its appointee and shall be in accordance with New England Hydro's offer thereof. If required by New England Hydro, any Equity Sponsor or its appointee assuming rights and obligations under the Massachusetts HVDC Support Agreement shall execute and

deliver any documents necessary to effectuate such assumption. If any Equity Sponsor that is the designee of a Participant is unable to deliver these documents to effectuate the assumption, such Equity Sponsor shall take all actions necessary for the Participant that so designated it as an Equity Sponsor to assume such rights and obligations as its appointee.

The appointee of NEES shall be New England Power Company. The appointee(s) of any other Equity Sponsor shall be the Participant(s) for which such Equity Sponsor was acting as a designee. Each Equity Sponsor agrees that if its appointee is allocated a Participating Share under the Massachusetts HVDC Support Agreement, such Equity sponsor shall also allocate to it an equal participating share and support share under the New Hampshire HVDC Support Agreement and New England Power and Boston Edison AC Support Agreements, respectively.

B. Each Equity Sponsor shall use its best efforts to obtain and assist others in obtaining all necessary regulatory approvals required for performance of its or its appointee's commitments made in this Section.

Section 10. Commitments under the AC Support Agreements

A. In accordance with sections 4 of the New England Power and Boston Edison AC Support Agreements, if a Credit Enhanced Supporter thereunder is terminated, each Equity Sponsor or its appointee shall be allocated its then Equity Share of the Support Share of such terminated Supporter; such allocation to be made as of the date of such termination. Each Equity

Sponsor or its appointee shall accept such allocation made by New England Power and Boston Edison and shall unconditionally and absolutely assume the rights and obligations associated therewith from the date of such allocation. If a Supporter under the AC Support Agreements which is not also a Credit Enhanced Supporter is terminated, then acceptance of any allocation shall be voluntary by any Equity Sponsor or its appointee and shall be made in accordance with New England Power's and Boston Edison's offer thereof. If required by New England Power or Boston Edison, any Equity Sponsor or its appointee assuming rights and obligations under the AC Support Agreements shall execute and deliver any documents necessary to effectuate such assumption. If any Equity Sponsor that is a designee of a Participant is unable to deliver these documents to effectuate the assumption, such Equity Sponsor shall take all actions necessary for the Participant that so designated it as an Equity Sponsor to assume such rights and obligation as its appointee.

The appointee of NEES shall be New England Power Company. The appointee(s) of any other Equity Sponsor shall be the Supporter for which such Equity Sponsor was acting as a designee. Each Equity Sponsor agrees that if its appointee is allocated a Support Share under the New England Power and Boston Edison AC Support Agreements, such Equity Sponsor shall also allocate to it an equal participating share under the New Hampshire HVDC Support Agreement and Massachusetts HVDC Support Agreement, respectively.

B. Recognizing the need to provide additional financial security to induce New England Power, Boston Edison, and the Supporters to undertake the substantial obligations of these AC Support Agreements, each Equity Sponsor agrees that it shall absolutely and unconditionally pay (or cause its appointee to pay), promptly upon request and in addition to any Support Share payment, its then Equity Share of any unpaid amounts attributed to a Credit Enhanced Supporter as specified in, and in accordance with, sections 14 of these AC Support Agreements (excluding any amounts due pursuant to sections 17 and 18 thereof).

C. Each Equity Sponsor shall use its best efforts to obtain and assist others in obtaining all necessary regulatory approvals required for performance of its commitments made in this Section.

Section 11. Character of Payment Obligations

The obligations of each Equity Sponsor to make payments hereunder, and to perform and observe all other agreements on its part contained herein, are absolute and unconditional and shall not be affected by any circumstances, including, without limitation, (i) any insolvency, composition, bankruptcy, reorganization, arrangement, liquidation or similar proceedings relating to New England Hydro, New England Power Company, Boston Edison Company, the Equity Sponsor, any other Equity Sponsor, or any affiliate thereof, (ii) any invalidity or

unenforceability or disaffirmance by New England Hydro or any Equity Sponsor of any provision of this Agreement or any failure, omission, delay, or inability of New England Hydro to perform any of its obligations contained herein, (iii) any amendment, extension, or other change of, or any assignment or encumbrance of any rights or obligations under, this Agreement, or any waiver or other action or inaction, or any exercise or nonexercise of any right or remedy, under or in respect to this Agreement, or (iv) any inability of the Equity Sponsor or any other Equity Sponsor to obtain regulatory approvals for financing its Equity Share of any obligations under this Agreement, it being the intention of the parties hereto that all amounts payable by each Equity Sponsor in respect of this Agreement shall begin to be payable and shall continue to be payable in all events in the manner and at the time herein provided. In that connection, each Equity Sponsor hereby waives, to the extent permitted by applicable law, any and all rights which it may now have or which may at any time hereafter be conferred upon it, by statute or otherwise, to terminate, cancel, or surrender any of its obligations under this Agreement.

Section 12. Default

A. Any of the following events (Events of Default) that occur and are continuing are Events of Default:

(i) An Equity Sponsors shall fail to pay to New

England Hydro when due any amount which it has agreed to pay under any provision of this Agreement, and such failure shall continue for more than 15 days after written notice thereof has been given to such Equity Sponsor by New England Hydro; or

(ii) Any Equity Sponsor shall fail to supply in accordance with the terms hereof any documentation required by New England Hydro in connection with financing with Lenders by New England Hydro (for VELCO and MMWEC, this includes documentation for their respective contracting electric systems), and such failure shall continue for more than 30 days after written notice of such failure has been given to such Equity Sponsor by New England Hydro; or

(iii) An Equity Sponsor shall fail to perform any other obligation under this Agreement in accordance with the terms hereof, and such failure shall continue for more than 30 days after written notice thereof has been given to such Equity Sponsor or any of its affiliates by New England Hydro.

(iv) Any Equity Sponsor shall experience an event of default under the Equity Funding Agreement for New Hampshire Hydro.

B. If an Event of Default under Section 12A(i) above shall have occurred, New England Hydro may, by written notice to each Equity Sponsor, request that the nondefaulting Equity Sponsors on a voluntary basis make the overdue payment to New England Hydro, provided that similar voluntary payments are made under the Equity Funding Agreement for New Hampshire Hydro.

C. New England Hydro or any Equity Sponsor shall be free to invoke such remedies at law or in equity as may be deemed appropriate against any Equity Sponsor that defaults under this Agreement.

Section 13. Restrictions on Transfer of Common Stock

Each Equity Sponsor agrees that it will not transfer any or all of its common stock of New England Hydro to any other person unless such person is an Equity Sponsor or meets the requirements for being an Equity Sponsor under sections 4B or 4C hereof as of the date of such transfer and a similar transfer is made under the Equity Funding Agreement for New Hampshire Hydro.

Section 14. Dividends on Common Stock

Any Equity Sponsor may direct New England Hydro to withhold the payment of a dividend to such Equity Sponsor and apply such dividend to reduce the current or the next Support Charge payment required to be made under the Massachusetts HVDC Support Agreement by such Equity Sponsor or its appointee.

Section 15. Restrictions on Dividends, Return of Capital and Repurchase of Common Stock

Any Equity Sponsor which is in default hereunder pursuant to Section 12 is not entitled to receive any amounts from New England Hydro representing such Equity Sponsor's then Equity Share of dividends, return of capital, or proceeds from any repurchase of common stock until all amounts (including interest thereon at an annual rate equal to two percent over the current interest rate on prime commercial loans from time to time in effect at the principal office of the First National Bank of Boston) owed by such Equity Sponsor to New England Hydro have been paid.

Section 16. Certain Actions of New England Hydro

A. New England Hydro shall not take any of the following actions without prior written approval of Equity Sponsors having at that time at least 80% of the Equity Shares:

(i) Amend New England Hydro's articles of organization or by-laws to adversely affect the rights of the Equity Sponsors as stockholders in a material manner under the Basic Agreements, unless such amendment is required by regulation or law; and

(ii) Merge, consolidate, or sell all or substantially all of the assets of New England Hydro not otherwise permitted by the Massachusetts HVDC Support Agreement.

B. New England Hydro shall distribute in a timely manner to each Equity Sponsor copies of (a) its annual audited financial statements, (b) notices of all of its directors' and stockholders' meetings (including any committees thereof), and (c) minutes of all of its directors' and stockholders' meetings.

Section 17. Miscellaneous

A. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of, and may be performed by, the successors and assigns of the parties and shall also be binding, insofar as permitted by law, on any receiver or trustee in bankruptcy, receivership, or reorganization of any party. No assignment of this Agreement shall operate to relieve the assignor of its obligations under this Agreement without the written consent of the parties hereto. Written notice to all parties will be given prior to any assignment hereunder.

Notwithstanding the above, New England Hydro may collaterally assign this Agreement without the consent of the Equity Sponsors in connection with a third party financing by New England Hydro.

B. Right of Setoff. No Equity Sponsor shall be entitled to set off against the payments required to be made by it hereunder (1) any amounts owed to it by New England Hydro, any affiliate of New England Hydro, or any other Equity Sponsor, or (2) the amount of any claim by it against New England Hydro, any affiliate of New England Hydro, or any other Equity Sponsor. However, the foregoing shall not affect in any other way any Equity Sponsor's rights and remedies with respect to any such amounts owed to it by New England Hydro, any affiliate

of New England Hydro, or any other Equity Sponsor or any such claim by it against New England Hydro or any other Equity Sponsor.

C. Amendments. Any amendments changing the Equity Shares of the Equity Sponsors or the several nature of the obligations and rights of the Equity Sponsors hereunder as specified in Section 6, shall require consent by all parties. In the event that an Equity Sponsor is obligated to acquire Equity Shares hereunder and does not pay for such Shares, then such Shares will not be issued to him and such Equity Sponsor's Equity Share will be reduced accordingly. All other amendments to this Agreement shall be by mutual agreement of New England Hydro and Equity Sponsors owning Equity Shares aggregating at least 80%, evidenced by a written amendment signed by New England Hydro and such Equity Sponsors; and New England Hydro and all Equity Sponsors shall be bound by any such amendment.

D. Notices. Except as the parties may otherwise agree, any notice, request, bill, or other communication relating to this Agreement, or the rights, obligations or performance of the parties hereunder, shall be in writing and shall be considered as duly delivered when delivered in person or mailed by registered or certified mail, postage prepaid, to the respective post office address of the other parties shown following the signatures of such other parties hereto, or such other address as may be designated by written notice given as

provided in this paragraph D.

E. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of The Commonwealth of Massachusetts.

F. Other.

(1) No action, regardless of form, arising out of this Agreement may be brought by any party hereto more than three years after the cause of action has arisen.

(2) In the event that any clause or provision of this Agreement, or any part thereof, shall be declared invalid or unenforceable by any court having jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining portions of this Agreement.

(3) All provisions of this Agreement providing for limitation of, or protection against, liability shall apply to the full extent permitted by law, and regardless of fault, and shall survive either termination pursuant to this Agreement or cancellation.

(4) Each party shall, upon request of another party, execute and deliver any document reasonably required to implement any provision hereof.

(5) Any number of counterparts of this Agreement may be executed and each shall have the same force and effect as the original.

(6) This Agreement, with the other Basic Agreements, Preliminary Quebec Interconnection Support Agreement -

Phase II, the agreements with Hydro-Quebec regarding Phase II, and the basic agreements covering Phase I shall constitute the entire understanding among the parties and shall supersede any and all previous understandings pertaining to the subject matter of this Agreement.

(7) Terms defined in the Massachusetts HVDC Support Agreement and the New England Power and Boston Edison AC Support Agreements used in this Equity Funding Agreement shall be incorporated herein as defined in such Agreements unless the context indicates otherwise.

(8) This Agreement is the act and obligation of the parties hereto in their corporate or governmental capacity, and any claim hereunder against any shareholder, director, officer, employee, or agent of any party, as such, is expressly waived.

IN WITNESS WHEREOF, the signatories have caused this Agreement to be executed by their duly authorized officers or agents.

NEW ENGLAND HYDRO-TRANSMISSION
ELECTRIC COMPANY, INC.

By: _____
Its

Address: 25 Research Drive
Westborough, MA 01582

_____

By: _____
Its

Address:

With respect to the Equity Sponsors' commitments under Section 10 hereof, New England Power Company hereby acknowledges these commitments.

NEW ENGLAND POWER COMPANY

By: _____

ATTACHMENT A

List of Equity Sponsors

New England Hydro will supply a list of Equity Sponsors as of the date of initial computation and as of each date thereafter that the list changes.

ATTACHMENT B

Forms of the following documentation:

1. Opinion of Counsel
2. Certificate
3. Incumbency and Signature Certificate
4. Directors' Vote

[Please note - governmental entities may make appropriate modifications to these documents to reflect that they are not corporations.]

[Form of Opinion of Counsel for Each Utility Participant]

New England Hydro-Transmission
Electric Company, Inc.;
New England Hydro-Transmission
Corporation; or
New England Power Company

Gentlemen:

This opinion is furnished in connection with the execution and delivery by _____ (the Company) of the following Agreements: _____.

We have acted as counsel to the Company, one of the Utility Participants, in connection with the execution and delivery of the Basic Agreements. We participated in reviewing and/or drafting the Agreements.

As general [special] counsel to the Company, we are generally familiar with its affairs. [If special counsel is giving the opinion, describe relationship to the Company.] We have reviewed the proceedings taken by the Company in connection with its authorization, execution, and delivery of the Agreements and any documentation supplied by the Company thereunder. We have also examined executed counterparts of the Agreements, have made such other investigation, and have examined such other records and documents, and have made such examination of law and satisfied ourselves as to such other matters as we have deemed relevant and necessary in order to enable us to express the opinions set forth below.

Based upon and subject to the foregoing and to the further qualifications in this opinion, we are of the opinion that:

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of [the jurisdiction of its incorporation], has the corporate power to own its assets and to transact the business in which it is engaged, and is duly qualified as a foreign corporation in, and is in good standing under the laws of, each jurisdiction in which the conduct of its business or the ownership of its assets requires such qualification.

2. The Company has (and in the case of the Agreements at the time of execution and delivery thereof, had) full corporate power, and legal right to execute, deliver and perform the Agreements, and the Company has taken all necessary corporate action to authorize the execution, delivery, and performance by it of the Agreements.

3. The execution, delivery, and performance by the Company of the Agreements do not (a) contravene the Company's [charter documents] or by-laws, (b) violate any applicable law, rule, regulation, order, writ, judgment, injunction, decree, or award known to us by which the Company is bound, (c) violate any indenture, instrument, or agreement known to us by which the Company is bound, or (d) result in or require the creation or the imposition of any lien pursuant to the provisions of any indenture, instrument, or agreement known to us by which the Company is bound.

4. No authorization, approval, consent, or other action by, and no notice to or filing with, any federal, state, or other governmental authority or regulatory body which has not been obtained or given and is not in full force and effect is required for the valid and lawful execution, delivery, and performance by the Company of the Agreements. [In this connection, to the extent it may be required by law, the approval of the Massachusetts Department of Public Utilities [Connecticut PUC, or other] has been given for the Agreements and the Company's performance thereunder by order(s) dated _____, which remains in full force and effect.]

5. The Agreements have each been duly executed and delivered by the Company and constitute the legal, valid, and binding obligations of the Company enforceable against it in accordance with their respective terms.

6. No action, suit, proceeding, or investigation at law or in equity or by or before any governmental instrumentality or other agency now pending or threatened against or affecting the Company or its property or rights which, if adversely determined, would materially impair the ability of the Company to perform its obligations under the Agreements is known to us.

Our opinion that the Agreements are enforceable, each in accordance with the terms thereof, is qualified to the extent that the enforcement of the rights and remedies created thereby is subject to bankruptcy, insolvency, reorganization, and similar laws of general application affecting the rights and remedies of creditors and secured parties, and to the further extent that the availability of the remedies of specific enforcement, injunctive relief, or any other equitable remedy is subject to the discretion of the court before which any proceeding therefor may be brought.

Very truly yours,

CERTIFICATE

I, (insert name), the Clerk (or Secretary or other principal recording officer) of (insert name of Utility Participant), a (insert state of organization) (the "Company") do hereby certify that:

(1) Attached hereto as Exhibit A is a true and correct copy of a vote duly adopted at a meeting of the Board of Directors of the Company, duly called and held on _____, 198_, and that such vote and the authority vested thereby have not been amended or revoked and are still in full force and effect.

(2) Attached hereto as Exhibit B is a true and correct copy of the Articles of Organization (or other charter documents) of the Company, as amended and in effect as of the date of this Certificate.

(3) Attached hereto as Exhibit C is a true and correct copy of the By-Laws of the Company, as amended and in effect as of the date of this Certificate.

(4) The persons (or person) listed on Exhibit D have been duly elected to the offices set forth adjacent to their respective names since the first day of June, 1985, and the signatures adjacent to their respective names are the genuine signatures of said officers.

IN WITNESS WHEREOF, I have placed my hand and the seal of the Company this _____ day of _____, 198_.

By _____

Name:
Title:

CONFIRMATION OF INCUMBENCY AND SIGNATURE OF CLERK, SECRETARY, OR OTHER PRINCIPAL RECORDING OFFICER

I, (name), (title) of the Company, do hereby certify that (name of officer executing certificate) is and at all times subsequent to _____, 198_, has been the duly elected (title) of the Company and that the signature adjacent to his (or her) name is the genuine signature of said officer.

By _____

Name:
Title:

FORM OF DIRECTORS' VOTE APPROVING AGREEMENTS

VOTED: That in connection with this Company's participation in the Phase II expansion of the proposed interconnection between the New England Power Pool companies and Hydro-Quebec, the execution and delivery on behalf of this Company by _____, President, of the following agreements: (being collectively referred to in this vote as "Agreements") copies of which Agreements have been presented at this meeting, are hereby authorized, approved, ratified, and confirmed, and that the officers of this Company are further authorized severally to take any and all such further actions including the execution and delivery of such further documents, as such officers or any of them may deem necessary or appropriate in connection with the actions and documents authorized by this vote.

ATTACHMENT C

Subscription Process for Determining Equity Shares under Section 5(B)

After allocation of 51% of the Equity Shares to NEES pursuant to Section 5(B)(1), the Equity Shares shall be allocated to Equity sponsors other than NEES as follows:

(a) Each other Equity Sponsor shall be entitled to a pro rata share of the remainder based on the Participating Share of such Equity Sponsor or the Participant(s) that has designated it as an Equity Sponsor as a percentage of Participating Shares of all other Equity Sponsors or such Participants as shown in the Massachusetts HVDC Support Agreement. For the purpose of this calculation, the Participating Share of each Equity Sponsor designated by VELCO shall be deemed to be a pro rata share of VELCO's Participating Share based on the ratio of such Equity Sponsor's 1980 kwh load to the aggregate 1980 kwh load of all Equity Sponsors designated by VELCO.

(b) Upon execution of this Agreement, each other Equity Sponsor may subscribe for more or less than its share under (a) above.

(c) Upon execution of this Agreement, each other Equity Sponsor may specify a maximum limit on its share of such remainder that would apply to any allocations made on or before June 1, 1986 or such later deadline date as is fixed pursuant to Section 2 hereof.

(d) If there are no undersubscriptions or oversubscriptions under (b) above or if the sum of the shares under (a) or (b) above for all Equity Sponsors equals 100% of such remaining shares, then each Equity Sponsor shall have a share as determined under (a) or (b) above. (For the purposes of this attachment, oversubscription shall mean, with respect to any Equity Sponsor, a subscription under (b) above of more than its share under (a) above. For the same purposes, undersubscription shall mean, with respect to any Equity Sponsor, a subscription under (b) above of less than its share under (a) above. The amount of such oversubscription shall be equal to (b) minus (a) and the amount of such undersubscription shall be equal to (a) minus (b).)

(e) If there are undersubscriptions but not oversubscriptions or if there are oversubscriptions

but no undersubscriptions, then each Equity Sponsor shall have a share as determined under (a) above; provided, however, that no Equity Sponsor shall be allocated more than its specified limit under (c) above. If the sum of all shares heretofore allocated is less than 100%, any remaining share shall be allocated to all Equity Sponsors that have received shares less than their limits under (c) above, pro rata by the difference between their limits under (c) above and their shares as heretofore allocated.

(f) If the net result of subtracting the aggregate amount of all undersubscriptions from the aggregate amount of all oversubscriptions is greater than zero, the aggregate amount of all oversubscriptions must be reduced to the aggregate amount of all undersubscriptions. This amount shall be referred to as the total permitted amount of oversubscriptions. Each oversubscriber shall initially be allocated a share of the total permitted amount of oversubscriptions (pro rata by the Participating Shares of the oversubscribers or their designators as shown in the Massachusetts HVDC Support Agreement); provided that no oversubscriber shall be allocated more than its requested amount under (b) above. Any remaining unallocated portion of the total permitted amount of oversubscriptions shall be allocated to all oversubscribers that have not yet reached their requested amount under (b) above pro rata by the differences between their requested shares under (b) above and their shares as heretofore allocated.

(g) If the net result of subtracting the aggregate amount of all oversubscriptions from the aggregate amount of all undersubscriptions is greater than zero, the aggregate amount of all undersubscriptions must be reduced to the aggregate amount of all oversubscriptions. This amount shall be referred to as the total permitted amount of undersubscriptions. The total permitted amount of undersubscriptions shall be allocated to the undersubscribers pro rata by the amounts of their undersubscriptions; provided, however, that no Equity Sponsor shall be allocated more than its specified limit under (c) above. If the sum of all shares heretofore allocated is less than 100%, any remaining share shall be allocated to all Equity Sponsors that have received shares less than their limits under (c) above, pro rata by the difference between their limits under (c) above and their shares as heretofore allocated.

(h) If Equity Shares are required to be changed pursuant to subpart (i) or (ii) of Section 5(a), this reallocation shall be accomplished in accordance with this Attachment G on the basis of the subscriptions initially made under (b) and the maximum limits specified under (c) by each continuing Equity Sponsor, and giving effect to the termination of any Equity Sponsor pursuant to said subpart (i) or (ii).

ATTACHMENT 1

(COMPOSITE CONFORMED COPY - as amended)
Amendment No. 1-May 1, 1986
Amendment No. 2-February 1, 1987
Amendment No. 3-June 1, 1987
Amendment No. 4-Sept. 1, 1987
Amendment No. 5-October 1, 1987
Amendment No. 6-August 1, 1988
Amendment No. 7-January 1, 1989
Amendment No. 8-January 1, 1990

PHASE II NEW HAMPSHIRE TRANSMISSION

FACILITIES SUPPORT AGREEMENT

Dated as of June 1, 1985

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PHASE II NEW HAMPSHIRE TRANSMISSION

FACILITIES SUPPORT AGREEMENT

This AGREEMENT dated as of June 1, 1985, is between New England Hydro-Transmission Corporation (New Hampshire Hydro) and the New England utilities listed in Attachment A hereto. Those New England utilities that have executed this Agreement and meet the further conditions for participation hereunder are hereinafter referred to as Participants or individually as a Participant. The Participants, each of which is a member of the New England Power Pool (NEPOOL), are sometimes referred to collectively herein, but their rights and obligations hereunder are several and not joint as described in Section 5 hereof.

In consideration of the premises, the concurrent execution of the other Basic Agreements hereinafter referred to, the mutual covenants hereinafter and therein set forth, and other good and valuable consideration, receipt whereof is hereby acknowledged, it is hereby agreed as follows:

Section 1. Basic Understandings and Purpose

Some or all of the Participants are participants in the existing arrangements for the Phase I interconnection planned by NEPOOL with Hydro-Quebec, which is to consist of a ± 450 kV HVDC transmission line from a terminal at the Des Cantons Substation on the Hydro-Quebec system near Sherbrooke, Quebec to a terminal having an approximate rating of 690 MW at a substation at the Comerford Generating Station on the

Connecticut River (hereinafter referred to as Phase I). The basic arrangements covering the portion of Phase I in the United States are set forth in the New England Power Pool Agreement, as amended (the NEPOOL Agreement) and three contracts among the participants in Phase I as follows:

1. Vermont Transmission Line Support Agreement, dated as of December 1, 1981, as amended, with Vermont Electric Transmission Company, Inc.
2. Phase I Terminal Facilities Support Agreement, dated as of December 1, 1981, as amended, with New England Electric Transmission Corporation, and
3. Agreement With Respect To Use Of Quebec Interconnection, dated as of December 1, 1981, as amended, including the restatement thereof in connection with Phase II (this Agreement as restated to cover Phase II is hereinafter referred to as the Use Agreement).

These Phase I interconnection facilities are currently under construction with completion scheduled during 1986.

With the completion of arrangements for Phase I and the related contracts with Hydro-Quebec, the members of NEPOOL have conducted studies of the benefits of an expanded interconnection for NEPOOL with Hydro-Quebec (Phase II) and have negotiated with Hydro-Quebec a firm energy arrangement to utilize the expanded interconnection facilities. The results of these studies indicate that such an expansion of the interconnection capacity will be beneficial to the New England utilities and to their respective customers.

The portion of Phase II in the United States will consist of an extension of the Phase I DC transmission line from the proposed terminus of Phase I at the Comerford Station through New Hampshire to a site in Massachusetts with additional terminal facilities installed at that site to increase the total transfer capacity between Hydro Quebec and NEPOOL from the 690 MW of Phase I to approximately 2000 MW. Reinforcements to the existing AC transmission system of New England Power and to certain AC facilities of Boston Edison Company will also be required. The United States portion of the Phase II facilities will be designated as pool-planned facilities in the same manner as the United States portion of the Phase I facilities was so designated.

Hydro Quebec and the Participants have agreed to enter into a ten year energy contract for Phase II. Under that contract, the Participants would purchase, at favorable prices from Hydro Quebec, 7 Twh of energy per year. The Phase II energy will provide an opportunity to displace oil as a fuel for generation and should reduce consumers' annual fuel costs in New England. The commitment of Hydro Quebec to supply to the Participants this large amount of energy should also defer New England's need for expensive new generation. There is also the potential for additional benefits from Phase II, such as energy banking, energy interchange, and emergency transfer for mutual reliability purposes.

Studies performed on behalf of and by NEPOOL show that the aggregate present value of these benefits is expected to significantly exceed the cost of Phase II. The Phase I Support Agreements provide for allocation of participation in Phase II pro rata among all Participants based upon their proportionate shares of the 1980 NEPOOL load with provision for some preferential allocations to certain Participants involved in Phase II.

Each Participant acknowledges that it has been represented on the Executive and Planning Committees of NEPOOL that had responsibility for evaluating the feasibility of Phase II and, through this representation, actively participated in the decision of NEPOOL to go forward with Phase II. Furthermore, each Participant represents that it made its own independent investigations and inquiries as it deemed appropriate and did not rely upon representations (other than those contained in this Agreement) of New Hampshire Hydro or its affiliates in deciding to enter into this Agreement.

The sharing of benefits among the Participants associated with Phase II is set forth in the Use Agreement. The Use Agreement also permits each Participant to make its own entitlement transactions with Hydro Quebec and to use the interconnection for such transactions. Each Participant acknowledges that the benefits of participating in Phase II set forth in the Use Agreement are the fundamental consideration for its signing of this Agreement and making the significant commitments to each other Participant specified herein.

The provisions of this Agreement cover the Phase II New Hampshire HVDC transmission line (the Transmission Facilities) as described in more detail in Attachment B hereto. In accordance with the provisions hereof, New Hampshire Hydro agrees to build, own, operate, and maintain the Transmission Facilities. Each Participant hereby agrees to support the construction, operation, maintenance, and capital costs of the Transmission Facilities in accordance with the provisions hereof. In connection with the HVDC transmission line to be constructed by New Hampshire Hydro in New Hampshire, New England Power and Public Service Company of New Hampshire have agreed to lease rights-of-way to New Hampshire Hydro for the full term of this Agreement.

All improvements and reinforcements to AC transmission systems in Massachusetts necessitated by Phase II are covered under the Phase II New England Power AC Facilities Support Agreement and the Phase II Boston Edison AC Facilities Support Agreement.

The portion of the Phase II HVDC transmission line to be constructed in Massachusetts and the terminal facilities to be constructed in Massachusetts are covered under the Phase II Massachusetts Transmission Facilities Support Agreement among New England Hydro-Transmission Electric Company, Inc. (New England Hydro), an affiliate of New Hampshire Hydro, and the Participants. New England Hydro will build, own, operate, and maintain these Massachusetts Phase II facilities.

In view of the need to formalize the agreements among the parties at an early date so that (i) binding commitments with Hydro Quebec for Phase II may be made, (ii) binding commitments for ultimate construction and the financing of the United States portion of Phase II may be undertaken consistent with the time schedule anticipated by NEPOOL and with the assurance that the Participants' commitments are in place and (iii) licensing activities may proceed on a schedule that enables completion of such construction consistent with the time schedule anticipated by NEPOOL, the following agreements are concurrently being entered into (the "Basic Agreements") which collectively set forth rights and obligations with respect to the foregoing undertaking: (1) this Agreement; (2) the Equity Funding Agreement for New Hampshire Hydro; (3) the Phase II Massachusetts Transmission Facilities Support Agreement; (4) the Equity Funding Agreement for New England Hydro; (5) the Phase II New England Power AC Facilities Support Agreement; (6) the Use Agreement; (7) various amendments to the NEPOOL Agreement relating to the sharing of savings, capability responsibilities, and Pool transmission arrangements; and (8) the Phase II Boston Edison AC Facilities Support Agreement.

In order to coordinate each Participant's participation in Phase II to the fullest extent possible, each Participant acknowledges that it is to have the same participating interest under each of these agreements: this Agreement, the Phase II Massachusetts Transmission Facilities Support Agreement, the Phase II New England Power AC Facilities Support Agreement, the

Phase II Boston Edison AC Facilities Support Agreement, and the Use Agreement. Each Participant acknowledges that these agreements have been drafted with the overriding intent to so coordinate participating interests and that, notwithstanding any provision thereof that may be interpreted to the contrary, the proper interpretation of each of these agreements is to be consistent with such overriding intent. The Equity Funding Agreement for New Hampshire Hydro and the Equity Funding Agreement for New England Hydro have also been drafted to require actions of Equity Sponsors or their appointees affecting such participating interests to be the same under each Equity Funding Agreement in order to also be consistent with such overriding intent.

During the term of this Agreement, New Hampshire Hydro shall limit its activities to those necessary or desirable in connection with Phase II unless New Hampshire Hydro requests authority from the Advisory Committee for other activities and such authority is granted. New Hampshire Hydro shall endeavor to obtain permanent debt financing at reasonable rates with maturities approximating to the extent practicable the then remaining useful life of the Transmission Facilities or to secure other advantageous financial arrangements. New Hampshire Hydro will limit its equity investment to a maximum of 40% of its total capital as of the Effective Date. During the time that New Hampshire Hydro has outstanding debt in its capital structure, New Hampshire Hydro shall use its best efforts to continue to limit its equity investment to 40% of

its total capital; provided, however, that New Hampshire Hydro shall be under no obligation to so limit its equity investment in the event that, after the Date of Full Support Payment (as defined in Section 13) the term of its debt financing or other financing arrangements is less than ten years.

New Hampshire Hydro's common equity will be provided under the Equity Funding Agreement by the Equity Sponsors thereunder including New England Electric System (NEES) and those Participants or their authorized designees that qualify by having outstanding long-term debt securities rated at least one grade above the lowest investment grade rating as of the date so required under the Equity Funding Agreement. (The form of Equity Funding Agreement is included as Attachment G hereto.) The Equity Funding Agreement requires equity contributions to New Hampshire Hydro from Equity Sponsors up to a maximum of $90 million unless Equity Sponsors having an aggregate of 66-2/3% equity participation agree to increase such maximum.

However, prior to the Effective Date, all equity of New Hampshire Hydro will be contributed by NEES.

To provide assurance that adequate funds will be available to support the financing of the Transmission Facilities, each Participant has agreed, in accordance with Section 14 hereof, to an absolute and unconditional obligation to make payments hereunder and to meet all other commitments hereunder, including but not limited to those of Section 19 hereof. In order to provide further assurance that adequate debt financing will be available to New Hampshire Hydro, the Equity Sponsors

have agreed in the Equity Funding Agreement to severally guarantee certain obligations under Section 19 hereof of certain Participants with respect to each debt financing of New Hampshire Hydro; provided that the several guarantees of the Equity Sponsors are subject to the limits as set forth in section 8C and D of the Equity Funding Agreement for New Hampshire Hydro; and further provided that one or more Equity Sponsors or their appointees may voluntarily agree to guarantee additional amounts of obligations under such debt financing. During the term of each New Hampshire Hydro debt financing, financing, any Participant which, on the commitment date of that financing, (a) had below investment grade debt ratings on its most junior long-term debt securities or did not have a debt rating, (b) had not provided substitute credit enhancement in accordance with Attachment F, and (c) is credit enhanced by Equity Sponsors for such financing, is a Credit Enhanced Participant. In addition, any Participant which is a credit enhanced participant under the Phase II Massachusetts Transmission Facilities Support Agreement is also a Credit Enhanced Participant hereunder.

Section 2. Conditions Precedent to Effectiveness

The effectiveness of this Agreement, and all rights, obligations, and performance of the signatories hereunder, is subject to (a) New Hampshire Hydro having executed this Agreement, (b) members of NEPOOL serving at least 66 2/3% of the aggregate kilowatthour load served by all NEPOOL members in 1980 (1) each having executed this Agreement and the other

Basic Agreements (except for the two Equity Funding Agreements executed by the Equity Sponsors and the amendments to the NEPOOL Agreement) and (ii) each having satisfied the conditions precedent set forth below, (c) Equity Sponsors covering at least 100% of New Hampshire Hydro's equity requirements having executed the Equity Funding Agreement with New Hampshire Hydro and covering at least 100% of New England Hydro's equity requirements having executed the Equity Funding Agreement with New England Hydro, and (d) members of NEPOOL having executed the amendments to the NEPOOL Agreement for Phase II in order that such amendments may become effective in accordance with the NEPOOL Agreement. The signatories to this Agreement shall also sign and supply any required documentation under the Phase II Massachusetts Transmission Facilities Support Agreement, the Phase II New England Power AC Facilities Support Agreement, the Phase II Boston Edison AC Facilities Support Agreement, the Use Agreement, and amendments to the NEPOOL Agreement relating to Phase II.

By September 15, 1988, each signatory to this Agreement shall provide certificates and legal opinions from counsel satisfactory to New Hampshire Hydro, together with certified copies of related resolutions, consents, approvals, authorizations, and other documents (Documentation) necessary to establish to the satisfaction of New Hampshire Hydro that all corporate and regulatory consents, waivers, approvals, authorizations and other actions necessary in connection with performance by such signatory of its obligations under the

Agreement have been obtained and are in full force and effect, that the Agreement has been duly authorized, executed, and delivered by such signatory, and that it constitutes a binding commitment by the signatory enforceable in accordance with its terms. Forms of Documentation acceptable to New Hampshire Hydro are included in Attachment C hereto. Prior to signing this Agreement, each signatory has provided to New Hampshire Hydro a listing of all consents, waivers, approvals, authorizations, and other actions required for that signatory to deliver its Documentation.

Since Vermont Electric Power Company, Inc. (VELCO) and Massachusetts Municipal Wholesale Electric Company (MMWEC) represent a number of electric systems, in calculating their respective kilowatthour loads on Attachment A, they are deemed to have signed on behalf of those respective systems listed in Schedules I or II, respectively. By September 1, 1988, VELCO and MMWEC will provide New Hampshire Hydro with copies of contracts with those respective systems which impose absolute and unconditional obligations on such systems to pay their proportionate shares of all costs incurred under this Agreement by VELCO or MMWEC, respectively. By that date, VELCO and MMWEC will also provide to New Hampshire Hydro, as part of their Documentation, certificates, legal opinions (from counsel satisfactory to New Hampshire Hydro), and other documents in form and substance satisfactory to New Hampshire Hydro representing unconditionally that all consents, approvals, and authorizations have been obtained by their contracting systems

in connection with each such system's performance of its obligations under its respective contract with VELCO or MMWEC and that each such contract imposes absolute and unconditional obligations on such systems to pay their proportionate shares of all costs incurred under this Agreement by VELCO or MMWEC, respectively, and has been duly authorized, executed, and delivered and is a binding commitment of such system enforceable in accordance with its terms. If regulatory approvals have not been obtained by September 1, 1988, such representations shall be conditioned upon receipt of regulatory approvals. VELCO and MMWEC will have until September 15, 1988 to receive such approvals and make such representations unconditionally. In order that percentages of participation be consistent among the Basic Agreements, VELCO and MMWEC shall have their contracts with their contracting systems cover the necessary commitments for each Basic Agreement.

All expenses in connection with obtaining and delivering any Documentation under this Agreement, including legal opinions, are to be borne by the signatory incurring such expense. New Hampshire Hydro will have no responsibility for any expenses incurred by VELCO and MMWEC in providing Documentation for their respective contracting systems. (All expenses of further Documentation including legal opinions required for any financing by New Hampshire Hydro with an unaffiliated third party will be borne by the Participants in the same manner).

In the event that VELCO or MMWEC does not provide such contracts and Documentation by the aforementioned deadlines under this Agreement and similar contracts and documentation as required by the other Basic Agreements, for all electric systems shown on Schedules I or II, their respective kilowatthour loads on Attachment A will be automatically adjusted to equal the 1980 kilowatthour loads of those contracting electric systems for which the required contracts and Documentation have been provided. Promptly thereafter, New Hampshire Hydro will prepare and distribute an appropriately modified Attachment A with an additional column showing Participating Shares for all Participants and modified Schedules I and II.

If MMWEC provides by December 31, 1985, to New Hampshire Hydro at MMWEC's expense an opinion of nationally recognized bond counsel (listed in the Blue Book) stating unequivocally that MMWEC is not legally authorized to enter into and perform the obligations of this Agreement on any basis other than as an obligation payable solely from revenues derived by MMWEC under the contracts entered into with its contracting electric systems, then New Hampshire Hydro and the other Participants agree that MMWEC's liability hereunder shall be so limited. Otherwise, MMWEC's liability hereunder shall not be so limited and shall be on the same basis as that of the other Participants.

VELCO and MMWEC hereby grant to New Hampshire Hydro, on a pari passu basis with New England Hydro, New England Power Company, and Boston Edison Company, a security interest in, and pledge of, their respective contracts with their respective systems covering Phase II, including but not limited to all revenues derived or to be derived therefrom. VELCO and MMWEC also agree not to grant to any other party any lien upon, or pledge or assignment of revenues from, such contracts, except as required in connection with any financing by New Hampshire Hydro with an unaffiliated third party (Lender) or by New England Hydro with a Lender, or except with the approval of New England Hydro and New Hampshire Hydro, as required in connection with any financing by MMWEC, the proceeds of which are to be applied exclusively by MMWEC to meet its obligations under Phase II, provided that such grant by MMWEC to its third party lenders shall be on a pari passu basis with the Lenders, New England Hydro, New Hampshire Hydro, New England Power Company and Boston Edison Company, and provided further that MMWEC shall have its third party lenders execute and deliver intercreditor agreements acceptable to the Lenders, New England Hydro, New Hampshire Hydro, New England Power Company and Boston Edison Company providing an appropriate allocation between MMWEC's third party lenders and the Lenders, New England Hydro, New Hampshire Hydro, New England Power Company and Boston Edison Company of payments made under MMWEC's contract with its systems and including appropriate notice provisions. VELCO and MMWEC will execute and deliver in a

timely manner all Documentation requested by New Hampshire Hydro to perfect such grants.

Any signatory, that is unable to provide all Documentation by the applicable deadlines required by this Section 2 or that fails to obtain any regulatory approval required to deliver such Documentation by the applicable deadlines, will not be a Participant under this Agreement and will not have any rights and obligations hereunder after the date of such deadline. All obligations of New Hampshire Hydro hereunder are subject to obtaining all regulatory approvals necessary for New Hampshire Hydro to charge the Participants in accordance with the terms of this Agreement.

New Hampshire Hydro by written notice to all signatories may extend any deadline date specified in this Agreement to a later date, provided that any extension for longer than six months requires the consent of the Advisory Committee.

Section 3. Effective Date and Term

This Agreement shall become effective (the Effective Date) upon the last to occur of the following dates:

(i) the date that Participants serving at least 66 2/3% of the aggregate kilowatthour load in 1980 served by NEPOOL members have satisfied all conditions precedent to effectiveness set forth in Section 2;

(ii) the date that New Hampshire Hydro shall give written notice to all Participants that it has determined (such notice to be promptly given

upon such determination) that all regulatory approvals necessary for it to charge the Participants in accordance with the terms of this Agreement have been obtained and are no longer subject to appeal;

(iii) the date on which New Hampshire Hydro shall give written notice to all Participants that it has determined (such notice to be promptly given upon such determination) that all major regulatory approvals and licenses necessary for construction and operation of Phase II have been obtained and are no longer subject to appeal, unless New Hampshire Hydro and the Advisory Committee agree that this Agreement shall become effective before one or more of such approvals and licenses has been obtained and is no longer subject to appeal;

(iv) the date that New Hampshire Hydro first receives borrowed funds as part of a financing arranged with Lenders for construction of the Transmission Facilities; and

(v) the date that the last of the other Basic Agreements (excluding the Use Agreement) becomes effective or would become effective but for a condition that its effectiveness is subject to this Agreement becoming effective.

Upon execution and delivery of the Agreement by members of NEPOOL serving at least 66 2/3% of the aggregate kilowatthour load in 1980 served by NEPOOL members, and notwithstanding any provision herein to the contrary, no signatory may terminate its obligations hereunder except in accordance with provisions of this Agreement.

Each Participant which is also a participant under the Phase I Support Agreements shall exercise its rights and take all actions under the Phase I Support Agreements to assure that the Phase I facilities are available to permit continued operation of Phase II. (In order to assure that Phase II is permitted to operate for a full maximum term of fifty years, New Hampshire Hydro understands that New England Electric Transmission Corporation and Vermont Electric Transmission Company, Inc. have agreed to extend the provisions of the Phase I Support Agreements to the Phase II Participants to cover this time period.)

The initial term of this Agreement shall expire thirty years from the Date of Full Support Payment as defined in Section 13. If (i) the Transmission Facilities are in commercial operation and (ii) there are continuing commitments by Participants to support the full costs of the Transmission Facilities, a Participant at that time shall be entitled not less than two years prior to the expiration of the initial term to elect to continue participation for an additional period not to exceed 20 years upon the terms and conditions of this Agreement. Such additional period is to be determined by the

Advisory Committee no later than two years and three months prior to the end of the initial term. The Advisory Committee in determining this additional period shall take into account the then remaining term of the Phase I Support Agreements.

If all regulatory approvals authorizing New Hampshire Hydro to charge the Participants in accordance with the Support Charge described in Section 12 hereof are not received by June 1, 1986, New Hampshire Hydro may thereafter elect to terminate this Agreement by notice in writing to the signatories.

Section 4. Participating Shares

A. Allocation. Each Participant shall have and be charged with a percentage interest in all of the rights and obligations hereunder determined in accordance with this Section 4 (which interest is herein referred to as its "Participating Share").

The Participating Share of each Participant shall be computed both initially and as changed from time to time in accordance with the terms hereof, by New Hampshire Hydro as hereinafter provided. Such computations shall be made as of the first day of any month in which there is a change in the number of Participants or any change in the interest of any Participant as herein provided. The initial computation of Participating Shares shall be made on the basis that each signatory to this Agreement as shown in Attachment A is a Participant. After such initial computation and before the Effective Date, each Participant shall be entitled to transfer any or all of its Participating Share to one or more other

Participants. On or before September 1, 1988, any Participant listed in Attachment A who has transferred, or intends to transfer, any or all of its Participating Share to one or more other Participants listed in Attachment A must provide documentation to New Hampshire Hydro covering the transfer. The initial computation is to be recomputed on and as of the Effective Date on the basis that each signatory to this Agreement which has provided timely documentation of its participation or transfer is a Participant. Any such transfers of Participating Shares will be taken into account after such recomputation. Any such transfer of Participating Shares hereunder shall have no effect on the interests, rights, or obligations of participants in Phase I. Subsequent computations are to be made thereafter as of the first day of each month in which an interest is modified or terminated pursuant to any provision hereof. All computations shall be final unless there is a manifest error.

B. The Participating Shares on and as of the initial computation will be calculated as follows:

(1) up to 5% to VELCO, if then a Participant;

(2) up to 5% to Participants that serve "kilowatthour loads" in New Hampshire (New Hampshire Participants), if then Participants, (Apportioned on the basis of their relative "kilowatthour loads" in New Hampshire); and

(3) the balance (after deducting the percentages, if any, under paragraphs B(1) and B(2) above, respectively) apportioned among all Participants, including VELCO (if then a Participant) and the New Hampshire Participants (if then Participants) on the basis of an initial share allocation determined by the subscription process as described in Attachment E.

C. The term "kilowatthour load", as used herein, shall mean the sum of a Participant's 1980 kilowatthour sales as shown on Attachment A hereto.

D. The precise percentages under B(1) and B(2) shall be specified by VELCO and the New Hampshire Participants, on or before the date of signing this Agreement.

Section 5. Relationship among Participants

The rights and obligations of the Participants hereunder are several, in accordance with their respective Participating Shares, and not joint. The rights and obligations of New Hampshire Hydro hereunder are also several and not joint with those of the Participants, the Equity Sponsors, or any one thereof. There is no intention to create by this Agreement, or by any grant, lease, license, or activity related hereto, an association, joint venture, trust, or partnership or to impose on New Hampshire Hydro or any Participant trust or partnership rights or obligations; and any such implied intention is expressly negated. Except as expressly provided in this Agreement, no Participant shall have by virtue of this

Agreement or of any such grant, lease, license, or activity the right or power to bind any other Participant without its express written consent.

Section 6. Project Control and Advisory Committee

Each Participant may designate in writing, initially on or before June 1, 1986, and from time to time thereafter, a representative and an alternate representative to serve on the Advisory Committee. If a representative is unable to attend, an alternate may attend in his or her place. The Advisory Committee shall have the power and responsibilities set forth in this Agreement and shall adopt its own by-laws, provided that (i) voting shall be by Participating Shares at the time of the vote, (ii) a vote of two-thirds or more of Participating Shares is required to accept a New Hampshire Hydro proposal or to take other affirmative action and a vote of more than one-third is required to reject a New Hampshire Hydro proposal, and (iii) one or more Participants having Participating Shares of at least 10% in the aggregate may by reasonable written notice to all Participants call a meeting of the Advisory Committee. The Advisory Committee will advise New Hampshire Hydro on all major matters of concern to the Participants regarding the Transmission Facilities and Phase II.

New Hampshire Hydro shall make prompt proposals for decisions on the following, and the Advisory Committee shall accept or reject these proposals for decisions on the following:

(i) Commencement of construction of the Transmission Facilities;

(ii) The original design concept for the Transmission Facilities;

(iii) Overall project budget estimate for design, engineering and construction of the Transmission Facilities;

(iv) Major changes to the original design concept of the Transmission Facilities that, based on reasonable engineering estimates, will increase or decrease the cost by more than 10% of the overall budget approved in (iii) above or might have a significant detrimental effect on reliability or availability; any changes whether changes to the original design concept or otherwise that will result in an increase in the cost to more than 100% above the initial overall project budget approved in (iii), which will require an affirmative vote of at least 80% to accept the changes, or an affirmative votse of a percentage less than 80% in the event that only one Participant (subsidiaries of Northeast Utilities shall be treated as a single Participant for this sole purpose) having more than 20% casts a negative vote;

(v) General terms of major contracts in excess of $25 million;

(vi) Capital additions to the Transmission Facilities in excess of $5 million;

(vii) Major changes in operation and maintenance of the Transmission Facilities that will increase operation and maintenance costs by more than 10% of previous year's actual operation and maintenance costs or might have a significant detrimental effect on reliability or availability;

(viii) Delay, restriction, suspension, termination or cancellation of planning or construction, or shut down of Transmission Facilities, for a period of six months or longer or permanently under Section 16;

(ix) The term of any New Hampshire Hydro debt financing or any other financial arrangements (other than any construction financing) with a principal amount in excess of $25 million, provided that such term must be between 5 and 30 years; the Advisory Committee may reject the proposed term only if it is less than 10 years and is unreasonable or impracticable; New Hampshire Hydro shall consult with the Advisory Committee on the other principal terms of such financings and any construction financing and shall use reasonable efforts to accommodate their reasonable requests;

(x) The target date for commercial operation of the Transmission Facilities for purposes of Section 13B which shall be determined at least 90 days before the Effective Date; and

(xi) Such other matters as are specified elsewhere in this Agreement.

If New Hampshire Hydro makes a proposal for a decision from the Advisory Committee and the Advisory Committee fails, however, to accept or reject such proposal within thirty days, the Advisory Committee shall be deemed by New Hampshire Hydro to have approved New Hampshire Hydro's proposal and New Hampshire Hydro may immediately proceed to implement its proposal.

Each Participant shall be responsible for all of its expenses related to membership on the Advisory Committee.

This Section shall be effective on June 1, 1986, notwithstanding that the Effective Date has not yet occurred.

Section 7. Design and Construction of the Transmission Facilities

Except for those areas of responsibility assigned to the Advisory Committee as specified in Section 6, New Hampshire Hydro shall be responsible for the design, engineering, procurement, installation, and all other aspects of the construction of the Transmission Facilities, and any modifications or additions made to the Transmission Facilities at any time before or after completion of the Transmission Facilities, all in accordance with good utility practice for

the benefit of all Participants, the objective being to achieve an appropriate balance among minimization of construction cost, minimization of operation and maintenance cost, licensing and environmental considerations, and safety and reliability of service. In carrying out these activities, New Hampshire Hydro may utilize the services of its affiliates and may also select and employ a financial adviser, legal counsel, design engineering firm, a construction engineering firm, consultants, and such other firms as it considers desirable. To the extent services are performed by an affiliate of New Hampshire Hydro, such affiliate will charge on the same basis that it would charge its costs to other affiliates pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) under the Public Utility Holding Company Act of 1935 (the 1935 Act).

In order for the Advisory Committee to meet its responsibilities as specified in Section 6, New Hampshire Hydro will provide all necessary information reasonably requested by the Advisory Committee. During the course of the work, New Hampshire Hydro shall furnish quarterly reports to all Participants with respect to the progress of the work and an annual report to all Participants of actual and estimated construction expenditures for the Transmission Facilities.

New Hampshire Hydro intends, consistent with good utility practice, to construct the Transmission Facilities on a schedule that permits the commercial operation of Phase II by September 1, 1990. However, New Hampshire Hydro does not

represent that construction will be completed by such date or any other date.

Section 8. Operation and Maintenance of the Transmission Facilities

Except for those areas of responsibility assigned to the Advisory Committee as specified in Section 6, New Hampshire Hydro shall be responsible for the operation and maintenance of the Transmission Facilities in accordance with good utility practice for the benefit of all Participants, the objective being to operate the Transmission Facilities as efficiently, economically, safely, and reliably as feasible. New Hampshire Hydro shall use its best efforts to coordinate the operation and maintenance of the Transmission Facilities with the operation and maintenance of the Phase I facilities and other Phase II facilities. In carrying out these activities, New Hampshire Hydro may utilize the services of its affiliates and may also select and employ a financial adviser, legal counsel, consultants, and such other firms as it considers desirable. In furtherance of its responsibility, New Hampshire Hydro may from time to time designate a company, which need not be a Participant, to operate and maintain the Transmission Facilities. To the extent services are performed by an affiliate of New Hampshire Hydro, such affiliate will charge its costs on the same basis that it would charge to other affiliates pursuant to the rules and regulations of the SEC under the 1935 Act.

In order for the Advisory Committee to meet its responsibilities as specified in Section 6, New Hampshire Hydro will provide all necessary information reasonably requested by the Advisory Committee.

After the Transmission Facilities are placed in commercial operation, New Hampshire Hydro shall furnish quarterly reports to all Participants with respect to the operation and maintenance of the Transmission Facilities and an annual report to all Participants of estimated operation and maintenance expenses.

Section 9. New Hampshire Hydro Relationship to Participants

In carrying out its responsibilities hereunder, New Hampshire Hydro agrees that it shall use its best efforts to act for the collective benefit of all Participants and New Hampshire Hydro, to include in its contracts with independent contractors the customary provisions for assuring professional and workmanlike performance, including warranties, insurance coverage and other protections consistent with good utility practice, and to enforce its rights under such contracts against the other contracting parties to the extent reasonable, reserving the discretion to settle claims on a reasonable basis. All costs of construction, including damages caused by the risks of negligence (other than gross negligence) and other risks of construction in excess of the recoveries obtained from offending parties or insurers, shall be included as part of investment in the Transmission Facilities (as defined in Section 12 below) and all costs of operating the Transmission

Facilities, including damages caused by risks of negligence (other than gross negligence) or other risks of operation in excess of any recoveries obtained from offending parties or insurers, shall be included in New Hampshire Hydro's operating costs (as defined in Section 12 below).

Section 10. Payment for Preliminary Costs

New Hampshire Hydro agrees to pay those New England utilities that initially paid for costs related to the Transmission Facilities incurred under the Preliminary Quebec Interconnection Support Agreement - Phase II (the Preliminary Agreement) that are determined by New Hampshire Hydro to be capitalizable costs of the Transmission Facilities, in accordance with the Uniform System (as defined hereinafter in Section 12). It is understood that it is the intention of New Hampshire Hydro and the Participants for all costs related to and allocated to the Transmission Facilities incurred under the Preliminary Agreement, to be capitalized to the extent permitted in accordance with good utility practice. Within ninety days after the Effective Date, New Hampshire Hydro agrees to make the repayment with interest calculated from the original date of payment using the monthly average rate on one month commercial paper as published in the Federal Reserve Bulletin for each month during such time period.

Section 11. Transmission and Other Services

In accordance with good utility practice, New Hampshire Hydro will make the Transmission Facilities available for the Participants for transmission services as part of Phase II.

New Hampshire Hydro hereby grants to each Participant an exclusive right to use its Participating Share of the Transmission Facilities in accordance with the Use Agreement.

New Hampshire Hydro agrees that it will serve as an agent or in other similar capacity for any Participant that so requests for the buying or selling of power to be transmitted over the Transmission Facilities as an entitlement transaction with Hydro-Quebec pursuant to the terms of the Use Agreement or otherwise, provided, however, that a formal written contract with terms and conditions, including compensation for services, satisfactory to New Hampshire Hydro is executed and delivered prior to performance of such services.

Section 12. Support Charge

Commencing in the month of the Date of Full Support Payment (as defined in Section 13) and in each month thereafter, each Participant shall pay in accordance with Section 13 its Participating Share of a monthly Support Charge in an amount determined in accordance with this Section 12, plus a credit enhancement charge calculated in accordance with Attachment F. The Support Charge shall be equal to New Hampshire Hydro's total cost of service related to the Transmission Facilities for such month.

The "total cost of service related to the Transmission Facilities" for any month commencing with the month in which the Date of Full Support Payment occurs shall be the sum of (a) New Hampshire Hydro's operating expenses for such month with respect to the Transmission Facilities, plus (b) an amount

equal to one-twelfth of the composite percentage for such month times the average net rate base for the Transmission Facilities, less (c) investment earnings of the Debt Service Fund, as defined in Section 18, realized by New Hampshire Hydro, less (d) any other income received by New Hampshire Hydro resulting from costs or rate base supported by the Participants other than income received pursuant to (a), (b), or (c) above or Credit Enhancement Charges and other income allocated to Equity Sponsors elsewhere under this Agreement. If a Support Charge payment under Section 13 is to be calculated from a date other than the first day of a month, an appropriate proration of the amount determined in (b) above shall be made for such payment only.

"Uniform System" shall mean the appropriate Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) for Public Utilities and Licensees, as from time to time in effect.

New Hampshire Hydro's "operating expenses" shall include all amounts related to the Transmission Facilities and properly chargeable to expense accounts less any applicable credits thereto, in accordance with the Uniform System, including but not limited to operation and maintenance expense such as rent on leased property and administrative and general expenses, state and Federal income and franchise taxes, property taxes, payroll taxes, any other taxes not based on income, and depreciation and/or amortization expense; it being understood that unless the FERC, upon application by New Hampshire Hydro,

authorizes a shorter depreciation and/or amortization period, for purposes of this Agreement depreciation and/or amortization shall be at a rate sufficient to recover the investment in the Transmission Facilities (including estimated cost of removal less any salvage value which salvage value, for the purpose of calculating such depreciation and/or amortization, will not exceed the amount of cost of removal) over the greater of: (i) ten years from the Date of Full Support Payment or (ii) the term of New Hampshire Hydro's permanent debt financings or other permanent financing arrangements related to the Transmission Facilities, adjusted for multiple maturities and repayment schedules; and it also being understood that rents on leased property shall include the rental of property or property rights related to the Transmission Facilities from any Participant with rent based on book value. "Operating expenses" shall also include all payments made by New Hampshire Hydro pursuant to Section 8 of the Phase II Maine Electric Power SVC Facilities Support Agreement between New Hampshire Hydro and Maine Electric Power Company, dated as of October 1, 1988, as amended from time to time (the "SVC Agreement"). In addition, each Participant will pay to New Hampshire Hydro, and New Hampshire Hydro will pay to New England Power Company and Public Service Company of New Hampshire, for the benefit of their respective customers, such Participant's Participating Share of monthly charges of $268,000 and $41,300, respectively, to compensate New England Power and Public Service Company for the lost capacity on their respective New Hampshire

rights-of-way, provided however, that no such charges shall be paid to New England Power or Public Service Company during such time as construction or operation is suspended on account of a defect in title for such rights-of-way. The allowance for state and Federal income taxes included in operating expenses shall reflect the normalization of timing differences and the flow through of permanent differences between book income and tax income. New Hampshire Hydro, as the tax owner of the Transmission Facilities, will be entitled to the benefits and subject to the burdens of such ownership for tax purposes. The allowance for state and Federal income taxes included in operating expenses shall include a provision for taxes on dividends received by stockholders, calculated at the then current statutory rate for corporate stockholders.

The "investment in the Transmission Facilities" shall be the aggregate amount incurred at any time either before or after commercial operation of the Transmission Facilities which relates to the Transmission Facilities and is properly chargeable to New Hampshire Hydro's utility plant accounts in accordance with the Uniform System. The investment in the Transmission Facilities shall also include operating expenses incurred prior to the month in which the Date of Full Support Payment occurs and an allowance for funds used during the period prior to the Date of Full Support Payment (AFDC) accrued on the investment in the Transmission Facilities. The AFDC rate shall be calculated pursuant to the last FERC approved AFDC formula including in construction work in progress all

investment in the Transmission Facilities prior to the Date of Full Support Payment and using 14 percent as the return on equity for such calculation.

"Composite percentage" shall be computed as of the last day of each month (the "computation date"). "Composite percentage" as of a computation date shall be the sum of (i) Return on Equity then in effect multiplied by the percentage which equity investment as of such date is of the total capital as of such date; plus (ii) the average monthly effective interest rate per annum of each principal amount of indebtedness outstanding on such date for money borrowed, whether long term or short term, multiplied by the percentage which each such principal amount is of total capital as of such date. The effective interest rate shall take into account premiums, discounts, fees, and other costs that are related to the indebtedness.

"Return on Equity" shall be the return on equity on file with the FERC and in effect under The Federal Power Act.

"Equity investment" as of any date shall consist of the sum of (i) all amounts theretofore paid to New Hampshire Hydro for all capital stock theretofore issued, plus all capital contributions, less the sum of any amounts paid by New Hampshire Hydro in the form of stock retirements, repurchases or redemptions or return of capital including liquidating dividends; plus (ii) any credit balance in the capital surplus account not included in (i) and any credit balance in the earned surplus (retained earnings) account on the books of New Hampshire Hydro as of such date.

"Total capital" as of any date shall be the equity investment plus the total of all indebtedness then outstanding for money borrowed.

From the Date of Full Support Payment until the first to occur of June 30 or December 31 thereafter, the "average net rate base" for the Transmission Facilities shall be the average of the net rate base determined as of the Date of Full Support Payment and the first to occur of June 30 or December 31 thereafter. Thereafter, for subsequent months of January through June, average net rate base shall be the average of the net rate base as of the preceding December 31 and the following June 30. For other months, average net rate base shall be the average of the net rate base as of the preceding June 30 and the following December 31. The "net rate base" shall consist of (i) the investment in the Transmission Facilities, less (ii) the amount of any accumulated provision for depreciation and amortization related to the investment in the Transmission Facilities, less (or plus) (iii) the amount of any reserve for deferred income taxes received (or paid) by New Hampshire Hydro, such deferred income taxes to include deferred income taxes due to accelerated depreciation, construction tax benefits, and any other book/tax timing differences related to the Transmission Facilities, less (iv) the amount of any unamortized investment tax credits (ITC), plus (v) such allowances related to the Transmission Facilities for materials and supplies, prepaid items and cash working capital as may from time to time by determined by New Hampshire Hydro, as

reasonably necessary and in accordance with accepted utility accounting practice, plus (vi) the amounts held in the Debt Service Fund, as described in Section 18. New Hampshire Hydro shall normalize ITC over the depreciation and/or amortization period relating to the Transmission Facilities. Any allowance for cash working capital shall be limited to that not sufficiently recovered through the use of estimated billing for the current month.

Section 13. Payments

A. Commencing on or about the Date of Full Support Payment and for each month thereafter, New Hampshire Hydro will render to each Participant an invoice for its Participating Share of the Support Charge and the Credit Enhancement Charge, if any, for such month calculated on an estimated basis for the current month and subject to corrective adjustment in subsequent months. Unless New Hampshire Hydro is prevented by circumstances beyond its reasonable control, New Hampshire Hydro shall use its best efforts to render final bills within two years after the end of the calendar year in which the estimated bill was rendered. New Hampshire Hydro will also render to each Participant an invoice or notice for its Participating Share of any amounts due under this Agreement (other than monthly Support Charge and the Credit Enhancement Charge) including but not limited to payments to be made under Sections 15, 16, 17, and 20D.

Each Participant shall promptly pay to New Hampshire Hydro the amount shown on any invoice submitted under this Section. New Hampshire Hydro will date and mail monthly invoices for the Support Charge and Credit Enhancement Charge, if any, on or about the 25th day of the month for the coming month and this invoice shall be due and payable by the 15th day of the coming month and if not paid within that time period shall bear interest compounded monthly from the first day of the month in which payment is due to the date when payment is made at an annual rate equal to two percent (2%) over the current interest rate on prime commercial loans from time to time in effect (the Base Rate) at the principal office of The First National Bank of Boston.

Any invoice or notice for payments due under this Agreement (other than a monthly Support Charge and Credit Enhancement Charge invoice), that is not paid when due under this Agreement shall bear interest compounded monthly from the mailing date of the invoice to the date when payment is made at an annual rate equal to two percent (2%) over the Base Rate at the principal office of The First National Bank of Boston.

B. The "Date of Full Support Payment" shall be the later of (i) the target date for commercial operation of the Transmission Facilities as determined by the Advisory Committee, or (ii) the date on which the Transmission Facilities are ready for commercial operation, but in no event later than one year after the date specified in subpart (i) above unless an extension is agreed to in writing by all

Lenders. However, if all of Phase II commences commercial operation prior to the target date specified in subpart (i) above, the "Date of Full Support Payment" shall be the date on which Phase II is in commercial operation.

Section 14. Character of Payment Obligations

The obligations of each Participant to make payments hereunder, and to perform and observe all other agreements on its part contained herein, are absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any insolvency, composition, bankruptcy, reorganization, arrangement, liquidation or similar proceedings relating to New Hampshire Hydro, the Participant, any other Participant, any Equity Sponsor, or any affiliate thereof, (ii) any failure of the Transmission Facilities to operate for any reason, including but not limited to the failure of Hydro-Quebec to sell electric power to the Participants, (iii) any damage to or destruction of the Transmission Facilities, including but not limited to any defect in the title, quality, condition, design, operation, or fitness for use of, or any loss of use of, all or any part of the Transmission Facilities, (iv) any interruption or prohibition of the use or possession by New Hampshire Hydro of, or any ouster or dispossession by paramount title or otherwise of New Hampshire Hydro from, all or any part of the Transmission Facilities, or any interference with such use or possession by any governmental agency or authority or other person or otherwise, (v) any inability to use the Transmission Facilities because a necessary license or

other necessary public authorization cannot be obtained or is revoked, or because the utilization of such a license or authorization is made subject to specified conditions which are not met, (vi) any invalidity or unenforceability or disaffirmance by New Hampshire Hydro or any Participant of any provision of this Agreement or any failure, omission, delay, or inability of New Hampshire Hydro to perform any of its obligations contained herein, (vii) any amendment, extension, or other change of, or any assignment or encumbrance of any rights or obligations under, this Agreement, or any waiver or other action or inaction, or any exercise or nonexercise of any right or remedy, under or in respect to this Agreement, (viii) any inability of the Participant or any other Participant to obtain regulatory approvals for financing its Participating Share of any obligations under this Agreement or for meeting any other obligations under this Agreement, or (ix) any inability to start, complete, or use the Transmission Facilities due to any other circumstance, happening, or event whatsoever, whether foreseeable or unforeseeable and whether similar or dissimilar to the foregoing, it being the intention of the parties hereto that all amounts payable by each Participant in respect of this Agreement shall begin to be payable and shall continue to be payable in all events in the manner and at the time herein provided; provided, however, that nothing in this Section 14 shall (a) prevent a Participant from transferring its interests and obligations hereunder to another Participant prior to the Effective Date, or (b) impose any

continuing liabilities or obligations on said transferring Participant with respect to this Agreement incurred or relating to the period of time after said transferring Participant's Participating Share has been reduced to zero. In that connection, each Participant hereby waives, to the extent permitted by applicable law, any and all rights which it may now have or which may at any time hereafter be conferred upon it (other than those expressly conferred in this Agreement), by statute or otherwise, to terminate, cancel, or surrender any of its obligations under this Agreement, and agrees that if, for any reason whatsoever, this Agreement shall be terminated in whole or in part by operation of law or otherwise, each Participant will nonetheless promptly pay to New Hampshire Hydro amounts as required by Section 16 of this Agreement.

Notwithstanding the character of the above payment obligations, when the net proceeds from a total taking of the Transmission Facilities in an eminent domain proceeding or from insurance in the event of complete destruction of the Transmission Facilities have been received by New Hampshire Hydro in an amount equal to or greater than the amounts then due hereunder from the Participants, then no payment shall be required.

Section 15. Default

A. If any of the following events (Events of Default) shall occur and be continuing:

(i) a Participant shall fail to pay when due any amount which it has agreed to pay under any provision of this Agreement, and such failure shall continue for more than 10 days after written notice thereof has been given to such Participant by New Hampshire Hydro; or

(ii) a Participant shall fail to supply in accordance with the terms hereof any documentation required by New Hampshire Hydro in connection with financing with Lenders by New Hampshire Hydro (for VELCO and MMWEC, this includes documentation for their respective contracting electric systems), and such failure shall continue for more than 30 days after written notice of such failure has been given to such Participant by New Hampshire Hydro; or

(iii) a Participant shall admit in writing its inability to pay its debts, or shall make a general assignment for the benefit of its creditors; or any proceeding shall be instituted against a Participant (and is not dismissed within sixty days), or by a Participant, seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, or composition of it or its debt under any law relating to bankruptcy, insolvency or

reorganization or relief of debtors or seeking appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property; or if a Participant shall take any action to authorize any of the actions set forth in this subsection (iii); or

(iv) prior to the retirement of the last amount of New Hampshire Hydro's debt and prior to the reduction of New Hampshire Hydro's equity investment to an amount less than or equal to 10% of its highest previous amount, a Participant shall fail to make a payment of principal under any bank loan or other obligation for borrowed money (including financing leases or other similar arrangements) exceeding the lesser of $1 million or 5% of such Participant's total capitalization, which failure is not excused or cured within the earlier of 30 days or the acceleration of the maturity thereof; or

(v) a Participant shall fail to perform any other obligation under this Agreement in accordance with the terms hereof, and such failure shall continue for more than 30 days after written notice thereof has been given to such Participant by New Hampshire Hydro; or

(vi) a Participant shall experience an event of default under any of the other Basic Agreements or under any of the basic agreements for Phase I listed in the first paragraph of Section 1;

then, and in any such event, in addition to any other rights or remedies that it may have against such Participant by reason thereof, New Hampshire Hydro shall, by written notice to such Participant, terminate all rights of such Participant under this Agreement as of the date of such Event of Default. New Hampshire Hydro may with the approval of the Advisory Committee waive any Event of Default hereunder or grant extensions of time to cure any Event of Default.

B. Immediately upon termination of the rights of a Participant pursuant to A above:

(i) if such terminated Participant was then a Credit Enhanced Participant, then New Hampshire Hydro shall allocate the Participating Share of the terminated Participant to the Equity Sponsors or their appointees in proportion to the Equity Sponsors' then respective equity percentages;

(ii) if such terminated Participant was not then a Credit Enhanced Participant, then New Hampshire Hydro will offer the Participating Share of the terminated Participant as of the date of termination to the Equity Sponsors or their appointees and upon acceptance of the offer

will allocate the Participating Share in accordance with the acceptance (if the offer is oversubscribed by Equity Sponsors, the allocation will be made in proportion to such Equity Sponsors' then respective equity percentages); provided that, if such Participating Share is not so completely allocated, then New Hampshire Hydro will offer such unallocated Participating Share to Participants whose most junior long-term debt securities are then rated at least one grade above investment grade or, if not so rated, who have obtained the consent of all New Hampshire Hydro's Equity Sponsors (if the offer is oversubscribed, the allocation will be made in proportion to respective participating shares); and provided further that such Equity Sponsors or their appointees or Participants receiving such an allocation accept an equal support or participating share under the Phase II New England Power AC Facilities Support Agreement, the Phase II Boston Edison AC Facilities Support Agreement, and the Phase II Massachusetts Transmission Facilities Support Agreement; and

(iii) the Equity Sponsors or their appointees that have been allocated Participating Shares under B (i) or (ii) above or any Participants that have been allocated Participating Shares under B (ii) above or New Hampshire Hydro, if no such allocation is made, shall be entitled to receive in accordance with the Use Agreement from the escrow agent as liquidated damages the allocated share of all Phase II amounts retained under the Use Agreement on or after the date of such termination for the account of such terminated Participant.

C. The terminated Participant shall immediately pay either (i) if an allocation is made under Section 15B, to the Equity Sponsors or their appointees or any Participants that have received such allocation or (ii) otherwise, to New Hampshire Hydro, in addition to any other amounts due under any provisions of this Agreement, an amount equal to its Participating Share of the investment in the Transmission Facilities (including any cost of removal and disposal) less any depreciation and amortization relating to the Transmission Facilities to the date of such payment. In addition, such Participant's payment required by the preceding sentence shall be increased by an amount equal to its Participating Share of the "amounts" determined in Section 11B of the SVC Agreement. New Hampshire Hydro will credit any such amounts it receives from the terminated Participant for the benefit of the Equity Sponsors.

D. New Hampshire Hydro or any Equity Sponsor or any Participant shall be free to invoke such remedies at law or in equity as may be deemed appropriate against any Participant that defaults under this Agreement.

Section 16. Delay, Suspension, Termination, Cancellation, or Shutdown

If at any time New Hampshire Hydro determines that continued planning, construction, or operation of the Transmission Facilities is not advisable for any reason New Hampshire Hydro deems appropriate, it may, after written notice to all Participants, delay, restrict, or suspend planning, construction, or operation, or shut the Transmission Facilities down for a period of less than six months. In accordance with Section 6, the Advisory Committee has responsibility for accepting or rejecting a proposal submitted by New Hampshire Hydro recommending a delay, restriction, suspension, termination, or cancellation of planning or construction, or shut down of the Transmission Facilities for a period of six months or longer or permanently. In any case in which New Hampshire Hydro determines that safety considerations require an immediate shutdown, it shall proceed without consultation with the Advisory Committee or written notice to the Participants.

If the Advisory Committee has determined that (i) planning or construction of the Transmission Facilities is to be terminated or cancelled, or (ii) the Transmission Facilities are to be permanently shutdown, then New Hampshire Hydro shall

give each Participant not less than ninety days advance written notice of any such event. Each Participant shall pay to New Hampshire Hydro within such notice period an amount, as specified in such notice and calculated as of the date of the event so notified, equal to its Participating Share of the "amounts" determined in the second paragraph of Section 12 of the SVC Agreement plus the greater of:

(a) its Participating Share of the investment in the Transmission Facilities (less any depreciation and amortization to the date of payment) together with all costs relating to or resulting from such termination, cancellation or permanent shutdown, including any premiums and penalties incurred because of the early retirement of any indebtedness and further including without limitation any costs of total or partial demolition and disposal of the Transmission Facilities net of any actual salvage value received by New Hampshire Hydro including the proceeds from any sale and net of the actual proceeds received by New Hampshire Hydro from any condemnation proceeding or insurance for destruction; or

(b) its Participating Share of the then total capital of New Hampshire Hydro plus any premiums and penalties incurred because of the early

retirement of any financing plus without limitation any costs of total or partial demolition and disposal of the Transmission Facilities net of any actual salvage value received by New Hampshire Hydro including the proceeds from any sale and net of the actual proceeds received by New Hampshire Hydro from any condemnation proceeding or insurance for destruction.

If New Hampshire Hydro and the Advisory Committee agree on the decision to terminate, cancel or permanently shutdown the Transmission Facilities under this Section 16, New Hampshire Hydro shall have and retain, upon termination of this Agreement, the right to sell the Transmission Facilities (including New Hampshire Hydro's rights to Transmission Facilities in Vermont and the SVC Facilities in Maine) at fair market value to any NEES affiliate of New Hampshire Hydro. Any amounts received from such sale shall be considered salvage value under (a) or (b) above. If New Hampshire Hydro's recommendation to terminate, cancel or permanently shutdown is not adopted by the Advisory Committee, New Hampshire Hydro shall be paid an amount determined in accordance with this Section 16 and if directed by the Advisory Committee shall transfer its rights, assets, and obligations related to the Transmission Facilities to the Participants or any group or designee thereof. New Hampshire Hydro's lease of the right-of-way shall be assigned in connection with such transfer.

If New Hampshire Hydro is paid such amount and transfers its rights, assets, and obligations related to the Transmission Facilities to the Participants or any group or designee thereof, New Hampshire Hydro shall refund any costs of total or partial demolition and disposal of the Transmission Facilities to such Participants or group or designee thereof.

Section 17. Termination by New Hampshire Hydro

If at any time New Hampshire Hydro elects and so notifies in writing all Participants that, as a result of a default under Section 15, the Participating Share of a terminated Participant cannot be allocated to Equity Sponsors or their appointees or other Participants pursuant to Section 15B and the aggregate of the Participating Shares of all nonterminated Participants is less than 100%, each such other Participant's participation hereunder shall terminate on a date (effective date of termination) not less than 90 days after the date of New Hampshire Hydro's written notice, and each such other Participant on or before the effective date of termination shall pay to New Hampshire Hydro an amount calculated in accordance with the second paragraph of Section 16.

Upon termination of this Agreement pursuant to this Section 17, New Hampshire Hydro shall offer each Participant which (i) was not a terminated Participant immediately prior to termination of the Agreement pursuant to this Section 17 and (ii) has paid all amounts due under the first paragraph of this Section 17, an opportunity to participate in a new support agreement, provided that all participants in such new support

agreement agree to pay 100% of the costs of service of New Hampshire Hydro, including, without limitation, the "amounts" that New Hampshire Hydro must pay to Chester SVC Partnership pursuant to Section 8 of the SVC Agreement. The new support agreement will have a term equal to the remaining term of this Agreement. Other provisions of the new support agreement will be substantially similar to those in this Agreement. The investment in the Transmission Facilities under the new support agreement shall be reduced by any amount received as termination payments hereunder which would be properly applied to utility plant accounts in accordance with the Uniform System less any costs of termination or premiums or penalties incurred because of the early retirement of any financing of New Hampshire Hydro. Any participant in the new support agreement shall also be a supporter of the AC facilities of New England Power and Boston Edison Company and the transmission facilities of New England Hydro.

No termination of this Agreement shall relieve any party of any obligation arising prior to making the payment to New Hampshire Hydro required by the first paragraph of this Section 17. In addition, notwithstanding the termination of this Agreement for other purposes, this Agreement shall continue in effect to the extent necessary to provide for paying all "windup costs" and final billings, billing adjustments and payments.

Section 18. Debt Service Fund

New Hampshire Hydro may establish and maintain at its option a Debt Service Fund with funds which may be borrowed from unaffiliated third parties. The Debt Service Fund may be assigned in connection with a financing by New Hampshire Hydro with the Lenders in order to provide assurance to such Lenders that New Hampshire Hydro will pay its debt service obligations in a timely manner.

The Debt Service Fund shall not exceed the lesser of (i) the amount required to pay six months of interest on indebtedness plus five percent of the largest principal amount of debt outstanding at any time plus any accrued earnings from investment of the amounts in the Debt Service Fund not yet credited to Support Charges as provided in Section 12 or (ii) the total amount of debt service remaining to be paid.

Section 19. Cash Deficiency Commitment

A. "Cash Deficiency" attributed to a Participant means with respect to any Due Date, the amount by which that Participant's Participating Share of the aggregation of the principal of, premium, if any, and interest on any of the funds borrowed by New Hampshire Hydro from Lenders to finance the Transmission Facilities or the construction thereof and payable on such Due Date (whether at maturity, pursuant to mandatory prepayment, by acceleration or otherwise) exceeds the amount of cash from such Participant's payments made under any other section of this Agreement and available to New Hampshire Hydro for repayment to Lenders of such borrowed funds.

B. If New Hampshire Hydro has a Cash Deficiency attributed to a Participant on any Due Date, that Participant agrees that it shall absolutely and unconditionally guarantee to pay its Cash Deficiency on demand of Lenders, to be paid directly on demand to Lenders, in cash, provided, however, that no Cash Deficiency attributed to a Participant shall include any unpaid obligations hereunder of other Participants.

For purposes of this Section 19, "Due Date" shall mean the date any payments are due and payable under the terms of any indebtedness of New Hampshire Hydro with Lenders.

C. Payments by Participants under this section shall be considered by New Hampshire Hydro to be prepayments of amounts due or to become due to New Hampshire Hydro pursuant to any other section hereof.

Section 20. Miscellaneous

A. Insurance. New Hampshire Hydro will at all times during the term of this Agreement keep the Transmission Facilities insured against such risks as electric utility companies, similarly situated, constructing and operating like properties, usually insure against. Any uninsured loss, damage, or liability related to the Transmission Facilities or arising out of New Hampshire Hydro's performance hereunder and any expenses in connection with any such loss, damage, or liability shall be deemed to be an expense reimbursable by the Participants in accordance with Section 12. New Hampshire Hydro will assist any Participant, at the Participant's expense, in obtaining any other insurance coverage related to

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the Transmission Facilities that such Participant requires. Upon request, New Hampshire Hydro will supply certificates of insurance coverage.

B. Limitation of Liability. For and in consideration of the fact that New Hampshire Hydro is undertaking to design, engineer, procure, install, construct, operate, and maintain the Transmission Facilities for and on behalf of Participants without any compensation or charge other than the payments provided under this Agreement, no Participant shall be entitled to recover from New Hampshire Hydro or any affiliate or any shareholder, director, officer, employee, or agent of New Hampshire Hydro or any affiliate, any damages resulting from error or delay, whether or not due to negligence, in the design, engineering, procurement, installation or construction of the Transmission Facilities, or for any damage to the Transmission Facilities, any curtailment of power, or any other damages of any kind, including but not limited to consequential damages, arising out of or in connection with the performance of this Agreement by New Hampshire Hydro. Notwithstanding the above limitation, if New Hampshire Hydro is found by a court of competent jurisdiction to have intentionally violated this Agreement in a material manner or to have acted hereunder in a grossly negligent manner and if such court finding is final and no longer subject to appeal, then the Participants shall be entitled to recover from New Hampshire Hydro direct damages (but not consequential or any other damages) resulting from such material intentional violation or gross negligence, unless

New Hampshire Hydro's actions or omissions have been expressly approved in advance by the Advisory Committee. New Hampshire Hydro will use its best efforts to enforce all contracts related to the construction and operation of the Transmission Facilities for the benefit of New Hampshire Hydro and the Participants.

C. Audit. New Hampshire Hydro will arrange for an annual audit to be performed by an independent public accounting firm of recognized standing selected by New Hampshire Hydro. The costs of the annual audit will be included in the operating expenses under Section 12. The books and records of New Hampshire Hydro (including metering records) shall be open to reasonable inspection and audit by any Participant. The costs of any such additional audit, including the costs of New Hampshire Hydro in connection with such audit, shall be borne by the Participant or Participants requesting such audit. New Hampshire Hydro will promptly make any reasonable corrections necessitated as a result of the annual audit or an additional audit.

D. Cost Reimbursement. In the event New Hampshire Hydro reasonably incurs any costs not provided for elsewhere herein in connection with or as a result of planning, organizing, documenting, construction, suspensions, rescheduling, cancellation, operation, maintenance, shutdown, demolition, disposition, or termination of the Transmission Facilities, or otherwise arising in connection with this Agreement, each Participant shall promptly reimburse to New Hampshire Hydro,

within 15 days of the mailing date of the invoice, its Participating Share of such costs. Each Participant's obligation to reimburse New Hampshire Hydro under this Section shall also include its Participating Share of the amounts that New Hampshire Hydro must pay to Chester SVC Partnership under Section 11B or Section 12 of the SVC Agreement. However, New Hampshire Hydro will endeavor to finance any additional costs, to the extent such additional costs are properly capitalizable, over the shorter of the then remaining useful life of the Transmission Facilities, the remaining term of the Agreement, or the remaining term of its permanent financing. For the purpose of this subsection, the Transmission Facilities shall include the SVC Facilities as defined in the SVC Agreement.

E. Uncontrollable Force. No delay or failure in the performance of any obligation by New Hampshire Hydro shall be deemed to exist if it is the result of an "uncontrollable force". The term "uncontrollable force" shall be deemed to mean any cause beyond the reasonable control of New Hampshire Hydro, which New Hampshire Hydro could not reasonably have been expected to avoid by exercise of due diligence and foresight, including, without limiting the generality of the foregoing, storm, flood, lightning, earthquake, fire, explosion, failure of facilities not due to lack of proper care or maintenance, civil disturbance, labor disturbance, sabotage, war, national emergency, or restraint by court or public authority. In such event, New Hampshire Hydro shall use reasonable diligence to notify the Participants of such event.

F. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of, and may be performed by, the successors and assigns of the parties and shall also be binding, insofar as permitted by law, on any receiver or trustee in bankruptcy, receivership, or reorganization of any party. Except (i) for a reallocation resulting from a default as provided in Section 15, (ii) for a sale, merger, or consolidation which is approved by New Hampshire Hydro and results in the transfer of substantially all of a Participant's assets to, and the assumption of all of the Participant's obligations hereunder by, an electric utility which is a member of NEPOOL, and (iii) for an assignment by New Hampshire Hydro to a NEES affiliate of New Hampshire Hydro which expressly assumes New Hampshire Hydro's rights and obligations hereunder and acquires the Transmission Facilities, and (iv) for a transfer of any or all of a Participant's Participating Share prior to the Effective Date as provided in Section 4A hereof, no assignment of this Agreement shall operate to relieve the assignor of its obligations under this Agreement without the written consent of the parties hereto. In addition to New Hampshire Hydro's right to assign to an affiliate, New Hampshire Hydro may assign, without the consent of the Participants, its right, title, and interest in this Agreement, in whole or in part, and any security interests contained herein or granted hereunder, to one or more banks, investment banking firms, insurance companies, other financial institutions, or others as collateral security for New

Hampshire Hydro's obligations in connection with financing the Transmission Facilities. Written notice to all parties will be given prior to any assignment hereunder.

G. Right of Setoff. No Participant shall be entitled to set off against the payments required to be made by it hereunder (1) any amounts owed to it by New Hampshire Hydro, any affiliate of New Hampshire Hydro, any Equity Sponsor, or any other Participant or (2) the amount of any claim by it against New Hampshire Hydro, any affiliate of New Hampshire Hydro, any Equity Sponsor, or any other Participant. However, the foregoing shall not affect in any other way any Participant's rights and remedies with respect to any such amounts owed to it by New Hampshire Hydro, any affiliate of New Hampshire Hydro, any Equity Sponsor, or any other Participant or any such claim by it against New Hampshire Hydro or any other Participant.

H. Amendments. New Hampshire Hydro shall have the right to amend the provisions of Section 12 hereof from time to time by serving an appropriate statement of such amendment upon the Participants and filing the same with the Federal Energy Regulatory Commission (or such other regulatory agency as may have jurisdiction) in accordance with the provisions of applicable laws and any rules and regulations thereunder, and the amendment shall thereupon become effective on the date specified therein, subject to any suspension order duly issued by such agency. The Participants have the right to intervene in any regulatory proceeding brought by New Hampshire Hydro to consider such amendment of the provisions of Section 12.

Any amendments changing the Participating Shares of the Participants, the rights of the Participants or a Participant as specified in Section 11, or the several nature of the obligations and rights of the Participants hereunder as specified in Section 5, shall require consent by all parties. All other amendments to this Agreement shall be by mutual agreement of New Hampshire Hydro and Participants owning Participating Shares aggregating at least 66 2/3%, evidenced by a written amendment signed by New Hampshire Hydro and such Participants; and New Hampshire Hydro and all Participants shall be bound by any such amendment.

I. Notices. Except as the parties may otherwise agree, any notice, request, bill, or other communication, relating to this Agreement, or the rights, obligations or performance of the parties hereunder, shall be in writing and shall be effective upon delivery. Any such communication shall be considered as duly delivered when delivered in person or mailed by registered or certified mail, postage prepaid, to the respective post office address of the other parties shown following the signatures of such other parties hereto, or such other address as may be designated by written notice given as provided in this paragraph I.

J. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of The Commonwealth of Massachusetts.

K. Other.

(1) No action, regardless of form, arising out of this Agreement may be brought by any party hereto more than three years after the cause of action has arisen.

(2) In the event that any clause or provision of this Agreement, or any part thereof, shall be declared invalid or unenforceable by any court having jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining portions of this Agreement.

(3) All provisions of this Agreement providing for limitation of, or protection against, liability shall apply to the full extent permitted by law, and regardless of fault, and shall survive either termination pursuant to this Agreement or cancellation.

(4) Each party shall, upon request of another party, execute and deliver any document reasonably required to implement any provision hereof.

(5) Any number of counterparts of this Agreement may be executed and each shall have the same force and effect as the original.

(6) This Agreement, with the other Basic Agreements, Preliminary Quebec Interconnection Support Agreement - Phase II, the agreements with Hydro-Quebec regarding Phase II, and the basic agreements covering Phase I shall constitute the entire understanding among the parties and shall supersede any and all previous understandings pertaining to the subject matter of this Agreement.

(7) This Agreement is the act and obligation of the parties hereto in their corporate or governmental capacity, and any claim hereunder against any shareholder, director, officer, employee, or agent of any party, as such, is expressly waived.

Section 21. Refund of Gain on Sale or Other Disposition of Transmission Facilities

In the event that any of the Transmission Facilities are sold or otherwise disposed of during the term of this Agreement, if the Net Proceeds (defined as the amount received from such sale or disposition less all costs relating to or resulting from such sale or disposition, including without limitation any income taxes relating to or resulting from such sale or disposition, any premiums and penalties incurred because of the early retirement of any indebtedness associated with the sold or disposed of Transmission Facilities, and any costs of total or partial demolition of the sold or otherwise disposed of Transmission Facilities) from such sale or disposition exceed the greater of (i) the investment in the entire Transmission Facilities (less any depreciation and amortization to the date of sale or disposition) or (ii) the then total capital of New Hampshire Hydro (as defined in Section 12), New Hampshire Hydro shall (a) refund to the then current Participants, in proportion to their then current Participating Shares, any such excess, and (b) credit to the accumulated provision for depreciation and amortization related to the investment in the Transmission Facilities the investment in the entire Transmission Facilities (less any depreciation

and amortization to the date of sale or disposition). The total capital of New Hampshire Hydro, for the purposes of this section, may exceed the investment in the entire Transmission Facilities (less any depreciation and amortization to the date of sale or disposition) due to (1) any reserve for deferred income taxes paid by New Hampshire Hydro or (2) for other reasons related to the investment in the Transmission Facilities. If the Net Proceeds do not exceed the greater of (i) or (ii) above, the Net Proceeds will be credited to the accumulated provision for depreciation and amortization related to the investment in the Transmission Facilities in lieu of payment to the Participants. The Participants agree to flow through any such refunds to their customers and shall seek any necessary regulatory approvals to reflect in their rates any such refunds and the effect of any such credits to the accumulated provision for depreciation and amortization related to the investment in the Transmission Facilities; except that to the extent that a Participant's customers' rates have not reflected all or a portion of that Participant's share of the costs of the Transmission Facilities, then that Participant agrees that a complete flow-through of such refunds may not be appropriate and that particular Participant shall seek any necessary regulatory approvals for the appropriate disposition of an appropriate portion of such refunded amounts or credits.

IN WITNESS WHEREOF, the signatories have caused this Agreement to be executed by their duly authorized officers or agents.

NEW ENGLAND HYDRO-TRANSMISSION CORPORATION

s/R.O. Bigelow

By _____
Its President

c/o New England Power Service Company
Address: 25 Research Drive
Westborough, MA 01582

VERMONT ELECTRIC POWER COMPANY, INC.

Vermont Electric Power Company, Inc., as agent for each Vermont electric utility named, and with authority to bind each such utility to the extent of the percentage interest of the VELCO entitlement hereunder that is specified, on Scheudle 1 to this signature page

s/S. John Zuckernick

By _____
Its President

Address: Pinnacle Ridge Road
P. O. Box 548
Rutland, VT 05701

CENTRAL MAINE POWER COMPANY

s/Donald F. Kelly

By _____
Its Vice President of Power Supply

Address: Edison Drive
Augusta, ME 04336

BOSTON EDISON COMPANY

s/Stephen J. Sweeney

By _____
Its President & CEO

Address: 800 Boylston Street
Boston, MA 02199

CHICOPEE MUNICIPAL LIGHTING PLANT

s/Herve L. Plasse

By _____
Its Manager

Address: 725 Front Street
Chicopee, MA 01013

THE CONNECTICUT LIGHT AND POWER COMPANY
WESTERN MASSACHUSETTS ELECTRIC COMPANY
HOLYOKE WATER POWER COMPANY
HOLYOKE POWER AND ELECTRIC COMPANY

s/William B. Ellis

By _____
Their Chairman
c/o Northeast Utilities Service Company
Address: P. O. Box 270
Hartford, CT 06141-0270

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY

s/Frank L. Childs

By _____
Its President

Address: 285 John Fitch Highway
P. O. Box 2070
Fitchburg, MA 01420

THE UNITED ILLUMINATING COMPANY

s/Richard J. Grossi

By _____
Its Exec. Vice President

Address: 80 Temple Street
New Haven, CT 06506

NEW ENGLAND POWER COMPANY

s/J.F. Kaslow

By _____
Its

Address: 25 Research Drive
Westborough, MA 01582

BANGOR HYDRO-ELECTRIC COMPANY

s/T.A. Greenquist

By _____
Its President

Address: 33 State Street
Bangor, ME 04401

CANAL ELECTRIC COMPANY

s/Jeremiah V. Donovan

By _____
Its President

Address: 675 Massachusetts Avenue
Cambridge, MA 02139

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

s/R.J. Harrison

By _____
Its President & Chief Executive Officer

Address: 1000 Elm Street
P. O. Box 330
Manchester, NH 03105

MONTAUP ELECTRIC COMPANY

s/Arthur A. Hatch

By _____
Its Vice President
c/o Eastern Utilities Associates
Address: P. O. Box 2333
Boston, MA. 02107

MASSACHUSETTS MUNICIPAL WHOLESALE ELECTRIC COMPANY

s/Richard K. Byrne

By _____
Its General Manager & Secretary

Address: P. O. Box 426
Ludlow, MA 01056

TAUNTON MUNICIPAL LIGHTING PLANT

s/Joseph M. Blain

By _____
Its General Manager

Address: 55 Weir Street
Taunton, MA 02780

CONNECTICUT MUNICIPAL ELECTRIC ENERGY COOPERATIVE

s/Maurice R. Scully

By _____
Its Executive Director

Address: 268 Thomas Road
Groton, CT 06340

NEWPORT ELECTRIC CORPORATION

s/Elliot G. Whitney

By _____
Its President & Gen. Mgr.

Address: 12 Turner Road
P. O. Box 4128
Middletown, R.I. 02840-0011

UNITIL POWER CORP.

s/David K. Foote

By _____
Its Vice President

Address: 436 South River Road
RFD #5
Bedford, NH 03102-6197

PEABODY MUNICIPAL LIGHT PLANT

s/Bruce P. Patten

By _____
Its Manager

Address: 70 Endicott Street
Peabody, MA 01960

APPROVED:

s/William A.
By Kennedy, Jr.
Town Manager of Town of Holden

TOWN OF HOLDEN

s/Neil E. Murray
By _____
Its Light Department Operating Manager

Address: Reservoir Street
Holden, MA 01520

Town of Holden

Light Department's
1980 Kilowatthour load 63,676,000

TOWN OF MIDDLEBOROUGH

s/John W. Dunfey
By _____
Its General Manager

Address: 32 South Main Street
Middleborough, MA 02346

Town of Middleborough

Light Department's
1980 Kilowatthour load 92,081,000

TOWN OF WAKEFIELD

s/William J. Wallace
By _____
Its Manager

Address: Wakefield Mun. Lt. Dept.
9 Albion Street
Wakefield, MA 01880

Town of Wakefield

Light Department's
1980 Kilowatthour load 107,609,000

TOWN OF NORTH ATTLEBORO

s/David Sweetland
By _____
Its Manager

Address: P.O. Box 790Street
North Attleboro, MA 02761

Town of North Attleboro

Light Department's
1980 Kilowatthour load 93,816,000

TOWN OF BOYLSTON

s/Edward H. Kimbell
By _____
Its Manager

Address: Sanatorium Road
Boylston, MA 01505

Town of Boylston

Light Department's
1980 Kilowatthour load 17,324,000

TOWN OF HINGHAM

s/Joseph R. Spadea, Jr.
By _____
Its Manager

Address: Hingham Municipal
Lighting Plant
19 Elm Street
Hingham, MA 02043

Town of Hingham

Light Department's
1980 Kilowatthour load 103,929,000

TOWN OF ROWLEY

s/G. Robert Merry
By _____
Its Manager

Address: Rowley Municipal Lighting Plant
47 Summer Street
Rowley, MA 01969

Town of Rowley

Light Department's
1980 Kilowatthour load 13,551,000

TOWN OF HUDSON

s/Horst Huehmer
By _____
Its Manager

Address: TOWN OF HUDSON
Light & Power Department,
Hudson, MA

WESTFEILD GAS & ELECTRIC LIGHT DEPARTMENT

s/Daniel Golubek

By _____
Its Manager

Address: 100 Elm Street
Westfield, MA 01085

TOWN OF BRAINTREE ELECTRIC LIGHT DEPARTMENT

s/Walter R. McGrath

By _____
Its General Manager

Address: 44 Allen Street
Braintree, MA 02184

Town of Braintree

Light Department's
1980 Kilowatthour load 267,289,000

TOWN OF DANVERS

s/Wayne P. Marquis

By _____
Its Town Manager

s/Michael W. Madore

By _____
Its Electric Superintendent

Address: Electric Division
2 Burroughs Street
Danvers, MA 01923

Town of Danvers

Light Department's
1980 Kilowatthour load 206,806,000

TOWN OF WEST BOYLSTON

s/Charles H. Coughlin

By _____
Its Manager

Address: 4 Crescent Street
West Boylston, MA 01583

Town of West Boylston

Light Department's
1980 Kilowatthour load 43,974,000

CITY OF HOLYOKE

s/G.E. Leary

By _____
Its Manager

Address: Gas & Electric Department
70 Suffolk Street
Holyoke, MA 01040

City of Holyoke

Light Department's
1980 Kilowatthour load 232,301,707

TOWN OF READING

s/Allan Ames

By _____
Its Secretary, Reading Municipal
Light Board

Address: 25 Haven Street
P.O. Box 150
Reading, MA 01867

Town of Reading

Light Department's
1980 Kilowatthour load 401,794,849

CONCORD MUNICIPAL LIGHT PLANT

s/Steven E. Sheiffer

By _____
Its Town Manager

Address: 135 Keyes Road
Concord, MA 01742

TOWN OF GROTON

s/Roger H. Beeltje

By _____
Its Manager of Municipal Lght.

Address: Groton Electric Light
Department
Station Avenue
Groton, MA 01450

Town of Groton

Light Department's
1980 Kilowatthour load 22,908,000

TOWN OF PRINCETON

s/Richard F. Wheeler

By _____
Its Manager

Address: Municipal Light Department
4 Town Hall Drive
P.O. Box 247
Princeton, MA 01541-0247

Town of Princeton

Light Department's
1980 Kilowatthour load 7,130,000

TOWN OF SHREWSBURY

s/Thomas R. Josie

By _____
Its Acting General Mgr.

Address: 100 Maple Avenue
Shrewsbury, MA 01545

Town of Shrewsbury

Light Department's
1980 Kilowatthour load 146,303,000

TOWN OF STERLING

s/William H. Rugg

By _____
Its Manager

Address: 50 Main Street
Sterling, MA 01564-0430

Town of Sterling

Light Department's
1980 Kilowatthour load 24,510,000

TOWN OF SOUTH HADLEY

s/Wayne D. Doerpholz

By _____
Its Manager

Address: 85 Main Street
South Hadley, MA

Town of South Hadley

Light Department's
1980 Kilowatthour load 99,981,000

VELCO SCHEDULE 1

Vermont Phase II Participant	1980 Kilowatthour Load	Percentage Interest
Central Vermont Public Service Corporation	1,895,922,200	58.1197
Citizens Utilities Company	184,496,600	5.6558
Franklin Electric Light Company, Inc.	7,159,900	0.2195
Green Mountain Power Corporation	1,174,519,500	36.0050

Schedule I

Vermont Electric Power Company, Inc.
Contracting Electric Systems

Central Vermont Public Service Corporation
Citizens Utilities Company
Franklin Electric Light Company, Inc.
Green Mountain Power Corporation

Schedule II

Massachusetts Municipal Wholesale Electric Company
Contracting Electric Systems

Massachusetts Systems

Town of Ashburnham Municipal Light Plant
Town of Georgetown Municipal Light Department
Town of Hull Municipal Lighting Plant
Town of Littleton Electric Light Department
Town of Mansfield Municipal Electric Department
Town of Marblehead Municipal Light Department
Town of Middleton Municipal Electric Department
Town of Paxton Municipal Light Department
Town of Templeton Municipal Lighting Plant

Rhode Island System

Pascoag Fire District

ATTACHMENT A

Except as provided below, if any participant does not receive required consents, waivers, regulatory approvals, or other actions of governmental authorities within the time period required by this Agreement, the listing of Participants and 1980 kilowatthour load will be appropriately modified.

Participant	1980 Kilowatthour Load
The Connecticut Light and Power Company	16,002,437,000
Western Massachusetts Electric Company	3,252,432,000
Holyoke Water Power Company	106,905,000
Holyoke Power and Electric Company	0
New England Power Company	15,444,975,840 (a), (b)
Boston Edison Company (Edison)	9,531,773,000 (b), (c)
Central Maine Power Company	6,053,571,000
Public Service Company of New Hampshire	5,043,242,871 (d)
The United Illuminating Company	4,715,078,120
Vermont Electric Power Company	3,262,098,200
Canal Electric Company	3,227,553,000
Montaup Electric Company	3,096,872,000 (e)
Bangor Hydro-Electric Company	1,305,625,118
Connecticut Municipal Electric Energy Cooperative	718,177,538
UNITIL Power Corp.	609,873,261 (f)
Massachusetts Municipal Wholesale Electric Company	470,025,000
Town of Reading Municipal Light Department	401,795,000
Newport Electric Corporation	382,745,000
Fitchburg Gas and Electric Light Co.	369,055,118
Taunton Municipal Lighting Plant	307,460,361
City of Chicopee Municipal Lighting Plant	279,273,169
Town of Braintree Electric Light Department	267,289,000
City of Peabody Municipal Light Plant	245,010,000
City of Westfield Gas & Electric Light Department	219,026,000
City of Holyoke Gas & Electric Light Department	214,448,000
Town of Danvers Electric Department	206,806,000
Town of Shrewsbury Electric Light Department	146,303,000
Hudson Light and Power Department	127,808,000
Town of Wakefield Municipal Lighting Department	107,609,000
Town of Hingham Municipal Lighting	103,929,000
Town of South Hadley Electric Light Department	99,981,000
Town of North Attleborough Electric Department	93,816,000
Town of Middleborough Gas and Electric Department	92,081,000
Town of Holden Municipal Light Department	63,676,000
Town of West Boylston Municipal Lighting Department	43,974,000
Town of Sterling Municipal Electric Department	24,510,000
Town of Groton Electric Light Department	22,908,000
Town of Boylston Municipal Light Department	17,324,000
Town of Rowley Municipal Light Department	13,551,000
Princeton Municipal Light Department	7,130,000
Town of Concord Municipal Light Plant	0 (c)
	76,698,146,596

(a) Includes New Hampshire retail 1980 kilowatthour load of 434,290,243.

(b) The 1980 Kilowatthour loads shown for Boston Edison Company and New England Power Company have been adjusted to reflect the current status of Norwood as a full requirements customer of New England Power Company.

(c) As of June 1, 1985, Concord continues to be a full requirements customer of Edison. At such time as Concord ceases to be a full requirements customer of Edison, for purposes of this Agreement, Concord shall have an additional Participating Share equal to 1.087% of Edison's initial Participating Share (based on a 1980 Kwh load of 103,629,000 Kwh for Concord) and Edison's Participating Share shall be reduced by such amount.

(d) Includes New Hampshire retail 1980 kilowatthour load of 4,939,218,744.

(e) The amount shown for Montaup Electric Company includes the load of the other members of the Eastern Utilities Associates system.

(f) The amount shown for UNITIL Power Corp. represents the 1980 kilowatthour load of its affiliates, Concord Electric Company and Exeter & Hampton Electric Company.

ATTACHMENT B

Description of the Transmission Facilities

The Transmission Facilities will include the following:

(1) the continuation of a single circuit ± 450 kV DC line on an existing right-of-way from the Comerford Substation to the New Hampshire state line at Hudson, a distance of 121 miles;

(2) communication equipment located in New Hampshire; and

(3) such other facilities in New Hampshire and Vermont as approved by the Advisory Committee.

ATTACHMENT C

Forms of the following documentation:

1. Opinion of Counsel

2. Certificate

3. Incumbency and Signature Certificate

4. Directors' Vote

[Please note - governmental entities may make appropriate modifications to these documents to reflect that they are not corporations.]

[Form of Opinion of Counsel for Each Utility Participant]

New England Hydro-Transmission
Electric Company, Inc.;
New England Hydro Transmission
Corporation; or
New England Power Company

Gentlemen:

This opinion is furnished in connection with the execution and delivery by _____ (the Company) of the following Agreements: _____.

We have acted as counsel to the Company, one of the Utility Participants, in connection with the execution and delivery of the Basic Agreements. We participated in reviewing and/or drafting the Agreements.

As general [special] counsel to the Company, we are generally familiar with its affairs. [If special counsel is giving the opinion, describe relationship to the Company.] We have reviewed the proceedings taken by the Company in connection with its authorization, execution, and delivery of the Agreements and any documentation supplied by the Company thereunder. We have also examined executed counterparts of the Agreements, have made such other investigation, and have examined such other records and documents, and have made such examination of law and satisfied ourselves as to such other matters as we have deemed relevant and necessary in order to enable us to express the opinions set forth below.

Based upon and subject to the foregoing and to the further qualifications in this opinion, we are of the opinion that:

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of [the jurisdiction of its incorporation], has the corporate power to own its assets and to transact the business in which it is engaged, and is duly qualified as a foreign corporation in, and is in good standing under the laws of, each jurisdiction in which the conduct of its business or the ownership of its assets requires such qualification.

2. The Company has (and in the case of the Agreements at the time of execution and delivery thereof, had) full corporate power, and legal right to execute, deliver and perform the Agreements, and the Company has taken all necessary corporate action to authorize the execution, delivery, and performance by it of the Agreements.

3. The execution, delivery, and performance by the Company of the Agreements do not (a) contravene the Company's [charter documents] or by-laws, (b) violate any applicable law, rule, regulation, order, writ, judgment, injunction, decree, or award known to us by which the Company is bound, (c) violate any indenture, instrument, or agreement known to us by which the Company is bound, or (d) result in or require the creation or the imposition of any lien pursuant to the provisions of any indenture, instrument, or agreement known to us by which the Company is bound.

4. No authorization, approval, consent, or other action by, and no notice to or filing with, any federal, state, or other governmental authority or regulatory body which has not been obtained or given and is not in full force and effect is required for the valid and lawful execution, delivery, and performance by the Company of the Agreements. [In this connection, to the extent it may be required by law, the approval of the Massachusetts Department of Public Utilities [Connecticut PUC, or other] has been given for the Agreements and the Company's performance thereunder by order(s) dated _____, which remains in full force and effect.]

5. The Agreements have each been duly executed and delivered by the Company and constitute the legal, valid, and binding obligations of the Company enforceable against it in accordance with their respective terms.

6. No action, suit, proceeding, or investigation at law or in equity or by or before any governmental instrumentality or other agency now pending or threatened against or affecting the Company or its property or rights which, if adversely determined, would materially impair the ability of the Company to perform its obligations under the Agreements is known to us.

Our opinion that the Agreements are enforceable, each in accordance with the terms thereof, is qualified to the extent that the enforcement of the rights and remedies created thereby is subject to bankruptcy, insolvency, reorganization, and similar laws of general application affecting the rights and remedies of creditors and secured parties, and to the further extent that the availability of the remedies of specific enforcement, injunctive relief, or any other equitable remedy is subject to the discretion of the court before which any proceeding therefor may be brought.

Very truly yours,

CERTIFICATE

I, (insert name), the Clerk (or Secretary or other principal recording officer) of (insert name of Utility Participant), a (insert state of organization) (the "Company") do hereby certify that:

(1) Attached hereto as Exhibit A is a true and correct copy of a vote duly adopted at a meeting of the Board of Directors of the Company, duly called and held on _____, 198_, and that such vote and the authority vested thereby have not been amended or revoked and are still in full force and effect.

(2) Attached hereto as Exhibit B is a true and correct copy of the Articles of Organization (or other charter documents) of the Company, as amended and in effect as of the date of this Certificate.

(3) Attached hereto as Exhibit C is a true and correct copy of the By-Laws of the Company, as amended and in effect as of the date of this Certificate.

(4) The persons (or person) listed on Exhibit D have been duly elected to the offices set forth adjacent to their respective names since the first day of June, 1985, and the signatures adjacent to their respective names are the genuine signatures of said officers.

IN WITNESS WHEREOF, I have placed my hand and the seal of the Company this _____ day of _____, 198_.

By _____

Name:
Title:

CONFIRMATION OF INCUMBENCY AND SIGNATURE OF CLERK, SECRETARY, OR OTHER PRINCIPAL RECORDING OFFICER

I, (name), (title) of the Company, do hereby certify that (name of officer executing certificate) is and at all times subsequent to _____, 198_, has been the duly elected (title) of the Company and that the signature adjacent to his (or her) name is the genuine signature of said officer.

By _____

Name:
Title:

FORM OF DIRECTORS' VOTE APPROVING AGREEMENTS

VOTED: That in connection with this Company's participation in the Phase II expansion of the proposed interconnection between the New England Power Pool companies and Hydro-Quebec, the execution and delivery on behalf of this Company by _____, President, of the following agreements: (being collectively referred to in this vote as "Agreements") copies of which Agreements have been presented at this meeting, are hereby authorized, approved, ratified, and confirmed, and that the officers of this Company are further authorized severally to take any and all such further actions including the execution and delivery of such further documents, as such officers or any of them may deem necessary or appropriate in connection with the actions and documents authorized by this vote.

ATTACHMENT E

Subscription Process for Determining
Initial Participating Shares

After allocation of up to 10% of the Participating Shares pursuant to Section 4(B)(1) and (2), the remaining shares shall be allocated to Participants as follows:

a. Each Participant shall be entitled to a pro rata share of the remainder based on its 1980 Kwh load as a percentage of all Participants' 1980 Kwh loads.

b. Upon execution of this Agreement, each Participant may subscribe for more or less than its share under (a) above.

c. If there are no undersubscriptions or oversubscriptions under (b) above or if the sum of the shares under (a) or (b) above for all Participants equals 100% of such remaining shares, then each Participant shall have a share as determined under (a) or (b) above. (For the purposes of this section, oversubscription shall mean, with respect to any Participant, a subscription under (b) above of more than its share under (a) above. For the same purposes, undersubscription shall mean, with respect to any Participant, a subscription under (b) above of less than its share under (a) above. The amount of such oversubscription shall be equal to (b) minus (a) and the amount of such undersubscription shall be equal to (a) minus (b).)

d. If there are undersubscriptions but no oversubscriptions or if there are oversubscriptions but no undersubscriptions, then each Participant shall have a share as determined under (a) above.

e. If the net result of subtracting the aggregate amount of all undersubscriptions from the aggregate amount of all oversubscriptions is greater than zero, the aggregate amount of all oversubscriptions must be reduced to the aggregate amount of all undersubscriptions. This amount shall be referred to as the total permitted amount of oversubscriptions. Each oversubscriber shall initially be allocated a share of the total permitted amount of oversubscriptions (pro rata by the 1980 kwh loads of the oversubscribers); provided that no oversubscriber shall be allocated more than its requested amount under (b) above. Any remaining unallocated portion of the total permitted amount of oversubscriptions shall be allocated to all oversubscribers that have not yet reached their requested amount under (b) above pro rata by the differences between their requested amounts under (b) above and their amounts allocated thus far under this section (d).

f. If the net result of subtracting the aggregate amount of all oversubscriptions from the aggregate amount of all undersubscriptions is greater than zero, the aggregate amount of all undersubscriptions must be reduced to the aggregate amount of all oversubscriptions. This amount shall be referred to as the total permitted amount of undersubscriptions. The total permitted amount of undersubscriptions shall be allocated to the undersubscribers pro rata by the amounts of their undersubscriptions.

ATTACHMENT F

As a result of the support arrangements for building, owning, and financing the Transmission Facilities, Equity Sponsors have provided credit support for the project in excess of their Participating Shares. This enhances New Hampshire Hydro's ability to finance the project. The status of a Participant as a Credit Enhanced Participant that receives credit enhancement or not will be determined in connection with, and as of the date of commitment for, each debt financing, including any construction financing, in accordance with Section 1 hereof, and the Credit Enhancement Charge will be determined with respect to each such financing and will continue to be paid as long as the financing is outstanding and as long as any accrued unamortized Credit Enhancement Charges for said Participant remain outstanding.

An "investment grade" Participant is defined in this Agreement as a Participant which has outstanding junior long-term debt securities which have qualified debt ratings by two of the three major rating agencies. An "investment grade" Participant is also defined as a Participant which has a Participating Share of four-tenths of one percent (0.4%) or less and which has outstanding junior long-term debt securities having a rating from only one of the three major rating agencies with that rating being a qualified debt rating. (For these purposes, the outstanding junior long-term debt

securities of a Participant shall mean (i) its outstanding long-term debentures, or (ii) if no long-term debentures are outstanding, its most junior outstanding long-term mortgage or revenue bonds, or (iii) if no long-term debentures, mortgage bonds or revenue bonds are outstanding, its most junior outstanding long-term debt.) "Qualified debt ratings" are defined as a minimum rating of Baa3 by Moody's Investors Service, BBB- by Standard & Poor's Corporation and D&P 10 by Duff & Phelps, Inc.

Any "substitute credit enhancement" shall mean, with respect to any New Hampshire Hydro debt financing, including any construction financing (i) a letter of credit from a commercial bank having capital, surplus, and undivided profits of at least $250 million and a credit rating of "AA" or better in form and substance satisfactory to New Hampshire Hydro or (ii) a credit support that is equivalent to (i) above which is satisfactory in form and substance to New Hampshire Hydro, or (iii) a guarantee from an Equity Sponsor which at that time the guarantee is made satisfies the requirements to be an Equity Sponsor as set forth in section 4 of the Equity Funding Agreements; provided that such enhancement is irrevocable until the final maturity of such debt financing, including any optional extensions thereof. The first time that a Participant supplies substitute credit enhancement under this Agreement or under the Phase II Massachusetts Facilities Support Agreement, the substitute credit enhancement shall also cover such

Participant's share of the debt obligations of New England Power Company and Boston Edison Company relating to their respective AC Facilities and the term of such credit enhancement shall extend for the full term of the then remaining depreciation period for the AC facilities supported under such AC Facilities Support Agreements.

The principal amount of such substitute credit enhancement shall equal that Participant's Participating Share of the maximum amount of obligations under such New Hampshire Hydro debt financing plus, if not already provided in connection with any other debt financing of New Hampshire Hydro or New England Hydro, that Participant's Participating Share of the maximum amount of debt obligations of New England Power Company and Boston Edison Company relating to the AC Facilities as determined by New England Power and Boston Edison, respectively.

For any substitute credit enhancement that covers that Participant's Participating Share of the debt obligations of Boston Edison Company and New England Power Company relating to the AC Facilities, such substitute credit enhancement shall provide for direct payment to New England Power and Boston Edison, respectively, of the amounts included therein for covering such debt obligations.

As compensation to Equity Sponsors for providing this additional credit support, a Credit Enhancement Charge, as calculated in connection with each debt financing is required to be paid by the Participants. If a Participant is a Credit

Enhanced Participant by reason of below-investment grade, withdrawn or suspended debt ratings, the Credit Enhancement Charge attributed to that Credit Enhanced Participant will be paid by all Participants with each Participant paying its Participating Share thereof; provided, however, that if a Participant is a Credit Enhanced Participant due to lack of debt ratings, the Credit Enhancement Charge attributed to that Credit Enhanced Participant shall be paid by such Participant.

The Credit Enhancement Charge (E) attributed to a Credit Enhanced Participant is a dollar value determined monthly for each Credit Enhanced Participant by the following formula:

$$E = \sum_{i=1}^{n} F_i$$

$$\text{where } F_i = \left(\frac{G}{100} \times H_i \times \frac{I_i}{100} \times 0.8 \times \frac{1}{12}\right) + J_i$$

F = the Credit Enhancement Change for each New Hampshire Hydro debt financing that is credit enhanced for the Participant.

i = a number from 1 to n representing each of New Hampshire Hydro debt financings.

n = total number of such financings.

G = the Participant's Participating Share (in percent)

H = the maximum outstanding amount of New Hampshire Hydro debt during the month which was credit enhanced for such Participant

I = debt premium (in percent) for the Credit Enhanced Participant as shown in the following table:

Participant's Debt Rating*	I(%)
Below B3 or not rated	7.57
B3	5.32
B2	4.82
B1	4.32
Ba3	3.82
Ba2	3.32
Ba1	2.82

* Debt rating shall be the lower of the two highest ratings assigned to the Participant's outstanding junior long-term debt securities by Moody's, Standard and Poor's, and Duff & Phelps, converted to a Moody's equivalent as measured at the commitment date of such New Hampshire Hydro debt financing. If the Participant has a Participating Share of four tenths of one percent (0.4%) or less and has only one debt rating, then the debt rating for such Participant shall be that rating converted to a Moody's equivalent as measured at the commitment date of such New Hampshire Hydro debt financing.

J = an amount calculated as follows:

During the period from the Effective Date to the Date of Full Support Payment, J shall equal 0 and the Credit Enhancement Charge calculated during such period pursuant to the above formula shall be accrued for each Participant during such period with interest calculated at New Hampshire Hydro's AFDC rate. After the Date of Full Support Payment, such previously accrued amount for such Participant shall be treated as if it represented additional investment in the

Transmission Facilities relating only to such Participant. As a result J shall include monthly amounts attributable to such Participant (whether or not it continues to be a Credit Enhanced Participant after the Date of Full Support Payment and whether or not the debt being enhanced continues to be outstanding) representing amortization of such previously accrued amount (with amortization over the period that the investment in the Transmission Facilities is being amortized) plus one-twelfth of the composite percentage (as defined in Section 12 hereof) times the unamortized accrued amount plus a provision for income taxes.

ATTACHMENT G

FORM OF
EQUITY FUNDING AGREEMENT

FOR

NEW ENGLAND HYDRO-TRANSMISSION CORPORATION

This AGREEMENT dated as of June 1, 1985, is between New England Hydro-Transmission Corporation (New Hampshire Hydro) and the New England entities listed in Attachment A hereto. Those New England entities that have executed this Agreement and that meet the further conditions for participation and qualification hereunder are hereinafter referred to as Equity Sponsors or individually as an Equity Sponsor. The Equity Sponsors are sometimes referred to collectively herein, but their rights and obligations hereunder are several and not joint as described in Section 6 hereof.

In consideration of the premises, the concurrent execution of the other Basic Agreements hereinafter referred to, the mutual covenants hereinafter and therein set forth, and other good and valuable consideration, receipt whereof is hereby acknowledged, it is hereby agreed as follows:

Section 1. Basic Understandings and Purpose

New England utilities are currently participating in the arrangements for the Phase I interconnection planned by the New England Power Pool (NEPOOL) with Hydro-Quebec, which is to consist of a ± 450 kV HVDC transmission line from a terminal at the Des Cantons Substation on the Hydro-Quebec system near

Sherbrooke, Quebec to a terminal having an approximate rating of 690 MW at a substation at the Comerford Generating Station on the Connecticut River (hereinafter referred to as Phase I). The basic arrangements covering the portion of Phase I in the United States are set forth in the New England Power Pool Agreement, as amended (the NEPOOL Agreement) and three contracts among the participants in Phase I as follows:

1. Vermont Transmission Line Support Agreement, dated as of December 1, 1981, as amended, with Vermont Electric Transmission Company, Inc.
2. Phase I Terminal Facilities Support Agreement, dated as of December 1, 1981, as amended, with New England Electric Transmission Corporation, and
3. Agreement With Respect To Use Of Quebec Interconnection, dated as of December 1, 1981, as amended, including the restatement thereof in connection with Phase II (this Agreement as restated to cover Phase II is hereinafter referred to as the Use Agreement).

These Phase I interconnection facilities are currently under construction with completion scheduled during 1986.

With the completion of arrangements for Phase I and the related contracts with Hydro-Quebec, the members of NEPOOL have conducted studies of the benefits of an expanded interconnection for NEPOOL with Hydro-Quebec (Phase II) and

have negotiated with Hydro-Quebec a firm energy arrangement to utilize the expanded interconnection facilities.

The portion of Phase II in the United States will consist of an extension of the Phase I DC transmission line from the proposed terminus of Phase I at the Comerford Station through New Hampshire to a site in Massachusetts with additional terminal facilities installed at that site to increase the total transfer capacity between Hydro Quebec and NEPOOL from the 690 MW of Phase I to approximately 2000 MW. Reinforcements to the existing AC transmission system of New England Power and to certain AC facilities of Boston Edison Company will also be required. The United States portion of the Phase II facilities will be designated as pool-planned facilities in the same manner as the United States portion of the Phase I facilities was so designated.

Each Equity Sponsor acknowledges that it has been represented on the Executive and Planning Committees of NEPOOL that had responsibility for evaluating the feasibility of Phase II and, through this representation, actively participated in the decision of NEPOOL to go forward with Phase II. Furthermore, each Equity Sponsor represents that it made its own independent investigations and inquiries as it deemed appropriate and did not rely upon representations (other than those contained in this Agreement) of New England Hydro or its affiliates in deciding to enter into this Agreement.

The share of benefits among the New England utilities associated with Phase II is set forth in the Use Agreement. The Use Agreement also permits each New England utility to make its own entitlement transactions with Hydro Quebec and to use the interconnection for such transactions.

The provisions of the Phase II Massachusetts Transmission Facilities Support Agreement (Massachusetts HVDC Support Agreement) cover the Phase II Massachusetts HVDC transmission line and terminal facilities in Massachusetts. New England Hydro-Transmission Electric Company, Inc. (New England Hydro) will build, own, operate, and maintain those Massachusetts HVDC transmission facilities.

The portion of the Phase II HVDC transmission line to be constructed in New Hampshire is covered under the Phase II New Hampshire Transmission Facilities Support Agreement (New Hampshire HVDC Support Agreement). New Hampshire Hydro will build, own, operate, and maintain those New Hampshire HVDC transmission facilities.

All improvements and reinforcements to the AC transmission system in Massachusetts necessitated by Phase II are covered under the Phase II New England Power AC Facilities Support Agreement (New England Power AC Support Agreement) and the Phase II Boston Edison AC Facilities Support Agreement (Boston Edison AC Support Agreement.

The provisions of this Agreement cover the commitments of the Equity Sponsors of New Hampshire Hydro to contribute equity funds to New Hampshire Hydro, to provide certain limited credit support in connection with debt financing of New Hampshire Hydro and to accept an allocation of a share of Phase II in the event of a default by certain participating New England utilities under certain other Basic Agreements.

In view of the need to formalize the agreements among the parties at an early date so that (i) binding commitments with Hydro Quebec for Phase II may be made, (ii) binding commitments for ultimate construction and the financing of the United States portion of Phase II may be undertaken consistent with the time schedule anticipated by NEPOOL and with the assurance that commitments among the New England utilities are in place, and (iii) licensing activities may proceed on a schedule that enables completion of such construction consistent with the time schedule anticipated by NEPOOL, the following agreements are concurrently being entered into (the "Basic Agreements") which collectively set forth rights and obligations with respect to the foregoing undertaking: (1) this Agreement; (2) the Massachusetts HVDC Support Agreement; (3) the New Hampshire HVDC Support Agreement; (4) the Equity Funding Agreement for New England Hydro; (5) the New England Power AC Support Agreement; (6) the Use Agreement; (7) various amendments to the NEPOOL Agreement relating to the sharing of savings, capability responsibilities, and Pool transmission arrangements; and (8)

the Boston Edison AC Support Agreement.

In order to coordinate each participating utility's interest in Phase II to the fullest extent possible, each of the following Basic Agreements have been drafted with the intent that the participating interest of each participating utility will be the same under each agreement: the Massachusetts HVDC Support Agreement, the New Hampshire HVDC Support Agreement, the New England Power AC Support Agreement, the Boston Edison AC Support Agreement, and the Use Agreement. These Basic Agreements also provide that, notwithstanding any provision thereof that may be interpreted to the contrary, the proper interpretation of each of these Basic Agreements is to be consistent with such overriding intent. Each Equity Sponsor acknowledges this overriding intent and agrees that any action by it or its appointee affecting such participating interests shall be the same under this Agreement and the Equity Funding Agreement with New England Hydro in order to also be consistent with such overriding intent.

Section 2. Conditions Precedent to Effectiveness

The effectiveness of this Agreement, and all rights, obligations, and performance of the signatories hereunder, is subject to (i) New England Electric System (NEES) and other signatories having executed this Agreement committing in the aggregate to Equity Shares (as hereinafter defined) equal to at least 100%, and each such signatory having demonstrated by December 30, 1985, to the satisfaction of New Hampshire Hydro

that is qualified to be an Equity Sponsor pursuant to Section 4, (ii) New England Hydro or New Hampshire Hydro or New England Power or Boston Edison and members of NEPOOL (including Boston Edison and New England Power) serving at least 66-2/3% of the aggregate kilowatthour load served by NEPOOL members in 1980 having executed the other Basic Agreements (except for the Equity Funding Agreement for New England Hydro and the amendments to the NEPOOL Agreement), (iii) each signatory having also executed the Equity Funding Agreement for New England Hydro and having the same percentage of New England Hydro's equity as its Equity Share hereunder, (iv) members of NEPOOL having executed the amendments to the NEPOOL Agreement for Phase II in order that such amendments may become effective in accordance with the NEPOOL Agreement, and (v) each signatory having satisfied the conditions precedent set forth below.

By June 1, 1986, each signatory to this Agreement shall provide certificates and legal opinions from counsel satisfactory to New Hampshire Hydro, together with certified copies of related resolutions, consents, approvals, authorizations, and other documents (Documentation) necessary to establish to the satisfaction of New Hampshire Hydro that all corporate and regulatory consents, waivers, approvals, authorizations and other actions necessary in connection with performance by such signatory of its obligations under the Agreement have been obtained and are in full force and effect, that the Agreement has been duly authorized, executed, and

delivered by such signatory, and that it constitutes a binding commitment by the signatory enforceable in accordance with its terms. Forms of Documentation acceptable to New Hampshire Hydro are included in Attachment B hereto. Prior to signing this Agreement, each signatory has provided to New Hampshire Hydro a listing of all consents, waivers, approvals, authorizations, and other actions required for that signatory to deliver its Documentation.

Vermont Electric Power Company, Inc. (VELCO) and Massachusetts Municipal Wholesale Electric Company (MMWEC) represent a number of electric systems. If they desire and are qualified to be Equity Sponsors, they shall be deemed to have signed on behalf of those respective systems listed in Schedules I or II, respectively. By March 1, 1986, VELCO and MMWEC will provide New Hampshire Hydro with copies of contracts with their respective systems which impose absolute and unconditional obligations on such systems to pay their proportionate shares of all costs or obligation incurred under this Agreement by VELCO or MMWEC, respectively. By that date, VELCO and MMWEC will also provide to New Hampshire Hydro as part of their Documentation certificates, legal opinions (from counsel satisfactory to New Hampshire Hydro), and other documents in form and substance satisfactory to New Hampshire Hydro representing unconditionally that all consents, approvals, and authorizations have been obtained by their

contracting systems in connection with each such system's performance of its obligations under its respective contract with VELCO or MMWEC and that each such contract imposes absolute and unconditional obligations on such systems to pay their proportionate shares of all costs incurred under this Agreement by VELCO or MMWEC, respectively, and has been duly authorized, executed, and delivered and is a binding commitment of such system enforceable in accordance with its terms. If regulatory approvals have not been obtained by March 1, 1986, such representations shall be conditioned upon receipt of regulatory approvals. VELCO and MMWEC will have until June 1, 1986, to receive such approvals and make such representations unconditionally. In order that percentages of participation be consistent among the Basic Agreements, VELCO and MMWEC shall have their contracts with their contracting systems cover the necessary commitments for each Basic Agreement.

All expenses in connection with obtaining and delivering any Documentation under this Agreement, including legal opinions, are to be borne by the signatory incurring such expense. New Hampshire Hydro will have no responsibility for any expenses incurred by VELCO and MMWEC in providing Documentation for their respective contracting systems.

Any signatory that fails to meet the requirements of Section 2 by the deadlines contained herein will not be an Equity Sponsor under this Agreement and will not have any rights and obligations hereunder.

New Hampshire Hydro by written notice to all signatories may extend any deadline date specified in this Section to a later date, provided that any extension for longer than six months requires the consent of the Advisory Committee under the New Hampshire HVDC Support Agreement.

Section 3. Effective Date and Term

This Agreement shall become effective (the Effective Date) upon the last to occur of the following dates:

(i) the date that the Equity sponsors, committing in the aggregate to Equity Shares (as hereinafter defined) equal to at least 100%, have met the requirements of Section 2; and

(ii) the date that the last of the other Basic Agreements (excluding the Use Agreement) becomes effective or would become effective but for a condition that its effectiveness is subject to this Agreement becoming effective.

Upon execution and delivery of the Agreement by New Hampshire Hydro and NEES and other signatories committing in the aggregate to Equity Shares (as hereinafter defined) equal to no less than 100%, and notwithstanding any provision herein to the contrary, no signatory may terminate its obligations hereunder except in accordance with provisions of this Agreement.

The term of this Agreement shall expire on the termination date of the New Hampshire HVDC Support Agreement.

Section 4. Equity Sponsor Qualification

A. In order to enhance New Hampshire Hydro's ability to finance its portion of Phase II as required under the Massachusetts HVDC Support Agreement and to enhance the credit support of certain Supporters under the AC Support Agreement, some or all of the New England utilities participating in Phase II whose credit ratings are at least one grade above the lowest investment grade have agreed to provide, or to cause their designees to provide, credit support for those New England utilities participating in Phase II whose credit ratings are below investment grade. NEES and those New England utilities or their designees which have agreed to provide this credit support are the Equity Sponsors of New Hampshire Hydro under this Agreement.

B. A Participant under the New Hampshire HVDC Support Agreement or its authorized designee qualifies to be an Equity Sponsor by having its outstanding long-term debentures rated at least one grade above the lowest investment grade rating as of September 1, 1985. If no long-term debentures are outstanding, the ratings used shall be those of such company's most junior long-term mortgage or revenue bonds. If no mortgage bonds, revenue bonds, or debentures are outstanding, the ratings used shall be those of the most junior long-term debt. VELCO shall qualify to be an Equity Sponsor if 80% or more of its common stock is owned by utilities whose debt securities qualify pursuant to this subsection 4(B).

For purposes of this Agreement, "one grade above the lowest investment grade rating" means a rating equal to the following ratings from two of these rating agencies: Standard and Poor's Corporation - Rating BBB; Moodys Investor Service - Rating Baa2; and Duff & Phelps - Rating D&P 9 (or the equivalent municipal ratings).

C. A "designee" shall be authorized to be an Equity Sponsor if it is a parent company of such Participant and (i) its debt securities meet the appropriate test specified in B above, or (ii) at least 80% of its consolidated utility revenues are derived from subsidiaries whose debt securities meet the appropriate test specified in B above. (For VELCO, each stockholder of VELCO shall be a parent company of VELCO.) On or before the date of execution of this Agreement, each Participant shall identify its designee, if any.

D. In order that the necessary credit enhancement is provided as specified in A above, the qualification of each Equity Sponsor shall be reviewed by New Hampshire Hydro as of the date that the first equity contributions are to be made by such Equity Sponsor. If an Equity Sponsor fails to qualify on such date, appropriate actions and allocations shall be instituted as provided elsewhere in this Agreement.

Section 5. Equity Shares

A. Each Equity Sponsor shall have and be charged with a percentage interest in all rights and obligations hereunder determined in accordance with this Section 5 (which interest is

hereinafter referred to as its "Equity Share"). All of the equity of New Hampshire Hydro will be owned by the Equity Sponsors in proportion to their Equity Shares.

The Equity Share of each Equity Sponsor shall be computed both initially and as changed from time to time in accordance with the terms hereof, by New Hampshire Hydro as hereinafter provided. Such computations shall be made as of the first day of any month in which there is a change in the number of Equity Sponsors or any change in the interest of any Equity Sponsor as herein provided. The initial computation is to be made as of September 15, 1985, and subsequent computations are to be made in any month thereafter in which an interest is modified or terminated due (i) to the failure of a signatory to provide proof that it is qualified to be an Equity Sponsor by December 30, 1985, or (ii) to the failure to provide Documentation by June 1, 1986, or (iii) to the failure to be so qualified on the date the first equity contributions are to be made by such Equity Sponsor, or (iv) to the operation of any provision of this Agreement. All computations shall be final unless there is a manifest error. Such computations of Equity Sponsors' Equity Shares as initially calculated and as changed under (i) and (ii) shall be made pursuant to Attachment C. Changes under (iii) shall be made pursuant to section 5(C) below, and changes under (iv) shall be made pursuant to the appropriate section requiring the change.

B. The Equity Shares on and as of the initial computation date, and as of the date of subsequent computations under subparts (i) and (ii) of the second paragraph of A above, will be calculated as follows:

1. 51% to NEES; and
2. 49% apportioned among the other Equity Sponsors on the basis of the subscription process as described in Attachment C.

(Attachment C provides that each Equity Sponsor may specify a maximum percentage of equity and that such maximum shall remain in effect until June 1, 1986 or such later deadline if extended pursuant to Section 2 hereof.)

C. On the basis of New Hampshire Hydro's review of the qualifications of each Equity Sponsor other than NEES as of the date that the first equity contributions are to be made by such Equity Sponsor, if one or more Equity Sponsors are no longer qualified under Section 4, (i) the aggregate Equity Shares of such unqualified Equity Sponsors shall first be offered in writing by New Hampshire Hydro to all then qualified Equity Sponsors other than NEES for voluntary subscription, (ii) second, any remaining shortfall shall be allocated pro rata among such qualified Equity Sponsors not including NEES in proportion to their Equity Shares determined as of June 1, 1986, provided that the aggregate of all involuntary allocations under this Section 4(C) to such qualified Equity

Sponsors shall not exceed an aggregate Equity Share of 10%, and further provided that the aggregate of all such involuntary allocations to any such Equity Sponsor shall not increase such Equity Sponsor's Equity Share determined as of June 1, 1986, by more than 25% thereof, and (iii) finally, any remaining shortfalls shall be retained pro rata by such no longer qualified Equity Sponsors in proportion to their Equity Shares determined as of June 1, 1986; provided, however, that NEES and all qualified Equity Sponsors may agree to other allocation arrangements; and further provided that NEES shall not have an Equity Share of less than 51% unless it so consents. (The above deadlines of June 1, 1986, may be extended to a later deadline pursuant to Section 2 hereof.)

All offerings above shall be made in accordance with a voluntary subscription process as specified in New Hampshire Hydro's offering letter, and any oversubscriptions will be treated as provided therein.

Section 6. Relationship Among Equity Sponsors

The rights and obligations of the Equity Sponsors hereunder are several, in accordance with their respective Equity Shares, and not joint. The rights and obligations of New Hampshire Hydro hereunder are also several and not joint with those of the Equity Sponsors or any one thereof. There is no intention to create by this Agreement, or by any grant, lease, license, or activity related hereto, an association, joint venture,

trust, or partnership or to impose on New Hampshire Hydro or any Equity Sponsor trust or partnership rights or obligations; and any such implied intention is expressly negated. Except as expressly provided in this Agreement, no Equity Sponsor shall have by virtue of this Agreement or of any such grant, lease, license, or activity the right or power to bind any other Equity Sponsor without its express written consent.

Section 7. Equity Contribution

A. Under the Massachusetts HVDC Support Agreement, New Hampshire Hydro has agreed to limit its equity investment to a maximum of 40% of its total capital as of the effective date of that agreement and has agreed to use its best efforts to continue to limit its equity investment to 40% of its total capital during the time that New Hampshire Hydro has outstanding debt in its capital structure.

New Hampshire Hydro may call from time to time by written notification upon the Equity Sponsors to contribute equity in any of the forms set forth in this Section up to a maximum aggregate amount of $90 million, provided that Equity Sponsors having 66-2/3% of Equity Shares may agree to increase this maximum aggregate amount; and then all Equity Sponsors shall contribute such requested amount with each Equity Sponsor contributing up to its Equity Share of the new maximum. Any contribution made in response to New Hampshire Hydro's call in excess of the maximum aggregate amount, as adjusted from time

to time, may be made on a voluntary basis by any contributing Equity Sponsor, and New Hampshire Hydro will make an appropriate adjustment in Equity Shares.

B. During the term of this Agreement, New Hampshire Hydro has the option from time to time to call for contribution of equity in any of the following forms:

1. New Hampshire Hydro may offer shares of its common stock to its Equity Sponsors and each Equity Sponsor shall subscribe for and purchase, for cash at a price set by New Hampshire Hydro, its Equity Share of the common stock so offered.
2. After each Equity Sponsor owns common stock of New Hampshire Hydro, New Hampshire Hydro may request that capital contributions be made, and each Equity Sponsor shall contribute to New Hampshire Hydro its Equity Share of the total capital contribution so requested.

C. In order that New Hampshire Hydro may limit its equity investment to a maximum of 40% of its total capital, New Hampshire Hydro may, at its option, from time to time, take any of the following actions:

1. New Hampshire Hydro may repurchase for cash its common stock from Equity Sponsors in amounts that will not change the relative Equity Shares among Equity Sponsors and at a price per share equal to

book value per share at the time of repurchase. Each Equity Sponsor shall sell such common stock to New Hampshire Hydro in the full amount so requested.
2. New Hampshire Hydro may return any capital contribution previously received from Equity Sponsors in amounts that will not change the relative Equity Shares among Equity Sponsors. Each Equity Sponsor shall accept such return of capital contribution in the full amount so returned.
3. New Hampshire Hydro may pay dividends out of earnings or make liquidating dividends to the Equity Sponsors.

D. New Hampshire Hydro shall give written notice of any call for contributions of equity under B above to each Equity Sponsor. Such notice shall specify the amount to be contributed, the form of the contribution, and a date, at least thirty days after the date of the notice, that the equity is to be contributed. New Hampshire Hydro will provide annually estimates of its equity requirements and estimated dates when any equity contributions hereunder will be due. New Hampshire Hydro shall give written notice of any action to reduce its equity under C above to each Equity Sponsor. Such notice shall specify the amount and form of the reduction and a date, at least fifteen days after the date of the notice, that the reduction in equity is to occur.

E. New Hampshire Hydro shall use the proceeds of any equity contribution under this Agreement for the sole purpose of meeting its capital requirements under the New Hampshire HVDC Support Agreement.

F. All transactions under B, up to a maximum aggregate amount of $90 million, and under C above shall be subject to receipt of all necessary regulatory approvals, and New Hampshire Hydro and the Equity Sponsors shall use their best efforts to obtain, or to assist in obtaining, these approvals in advance of the Effective Date.

G. New Hampshire Hydro shall have two classes of common stock, both of which will have the same preferences, qualifications, special or relative rights or privileges, except that only one class shall have voting powers. Equity Shares allocated to NEES shall be evidenced by voting common stock. The Equity Shares allocated to each other Equity Sponsor shall, at the option of such Equity Sponsor, be evidenced by shares of voting common stock or non-voting common stock. Any reallocation of Equity Shares pursuant to Section 5 hereof shall be effected in such manner as to involve the issuance of additional common stock to each Equity Sponsor of the class then held by such Sponsor. Such election to take voting or non-voting stock shall be made in writing to New Hampshire Hydro by December 31, 1985.

H. Notwithstanding any provision of this Agreement to the contrary, prior to the date that New Hampshire Hydro first calls for equity contributions from all Equity Sponsors, all equity of New Hampshire Hydro will be owned and contributed by NEES.

Section 8. Cash Deficiency Guarantee

A. The New Hampshire HVDC Support Agreement provides that, if New Hampshire Hydro has, on any Due Date, a Cash Deficiency attributed to a Participant, the Participant absolutely and unconditionally guarantees to pay its Cash Deficiency on demand of Lenders. (The commitment is made in section 19 of that Agreement.) To provide further credit support to New Hampshire Hydro, each Equity Sponsor absolutely and unconditionally guarantees to pay its then Equity Share of the Cash Deficiency attributed to any Credit Enhanced Participant (as defined in the New Hampshire HVDC Support Agreement) with respect to any third party debt financing of New Hampshire Hydro that was credit enhanced for such Participant, with such amounts to be paid directly on demand to Lenders, in cash, if for any reason a Credit Enhanced Participant fails to pay when due its Cash Deficiency on demand of Lenders. Each Equity Sponsor agrees that its obligations under this Section shall be continuing, absolute, and unconditional and without the benefit of any defense, claim, set-off, recoupment, abatement, or other right, existing or

future, which an Equity Sponsor may have against the Lenders, New Hampshire Hydro, or any other person, and shall remain in full force and effect until all of the obligations of New Hampshire Hydro to the Lenders have been discharged.

Each Equity Sponsor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of merger or bankruptcy of any Lender or New Hampshire Hydro or any other Equity Sponsor, protest or notice with respect to this guarantee, and covenants that the obligations contained in this guarantee will not be discharged except by complete performance of the obligations of New Hampshire Hydro to the Lenders.

B. Notwithstanding any other provision contained herein, each Equity Sponsor's obligations under this Section 8 shall be limited to its Equity Share of the Cash Deficiency attributed to any Credit Enhanced Participant with respect to any financing of any New Hampshire Hydro that was credit enhanced for such Participant.

C. In no event shall the several guarantees of the Equity Sponsors attributable to Credit Enhanced Participants for each debt financing of New Hampshire Hydro exceed in the aggregate 35% of the aggregate amount of the obligations relating to such financing, provided that Equity Sponsors having an aggregate of at least 80% of the Equity Shares may agree to exceed such 35% maximum and subject to receipt of any necessary regulatory approvals, such agreement shall be binding on all Equity Sponsors.

D. In no event shall Equity Sponsors be required to provide guarantees for a Participant with respect to a particular third party debt financing of New Hampshire Hydro if that would result in Credit Enhanced Participants with respect to that and all other outstanding financings of New England Hydro and New Hampshire Hydro having Participating Shares exceeding 35% under the New Hampshire HVDC Support Agreement, provided that Equity Sponsors having an aggregate of at least 80% of the Equity Shares may agree to exceed such 35% maximum and subject to receipt of any necessary regulatory approvals, such agreement shall be binding on all Equity Sponsors.

E. Each Equity Sponsor shall use its best efforts to obtain and assist others in obtaining all necessary regulatory approvals required for the several guarantees made in this Section.

Section 9. Acceptance of Participating Shares

A. In accordance with section 15 of the New Hampshire HVDC Support Agreement, if a Participant that is a Credit Enhanced Participant is terminated by New Hampshire Hydro as a Participant, each Equity Sponsor or its appointee shall be allocated by New Hampshire Hydro its then Equity Share of the Participating Share of such terminated Participant; such allocation to be made as of the date of such termination. Each Equity Sponsor or its appointee shall accept such allocation from New Hampshire Hydro and shall unconditionally and

absolutely assume the rights and obligations associated therewith from the date of such allocation. If a Participant that was not also a Credit Enhanced Participant is terminated, then acceptance of any allocation shall be voluntary by any Equity Sponsor or its appointee and shall be in accordance with New Hampshire Hydro's offer thereof. If required by New Hampshire Hydro, any Equity Sponsor or its appointee assuming rights and obligations under the Massachusetts HVDC Support Agreement shall execute and deliver any documents necessary to effectuate such assumption. If any Equity Sponsor that is the designee of a Participant is unable to deliver these documents to effectuate the assumption, such Equity Sponsor shall take all actions necessary for the Participant that so designated it as an Equity Sponsor to assume such rights and obligations as its appointee.

The appointee of NEES shall be New England Power Company. The appointee(s) of any other Equity Sponsor shall be the Participant(s) for which such Equity Sponsor was acting as a designee. Each Equity Sponsor agrees that if its appointee is allocated a Participating Share under the New Hampshire HVDC Support Agreement, such Equity sponsor shall also allocate to it an equal participating share and support share under the Massachusetts HVDC Support Agreement and New England Power and Boston Edison AC Support Agreements, respectively.

B. Each Equity Sponsor shall use its best efforts to obtain and assist others in obtaining all necessary regulatory approvals required for performance of its or its appointee's commitments made in this Section.

Section 10. Character of Payment Obligations

The obligations of each Equity Sponsor to make payments hereunder, and to perform and observe all other agreements on its part contained herein, are absolute and unconditional and shall not be affected by any circumstances, including, without limitation, (i) any insolvency, composition, bankruptcy, reorganization, arrangement, liquidation or similar proceedings relating to New Hampshire Hydro, New England Power Company, Boston Edison Company, the Equity Sponsor, any other Equity Sponsor, or any affiliate thereof, (ii) any invalidity or unenforceability or disaffirmance by New Hampshire Hydro or any Equity Sponsor of any provision of this Agreement or any failure, omission, delay, or inability of New Hampshire Hydro to perform any of its obligations contained herein, (iii) any amendment, extension, or other change of, or any assignment or encumbrance of any rights or obligations under, this Agreement, or any waiver or other action or inaction, or any exercise or nonexercise of any right or remedy, under or in respect to this Agreement, or (iv) any inability of the Equity Sponsor or any other Equity Sponsor to obtain regulatory approvals for financing its Equity Share of any obligations under this

Agreement or for meeting any other obligations under this Agreement, it being the intention of the parties hereto that all amounts payable by each Equity Sponsor in respect of this Agreement shall begin to be payable and shall continue to be payable in all events in the manner and at the time herein provided. In that connection, each Equity Sponsor hereby waives, to the extent permitted by applicable law, any and all rights which it may now have or which may at any time hereafter be conferred upon it, by statute or otherwise, to terminate, cancel, or surrender any of its obligations under this Agreement.

Section 11. Default

A. Any of the following events (Events of Default) that occur and are continuing are Events of Default:

(i) An Equity Sponsors shall fail to pay to New Hampshire Hydro when due any amount which it has agreed to pay under any provision of this Agreement, and such failure shall continue for more than 15 days after written notice thereof has been given to such Equity Sponsor by New Hampshire Hydro; or

(ii) Any Equity Sponsor shall fail to supply in accordance with the terms hereof any documentation required by New Hampshire Hydro in connection with financing with Lenders by New

Hampshire Hydro (for VELCO and MMWEC, this includes documentation for their respective contracting electric systems), and such failure shall continue for more than 30 days after written notice of such failure has been given to such Equity Sponsor by New Hampshire Hydro; or

(iii) An Equity Sponsor shall fail to perform any other obligation under this Agreement in accordance with the terms hereof, and such failure shall continue for more than 30 days after written notice thereof has been given to such Equity Sponsor or any of its affiliates by New Hampshire Hydro.

(iv) Any Equity Sponsor shall experience an event of default under the Equity Funding Agreement for New Hampshire Hydro.

B. If an Event of Default under Section 11A(i) above shall have occurred, New Hampshire Hydro may, by written notice to each Equity Sponsor, request that the nondefaulting Equity Sponsors on a voluntary basis make the overdue payment to New England Hydro, provided that similar voluntary payments are made under the Equity Funding Agreement for New Hampshire Hydro.

C. New Hampshire Hydro or any Equity Sponsor shall be free to invoke such remedies at law or in equity as may be deemed appropriate against any Equity Sponsor that defaults under this Agreement.

Section 12. Restrictions on Transfer of Common Stock

Each Equity Sponsor agrees that it will not transfer any or all of its common stock of New Hampshire Hydro to any other person unless such person is an Equity Sponsor or meets the requirements for being an Equity Sponsor under sections 4B or 4C hereof as of the date of such transfer and a similar transfer is made under the Equity Funding Agreement for New Hampshire Hydro.

Section 13. Dividends on Common Stock

Any Equity Sponsor may direct New Hampshire Hydro to withhold the payment of a dividend to such Equity Sponsor and apply such dividend to reduce the current or the next Support Charge payment required to be made under the New Hampshire HVDC Support Agreement by such Equity Sponsor or its appointee.

Section 14. Restrictions on Dividends, Return of Capital and Repurchase of Common Stock

Any Equity Sponsor which is in default hereunder pursuant to Section 11 is not entitled to receive any amounts from New Hampshire Hydro representing such Equity Sponsor's then Equity Share of dividends, return of capital, or proceeds from any repurchase of common stock until all amounts (including interest thereon at an annual rate equal to two percent over the current interest rate on prime commercial loans from time to time in effect at the principal office of the First National Bank of Boston) owed by such Equity Sponsor to New Hampshire Hydro have been paid.

Section 15. Certain Actions of New Hampshire Hydro

A. New Hampshire Hydro shall not take any of the following actions without prior written approval of Equity Sponsors having at that time at least 80% of the Equity Shares:

(i) Amend New Hampshire Hydro's articles of organization or by-laws to adversely affect the rights of the Equity Sponsors as stockholders in a material manner under the Basic Agreements, unless such amendment is required by regulation or law; and

(ii) Merge, consolidate, or sell all or substantially all of the assets of New Hampshire Hydro not otherwise permitted by the New Hampshire HVDC Support Agreement.

B. New Hampshire Hydro shall distribute in a timely manner to each Equity Sponsor copies of (a) its annual audited financial statements, (b) notices of all of its directors' and stockholders' meetings (including any committees thereof), and (c) minutes of all of its directors' and stockholders' meetings.

Section 16. Miscellaneous

A. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of, and may be performed by, the successors and assigns of the parties and shall also be binding, insofar as permitted by law, on any receiver or trustee in bankruptcy, receivership, or

reorganization of any party. No assignment of this Agreement shall operate to relieve the assignor of its obligations under this Agreement without the written consent of the parties hereto. Written notice to all parties will be given prior to any assignment hereunder.

Notwithstanding the above, New Hampshire Hydro may collaterally assign this Agreement without the consent of the Equity Sponsors in connection with a third party financing by New Hampshire Hydro.

B. Right of Setoff. No Equity Sponsor shall be entitled to set off against the payments required to be made by it hereunder (1) any amounts owed to it by New Hampshire Hydro, any affiliate of New Hampshire Hydro, or any other Equity Sponsor, or (2) the amount of any claim by it against New Hampshire Hydro, any affiliate of New Hampshire Hydro, or any other Equity Sponsor. However, the foregoing shall not affect in any other way any Equity Sponsor's rights and remedies with respect to any such amounts owed to it by New Hampshire Hydro, any affiliate of New Hampshire Hydro, or any other Equity Sponsor or any such claim by it against New Hampshire Hydro or any other Equity Sponsor.

C. Amendments. Any amendments changing the Equity Shares of the Equity Sponsors or the several nature of the obligations and rights of the Equity Sponsors hereunder as specified in Section 6, shall require consent by all parties. In the event

that an Equity Sponsor is obligated to acquire Equity Shares hereunder and does not pay for such Shares, then such Shares will not be issued to him and such Equity Sponsor's Equity Share will be reduced accordingly. All other amendments to this Agreement shall be by mutual agreement of New Hampshire Hydro and Equity Sponsors owning Equity Shares aggregating at least 80%, evidenced by a written amendment signed by New Hampshire Hydro and such Equity Sponsors; and New Hampshire Hydro and all Equity Sponsors shall be bound by any such amendment.

D. Notices. Except as the parties may otherwise agree, any notice, request, bill, or other communication relating to this Agreement, or the rights, obligations or performance of the parties hereunder, shall be in writing and shall be considered as duly delivered when delivered in person or sent by registered or certified mail, postage prepaid, to the respective post office address of the other parties shown following the signatures of such other parties hereto, or such other address as may be designated by written notice given as provided in this paragraph D.

E. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Massachusetts.

F. Other.

(1) No action, regardless of form, arising out of this Agreement may be brought by any party hereto more than three years after the cause of action has arisen.

(2) In the event that any clause or provision of this Agreement, or any part thereof, shall be declared invalid or unenforceable by any court having jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining portions of this Agreement.

(3) All provisions of this Agreement providing for limitation of, or protection against, liability shall apply to the full extent permitted by law, and regardless of fault, and shall survive either termination pursuant to this Agreement or cancellation.

(4) Each party shall, upon request of another party, execute and deliver any document reasonably required to implement any provision hereof.

(5) Any number of counterparts of this Agreement may be executed and each shall have the same force and effect as the original.

(6) This Agreement, with the other Basic Agreements, Preliminary Quebec Interconnection Support Agreement - Phase II, the agreements with Hydro-Quebec regarding Phase II, and the basic agreements covering Phase I shall constitute the entire understanding among the parties and shall supersede any and all previous understandings pertaining to the subject matter of this Agreement.

(7) Terms defined in the Massachusetts HVDC Support Agreement and the New England Power and Boston Edison AC Support Agreements used in this Equity Funding Agreement shall be incorporated herein as defined in such Agreements unless the context indicates otherwise.

(8) This Agreement is the act and obligation of the parties hereto in their corporate or governmental capacity, and any claim hereunder against any shareholder, director, officer, employee, or agent of any party, as such, is expressly waived.

IN WITNESS WHEREOF, the signatories have caused this Agreement to be executed by their duly authorized officers or agents.

NEW ENGLAND HYDRO-TRANSMISSION CORPORATION

By: _____
Its

Address: 25 Research Drive
Westborough, MA 01582

_____

By: _____
Its

Address:

ATTACHMENT A

List of Equity Sponsors

New Hampshire Hydro will supply a list of Equity Sponsors as of the date of initial computation and as of each date thereafter that the list changes.

ATTACHMENT B

Forms of the following documentation:

1. Opinion of Counsel
2. Certificate
3. Incumbency and Signature Certificate
4. Directors' Vote

[Please note - governmental entities may make appropriate modifications to these documents to reflect that they are not corporations.]

[Form of Opinion of Counsel for Each Utility Participant]

New England Hydro-Transmission
Electric Company, Inc.;
New England Hydro-Transmission
Corporation; or
New England Power Company

Gentlemen:

This opinion is furnished in connection with the execution and delivery by _____ (the Company) of the following Agreements: _____.

We have acted as counsel to the Company, one of the Utility Participants, in connection with the execution and delivery of the Basic Agreements. We participated in reviewing and/or drafting the Agreements.

As general [special] counsel to the Company, we are generally familiar with its affairs. [If special counsel is giving the opinion, describe relationship to the Company.] We have reviewed the proceedings taken by the Company in connection with its authorization, execution, and delivery of the Agreements and any documentation supplied by the Company thereunder. We have also examined executed counterparts of the Agreements, have made such other investigation, and have examined such other records and documents, and have made such examination of law and satisfied ourselves as to such other matters as we have deemed relevant and necessary in order to enable us to express the opinions set forth below.

Based upon and subject to the foregoing and to the further qualifications in this opinion, we are of the opinion that:

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of [the jurisdiction of its incorporation], has the corporate power to own its assets and to transact the business in which it is engaged, and is duly qualified as a foreign corporation in, and is in good standing under the laws of, each jurisdiction in which the conduct of its business or the ownership of its assets requires such qualification.

2. The Company has (and in the case of the Agreements at the time of execution and delivery thereof, had) full corporate power, and legal right to execute, deliver and perform the Agreements, and the Company has taken all necessary corporate action to authorize the execution, delivery, and performance by it of the Agreements.

3. The execution, delivery, and performance by the Company of the Agreements do not (a) contravene the Company's [charter documents] or by-laws, (b) violate any applicable law, rule, regulation, order, writ, judgment, injunction, decree, or award known to us by which the Company is bound, (c) violate any indenture, instrument, or agreement known to us by which the Company is bound, or (d) result in or require the creation or the imposition of any lien pursuant to the provisions of any indenture, instrument, or agreement known to us by which the Company is bound.

4. No authorization, approval, consent, or other action by, and no notice to or filing with, any federal, state, or other governmental authority or regulatory body which has not been obtained or given and is not in full force and effect is required for the valid and lawful execution, delivery, and performance by the Company of the Agreements. [In this connection, to the extent it may be required by law, the approval of the Massachusetts Department of Public Utilities [Connecticut PUC, or other] has been given for the Agreements and the Company's performance thereunder by order(s) dated _____, which remains in full force and effect.]

5. The Agreements have each been duly executed and delivered by the Company and constitute the legal, valid, and binding obligations of the Company enforceable against it in accordance with their respective terms.

6. No action, suit, proceeding, or investigation at law in equity or by or before any governmental instrumentality or other agency now pending or threatened against or affecting the Company or its property or rights which, if adversely determined, would materially impair the ability of the Company to perform its obligations under the Agreements is known to us.

Our opinion that the Agreements are enforceable, each in accordance with the terms thereof, is qualified to the extent that the enforcement of the rights and remedies created thereby is subject to bankruptcy, insolvency, reorganization, and similar laws of general application affecting the rights and remedies of creditors and secured parties, and to the further extent that the availability of the remedies of specific enforcement, injunctive relief, or any other equitable remedy is subject to the discretion of the court before which any proceeding therefor may be brought.

Very truly yours,

CERTIFICATE

I, (insert name), the Clerk (or Secretary or other principal recording officer) of (insert name of Utility Participant), a (insert state of organization) (the "Company") do hereby certify that:

(1) Attached hereto as Exhibit A is a true and correct copy of a vote duly adopted at a meeting of the Board of Directors of the Company, duly called and held on _____, 198_, and that such vote and the authority vested thereby have not been amended or revoked and are still in full force and effect.

(2) Attached hereto as Exhibit B is a true and correct copy of the Articles of Organization (or other charter documents) of the Company, as amended and in effect as of the date of this Certificate.

(3) Attached hereto as Exhibit C is a true and correct copy of the By-Laws of the Company, as amended and in effect as of the date of this Certificate.

(4) The persons (or person) listed on Exhibit D have been duly elected to the offices set forth adjacent to their respective names since the first day of June, 1985, and the signatures adjacent to their respective names are the genuine signatures of said officers.

IN WITNESS WHEREOF, I have placed my hand and the seal of the Company this _____ day of _____, 198_.

By _____

Name:
Title:

CONFIRMATION OF INCUMBENCY AND SIGNATURE OF CLERK, SECRETARY, OR OTHER PRINCIPAL RECORDING OFFICER

I, (name), (title) of the Company, do hereby certify that (name of officer executing certificate) is and at all times subsequent to _____, 198_, has been the duly elected (title) of the Company and that the signature adjacent to his (or her) name is the genuine signature of said officer.

By _____

Name:
Title:

FORM OF DIRECTORS' VOTE APPROVING AGREEMENTS

VOTED: That in connection with this Company's participation in the Phase II expansion of the proposed interconnection between the New England Power Pool companies and Hydro-Quebec, the execution and delivery on behalf of this Company by _____, President, of the following agreements: (being collectively referred to in this vote as "Agreements") copies of which Agreements have been presented at this meeting, are hereby authorized, approved, ratified, and confirmed, and that the officers of this Company are further authorized severally to take any and all such further actions including the execution and delivery of such further documents, as such officers or any of them may deem necessary or appropriate in connection with the actions and documents authorized by this vote.

ATTACHMENT C

Subscription Process for Determining Equity Shares under Section 5(B)

After allocation of 51% of the Equity Shares to NEES pursuant to Section 5(B)(1), the Equity Shares shall be allocated to Equity sponsors other than NEES as follows:

(a) Each other Equity Sponsor shall be entitled to a pro rata share of the remainder based on the Participating Share of such Equity Sponsor or the Participant(s) that has designated it as an Equity Sponsor as a percentage of Participating Shares of all other Equity Sponsors or such Participants as shown in the New Hampshire HVDC Support Agreement. For the purpose of this calculation, the Participating Share of each Equity Sponsor designated by VELCO shall be deemed to be a pro rata share of VELCO's Participating Share based on the ratio of such Equity Sponsor's 1980 kwh load to the aggregate 1980 kwh load of all Equity Sponsors designated by VELCO.

(b) Upon execution of this Agreement, each other Equity Sponsor may subscribe for more or less than its share under (a) above.

(c) Upon execution of this Agreement, each other Equity Sponsor may specify a maximum limit on its share of such remainder that would apply to any allocations made on or before June 1, 1986 or such later deadline date as is fixed pursuant to Section 2 hereof.

(d) If there are no undersubscriptions or oversubscriptions under (b) above or if the sum of the shares under (a) or (b) above for all Equity Sponsors equals 100% of such remaining shares, then each Equity Sponsor shall have a share as determined under (a) or (b) above. (For the purposes of this attachment, oversubscription shall mean, with respect to any Equity Sponsor, a subscription under (b) above of more than its share under (a) above. For the same purposes, undersubscription shall mean, with respect to any Equity Sponsor, a subscription under (b) above of less than its share under (a) above. The amount of such oversubscription shall be equal to (b) minus (a) and the amount of such undersubscription shall be equal to (a) minus (b).)

(e) If there are undersubscriptions but not oversubscriptions or if there are oversubscriptions

but no undersubscriptions, then each Equity Sponsor shall have a share as determined under (a) above; provided, however, that no Equity Sponsor shall be allocated more than its specified limit under (c) above. If the sum of all shares heretofore allocated is less than 100%, any remaining share shall be allocated to all Equity Sponsors that have received shares less than their limits under (c) above, pro rata by the difference between their limits under (c) above and their shares as heretofore allocated.

(f) If the net result of subtracting the aggregate amount of all undersubscriptions from the aggregate amount of all oversubscriptions is greater than zero, the aggregate amount of all oversubscriptions must be reduced to the aggregate amount of all undersubscriptions. This amount shall be referred to as the total permitted amount of oversubscriptions. Each oversubscriber shall initially be allocated a share of the total permitted amount of oversubscriptions (pro rata by the Participating Shares of the oversubscribers or their designators as shown in the New Hampshire HVDC Support Agreement); provided that no oversubscriber shall be allocated more than its requested amount under (b) above. Any remaining unallocated portion of the total permitted amount of oversubscriptions shall be allocated to all oversubscribers that have not yet reached their requested amount under (b) above pro rata by the differences between their requested shares under (b) above and their shares as heretofore allocated.

(g) If the net result of subtracting the aggregate amount of all oversubscriptions from the aggregate amount of all undersubscriptions is greater than zero, the aggregate amount of all undersubscriptions must be reduced to the aggregate amount of all oversubscriptions. This amount shall be referred to as the total permitted amount of undersubscriptions. The total permitted amount of undersubscriptions shall be allocated to the undersubscribers pro rata by the amounts of their undersubscriptions; provided, however, that no Equity Sponsor shall be allocated more than its specified limit under (c) above. If the sum of all shares heretofore allocated is less than 100%, any remaining share shall be allocated to all Equity Sponsors that have received shares less than their limits under (c) above, pro rata by the difference between their limits under (c) above and their shares as heretofore allocated.

(h) If Equity Shares are required to be changed pursuant to subpart (i) or (ii) of Section 5(a), this reallocation shall be accomplished in accordance with this Attachment G on the basis of the subscriptions initially made under (b) and the maximum limits specified under (c) by each continuing Equity Sponsor, and giving effect to the termination of any Equity Sponsor pursuant to said subpart (i) or (ii).

(COMPOSITE CONFORMED COPY - as amended)
Amendment No. 1-May 1, 1986
Amendment No. 2-February 1, 1987
Amendment No: 3-June 1, 1987
Amendment No. 4-September 1, 1987
Amendment No. 5-August 1, 1988

PHASE II NEW ENGLAND POWER

AC FACILITIES SUPPORT AGREEMENT

Dated as of June 1, 1985

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PHASE II NEW ENGLAND POWER AC FACILITIES

SUPPORT AGREEMENT

This AGREEMENT dated as of June 1, 1985, is between New England Power Company (New England Power) and the New England utilities listed in Attachment A hereto. Those New England utilities that have executed this Agreement and that meet the further conditions for participation hereunder and New England Power are hereinafter referred to as Supporters or individually as a Supporter. The Supporters, each of which is a member of the New England Power Pool (NEPOOL), are sometimes referred to collectively herein, but their rights and obligations hereunder are several and not joint as described in Section 5 hereof.

In consideration of the premises, the concurrent execution of the other Basic Agreements hereinafter referred to, the mutual covenants hereinafter and therein set forth, and other good and valuable consideration, receipt whereof is hereby acknowledged, it is hereby agreed as follows:

Section 1. Basic Understandings and Purpose

Some or all of the Supporters are participants in the existing arrangements for the Phase I interconnection planned by NEPOOL with Hydro-Quebec, which is to consist of a ± 450 kV HVDC transmission line from a terminal at the Des Cantons Substation on the Hydro-Quebec system near Sherbrooke, Quebec to a terminal having an approximate rating of 690 MW at a

substation at the Comerford Generating Station on the Connecticut River (hereinafter referred to as Phase I). The basic arrangements covering the portion of Phase I in the United States are set forth in the New England Power Pool Agreement, as amended (the NEPOOL Agreement) and three contracts among the participants in Phase I as follows:

1. Vermont Transmission Line Support Agreement, dated as of December 1, 1981, as amended, with Vermont Electric Transmission Company, Inc.
2. Phase I Terminal Facilities Support Agreement, dated as of December 1, 1981, as amended, with New England Electric Transmission Corporation, and
3. Agreement With Respect To Use Of Quebec Interconnection, dated as of December 1, 1981, as amended, including the restatement thereof in connection with Phase II (the Use Agreement).

These Phase I interconnection facilities are currently under construction with completion scheduled during 1986.

With the completion of arrangements for Phase I and the related contracts with Hydro-Quebec, the members of NEPOOL have conducted studies of the benefits of an expanded interconnection for NEPOOL with Hydro-Quebec (Phase II) and have negotiated with Hydro-Quebec a firm energy (the Phase II Firm Energy Contract) arrangement to utilize the expanded interconnection facilities. The results of these NEPOOL

studies indicate that such an expansion of the interconnection capacity will be beneficial to the New England utilities and to their respective customers.

The portion of Phase II in the United States will consist of an extension of the Phase I DC transmission line from the proposed terminus of Phase I at the Comerford Station through New Hampshire to a site in Massachusetts with additional terminal facilities installed at that site to increase the total transfer capacity between Hydro Quebec and NEPOOL from the 690 MW of Phase I to approximately 2000 MW. Reinforcements to the existing transmission system of New England Power and to certain AC facilities of Boston Edison Company will also be required. Although about 2 miles of Boston Edison's transmission line are covered under this Agreement, Boston Edison has the option to have this line covered under the Phase II Boston Edison AC Facilities Support Agreement. The United States portion of the Phase II facilities will be designated as pool-planned facilities in the same manner as the United States portion of the Phase I facilities was so designated.

Each Supporter acknowledges that it has been represented on the Executive and Planning Committees of NEPOOL that had responsibility for evaluating the feasibility of Phase II and, through this representation, actively participated in the decision of NEPOOL to go forward with Phase II. Furthermore, each Supporter, other than New England Power, represents that

it made its own independent investigations and inquiries as it deemed appropriate and did not rely upon representations (other than those contained in this Agreement and the other Basic Agreements referred to hereinafter) of New England Power or its affiliates in deciding to enter into this Agreement.

The sharing of benefits among the New England utilities associated with Phase II is set forth in the Use Agreement. The Use Agreement also permits each participating New England utility to make its own entitlement transactions with Hydro Quebec and to use the interconnection for such transactions. Each Supporter acknowledges that the benefits of participating in Phase II set forth in the Use Agreement are the fundamental consideration for its signing of this Agreement and making the significant commitments to each other Supporter specified herein.

All improvements and reinforcements to Boston Edison Company's AC transmission system are covered under the Phase II Boston Edison AC Facilities Support Agreement.

The provisions of this Agreement cover all improvements and reinforcements to New England Power's AC transmission system in Massachusetts necessitated by Phase II as described in more detail in Attachment B hereto (the AC Facilities).

The provisions of the Phase II Massachusetts Transmission Facilities Support Agreement cover the Phase II Massachusetts HVDC transmission line and terminal facilities in

Massachusetts. New England Hydro-Transmission Electric Company, Inc. (New England Hydro), an affiliate of New England Power, will build, own, operate, and maintain those Massachusetts HVDC transmission facilities.

The portion of the Phase II HVDC transmission line to be constructed in New Hampshire is covered under the Phase II New Hampshire Transmission Facilities Support Agreement. New England Hydro-Transmission Corporation (New Hampshire Hydro), an affiliate of New England Power, will build, own, operate, and maintain those New Hampshire HVDC transmission facilities.

In view of the need to formalize the agreements among the parties at an early date so that (i) binding commitments with Hydro Quebec for Phase II may be made, (ii) binding commitments for ultimate construction and the financing of the United States portion of Phase II may be undertaken consistent with the time schedule anticipated by NEPOOL and with the assurance that commitments among the New England utilities are in place and (iii) licensing activities may proceed on a schedule that enables completion of such construction consistent with the time schedule anticipated by NEPOOL, the following agreements are concurrently being entered into (the "Basic Agreements") which collectively set forth rights and obligations with respect to the foregoing undertaking: (1) this Agreement; (2) the Phase II Massachusetts Transmission Facilities Support Agreement; (3) an Equity Funding Agreement for New England

Hydro; (4) the Phase II New Hampshire Transmission Facilities Support Agreement; (5) an Equity Funding Agreement for New Hampshire Hydro; (6) an amendment of the Use Agreement, setting forth the rights of the Participants in the benefits of Phase II; (7) various amendments to the NEPOOL Agreement relating to the sharing of savings, capability responsibilities, and transmission arrangements; and (8) the Phase II Boston Edison AC Facilities Support Agreement.

In order to coordinate each Supporter's participation in Phase II to the fullest extent possible, each Supporter acknowledges that it is to have the same participating interest under each of these Agreements: this Agreement, the Phase II New Hampshire Transmission Facilities Support Agreement, the Phase II Massachusetts Transmission Facilities Support Agreement, the Phase II Boston Edison AC Facilities Support Agreement, and the Use Agreement. Each Supporter acknowledges that these Basic Agreements have been drafted with the overriding intent to so coordinate participating interests and that, notwithstanding any provision thereof that may be interpreted to the contrary, the proper interpretation of each of these Basic Agreements is to be consistent with such overriding intent. The Equity Funding Agreement for New Hampshire Hydro and the Equity Funding Agreement for New England Hydro have also been drafted to require actions of Equity Sponsors or their appointees affecting such

participating interests to be the same under each Equity Funding Agreement in order to also be consistent with such overriding intent.

Section 2. Conditions Precedent to Effectiveness

The effectiveness of this Agreement, and all rights, obligations, and performance of the signatories hereunder, is subject to (a) New England Power and other members of NEPOOL serving at least 66 2/3% of the aggregate kilowatthour load served by all NEPOOL members in 1980 (i) having executed this Agreement and the other Basic Agreements (except for the two Equity Funding Agreements and the amendments to the NEPOOL Agreement relating to Phase II) and (ii) having satisfied the conditions precedent set forth below; (b) Equity Sponsors under each of the Equity Funding Agreements covering 100% of New England Hydro's and New Hampshire Hydro's equity requirements, respectively, having executed those Agreements; (c) members of NEPOOL having executed the amendments to the NEPOOL Agreement for Phase II in order that such amendments may become effective in accordance with the NEPOOL Agreement; and (d) the signatories to this Agreement having also signed and supplied all required documentation under the Phase II Massachusetts Transmission Facilities Support Agreement, the Phase II New Hampshire Transmission Facilities Support Agreement, the Phase II Boston Edison AC Facilities Support Agreement, the Use Agreement, and amendments to the NEPOOL Agreement relating to Phase II.

By September 15, 1988, each signatory to this Agreement shall provide certificates and legal opinions from counsel satisfactory to New England Power, together with certified copies of related resolutions, consents, approvals, authorizations, and other documents (Documentation) necessary to establish to the satisfaction of New England Power that all corporate and regulatory consents, waivers, approvals, authorizations and other actions necessary in connection with performance by such signatory of its obligations under the Agreement have been obtained and are in full force and effect, that the Agreement has been duly authorized, executed, and delivered by such signatory, and that it constitutes a binding commitment by the signatory enforceable in accordance with its terms. Forms of Documentation acceptable to New England Power are included in Attachment C hereto. Prior to signing this Agreement, each signatory has provided to New England Power a listing of all consents, waivers, approvals, authorizations, and other actions required for that signatory to deliver its Documentation.

Since Vermont Electric Power Company, Inc. (VELCO) and Massachusetts Municipal Wholesale Electric Company (MMWEC) represent a number of electric systems, in calculating their respective kilowatthour loads on Attachment A, they are deemed to have signed on behalf of those respective systems listed in Schedules I or II, respectively. By September 1, 1988, VELCO

and MMWEC will provide New England Power with copies of contracts with those respective systems which impose absolute and unconditional obligations on such systems to pay their proportionate shares of all costs incurred under this Agreement by VELCO or MMWEC, respectively. By that date, VELCO and MMWEC will also provide to New England Power as part of their Documentation certificates, legal opinions (from counsel satisfactory to New England Power), and other documents in form and substance satisfactory to New England Power representing unconditionally that all consents, waivers, approvals, and authorizations have been obtained by their contracting systems in connection with each such system's performance of its obligations under its respective contract with VELCO or MMWEC and that each such contract imposes absolute and unconditional obligations on such systems to pay their proportionate shares of all costs incurred under this Agreement by VELCO or MMWEC, respectively, and has been duly authorized, executed, and delivered and is a binding commitment of such system enforceable in accordance with its terms. If regulatory approvals have not been obtained by September 1, 1988, such representations shall be conditioned upon receipt of regulatory approvals. VELCO and MMWEC will have until September 15, 1988, to receive such approvals and make such representations unconditionally. In order that percentages of participation be consistent among the Basic Agreements, VELCO and MMWEC shall have their contracts with their contracting systems cover the necessary commitments for each Basic Agreement.

All expenses in connection with obtaining and delivering any Documentation under this Agreement, including legal opinions, are to be borne by the signatory incurring such expense. New England Power will have no responsibility for any expenses incurred by VELCO and MMWEC in providing Documentation for their respective contracting systems.

In the event that VELCO or MMWEC does not provide such contracts and Documentation by the aforementioned deadlines, under this Agreement and similar contracts and documentation as required by the other Basic Agreements, for all electric systems shown on Schedules I or II, their respective kilowatthour loads on Attachment A will be automatically adjusted to equal the 1980 kilowatthour loads of those contracting electric systems for which the required contracts and Documentation have been provided. Promptly thereafter, New England Power will prepare and distribute an appropriately modified Attachment A with an additional column showing Support Shares for all Supporters and modified Schedules I and II.

Any signatory, that is unable to provide all Documentation by the applicable deadlines required by this Section 2 and all similar documentation as required by the other Basic Agreements or that fails to obtain any regulatory approval required to deliver such Documentation by the applicable deadlines, will not be a Supporter under this Agreement and will not have any rights and obligations hereunder after the date of such

deadline. All obligations of New England Power hereunder are subject to all regulatory approvals necessary for it to charge the Supporters in accordance with the terms of this Agreement having been obtained and no longer subject to appeal.

New England Power by written notice to all signatories may extend any deadline date specified in this Agreement to a later date, provided that any extension for longer than six months requires the consent of signatories that would have an aggregate Support Share of 66-2/3%.

Section 3. Effective Date and Term

This Agreement shall become effective (the Effective Date) upon the last to occur of the following dates:

(i) the date that members of NEPOOL (including New England Power) serving at least 66 2/3% of the aggregate kilowatthour load in 1980 served by NEPOOL members have satisfied all conditions precedent to effectiveness set forth in Section 2;

(ii) the date that New England Power shall give written notice to all other Supporters that it has determined (such notice to be promptly given upon such determination) that all regulatory approvals necessary for it to charge the Supporters in accordance with the terms of this Agreement have been obtained and are no longer subject to appeal; and

(iii) the date that the last of the other Basic Agreements (excluding the Use Agreement) becomes effective or would become effective but for a condition that its effectiveness is subject to this Agreement becoming effective.

Upon execution and delivery of the Agreement by New England Power and other members of NEPOOL serving at least 66 2/3% of the aggregate kilowatthour load in 1980 served by NEPOOL members, and notwithstanding any provision herein to the contrary, no signatory may terminate its obligations hereunder except in accordance with provisions of this Agreement.

The term of this Agreement shall expire on the later of (i) thirty years from the Date of Full Support Payment as defined in Section 14, or (ii) the date that the Phase II Massachusetts Transmission Facilities Support Agreement and the Phase II New Hampshire Transmission Facilities Support Agreement (the Phase II HVDC Support Agreements) ultimately terminate taking into account any optional renewal term. If all regulatory approvals authorizing New England Power to charge the Supporters in accordance with the Support Charge described in Section 13 hereof are not received by June 1, 1986, New England Power may thereafter elect to terminate this Agreement by notice in writing to the Supporters.

Section 4. Support Shares

A. Allocation. Each Supporter shall have and be charged with a percentage interest in all of the rights and obligations

of the Supporters hereunder determined in accordance with this Section 4 (which interest is hereinafter referred to as its "Support Share").

The Support Share of each Supporter shall be computed both initially and as changed from time to time in accordance with the terms hereof by New England Power as hereinafter provided. Such computations shall be made as of the first day of any month in which there is a change in the number of Supporters or any change in the interest of any Supporter as herein provided. The initial computation is to be made on or before the Effective Date and subsequent computations are to be made in any month thereafter as of the first day of each month in which an interest is modified or terminated pursuant to any provision hereof. All computations shall be final unless there is a manifest error.

B. The Support Share of each Supporter, on and as of the initial computation, will be equal to its Participating Share at the time of calculation under the Phase II Massachusetts Transmission Facilities Support Agreement.

C. In the event that a Credit Enhanced Supporter (as defined in Section 13) is terminated hereunder after its initial Support Share is determined under Section 4B and the Phase II HVDC Support Agreements continue in effect at the time of such termination, the Support Share for each Supporter will

be equal to its Participating Share at that time under the Phase II Massachusetts Transmission Facilities Support Agreement reflecting any reallocation on account of the terminated Supporter's termination of participation thereunder. If Equity Sponsors under the Equity Funding Agreements or their appointees are allocated Participating Shares under the Phase II HVDC Support Agreements, the Equity Funding Agreements provide that the Equity Sponsors or their appointees will become Supporters hereunder and shall execute appropriate documentation.

D. In the event that a Credit Enhanced Supporter (as defined in Section 13) is terminated hereunder after its initial Support Share is determined under Section 4B, and the Phase II HVDC Support Agreements are terminated at the time of such termination, the Support Share for such terminated Credit Enhanced Supporter will be reallocated in accordance with the Equity Funding Agreements. If Equity Sponsors under the Equity Funding Agreements or their appointees are to be allocated Support Shares, the Equity Funding Agreements provide that the Equity Sponsors or their appointees will become Supporters hereunder and shall execute appropriate documentation.

E. Notwithstanding any provision in Section 4 A through D to the contrary, no reallocations under C or D above shall be made in the event of a default in any payment under Sections 17 or 18.

F. In the event that the Support Share of a terminated Supporter cannot be allocated under C above and the Phase II HVDC Support Agreements are in effect at the time of such termination, one or more Equity Sponsors or their appointees (as defined under the Equity Funding Agreements) may elect to increase their respective Support Shares by the Support Share of such terminated Supporter, provided that an equivalent election is made under the Phase II HVDC Support Agreements and the Phase II Boston Edison AC Facilities Support Agreement in order that support percentages hereunder are consistent therewith. If a Participant which is not an Equity Sponsor or an appointee of an Equity Sponsor accepts a voluntary allocation of participating shares under the Phase II HVDC Support Agreements, an equivalent allocation of the Support Shares of a terminated Supporter hereunder and under the Phase II Boston Edison AC Support Agreement shall be made. In the event that the Support Share of a terminated Supporter cannot be allocated under D above, and the Phase II HVDC Support Agreements are terminated at the time of such termination, one or more Equity Sponsors or their appointees (as defined under the Equity Funding Agreements) may elect to increase their respective Support Shares by the Support Share of such terminated Supporter. New England Power shall, by written notice to each Equity Sponsor, offer the Support Share of such terminated Supporter on a voluntary basis to the Equity

Sponsors or their appointees in accordance with a subscription process described in New England Power's offering letter, provided that if such Support Share is not so completely allocated, then New England Power will offer such unallocated Support Share as provided in Section 16B(ii) hereof.

Section 5. Relationship among Supporters

The rights and obligations of the Supporters hereunder are several, in accordance with their respective Support Shares, and not joint. The rights and obligations of New England Power hereunder are also several and not joint with those of the other Supporters or any one thereof. There is no intention to create by this Agreement, or by any grant, lease, license, or activity related hereto, an association, joint venture, trust, or partnership or to impose on New England Power or any other Supporter trust or partnership rights or obligations; and any such implied intention is expressly negated. Except as expressly provided in this Agreement, no Supporter shall have by virtue of this Agreement or of any such grant, lease, license, or activity the right or power to bind any other Supporter without its express written consent.

Section 6. Design and Construction of the AC Facilities

New England Power shall be responsible for the design, engineering, procurement, installation, and all other aspects of the construction of the AC Facilities, and any modifications or additions made to the AC Facilities at any time before or

after completion of the AC Facilities, all in accordance with good utility practice. In carrying out these activities, New England Power may utilize the services of its affiliates and may also select and employ a financial adviser, legal counsel, design engineering firm, a construction engineering firm, consultants, and such other firms as it considers desirable. To the extent services are performed by an affiliate of New England Power, such affiliate will charge on the same basis that it would charge its costs to other affiliates pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) under the Public Utility Holding Company Act of 1935 (the 1935 Act).

New England Power shall not commence construction of the AC Facilities until so authorized by Supporters (including New England Power) having at least 66-2/3 of the Support Shares. The date of commencement of construction of the AC Facilities shall mean the first firm commitment in excess of $5 million for procurement or construction of the AC Facilities.

New England Power intends, consistent with good utility practice, to construct the AC Facilities on a schedule consistent with the commercial operation of Phase II by September 1, 1990. However, New England Power does not represent that construction will be completed by such date or any other date.

Section 7. Operation and Maintenance of the AC Facilities

New England Power shall be responsible for the operation and maintenance of the AC Facilities in accordance with good utility practice. New England Power shall use its best efforts to coordinate the operation and maintenance of the AC Facilities with the operation and maintenance of the Phase I and Phase II facilities. In carrying out these activities, New England Power may utilize the services of its affiliates and may also select and employ a financial adviser, legal counsel, consultants, and such other firms as it considers desirable. In furtherance of its responsibility, New England Power may from time to time designate a company, which need not be a Supporter, to operate and maintain the AC Facilities. To the extent services are performed by an affiliate of New England Power, such affiliate will charge on the same basis that it would charge its costs to other affiliates pursuant to the rules and regulations of the SEC under the 1935 Act.

Section 8. Termination of Phase II HVDC Support Agreements

Recognizing that the AC Facilities are necessary for the proper operation of Phase II as well as a part of New England Power's AC transmission system, New England Power shall use its best efforts to coordinate the construction and operation of the AC Facilities with the Phase I and Phase II facilities and its own AC transmission system in accordance with good utility practice. In the event that the Phase II HVDC Support

Agreements are terminated, New England Power, no less than 60 days before the effective date of termination of the Phase II HVDC Support Agreements (as such date is defined therein), shall request, in writing, that each Supporter respond to New England Power, in writing, within 30 days as to whether it desires the continued construction and/or operation of the AC Facilities, other than the AC Facilities described in item number 4 to Attachment B hereto. Failure to respond within such 30-day period by a Supporter shall be deemed to be an election by such Supporter to continue. If Supporters other than New England Power with Support Shares aggregating 50% or more respond that they desire to discontinue further construction and/or terminate operation of AC Facilities, the investment in AC Facilities with respect to such AC Facilities (other than those described in item number 4 to Attachment B hereto) shall be limited to those costs previously incurred or committed by New England Power or which are necessary to restore the right-of-way or other facilities to their original condition consistent with good utility practice.

If Supporters other than New England Power with Support Shares aggregating less than 50% respond that they desire to discontinue further construction and/or terminate operation of such other AC Facilities, New England Power Company shall continue to construct and/or operate all of the AC Facilities and all Supporters shall continue to be bound by this

Agreement. However, any Supporter electing not to continue may terminate its participation hereunder upon payment of its share of the net investment in the AC Facilities, provided that the other Supporters voluntarily agree to support 100% of the costs of the AC Facilities hereunder after such payment. If the other Supporters do not so agree to support 100% of such costs, then construction shall be discontinued and/or operation terminated of the AC Facilities as though Supporters other than New England Power with Support Shares aggregating 50% or more responded that they so desired to discontinue and/or terminate.

Notwithstanding any provision of this Section 8 to the contrary, in the event that the Phase II HVDC Support Agreements are terminated and construction has commenced on the portion of the AC Facilities described in item number 4 to Attachment B hereto or such AC Facilities have commenced operation, New England Power may continue such construction and/or operation and if it continues shall do so in a manner consistent with good utility practice recognizing the desire of the Supporters to minimize costs.

Section 9. New England Power Relationship to Supporters

In carrying out its responsibilities hereunder, New England Power agrees that it shall use its best efforts to act for the collective benefit of all Supporters, to include in its contracts with independent contractors the customary provisions for assuring professional and workmanlike performance,

including warranties, insurance coverage and other protections consistent with good utility practice, and to enforce its rights under such contracts against the other contracting parties to the extent reasonable, reserving the discretion to settle claims on a reasonable basis. All costs of construction, including damages caused by the risks of negligence (other than gross negligence) and other risks of construction in excess of the recoveries obtained from offending parties or insurers, shall be included as part of investment in the AC Facilities (as defined in Section 13 below) and all costs of operating the AC Facilities, including damages caused by risks of negligence (other than gross negligence) or other risks of operation in excess of any recoveries obtained from offending parties or insurers, shall be included in New England Power's operating costs (as defined in Section 13 below).

Section 10. Payment for Preliminary Costs

New England Power agrees to pay those New England utilities for costs initially paid by them that (i) were related to the AC Facilities incurred under the Preliminary Quebec Interconnection Support Agreement - Phase II (the Preliminary Agreement), and (ii) that are determined by New England Power to be capitalizable costs of the AC Facilities, in accordance with the Uniform System (as defined hereinafter in Section 13). Within ninety days after the Effective Date, New England

Power agrees to make the payment with interest calculated from the original date of payment using the monthly average rate on one month commercial paper as published in the Federal Reserve Bulletin for each month during such time period.

Section 11. Transmission of Power

A. The AC Facilities are expected to be part of at least two transmission interfaces of NEPOOL (AC Facilities Interface). These include:

1. The transmission interface between substations at Sandy Pond and Millbury (Interface A); and
2. The transmission interface between substations at Millbury and West Medway (Interface B).

Based on studies to be performed from time-to-time, NEPOOL will periodically determine the share of the interface transfer capability that the AC Facilities have contributed to each of the interfaces, allocated on an appropriate basis consistent with NEPOOL practice at the time (AC Facilities Interface Transfer Capability Share).

Each Supporter shall have a right to the delivery of power over each interface in an amount equal to its Support Share of the AC Facilities Interface Transfer Capability Share for that interface at the time (Supported Transfer Capability Share). The aggregate of the Supported Transfer Capability Shares less any portion of a Supporter's Supported Transfer Capability Share which is required for its specific entitlement

transactions with Hydro-Quebec shall be available for the transfer of energy purchased by NEPOOL under the Phase II Firm Energy Contract.

For any transaction not covered by the NEPOOL Agreement or in the event that the NEPOOL Agreement is no longer in effect, each Supporter so using these interface transfer capabilities shall pay New England Power's then current applicable transmission rate.

B. In accordance with A. above, and subject to Section 12, New England Power shall deliver power over Interface A and/or Interface B or any other AC Facilities Interface as directed by the NEPEX Dispatch Center. Electrical losses incurred in the transmission of this power shall be for the account of the Phase II Savings Fund in the case of the Phase II Firm Energy Contract, or for the account of the purchaser in the case of an entitlement transaction, and shall be determined in accordance with whatever NEPOOL procedures are applicable or in absence of such procedures, in accordance with procedures that New England Power then uses for others.

C. All payments made directly to New England Power under this Section 11 shall be made in accordance with the invoice procedure specified in Section 14.

Section 12. Sharing of Costs of Capacity Restrictions

A. After the AC Facilities are in commercial operation, if there is a transfer restriction on any AC Facilities Interface

either with all facilities in service or with, one or more out of service, the total of the Supporters' share of any costs associated with the use of the interface for Phase II Firm Energy Contract transfers or Hydro-Quebec entitlement transactions during any hour that the restriction exists shall be determined in accordance with Attachment G hereto and shall be chargeable to the Hydro-Quebec Phase II Savings Fund or to individual Supporters who had Hydro-Quebec entitlement transactions during the hour the restriction occurred.

There may be a restriction and resultant sharing of costs on one AC Facilities Interface without there being any restrictions on other AC Facilities Interfaces. To the extent that the transfer capability of any of the AC Facilities Interfaces is restricted, New England Power's obligation to deliver power under Section 11 shall be appropriately reduced during the duration of the restriction.

B. In accordance with NEPEX procedures, prompt notification of the existence and magnitude of any such restriction will be made. All computations of the amount of restriction of the transfer capability of Interface A or B or any other Interface shall be made by NEPEX and shall be final unless there is a manifest error. NEPEX shall make all computations of the sharing of the costs of such restriction which shall be final unless there is a manifest error.

Section 13. Support Charge

Commencing with the month in which the Date of Full Support Payment occurs (as defined in Section 14) and in each month thereafter, each Supporter shall pay in accordance with Section 14 its Support Share of a monthly Support Charge in an amount determined in accordance with this Section 13, plus a Credit Enhancement Charge as calculated in accordance with Attachment F.

The Support Charge shall be equal to New England Power's total supported cost of service related to the AC Facilities for such month. The "total supported cost of service related to the AC Facilities" for any month commencing with the month in which the Date of Full Support Payment occurs shall equal (A + B) where:

A = the Monthly Fixed Costs as determined in accordance with Attachment D; and

B = the Monthly Operating Costs as determined in accordance with Attachment E.

All costs included in the total cost of service related to the AC Facilities shall be in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission, as from time to time in effect.

If a Support Charge payment under Section 14 is to be calculated from a date other than the first day of a month, an appropriate proration of "A" and "B" above shall be made for such payment only.

On the fifteenth day of each month, New England Power will promptly pay to each Equity Sponsor its pro rata share of the Credit Enhancement Charges received through the preceding month.

Section 14. Payments

Commencing on or about the date that the AC Facilities are completed and ready for service (Date of Full Support Payment) and for each month thereafter, New England Power will render to each other Supporter an invoice for its Support Share of the Support Charge for such month calculated on an estimated basis for the current month and subject to corrective adjustment in subsequent months. Unless New England Power is prevented by circumstances beyond its reasonable control, New England Power shall use its best efforts to render final bills within two years after the end of the calendar year in which the estimated bill was rendered. New England Power will also render to each Supporter an invoice or notice for its Support Share of any amounts due under this Agreement (other than monthly Support Charges) including but not limited to payments to be made under Sections 16, 17, 18, and 19D.

Each Supporter shall promptly pay to New England Power the amount shown on any invoice submitted under this Section. New England Power will date and mail its monthly invoice for Support Charge on or about the 25th day of the month for the coming month and this invoice shall be due and payable by the 15th day of the coming month and if not paid within that time period

shall bear interest compounded monthly from the first day of the month in which payment is due to the date when payment is made at an annual rate equal to two percent (2%) over the current interest rate on prime commercial loans from time to time in effect (the Base Rate) at the principal office of The First National Bank of Boston.

Any invoice or notice for payments due under this Agreement (other than a monthly Support Charge invoice) that is not paid when due shall bear interest compounded monthly from the mailing date of the invoice to the date when payment is made at an annual rate equal to two percent (2%) over the Base Rate at the principal office of The First National Bank of Boston.

Recognizing the need to provide additional financial security to induce New England Power and the Supporters to undertake the substantial obligations of this Agreement, each Equity Sponsor has agreed in the Equity Funding Agreement to pay, promptly upon request of New England Power a proportionate share of any invoice or notice rendered to a Credit Enhanced Supporter (as defined in Attachment F) under Section 14 (other than one for payments to be made under Sections 17 and 18) which remains unpaid for ninety days after the mailing date of the invoice. New England Power may render to each Equity Sponsor an invoice for its proportionate share, calculated as if participation of such nonpaying Credit Enhanced Supporter had been terminated and appropriate reallocation had been made under

Section 4, of the amount of such unpaid invoice or notice plus accrued interest thereon calculated at New England Power's short term borrowing rate or, if New England Power has no short term borrowings, at the Base Rate defined above.

All further invoices or notices as provided in the preceeding paragraph shall be telecopied or delivered by overnight courier and shall be paid within 15 days of the date thereof. If not paid within that time period, interest shall accrue on the unpaid balance from the date thereof at the rate of 2% above the Base Rate as specified in this Section 14. In the event that any such invoice or notice remains unpaid for 15 days after its date, New England Power may render to those paying Equity Sponsors further invoices or notices as specified above and subject to the provisions of Section 4E until all amounts due are paid. To the extent that any Equity Sponsor pays to New England Power any amount due pursuant to the preceding paragraph, it shall be subrogated to the rights of New England Power to recover from the nonpaying Supporter the excess it paid to New England Power with interest at the rate of 2% above the Base Rate as specified in this Section 14.

Since New England Power is also a Supporter, New England Power will bear its Support Share of the payments due hereunder without the need to issue an invoice or notice to itself.

Section 15. Character of Payment Obligations

The obligations of each Supporter to make payments hereunder, and to perform and observe all other agreements on its part contained herein, are absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any insolvency, composition, bankruptcy, reorganization, arrangement, liquidation or similar proceedings relating to New England Power, any other Supporter, or any affiliate thereof, (ii) any failure of the AC Facilities to operate for any reason, including but not limited to the failure of Hydro-Quebec to sell electric power to the Supporters, (iii) any damage to or destruction of the AC Facilities, including but not limited to any defect in the quality, condition, design, operation, or fitness for use of, or any loss of use of, all or any part of the AC Facilities, (iv) any interruption or prohibition of the use or possession by New England Power of, or any ouster or dispossession by paramount title or otherwise of New England Power from, all or any part of the AC Facilities, or any interference with such use or possession by any governmental agency or authority or other person or otherwise, (v) any inability to use the AC Facilities because a necessary license or other necessary public authorization cannot be obtained or is revoked, or because the utilization of such a license or authorization is made subject to specified conditions which are not met, (vi) any invalidity or unenforceability or

disaffirmance by New England Power or any other Supporter of any provision of this Agreement or any failure, omission, delay, or inability of New England Power to perform any of its obligations contained herein, (vii) any amendment, extension, or other change of, or any assignment or encumbrance of any rights or obligations under, this Agreement, or any waiver or other action or inaction, or any exercise or nonexercise of any right or remedy, under or in respect to this Agreement, (viii) any inability of any Supporter or any other Supporter to obtain regulatory approvals for financing its Support Share of any obligations under this Agreement or for meeting any other obligations under this Agreement, or (ix) any inability to start, complete, or use the AC Facilities due to any other circumstance, happening, or event whatsoever, whether foreseeable or unforeseeable and whether similar or dissimilar to the foregoing, it being the intention of the parties hereto that all amounts payable by each Supporter in respect of this Agreement shall begin to be payable and shall continue to be payable in all events in the manner and at the time herein provided; provided, however, that nothing in this Section 15 shall (a) prevent a Supporter from transferring its interests and obligations hereunder to another Supporter prior to the Effective Date, or (b) impose any continuing liabilities or obligations on said transferring Supporter with respect to this Agreement incurred or relating to the period of time after said transferring Supporter's Support Share has been reduced to

zero. In that connection, each Supporter hereby waives, to the extent permitted by applicable law, any and all rights which it may now have or which may at any time hereafter be conferred upon it, by statute or otherwise, to terminate, cancel, or surrender any of its obligations under this Agreement, and agrees that if, for any reason whatsoever, this Agreement shall be terminated in whole or in part by operation of law or otherwise, each Supporter will nonetheless promptly pay to New England Power amounts as required by Section 16 of this Agreement.

Notwithstanding the character of the above payment obligations, when the net proceeds from a total taking of the AC Facilities in an eminent domain proceeding or from insurance in the event of complete destruction of the AC Facilities have been received by New England Power in an amount equal to or greater than the amounts then due hereunder from the Supporters, then no payment shall be required.

Section 16. Default

A. If any of the following events (Events of Default) shall occur and be continuing:

(i) a Supporter other than New England Power shall fail to pay to New England Power when due any amount which it has agreed to pay under any provision of this Agreement, and such failure shall continue for more than 15 days after written notice thereof has been given to such Supporter by New England Power; or

(ii) a Supporter other than New England Power shall admit in writing its inability to pay its debts, or shall make a general assignment for the benefit of its creditors; or any proceeding shall be instituted against a Supporter other than New England Power (and is not dismissed within sixty days), or by a Supporter other than New England Power, seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, or composition of it or its debt under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or seeking appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property; or if a Supporter other than New England Power shall take any action to authorize any of the actions set forth above in this subsection (ii); or

(iii) a Supporter other than New England Power shall fail to perform any other obligation under this Agreement in accordance with the terms hereof, and such failure shall continue for more than 30 days after written notice thereof has been given to such Supporter by New England Power; or

(iv) a Supporter other than New England Power shall experience an event of default under any of the other Basic Agreements or under any of the basic agreements for Phase I listed in the first paragraph of Section 1;

then, and in any such event, in addition to any other rights or remedies that it may have against such Supporter by reason thereof, New England Power shall, by written notice to such Supporter, terminate as of the date of such Event of Default, all rights of such Supporter under this Agreement; provided, however, that in no event shall New England Power terminate a defaulting Supporter under this Section 16 if planning or construction of the AC Facilities is terminated or cancelled under Section 17 or the AC Facilities are permanently shutdown under Section 17 or termination under Section 18 occurs (since no reallocation of Support Shares is required in such events). New England Power may with the approval of Supporters (including New England Power) having 66-2/3% or more of the Support Shares waive any Event of Default hereunder or grant extensions of time to cure any Event of Default.

B. Immediately upon termination of the rights of a Supporter pursuant to A above:

(i) if such defaulting Supporter was a Credit Enhanced Supporter as of the date of the Event of Default, then New England Power shall allocate the Support Share of the defaulting Supporter to Equity Sponsors or their appointees in accordance with Section 4C or D hereof; or

(ii) if such defaulting Supporter was not a Credit Enhanced Supporter as of the date of the Event of Default or the Support Share of the defaulting

Supporter cannot be allocated under Section 4C or D hereof, then New England Power shall offer the Support Share of such defaulting Supporter to Equity Sponsors or their appointees in accordance with Section 4F hereof; provided that, if such Support Share is not so completely allocated, then New England Power will offer such unallocated Support Share to any Supporter whose most junior long term debt securities are then rated at least one grade above investment grade or, if not so rated, who has obtained the consent of New England Power and Supporters, including New England Power, then having 66-2/3% or more of the Support Shares (such offer and allocation to be made in accordance with Section 4F hereof); and provided further that such Equity Sponsors, or their appointees or Supporters receiving such an allocation accept an equal participating share under the Phase II HVDC Support Agreements and the Phase II Boston Edison AC Facilities Support Agreement; and

(iii) the defaulting Supporter shall pay to New England Power, in addition to any other amounts due under any provisions of this Agreement, an amount equal to its Support Share of the investment in the AC Facilities (including any cost of removal and disposal) less any depreciation and amortization relating to the AC Facilities to the date of such

payment. New England Power will credit any amounts so received (less any costs incurred by New England Power relating to such default) to the depreciation and amortization accounts for the AC Facilities.

C. New England Power or any Supporter shall be free to invoke such remedies at law or in equity as may be deemed appropriate against any Supporter that defaults under this Agreement.

Section 17. Delay, Suspension, Termination, Cancellation, or Shutdown of the AC Facilities

If at any time New England Power determines that continued planning, construction, or operation of the AC Facilities is not advisable for any reason New England Power deems appropriate, it may delay, restrict, suspend, terminate or cancel planning or construction, terminate operation, or shut the AC Facilities down.

If (i) planning or construction of the AC Facilities is to be terminated or cancelled, or (ii) the AC Facilities are to be permanently shutdown, then New England Power shall give each Supporter not less than ninety (90) days advance written notice of any such event. Each Supporter shall pay to New England Power within not less than ninety (90) days of New England Power's notice thereof an amount, as specified in such notice and calculated as of such date of payment, equal to the sum of its Support Share of the investment in AC Facilities (less any depreciation and amortization to the date of payment) together

with all costs relating to or resulting from such termination, cancellation or permanent shutdown, including without limitation any costs of total or partial demolition and disposal of the AC Facilities net of any actual salvage value received by New England Power including the proceeds from any sale.

If because of serious financial constraints New England Power determines that it cannot continue construction of the AC Facilities, New England Power has the right to request contributions in aid of construction from the Supporters. If Supporters (of which New England Power shall be one) having at least 66-2/3 of the Support Shares agree to make the requested contributions, then all Supporters, including New England Power, shall make such payments in accordance with Section 14, and New England Power will credit the amount of such payments to the investment in AC Facilities. If Supporters having at least 66-2/3 of the Support Shares do not so agree to make the requested contributions, then New England Power may terminate construction of the AC Facilities in accordance with the immediately preceding paragraph.

If Supporters other than New England Power Company with aggregate Support Shares of 50% or more do not agree with New England Power's decision to terminate or cancel construction of the AC Facilities under this Section 17 other than a termination made pursuant to the immediately preceding

paragraph, New England Power shall, upon receipt of the full amounts due pursuant to this Section, undertake to permit one or more Supporters, as designated by such Supporters with aggregate Support Shares of 50% or more, to continue construction of the AC Facilities and to use and operate the AC Facilities upon completion of construction for the remaining term of this Agreement.

Section 18. Termination by New England Power

If at any time New England Power elects and so notifies in writing all other Supporters that, as a result of a default under Section 16, the Support Share of a terminated Supporter is not allocated pursuant to the required or voluntary reallocation provisions under this Agreement, each Supporter's participation hereunder shall terminate not less than 90 days after the date of New England Power's written notice (the "effective date of termination"), and each Supporter on or before the effective date of termination shall pay to New England Power an amount calculated in accordance with the second paragraph of Section 17.

Upon termination of this Agreement pursuant to this Section 18, New England Power shall offer each Supporter which (i) was not a terminated Supporter immediately prior to termination of the Agreement pursuant to this Section 18 and (ii) has paid all amounts due under the first paragraph of this Section 18, an opportunity to participate in a new support agreement, provided

that participants in such new support agreement agree to pay 100% of the costs of service of New England Power related to the AC Facilities. The new support agreement will have a term equal to the remaining term of this Agreement. Other provisions of the new support agreement will be substantially similar to those in this Agreement. The investment in AC Facilities under the new support agreement shall be reduced by any amount received as termination payments hereunder which would be properly applied to utility plant accounts in accordance with the Uniform System less any costs of termination. Any participant in the new support agreement shall also be a supporter of the AC facilities of Boston Edison Company and, if the Phase II HVDC Support Agreements have not been terminated, of the transmission facilities of New Hampshire Hydro and New England Hydro.

No termination of this Agreement shall relieve any party of any obligation arising prior to making the payment to New England Power required by the first paragraph of this Section 18. In addition, notwithstanding the termination of this Agreement for other purposes, this Agreement shall continue in effect to the extent necessary to provide for paying all "windup costs" and final billings, billing adjustments and payments.

Section 19. Miscellaneous

A. Insurance. New England Power will at all times during the term of this Agreement keep the AC Facilities insured against such risks as electric utility companies, similarly situated, constructing and operating like properties, usually insure against. Any uninsured loss, damage, or liability related to the AC Facilities or arising out of New England Power's performance hereunder and any expenses in connection with any such loss, damage, or liability shall be deemed to be an expense reimbursable by the Supporters in accordance with Section 13. New England Power will assist any Supporter, at the Supporter's expense, in obtaining any other insurance coverage related to the AC Facilities that such Supporter requires. Upon request, New England Power will supply certificates of insurance coverage.

B. Limitation of Liability. For and in consideration of the fact that New England Power is undertaking to design, engineer, procure, install, construct, operate, and maintain the AC Facilities for and on behalf of the other Supporters and itself without any compensation or charge other than the payments provided under this Agreement, no Supporter shall be entitled to recover from New England Power or any affiliate or any shareholder, officer, director, employee, or agent of New England Power or any affiliate, any damages resulting from error or delay, whether or not due to negligence, in the

(i) a Participant shall fail to pay when due any amount which it has agreed to pay under any provision of this Agreement, and such failure shall continue for more than 10 days after written notice thereof has been given to such Participant by New Hampshire Hydro; or

(ii) a Participant shall fail to supply in accordance with the terms hereof any documentation required by New Hampshire Hydro in connection with financing with Lenders by New Hampshire Hydro (for VELCO and MMWEC, this includes documentation for their respective contracting electric systems), and such failure shall continue for more than 30 days after written notice of such failure has been given to such Participant by New Hampshire Hydro; or

(iii) a Participant shall admit in writing its inability to pay its debts, or shall make a general assignment for the benefit of its creditors; or any proceeding shall be instituted against a Participant (and is not dismissed within sixty days), or by a Participant, seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, or composition of it or its debt under any law relating to bankruptcy, insolvency or

reorganization or relief of debtors or seeking appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property; or if a Participant shall take any action to authorize any of the actions set forth in this subsection (iii); or

(iv) prior to the retirement of the last amount of New Hampshire Hydro's debt and prior to the reduction of New Hampshire Hydro's equity investment to an amount less than or equal to 10% of its highest previous amount, a Participant shall fail to make a payment of principal under any bank loan or other obligation for borrowed money (including financing leases or other similar arrangements) exceeding the lesser of $1 million or 5% of such Participant's total capitalization, which failure is not excused or cured within the earlier of 30 days or the acceleration of the maturity thereof; or

(v) a Participant shall fail to perform any other obligation under this Agreement in accordance with the terms hereof, and such failure shall continue for more than 30 days after written notice thereof has been given to such Participant by New Hampshire Hydro; or

(vi) a Participant shall experience an event of default under any of the other Basic Agreements or under any of the basic agreements for Phase I listed in the first paragraph of Section 1;

then, and in any such event, in addition to any other rights or remedies that it may have against such Participant by reason thereof, New Hampshire Hydro shall, by written notice to such Participant, terminate all rights of such Participant under this Agreement as of the date of such Event of Default. New Hampshire Hydro may with the approval of the Advisory Committee waive any Event of Default hereunder or grant extensions of time to cure any Event of Default.

B. Immediately upon termination of the rights of a Participant pursuant to A above:

(i) if such terminated Participant was then a Credit Enhanced Participant, then New Hampshire Hydro shall allocate the Participating Share of the terminated Participant to the Equity Sponsors or their appointees in proportion to the Equity Sponsors' then respective equity percentages;

(ii) if such terminated Participant was not then a Credit Enhanced Participant, then New Hampshire Hydro will offer the Participating Share of the terminated Participant as of the date of termination to the Equity Sponsors or their appointees and upon acceptance of the offer

will allocate the Participating Share in accordance with the acceptance (if the offer is oversubscribed by Equity Sponsors, the allocation will be made in proportion to such Equity Sponsors' then respective equity percentages); provided that, if such Participating Share is not so completely allocated, then New Hampshire Hydro will offer such unallocated Participating Share to Participants whose most junior long-term debt securities are then rated at least one grade above investment grade or, if not so rated, who have obtained the consent of all New Hampshire Hydro's Equity Sponsors (if the offer is oversubscribed, the allocation will be made in proportion to respective participating shares); and provided further that such Equity Sponsors or their appointees or Participants receiving such an allocation accept an equal support or participating share under the Phase II New England Power AC Facilities Support Agreement, the Phase II Boston Edison AC Facilities Support Agreement, and the Phase II Massachusetts Transmission Facilities Support Agreement; and

(iii) the Equity Sponsors or their appointees that have been allocated Participating Shares under B (i) or (ii) above or any Participants that have been allocated Participating Shares under B (ii) above or New Hampshire Hydro, if no such allocation is made, shall be entitled to receive in accordance with the Use Agreement from the escrow agent as liquidated damages the allocated share of all Phase II amounts retained under the Use Agreement on or after the date of such termination for the account of such terminated Participant.

C. The terminated Participant shall immediately pay either (i) if an allocation is made under Section 15B, to the Equity Sponsors or their appointees or any Participants that have received such allocation or (ii) otherwise, to New Hampshire Hydro, in addition to any other amounts due under any provisions of this Agreement, an amount equal to its Participating Share of the investment in the Transmission Facilities (including any cost of removal and disposal) less any depreciation and amortization relating to the Transmission Facilities to the date of such payment. In addition, such Participant's payment required by the preceding sentence shall be increased by an amount equal to its Participating Share of the "amounts" determined in Section 11B of the SVC Agreement. New Hampshire Hydro will credit any such amounts it receives from the terminated Participant for the benefit of the Equity Sponsors.

D. New Hampshire Hydro or any Equity Sponsor or any Participant shall be free to invoke such remedies at law or in equity as may be deemed appropriate against any Participant that defaults under this Agreement.

Section 16. Delay, Suspension, Termination, Cancellation, or Shutdown

If at any time New Hampshire Hydro determines that continued planning, construction, or operation of the Transmission Facilities is not advisable for any reason New Hampshire Hydro deems appropriate, it may, after written notice to all Participants, delay, restrict, or suspend planning, construction, or operation, or shut the Transmission Facilities down for a period of less than six months. In accordance with Section 6, the Advisory Committee has responsibility for accepting or rejecting a proposal submitted by New Hampshire Hydro recommending a delay, restriction, suspension, termination, or cancellation of planning or construction, or shut down of the Transmission Facilities for a period of six months or longer or permanently. In any case in which New Hampshire Hydro determines that safety considerations require an immediate shutdown, it shall proceed without consultation with the Advisory Committee or written notice to the Participants.

If the Advisory Committee has determined that (i) planning or construction of the Transmission Facilities is to be terminated or cancelled, or (ii) the Transmission Facilities are to be permanently shutdown, then New Hampshire Hydro shall

give each Participant not less than ninety days advance written notice of any such event. Each Participant shall pay to New Hampshire Hydro within such notice period an amount, as specified in such notice and calculated as of the date of the event so notified, equal to its Participating Share of the "amounts" determined in the second paragraph of Section 12 of the SVC Agreement plus the greater of:

(a) its Participating Share of the investment in the Transmission Facilities (less any depreciation and amortization to the date of payment) together with all costs relating to or resulting from such termination, cancellation or permanent shutdown, including any premiums and penalties incurred because of the early retirement of any indebtedness and further including without limitation any costs of total or partial demolition and disposal of the Transmission Facilities net of any actual salvage value received by New Hampshire Hydro including the proceeds from any sale and net of the actual proceeds received by New Hampshire Hydro from any condemnation proceeding or insurance for destruction; or

(b) its Participating Share of the then total capital of New Hampshire Hydro plus any premiums and penalties incurred because of the early

retirement of any financing plus without limitation any costs of total or partial demolition and disposal of the Transmission Facilities net of any actual salvage value received by New Hampshire Hydro including the proceeds from any sale and net of the actual proceeds received by New Hampshire Hydro from any condemnation proceeding or insurance for destruction.

If New Hampshire Hydro and the Advisory Committee agree on the decision to terminate, cancel or permanently shutdown the Transmission Facilities under this Section 16, New Hampshire Hydro shall have and retain, upon termination of this Agreement, the right to sell the Transmission Facilities (including New Hampshire Hydro's rights to Transmission Facilities in Vermont and the SVC Facilities in Maine) at fair market value to any NEES affiliate of New Hampshire Hydro. Any amounts received from such sale shall be considered salvage value under (a) or (b) above. If New Hampshire Hydro's recommendation to terminate, cancel or permanently shutdown is not adopted by the Advisory Committee, New Hampshire Hydro shall be paid an amount determined in accordance with this Section 16 and if directed by the Advisory Committee shall transfer its rights, assets, and obligations related to the Transmission Facilities to the Participants or any group or designee thereof. New Hampshire Hydro's lease of the right-of-way shall be assigned in connection with such transfer.

If New Hampshire Hydro is paid such amount and transfers its rights, assets, and obligations related to the Transmission Facilities to the Participants or any group or designee thereof, New Hampshire Hydro shall refund any costs of total or partial demolition and disposal of the Transmission Facilities to such Participants or group or designee thereof.

Section 17. Termination by New Hampshire Hydro

If at any time New Hampshire Hydro elects and so notifies in writing all Participants that, as a result of a default under Section 15, the Participating Share of a terminated Participant cannot be allocated to Equity Sponsors or their appointees or other Participants pursuant to Section 15B and the aggregate of the Participating Shares of all nonterminated Participants is less than 100%, each such other Participant's participation hereunder shall terminate on a date (effective date of termination) not less than 90 days after the date of New Hampshire Hydro's written notice, and each such other Participant on or before the effective date of termination shall pay to New Hampshire Hydro an amount calculated in accordance with the second paragraph of Section 16.

Upon termination of this Agreement pursuant to this Section 17, New Hampshire Hydro shall offer each Participant which (i) was not a terminated Participant immediately prior to termination of the Agreement pursuant to this Section 17 and (ii) has paid all amounts due under the first paragraph of this Section 17, an opportunity to participate in a new support agreement, provided that all participants in such new support

agreement agree to pay 100% of the costs of service of New Hampshire Hydro, including, without limitation, the "amounts" that New Hampshire Hydro must pay to Chester SVC Partnership pursuant to Section 8 of the SVC Agreement. The new support agreement will have a term equal to the remaining term of this Agreement. Other provisions of the new support agreement will be substantially similar to those in this Agreement. The investment in the Transmission Facilities under the new support agreement shall be reduced by any amount received as termination payments hereunder which would be properly applied to utility plant accounts in accordance with the Uniform System less any costs of termination or premiums or penalties incurred because of the early retirement of any financing of New Hampshire Hydro. Any participant in the new support agreement shall also be a supporter of the AC facilities of New England Power and Boston Edison Company and the transmission facilities of New England Hydro.

No termination of this Agreement shall relieve any party of any obligation arising prior to making the payment to New Hampshire Hydro required by the first paragraph of this Section 17. In addition, notwithstanding the termination of this Agreement for other purposes, this Agreement shall continue in effect to the extent necessary to provide for paying all "windup costs" and final billings, billing adjustments and payments.

Section 18. Debt Service Fund

New Hampshire Hydro may establish and maintain at its option a Debt Service Fund with funds which may be borrowed from unaffiliated third parties. The Debt Service Fund may be assigned in connection with a financing by New Hampshire Hydro with the Lenders in order to provide assurance to such Lenders that New Hampshire Hydro will pay its debt service obligations in a timely manner.

The Debt Service Fund shall not exceed the lesser of (i) the amount required to pay six months of interest on indebtedness plus five percent of the largest principal amount of debt outstanding at any time plus any accrued earnings from investment of the amounts in the Debt Service Fund not yet credited to Support Charges as provided in Section 12 or (ii) the total amount of debt service remaining to be paid.

Section 19. Cash Deficiency Commitment

A. "Cash Deficiency" attributed to a Participant means with respect to any Due Date, the amount by which that Participant's Participating Share of the aggregation of the principal of, premium, if any, and interest on any of the funds borrowed by New Hampshire Hydro from Lenders to finance the Transmission Facilities or the construction thereof and payable on such Due Date (whether at maturity, pursuant to mandatory prepayment, by acceleration or otherwise) exceeds the amount of cash from such Participant's payments made under any other section of this Agreement and available to New Hampshire Hydro for repayment to Lenders of such borrowed funds.

B. If New Hampshire Hydro has a Cash Deficiency attributed to a Participant on any Due Date, that Participant agrees that it shall absolutely and unconditionally guarantee to pay its Cash Deficiency on demand of Lenders, to be paid directly on demand to Lenders, in cash, provided, however, that no Cash Deficiency attributed to a Participant shall include any unpaid obligations hereunder of other Participants.

For purposes of this Section 19, "Due Date" shall mean the date any payments are due and payable under the terms of any indebtedness of New Hampshire Hydro with Lenders.

C. Payments by Participants under this section shall be considered by New Hampshire Hydro to be prepayments of amounts due or to become due to New Hampshire Hydro pursuant to any other section hereof.

Section 20. Miscellaneous

A. Insurance. New Hampshire Hydro will at all times during the term of this Agreement keep the Transmission Facilities insured against such risks as electric utility companies, similarly situated, constructing and operating like properties, usually insure against. Any uninsured loss, damage, or liability related to the Transmission Facilities or arising out of New Hampshire Hydro's performance hereunder and any expenses in connection with any such loss, damage, or liability shall be deemed to be an expense reimbursable by the Participants in accordance with Section 12. New Hampshire Hydro will assist any Participant, at the Participant's expense, in obtaining any other insurance coverage related to

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the Transmission Facilities that such Participant requires. Upon request, New Hampshire Hydro will supply certificates of insurance coverage.

B. Limitation of Liability. For and in consideration of the fact that New Hampshire Hydro is undertaking to design, engineer, procure, install, construct, operate, and maintain the Transmission Facilities for and on behalf of Participants without any compensation or charge other than the payments provided under this Agreement, no Participant shall be entitled to recover from New Hampshire Hydro or any affiliate or any shareholder, director, officer, employee, or agent of New Hampshire Hydro or any affiliate, any damages resulting from error or delay, whether or not due to negligence, in the design, engineering, procurement, installation or construction of the Transmission Facilities, or for any damage to the Transmission Facilities, any curtailment of power, or any other damages of any kind, including but not limited to consequential damages, arising out of or in connection with the performance of this Agreement by New Hampshire Hydro. Notwithstanding the above limitation, if New Hampshire Hydro is found by a court of competent jurisdiction to have intentionally violated this Agreement in a material manner or to have acted hereunder in a grossly negligent manner and if such court finding is final and no longer subject to appeal, then the Participants shall be entitled to recover from New Hampshire Hydro direct damages (but not consequential or any other damages) resulting from such material intentional violation or gross negligence, unless

New Hampshire Hydro's actions or omissions have been expressly approved in advance by the Advisory Committee. New Hampshire Hydro will use its best efforts to enforce all contracts related to the construction and operation of the Transmission Facilities for the benefit of New Hampshire Hydro and the Participants.

C. Audit. New Hampshire Hydro will arrange for an annual audit to be performed by an independent public accounting firm of recognized standing selected by New Hampshire Hydro. The costs of the annual audit will be included in the operating expenses under Section 12. The books and records of New Hampshire Hydro (including metering records) shall be open to reasonable inspection and audit by any Participant. The costs of any such additional audit, including the costs of New Hampshire Hydro in connection with such audit, shall be borne by the Participant or Participants requesting such audit. New Hampshire Hydro will promptly make any reasonable corrections necessitated as a result of the annual audit or an additional audit.

D. Cost Reimbursement. In the event New Hampshire Hydro reasonably incurs any costs not provided for elsewhere herein in connection with or as a result of planning, organizing, documenting, construction, suspensions, rescheduling, cancellation, operation, maintenance, shutdown, demolition, disposition, or termination of the Transmission Facilities, or otherwise arising in connection with this Agreement, each Participant shall promptly reimburse to New Hampshire Hydro,

within 15 days of the mailing date of the invoice, its Participating Share of such costs. Each Participant's obligation to reimburse New Hampshire Hydro under this Section shall also include its Participating Share of the amounts that New Hampshire Hydro must pay to Chester SVC Partnership under Section 11B or Section 12 of the SVC Agreement. However, New Hampshire Hydro will endeavor to finance any additional costs, to the extent such additional costs are properly capitalizable, over the shorter of the then remaining useful life of the Transmission Facilities, the remaining term of the Agreement, or the remaining term of its permanent financing. For the purpose of this subsection, the Transmission Facilities shall include the SVC Facilities as defined in the SVC Agreement.

E. Uncontrollable Force. No delay or failure in the performance of any obligation by New Hampshire Hydro shall be deemed to exist if it is the result of an "uncontrollable force". The term "uncontrollable force" shall be deemed to mean any cause beyond the reasonable control of New Hampshire Hydro, which New Hampshire Hydro could not reasonably have been expected to avoid by exercise of due diligence and foresight, including, without limiting the generality of the foregoing, storm, flood, lightning, earthquake, fire, explosion, failure of facilities not due to lack of proper care or maintenance, civil disturbance, labor disturbance, sabotage, war, national emergency, or restraint by court or public authority. In such event, New Hampshire Hydro shall use reasonable diligence to notify the Participants of such event.

F. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of, and may be performed by, the successors and assigns of the parties and shall also be binding, insofar as permitted by law, on any receiver or trustee in bankruptcy, receivership, or reorganization of any party. Except (i) for a reallocation resulting from a default as provided in Section 15, (ii) for a sale, merger, or consolidation which is approved by New Hampshire Hydro and results in the transfer of substantially all of a Participant's assets to, and the assumption of all of the Participant's obligations hereunder by, an electric utility which is a member of NEPOOL, and (iii) for an assignment by New Hampshire Hydro to a NEES affiliate of New Hampshire Hydro which expressly assumes New Hampshire Hydro's rights and obligations hereunder and acquires the Transmission Facilities, and (iv) for a transfer of any or all of a Participant's Participating Share prior to the Effective Date as provided in Section 4A hereof, no assignment of this Agreement shall operate to relieve the assignor of its obligations under this Agreement without the written consent of the parties hereto. In addition to New Hampshire Hydro's right to assign to an affiliate, New Hampshire Hydro may assign, without the consent of the Participants, its right, title, and interest in this Agreement, in whole or in part, and any security interests contained herein or granted hereunder, to one or more banks, investment banking firms, insurance companies, other financial institutions, or others as collateral security for New

Hampshire Hydro's obligations in connection with financing the Transmission Facilities. Written notice to all parties will be given prior to any assignment hereunder.

G. Right of Setoff. No Participant shall be entitled to set off against the payments required to be made by it hereunder (1) any amounts owed to it by New Hampshire Hydro, any affiliate of New Hampshire Hydro, any Equity Sponsor, or any other Participant or (2) the amount of any claim by it against New Hampshire Hydro, any affiliate of New Hampshire Hydro, any Equity Sponsor, or any other Participant. However, the foregoing shall not affect in any other way any Participant's rights and remedies with respect to any such amounts owed to it by New Hampshire Hydro, any affiliate of New Hampshire Hydro, any Equity Sponsor, or any other Participant or any such claim by it against New Hampshire Hydro or any other Participant.

H. Amendments. New Hampshire Hydro shall have the right to amend the provisions of Section 12 hereof from time to time by serving an appropriate statement of such amendment upon the Participants and filing the same with the Federal Energy Regulatory Commission (or such other regulatory agency as may have jurisdiction) in accordance with the provisions of applicable laws and any rules and regulations thereunder, and the amendment shall thereupon become effective on the date specified therein, subject to any suspension order duly issued by such agency. The Participants have the right to intervene in any regulatory proceeding brought by New Hampshire Hydro to consider such amendment of the provisions of Section 12.

Any amendments changing the Participating Shares of the Participants, the rights of the Participants or a Participant as specified in Section 11, or the several nature of the obligations and rights of the Participants hereunder as specified in Section 5, shall require consent by all parties. All other amendments to this Agreement shall be by mutual agreement of New Hampshire Hydro and Participants owning Participating Shares aggregating at least 66 2/3%, evidenced by a written amendment signed by New Hampshire Hydro and such Participants; and New Hampshire Hydro and all Participants shall be bound by any such amendment.

I. Notices. Except as the parties may otherwise agree, any notice, request, bill, or other communication, relating to this Agreement, or the rights, obligations or performance of the parties hereunder, shall be in writing and shall be effective upon delivery. Any such communication shall be considered as duly delivered when delivered in person or mailed by registered or certified mail, postage prepaid, to the respective post office address of the other parties shown following the signatures of such other parties hereto, or such other address as may be designated by written notice given as provided in this paragraph I.

J. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of The Commonwealth of Massachusetts.

K. Other.

(1) No action, regardless of form, arising out of this Agreement may be brought by any party hereto more than three years after the cause of action has arisen.

(2) In the event that any clause or provision of this Agreement, or any part thereof, shall be declared invalid or unenforceable by any court having jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining portions of this Agreement.

(3) All provisions of this Agreement providing for limitation of, or protection against, liability shall apply to the full extent permitted by law, and regardless of fault, and shall survive either termination pursuant to this Agreement or cancellation.

(4) Each party shall, upon request of another party, execute and deliver any document reasonably required to implement any provision hereof.

(5) Any number of counterparts of this Agreement may be executed and each shall have the same force and effect as the original.

(6) This Agreement, with the other Basic Agreements, Preliminary Quebec Interconnection Support Agreement - Phase II, the agreements with Hydro-Quebec regarding Phase II, and the basic agreements covering Phase I shall constitute the entire understanding among the parties and shall supersede any and all previous understandings pertaining to the subject matter of this Agreement.

(7) This Agreement is the act and obligation of the parties hereto in their corporate or governmental capacity, and any claim hereunder against any shareholder, director, officer, employee, or agent of any party, as such, is expressly waived.

Section 21. Refund of Gain on Sale or Other Disposition of Transmission Facilities

In the event that any of the Transmission Facilities are sold or otherwise disposed of during the term of this Agreement, if the Net Proceeds (defined as the amount received from such sale or disposition less all costs relating to or resulting from such sale or disposition, including without limitation any income taxes relating to or resulting from such sale or disposition, any premiums and penalties incurred because of the early retirement of any indebtedness associated with the sold or disposed of Transmission Facilities, and any costs of total or partial demolition of the sold or otherwise disposed of Transmission Facilities) from such sale or disposition exceed the greater of (i) the investment in the entire Transmission Facilities (less any depreciation and amortization to the date of sale or disposition) or (ii) the then total capital of New Hampshire Hydro (as defined in Section 12), New Hampshire Hydro shall (a) refund to the then current Participants, in proportion to their then current Participating Shares, any such excess, and (b) credit to the accumulated provision for depreciation and amortization related to the investment in the Transmission Facilities the investment in the entire Transmission Facilities (less any depreciation

and amortization to the date of sale or disposition). The total capital of New Hampshire Hydro, for the purposes of this section, may exceed the investment in the entire Transmission Facilities (less any depreciation and amortization to the date of sale or disposition) due to (1) any reserve for deferred income taxes paid by New Hampshire Hydro or (2) for other reasons related to the investment in the Transmission Facilities. If the Net Proceeds do not exceed the greater of (i) or (ii) above, the Net Proceeds will be credited to the accumulated provision for depreciation and amortization related to the investment in the Transmission Facilities in lieu of payment to the Participants. The Participants agree to flow through any such refunds to their customers and shall seek any necessary regulatory approvals to reflect in their rates any such refunds and the effect of any such credits to the accumulated provision for depreciation and amortization related to the investment in the Transmission Facilities; except that to the extent that a Participant's customers' rates have not reflected all or a portion of that Participant's share of the costs of the Transmission Facilities, then that Participant agrees that a complete flow-through of such refunds may not be appropriate and that particular Participant shall seek any necessary regulatory approvals for the appropriate disposition of an appropriate portion of such refunded amounts or credits.

IN WITNESS WHEREOF, the signatories have caused this Agreement to be executed by their duly authorized officers or agents.

NEW ENGLAND HYDRO-TRANSMISSION CORPORATION

s/R.O. Bigelow

By _____
Its President

c/o New England Power Service Company
Address: 25 Research Drive
Westborough, MA 01582

VERMONT ELECTRIC POWER COMPANY, INC.

Vermont Electric Power Company, Inc., as agent for each Vermont electric utility named, and with authority to bind each such utility to the extent of the percentage interest of the VELCO entitlement hereunder that is specified, on Schedule 1 to this signature page

s/S. John Zuckernick

By _____
Its President

Address: Pinnacle Ridge Road
P. O. Box 548
Rutland, VT 05701

CENTRAL MAINE POWER COMPANY

s/Donald F. Kelly

By _____
Its Vice President of Power Supply

Address: Edison Drive
Augusta, ME 04336

BOSTON EDISON COMPANY

s/Stephen J. Sweeney

By _____
Its President & CEO

Address: 800 Boylston Street
Boston, MA 02199

CHICOPEE MUNICIPAL LIGHTING PLANT

s/Herve L. Plasse

By _____
Its Manager

Address: 725 Front Street
Chicopee, MA 01013

THE CONNECTICUT LIGHT AND POWER COMPANY
WESTERN MASSACHUSETTS ELECTRIC COMPANY
HOLYOKE WATER POWER COMPANY
HOLYOKE POWER AND ELECTRIC COMPANY

s/William B. Ellis

By _____
Their Chairman
c/o Northeast Utilities Service Company
Address: P. O. Box 270
Hartford, CT 06141-0270

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY

s/Frank L. Childs

By _____
Its President

Address: 285 John Fitch Highway
P. O. Box 2070
Fitchburg, MA 01420

THE UNITED ILLUMINATING COMPANY

s/Richard J. Grossi

By _____
Its Exec. Vice President

Address: 80 Temple Street
New Haven, CT 06506

NEW ENGLAND POWER COMPANY

s/J.F. Kaslow

By _____
Its

Address: 25 Research Drive
Westborough, MA 01582

BANGOR HYDRO-ELECTRIC COMPANY

s/T.A. Greenquist

By _____
Its President

Address: 33 State Street
Bangor, ME 04401

CANAL ELECTRIC COMPANY

s/Jeremiah V. Donovan

By _____
Its President

Address: 675 Massachusetts Avenue
Cambridge, MA 02139

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

s/R.J. Harrison

By _____
Its President & Chief Executive Officer

Address: 1000 Elm Street
P. O. Box 330
Manchester, NH 03105

MONTAUP ELECTRIC COMPANY

s/Arthur A. Hatch

By _____
Its Vice President
c/o Eastern Utilities Associates
Address: P. O. Box 2333
Boston, MA. 02107

MASSACHUSETTS MUNICIPAL WHOLESALE ELECTRIC COMPANY

s/Richard K. Byrne

By _____
Its General Manager & Secretary

Address: P. O. Box 426
Ludlow, MA 01056

TAUNTON MUNICIPAL LIGHTING PLANT

s/Joseph M. Blain

By _____
Its General Manager

Address: 55 Weir Street
Taunton, MA 02780

CONNECTICUT MUNICIPAL ELECTRIC ENERGY COOPERATIVE

s/Maurice R. Scully

By _____
Its Executive Director

Address: 268 Thomas Road
Groton, CT 06340

NEWPORT ELECTRIC CORPORATION

s/Elliot G. Whitney

By _____
Its President & Gen. Mgr.

Address: 12 Turner Road
P. O. Box 4128
Middletown, R.I. 02840-0011

UNITIL POWER CORP.

s/David K. Foote

By _____
Its Vice President

Address: 435 South River Road
RFD #5
Bedford, NH 03102-6197

PEABODY MUNICIPAL LIGHT PLANT

s/Bruce P. Patten

By _____
Its Manager

Address: 70 Endicott Street
Peabody, MA 01960

APPROVED:

s/William A.
By Kennedy, Jr.
Town Manager of Town of Holden

TOWN OF HOLDEN

s/Neil E. Murray
By _____
Its Light Department Operating Manager

Address: Reservoir Street
Holden, MA 01520

Town of Holden

Light Department's
1980 Kilowatthour load 63,676,000

TOWN OF MIDDLEBOROUGH

s/John W. Dunfey
By _____
Its General Manager

Address: 32 South Main Street
Middleborough, MA 02346

Town of Middleborough

Light Department's
1980 Kilowatthour load 92,081,000

TOWN OF WAKEFIELD

s/William J. Wallace
By _____
Its Manager

Address: Wakefield Mun. Lt. Dept.
9 Albion Street
Wakefield, MA 01880

Town of Wakefield

Light Department's
1980 Kilowatthour load 107,609,000

TOWN OF NORTH ATTLEBORO

s/David Sweetland
By _____
Its Manager

Address: P.O. Box 790Street
North Attleboro, MA 02761

Town of North Attleboro

Light Department's
1980 Kilowatthour load 93,816,000

TOWN OF BOYLSTON

s/Edward H. Kimbell
By _____
Its Manager

Address: Sanatorium Road
Boylston, MA 01505

Town of Boylston

Light Department's
1980 Kilowatthour load 17,324,000

TOWN OF HINGHAM

s/Joseph R. Spadea, Jr.
By _____
Its Manager

Address: Hingham Municipal
Lighting Plant
19 Elm Street
Hingham, MA 02043

Town of Hingham

Light Department's
1980 Kilowatthour load 103,929,000

TOWN OF ROWLEY

s/G. Robert Merry
By _____
Its Manager

Address: Rowley Municipal Lighting Plant
47 Summer Street
Rowley, MA 01969

Town of Rowley

Light Department's
1980 Kilowatthour load 13,551,000

TOWN OF HUDSON

s/Horst Huehmer
By _____
Its Manager

Address: TOWN OF HUDSON
Light & Power Department,
Hudson, MA

WESTFEILD GAS & ELECTRIC LIGHT DEPARTMENT

s/Daniel Golubek

By _____
Its Manager

Address: 100 Elm Street
Westfield, MA 01085

TOWN OF BRAINTREE ELECTRIC LIGHT DEPARTMENT

s/Walter R. McGrath

By _____
Its General Manager

Address: 44 Allen Street
Braintree, MA 02184

Town of Braintree — Light Department's 1980 Kilowatthour load 267,289,000

TOWN OF DANVERS

s/Wayne P. Marquis

By _____
Its Town Manager

s/Michael W. Madore

By _____
Its Electric Superintendent

Address: Electric Division
2 Burroughs Street
Danvers, MA 01923

Town of Danvers — Light Department's 1980 Kilowatthour load 206,806,000

TOWN OF WEST BOYLSTON

s/Charles H. Coughlin

By _____
Its Manager

Address: 4 Crescent Street
West Boylston, MA 01583

Town of West Boylston — Light Department's 1980 Kilowatthour load 43,974,000

CITY OF HOLYOKE

s/G.E. Leary

By _____
Its Manager

Address: Gas & Electric Department
70 Suffolk Street
Holyoke, MA 01040

City of Holyoke — Light Department's 1980 Kilowatthour load 232,301,707

TOWN OF READING

s/Allan Ames

By _____
Its Secretary, Reading Municipal Light Board

Address: 25 Haven Street
P.O. Box 150
Reading, MA 01867

Town of Reading — Light Department's 1980 Kilowatthour load 401,794,849

CONCORD MUNICIPAL LIGHT PLANT

s/Steven E. Sheiffer

By _____
Its Town Manager

Address: 135 Keyes Road
Concord, MA 01742

TOWN OF GROTON

s/Roger H. Beeltje

By _____
Its Manager of Municipal Lght.

Address: Groton Electric Light
Department
Station Avenue
Groton, MA 01450

Town of Groton

Light Department's
1980 Kilowatthour load 22,908,000

TOWN OF PRINCETON

s/Richard F. Wheeler

By _____
Its Manager

Address: Municipal Light Department
4 Town Hall Drive
P.O. Box 247
Princeton, MA 01541-0247

Town of Princeton

Light Department's
1980 Kilowatthour load 7,130,000

TOWN OF SHREWSBURY

s/Thomas R. Josie

By _____
Its Acting General Mgr.

Address: 100 Maple Avenue
Shrewsbury, MA 01545

Town of Shrewsbury

Light Department's
1980 Kilowatthour load 146,303,000

TOWN OF STERLING

s/William H. Rugg

By _____
Its Manager

Address: 50 Main Street
Sterling, MA 01564-0430

Town of Sterling

Light Department's
1980 Kilowatthour load 24,510,000

TOWN OF SOUTH HADLEY

s/Wayne D. Doerpholz

By _____
Its Manager

Address: 85 Main Street
South Hadley, MA

Town of South Hadley

Light Department's
1980 Kilowatthour load 99,981,000

VELCO SCHEDULE 1

Vermont Phase II Participant	1980 Kilowatthour Load	Percentage Interest
Central Vermont Public Service Corporation	1,895,922,200	58.1197
Citizens Utilities Company	184,496,600	5.6558
Franklin Electric Light Company, Inc.	7,159,900	0.2195
Green Mountain Power Corporation	1,174,519,500	36.0050

Schedule I

Vermont Electric Power Company, Inc.
Contracting Electric Systems

Central Vermont Public Service Corporation
Citizens Utilities Company
Franklin Electric Light Company, Inc.
Green Mountain Power Corporation

Schedule II

Massachusetts Municipal Wholesale Electric Company
Contracting Electric Systems

Massachusetts Systems

Town of Ashburnham Municipal Light Plant
Town of Georgetown Municipal Light Department
Town of Hull Municipal Lighting Plant
Town of Littleton Electric Light Department
Town of Mansfield Municipal Electric Department
Town of Marblehead Municipal Light Department
Town of Middleton Municipal Electric Department
Town of Paxton Municipal Light Department
Town of Templeton Municipal Lighting Plant

Rhode Island System

Pascoag Fire District

ATTACHMENT A

Except as provided below, if any participant does not receive required consents, waivers, regulatory approvals, or other actions of governmental authorities within the time period required by this Agreement, the listing of participants and 1980 kilowatthour load will be appropriately modified.

Participant	1980 Kilowatthour Load
The Connecticut Light and Power Company	16,002,437,000
Western Massachusetts Electric Company	3,252,432,000
Holyoke Water Power Company	106,905,000
Holyoke Power and Electric Company	0
New England Power Company	15,444,975,840 (a), (b)
Boston Edison Company (Edison)	9,531,773,000 (b), (c)
Central Maine Power Company	6,053,571,000
Public Service Company of New Hampshire	5,043,242,871 (d)
The United Illuminating Company	4,715,078,120
Vermont Electric Power Company	3,262,098,200
Canal Electric Company	3,227,553,000
Montaup Electric Company	3,096,872,000 (e)
Bangor Hydro-Electric Company	1,305,625,118
Connecticut Municipal Electric Energy Cooperative	718,177,538
GRITIL Power Corp.	609,873,261 (f)
Massachusetts Municipal Wholesale Electric Company	470,025,000
Town of Reading Municipal Light Department	401,795,000
Newport Electric Corporation	382,745,000
Fitchburg Gas and Electric Light Co.	369,055,118
Taunton Municipal Lighting Plant	307,460,361
City of Chicopee Municipal Lighting Plant	279,273,169
Town of Braintree Electric Light Department	267,289,000
City of Peabody Municipal Light Plant	245,010,000
City of Westfield Gas & Electric Light Department	219,026,000
City of Holyoke Gas & Electric Light Department	214,448,000
Town of Danvers Electric Department	206,806,000
Town of Shrewsbury Electric Light Department	146,303,000
Hudson Light and Power Department	127,808,000
Town of Wakefield Municipal Lighting Department	107,609,000
Town of Hingham Municipal Lighting	103,929,000
Town of South Hadley Electric Light Department	99,981,000
Town of North Attleborough Electric Department	93,816,000
Town of Middleborough Gas and Electric Department	92,081,000
Town of Holden Municipal Light Department	63,676,000
Town of West Boylston Municipal Lighting Department	43,974,000
Town of Sterling Municipal Electric Department	24,510,000
Town of Groton Electric Light Department	22,908,000
Town of Boylston Municipal Light Department	17,324,000
Town of Rowley Municipal Light Department	13,551,000
Princeton Municipal Light Department	7,130,000
Town of Concord Municipal Light Plant	0 (c)
	76,698,146,596

(a) Includes New Hampshire retail 1980 kilowatthour load of 434,290,243.

(b) The 1980 Kilowatthour loads shown for Boston Edison Company and New England Power Company have been adjusted to reflect the current status of Norwood as a full requirements customer of New England Power Company.

(c) As of June 1, 1985, Concord continues to be a full requirements customer of Edison. At such time as Concord ceases to be a full requirements customer of Edison, for purposes of this Agreement, Concord shall have an additional Participating Share equal to 1.087% of Edison's initial Participating Share (based on a 1980 Kwh load of 103,629,000 Kwh for Concord) and Edison's Participating Share shall be reduced by such amount.

(d) Includes New Hampshire retail 1980 kilowatthour load of 4,939,218,744.

(e) The amount shown for Montaup Electric Company includes the load of the other members of the Eastern Utilities Associates system.

(f) The amount shown for UNITIL Power Corp. represents the 1980 kilowatthour load of its affiliates, Concord Electric Company and Exeter & Hampton Electric Company.

ATTACHMENT B

Description of the Transmission Facilities

The Transmission Facilities will include the following:

(1) the continuation of a single circuit ± 450 kV DC line on an existing right-of-way from the Comerford Substation to the New Hampshire state line at Hudson, a distance of 121 miles;

(2) communication equipment located in New Hampshire; and

(3) such other facilities in New Hampshire and Vermont as approved by the Advisory Committee.

ATTACHMENT C

Forms of the following documentation:

1. Opinion of Counsel
2. Certificate
3. Incumbency and Signature Certificate
4. Directors' Vote

[Please note - governmental entities may make appropriate modifications to these documents to reflect that they are not corporations.]

[Form of Opinion of Counsel for Each Utility Participant]

New England Hydro-Transmission
Electric Company, Inc.;
New England Hydro Transmission
Corporation; or
New England Power Company

Gentlemen:

This opinion is furnished in connection with the execution and delivery by _____ (the Company) of the following Agreements: _____.

We have acted as counsel to the Company, one of the Utility Participants, in connection with the execution and delivery of the Basic Agreements. We participated in reviewing and/or drafting the Agreements.

As general [special] counsel to the Company, we are generally familiar with its affairs. [If special counsel is giving the opinion, describe relationship to the Company.] We have reviewed the proceedings taken by the Company in connection with its authorization, execution, and delivery of the Agreements and any documentation supplied by the Company thereunder. We have also examined executed counterparts of the Agreements, have made such other investigation, and have examined such other records and documents, and have made such examination of law and satisfied ourselves as to such other matters as we have deemed relevant and necessary in order to enable us to express the opinions set forth below.

Based upon and subject to the foregoing and to the further qualifications in this opinion, we are of the opinion that:

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of [the jurisdiction of its incorporation], has the corporate power to own its assets and to transact the business in which it is engaged, and is duly qualified as a foreign corporation in, and is in good standing under the laws of, each jurisdiction in which the conduct of its business or the ownership of its assets requires such qualification.

2. The Company has (and in the case of the Agreements at the time of execution and delivery thereof, had) full corporate power, and legal right to execute, deliver and perform the Agreements, and the Company has taken all necessary corporate action to authorize the execution, delivery, and performance by it of the Agreements.

3. The execution, delivery, and performance by the Company of the Agreements do not (a) contravene the Company's [charter documents] or by-laws, (b) violate any applicable law, rule, regulation, order, writ, judgment, injunction, decree, or award known to us by which the Company is bound, (c) violate any indenture, instrument, or agreement known to us by which the Company is bound, or (d) result in or require the creation or the imposition of any lien pursuant to the provisions of any indenture, instrument, or agreement known to us by which the Company is bound.

4. No authorization, approval, consent, or other action by, and no notice to or filing with, any federal, state, or other governmental authority or regulatory body which has not been obtained or given and is not in full force and effect is required for the valid and lawful execution, delivery, and performance by the Company of the Agreements. [In this connection, to the extent it may be required by law, the approval of the Massachusetts Department of Public Utilities [Connecticut PUC, or other] has been given for the Agreements and the Company's performance thereunder by order(s) dated _____, which remains in full force and effect.]

5. The Agreements have each been duly executed and delivered by the Company and constitute the legal, valid, and binding obligations of the Company enforceable against it in accordance with their respective terms.

6. No action, suit, proceeding, or investigation at law or in equity or by or before any governmental instrumentality or other agency now pending or threatened against or affecting the Company or its property or rights which, if adversely determined, would materially impair the ability of the Company to perform its obligations under the Agreements is known to us.

Our opinion that the Agreements are enforceable, each in accordance with the terms thereof, is qualified to the extent that the enforcement of the rights and remedies created thereby is subject to bankruptcy, insolvency, reorganization, and similar laws of general application affecting the rights and remedies of creditors and secured parties, and to the further extent that the availability of the remedies of specific enforcement, injunctive relief, or any other equitable remedy is subject to the discretion of the court before which any proceeding therefor may be brought.

Very truly yours,

CERTIFICATE

I, (insert name), the Clerk (or Secretary or other principal recording officer) of (insert name of Utility Participant), a (insert state of organization) (the "Company") do hereby certify that:

(1) Attached hereto as Exhibit A is a true and correct copy of a vote duly adopted at a meeting of the Board of Directors of the Company, duly called and held on _____, 198_, and that such vote and the authority vested thereby have not been amended or revoked and are still in full force and effect.

(2) Attached hereto as Exhibit B is a true and correct copy of the Articles of Organization (or other charter documents) of the Company, as amended and in effect as of the date of this Certificate.

(3) Attached hereto as Exhibit C is a true and correct copy of the By-Laws of the Company, as amended and in effect as of the date of this Certificate.

(4) The persons (or person) listed on Exhibit D have been duly elected to the offices set forth adjacent to their respective names since the first day of June, 1985, and the signatures adjacent to their respective names are the genuine signatures of said officers.

IN WITNESS WHEREOF, I have placed my hand and the seal of the Company this _____ day of _____, 198_.

By _____

Name:
Title:

CONFIRMATION OF INCUMBENCY AND SIGNATURE OF
CLERK, SECRETARY, OR OTHER PRINCIPAL RECORDING OFFICER

I, (name), (title) of the Company, do hereby certify that (name of officer executing certificate) is and at all times subsequent to _____, 198_, has been the duly elected (title) of the Company and that the signature adjacent to his (or her) name is the genuine signature of said officer.

By _____

Name:
Title:

FORM OF DIRECTORS' VOTE APPROVING AGREEMENTS

VOTED: That in connection with this Company's participation in the Phase II expansion of the proposed interconnection between the New England Power Pool companies and Hydro-Quebec, the execution and delivery on behalf of this Company by _____, President, of the following agreements: (being collectively referred to in this vote as "Agreements") copies of which Agreements have been presented at this meeting, are hereby authorized, approved, ratified, and confirmed, and that the officers of this Company are further authorized severally to take any and all such further actions including the execution and delivery of such further documents, as such officers or any of them may deem necessary or appropriate in connection with the actions and documents authorized by this vote.

ATTACHMENT E

Subscription Process for Determining Initial Participating Shares

After allocation of up to 10% of the Participating Shares pursuant to Section 4(B)(1) and (2), the remaining shares shall be allocated to Participants as follows:

a. Each Participant shall be entitled to a pro rata share of the remainder based on its 1980 Kwh load as a percentage of all Participants' 1980 Kwh loads.

b. Upon execution of this Agreement, each Participant may subscribe for more or less than its share under (a) above.

c. If there are no undersubscriptions or oversubscriptions under (b) above or if the sum of the shares under (a) or (b) above for all Participants equals 100% of such remaining shares, then each Participant shall have a share as determined under (a) or (b) above. (For the purposes of this section, oversubscription shall mean, with respect to any Participant, a subscription under (b) above of more than its share under (a) above. For the same purposes, undersubscription shall mean, with respect to any Participant, a subscription under (b) above of less than its share under (a) above. The amount of such oversubscription shall be equal to (b) minus (a) and the amount of such undersubscription shall be equal to (a) minus (b).)

d. If there are undersubscriptions but no oversubscriptions or if there are oversubscriptions but no undersubscriptions, then each Participant shall have a share as determined under (a) above.

e. If the net result of subtracting the aggregate amount of all undersubscriptions from the aggregate amount of all oversubscriptions is greater than zero, the aggregate amount of all oversubscriptions must be reduced to the aggregate amount of all undersubscriptions. This amount shall be referred to as the total permitted amount of oversubscriptions. Each oversubscriber shall initially be allocated a share of the total permitted amount of oversubscriptions (pro rata by the 1980 kwh loads of the oversubscribers); provided that no oversubscriber shall be allocated more than its requested amount under (b) above. Any remaining unallocated portion of the total permitted amount of oversubscriptions shall be allocated to all oversubscribers that have not yet reached their requested amount under (b) above pro rata by the differences between their requested amounts under (b) above and their amounts allocated thus far under this section (d).

f. If the net result of subtracting the aggregate amount of all oversubscriptions from the aggregate amount of all undersubscriptions is greater than zero, the aggregate amount of all undersubscriptions must be reduced to the aggregate amount of all oversubscriptions. This amount shall be referred to as the total permitted amount of undersubscriptions. The total permitted amount of undersubscriptions shall be allocated to the undersubscribers pro rata by the amounts of their undersubscriptions.

ATTACHMENT F

As a result of the support arrangements for building, owning, and financing the Transmission Facilities, Equity Sponsors have provided credit support for the project in excess of their Participating Shares. This enhances New Hampshire Hydro's ability to finance the project. The status of a Participant as a Credit Enhanced Participant that receives credit enhancement or not will be determined in connection with, and as of the date of commitment for, each debt financing, including any construction financing, in accordance with Section 1 hereof, and the Credit Enhancement Charge will be determined with respect to each such financing and will continue to be paid as long as the financing is outstanding and as long as any accrued unamortized Credit Enhancement Charges for said Participant remain outstanding.

An "investment grade" Participant is defined in this Agreement as a Participant which has outstanding junior long-term debt securities which have qualified debt ratings by two of the three major rating agencies. An "investment grade" Participant is also defined as a Participant which has a Participating Share of four-tenths of one percent (0.4%) or less and which has outstanding junior long-term debt securities having a rating from only one of the three major rating agencies with that rating being a qualified debt rating. (For these purposes, the outstanding junior long-term debt

securities of a Participant shall mean (i) its outstanding long-term debentures, or (ii) if no long-term debentures are outstanding, its most junior outstanding long-term mortgage or revenue bonds, or (iii) if no long-term debentures, mortgage bonds or revenue bonds are outstanding, its most junior outstanding long-term debt.) "Qualified debt ratings" are defined as a minimum rating of Baa3 by Moody's Investors Service, BBB- by Standard & Poor's Corporation and D&P 10 by Duff & Phelps, Inc.

Any "substitute credit enhancement" shall mean, with respect to any New Hampshire Hydro debt financing, including any construction financing (i) a letter of credit from a commercial bank having capital, surplus, and undivided profits of at least $250 million and a credit rating of "AA" or better in form and substance satisfactory to New Hampshire Hydro or (ii) a credit support that is equivalent to (i) above which is satisfactory in form and substance to New Hampshire Hydro, or (iii) a guarantee from an Equity Sponsor which at that time the guarantee is made satisfies the requirements to be an Equity Sponsor as set forth in section 4 of the Equity Funding Agreements; provided that such enhancement is irrevocable until the final maturity of such debt financing, including any optional extensions thereof. The first time that a Participant supplies substitute credit enhancement under this Agreement or under the Phase II Massachusetts Facilities Support Agreement, the substitute credit enhancement shall also cover such

Participant's share of the debt obligations of New England Power Company and Boston Edison Company relating to their respective AC Facilities and the term of such credit enhancement shall extend for the full term of the then remaining depreciation period for the AC facilities supported under such AC Facilities Support Agreements.

The principal amount of such substitute credit enhancement shall equal that Participant's Participating Share of the maximum amount of obligations under such New Hampshire Hydro debt financing plus, if not already provided in connection with any other debt financing of New Hampshire Hydro or New England Hydro, that Participant's Participating Share of the maximum amount of debt obligations of New England Power Company and Boston Edison Company relating to the AC Facilities as determined by New England Power and Boston Edison, respectively.

For any substitute credit enhancement that covers that Participant's Participating Share of the debt obligations of Boston Edison Company and New England Power Company relating to the AC Facilities, such substitute credit enhancement shall provide for direct payment to New England Power and Boston Edison, respectively, of the amounts included therein for covering such debt obligations.

As compensation to Equity Sponsors for providing this additional credit support, a Credit Enhancement Charge, as calculated in connection with each debt financing is required to be paid by the Participants. If a Participant is a Credit

Enhanced Participant by reason of below-investment grade, withdrawn or suspended debt ratings, the Credit Enhancement Charge attributed to that Credit Enhanced Participant will be paid by all Participants with each Participant paying its Participating Share thereof; provided, however, that if a Participant is a Credit Enhanced Participant due to lack of debt ratings, the Credit Enhancement Charge attributed to that Credit Enhanced Participant shall be paid by such Participant.

The Credit Enhancement Charge (E) attributed to a Credit Enhanced Participant is a dollar value determined monthly for each Credit Enhanced Participant by the following formula:

$$E = \sum_{i=1}^{n} F_i$$

$$\text{where } F_i = \left(\frac{G}{100} \times H_i \times \frac{I_i}{100} \times 0.8 \times \frac{1}{12}\right) + J_i$$

F = the Credit Enhancement Change for each New Hampshire Hydro debt financing that is credit enhanced for the Participant.

i = a number from 1 to n representing each of New Hampshire Hydro debt financings.

n = total number of such financings.

G = the Participant's Participating Share (in percent)

H = the maximum outstanding amount of New Hampshire Hydro debt during the month which was credit enhanced for such Participant

I = debt premium (in percent) for the Credit Enhanced Participant as shown in the following table:

Participant's Debt Rating*	I(%)
Below B3 or not rated	7.57
B3	5.32
B2	4.82
B1	4.32
Ba3	3.82
Ba2	3.32
Ba1	2.82

* Debt rating shall be the lower of the two highest ratings assigned to the Participant's outstanding junior long-term debt securities by Moody's, Standard and Poor's, and Duff & Phelps, converted to a Moody's equivalent as measured at the commitment date of such New Hampshire Hydro debt financing. If the Participant has a Participating Share of four tenths of one percent (0.4%) or less and has only one debt rating, then the debt rating for such Participant shall be that rating converted to a Moody's equivalent as measured at the commitment date of such New Hampshire Hydro debt financing.

J = an amount calculated as follows:

During the period from the Effective Date to the Date of Full Support Payment, J shall equal 0 and the Credit Enhancement Charge calculated during such period pursuant to the above formula shall be accrued for each Participant during such period with interest calculated at New Hampshire Hydro's AFDC rate. After the Date of Full Support Payment, such previously accrued amount for such Participant shall be treated as if it represented additional investment in the

Transmission Facilities relating only to such Participant. As a result J shall include monthly amounts attributable to such Participant (whether or not it continues to be a Credit Enhanced Participant after the Date of Full Support Payment and whether or not the debt being enhanced continues to be outstanding) representing amortization of such previously accrued amount (with amortization over the period that the investment in the Transmission Facilities is being amortized) plus one-twelfth of the composite percentage (as defined in Section 12 hereof) times the unamortized accrued amount plus a provision for income taxes.

ATTACHMENT G

FORM OF
EQUITY FUNDING AGREEMENT

FOR

NEW ENGLAND HYDRO-TRANSMISSION CORPORATION

This AGREEMENT dated as of June 1, 1985, is between New England Hydro-Transmission Corporation (New Hampshire Hydro) and the New England entities listed in Attachment A hereto. Those New England entities that have executed this Agreement and that meet the further conditions for participation and qualification hereunder are hereinafter referred to as Equity Sponsors or individually as an Equity Sponsor. The Equity Sponsors are sometimes referred to collectively herein, but their rights and obligations hereunder are several and not joint as described in Section 6 hereof.

In consideration of the premises, the concurrent execution of the other Basic Agreements hereinafter referred to, the mutual covenants hereinafter and therein set forth, and other good and valuable consideration, receipt whereof is hereby acknowledged, it is hereby agreed as follows:

Section 1. Basic Understandings and Purpose

New England utilities are currently participating in the arrangements for the Phase I interconnection planned by the New England Power Pool (NEPOOL) with Hydro-Quebec, which is to consist of a ± 450 kV HVDC transmission line from a terminal at the Des Cantons Substation on the Hydro-Quebec system near

Sherbrooke, Quebec to a terminal having an approximate rating of 690 MW at a substation at the Comerford Generating Station on the Connecticut River (hereinafter referred to as Phase I). The basic arrangements covering the portion of Phase I in the United States are set forth in the New England Power Pool Agreement, as amended (the NEPOOL Agreement) and three contracts among the participants in Phase I as follows:

1. Vermont Transmission Line Support Agreement, dated as of December 1, 1981, as amended, with Vermont Electric Transmission Company, Inc.
2. Phase I Terminal Facilities Support Agreement, dated as of December 1, 1981, as amended, with New England Electric Transmission Corporation, and
3. Agreement With Respect To Use Of Quebec Interconnection, dated as of December 1, 1981, as amended, including the restatement thereof in connection with Phase II (this Agreement as restated to cover Phase II is hereinafter referred to as the Use Agreement).

These Phase I interconnection facilities are currently under construction with completion scheduled during 1986.

With the completion of arrangements for Phase I and the related contracts with Hydro-Quebec, the members of NEPOOL have conducted studies of the benefits of an expanded interconnection for NEPOOL with Hydro-Quebec (Phase II) and

have negotiated with Hydro-Quebec a firm energy arrangement to utilize the expanded interconnection facilities.

The portion of Phase II in the United States will consist of an extension of the Phase I DC transmission line from the proposed terminus of Phase I at the Comerford Station through New Hampshire to a site in Massachusetts with additional terminal facilities installed at that site to increase the total transfer capacity between Hydro Quebec and NEPOOL from the 690 MW of Phase I to approximately 2000 MW. Reinforcements to the existing AC transmission system of New England Power and to certain AC facilities of Boston Edison Company will also be required. The United States portion of the Phase II facilities will be designated as pool-planned facilities in the same manner as the United States portion of the Phase I facilities was so designated.

Each Equity Sponsor acknowledges that it has been represented on the Executive and Planning Committees of NEPOOL that had responsibility for evaluating the feasibility of Phase II and, through this representation, actively participated in the decision of NEPOOL to go forward with Phase II. Furthermore, each Equity Sponsor represents that it made its own independent investigations and inquiries as it deemed appropriate and did not rely upon representations (other than those contained in this Agreement) of New England Hydro or its affiliates in deciding to enter into this Agreement.

The share of benefits among the New England utilities associated with Phase II is set forth in the Use Agreement. The Use Agreement also permits each New England utility to make its own entitlement transactions with Hydro Quebec and to use the interconnection for such transactions.

The provisions of the Phase II Massachusetts Transmission Facilities Support Agreement (Massachusetts HVDC Support Agreement) cover the Phase II Massachusetts HVDC transmission line and terminal facilities in Massachusetts. New England Hydro-Transmission Electric Company, Inc. (New England Hydro) will build, own, operate, and maintain those Massachusetts HVDC transmission facilities.

The portion of the Phase II HVDC transmission line to be constructed in New Hampshire is covered under the Phase II New Hampshire Transmission Facilities Support Agreement (New Hampshire HVDC Support Agreement). New Hampshire Hydro will build, own, operate, and maintain those New Hampshire HVDC transmission facilities.

All improvements and reinforcements to the AC transmission system in Massachusetts necessitated by Phase II are covered under the Phase II New England Power AC Facilities Support Agreement (New England Power AC Support Agreement) and the Phase II Boston Edison AC Facilities Support Agreement (Boston Edison AC Support Agreement.

The provisions of this Agreement cover the commitments of the Equity Sponsors of New Hampshire Hydro to contribute equity funds to New Hampshire Hydro, to provide certain limited credit support in connection with debt financing of New Hampshire Hydro and to accept an allocation of a share of Phase II in the event of a default by certain participating New England utilities under certain other Basic Agreements.

In view of the need to formalize the agreements among the parties at an early date so that (i) binding commitments with Hydro Quebec for Phase II may be made, (ii) binding commitments for ultimate construction and the financing of the United States portion of Phase II may be undertaken consistent with the time schedule anticipated by NEPOOL and with the assurance that commitments among the New England utilities are in place, and (iii) licensing activities may proceed on a schedule that enables completion of such construction consistent with the time schedule anticipated by NEPOOL, the following agreements are concurrently being entered into (the "Basic Agreements") which collectively set forth rights and obligations with respect to the foregoing undertaking: (1) this Agreement; (2) the Massachusetts HVDC Support Agreement; (3) the New Hampshire HVDC Support Agreement; (4) the Equity Funding Agreement for New England Hydro; (5) the New England Power AC Support Agreement; (6) the Use Agreement; (7) various amendments to the NEPOOL Agreement relating to the sharing of savings, capability responsibilities, and Pool transmission arrangements; and (8)

the Boston Edison AC Support Agreement.

In order to coordinate each participating utility's interest in Phase II to the fullest extent possible, each of the following Basic Agreements have been drafted with the intent that the participating interest of each participating utility will be the same under each agreement: the Massachusetts HVDC Support Agreement, the New Hampshire HVDC Support Agreement, the New England Power AC Support Agreement, the Boston Edison AC Support Agreement, and the Use Agreement. These Basic Agreements also provide that, notwithstanding any provision thereof that may be interpreted to the contrary, the proper interpretation of each of these Basic Agreements is to be consistent with such overriding intent. Each Equity Sponsor acknowledges this overriding intent and agrees that any action by it or its appointee affecting such participating interests shall be the same under this Agreement and the Equity Funding Agreement with New England Hydro in order to also be consistent with such overriding intent.

Section 2. Conditions Precedent to Effectiveness

The effectiveness of this Agreement, and all rights, obligations, and performance of the signatories hereunder, is subject to (i) New England Electric System (NEES) and other signatories having executed this Agreement committing in the aggregate to Equity Shares (as hereinafter defined) equal to at least 100%, and each such signatory having demonstrated by December 30, 1985, to the satisfaction of New Hampshire Hydro

that is qualified to be an Equity Sponsor pursuant to Section 4, (ii) New England Hydro or New Hampshire Hydro or New England Power or Boston Edison and members of NEPOOL (including Boston Edison and New England Power) serving at least 66-2/3% of the aggregate kilowatthour load served by NEPOOL members in 1980 having executed the other Basic Agreements (except for the Equity Funding Agreement for New England Hydro and the amendments to the NEPOOL Agreement), (iii) each signatory having also executed the Equity Funding Agreement for New England Hydro and having the same percentage of New England Hydro's equity as its Equity Share hereunder, (iv) members of NEPOOL having executed the amendments to the NEPOOL Agreement for Phase II in order that such amendments may become effective in accordance with the NEPOOL Agreement, and (v) each signatory having satisfied the conditions precedent set forth below.

By June 1, 1986, each signatory to this Agreement shall provide certificates and legal opinions from counsel satisfactory to New Hampshire Hydro, together with certified copies of related resolutions, consents, approvals, authorizations, and other documents (Documentation) necessary to establish to the satisfaction of New Hampshire Hydro that all corporate and regulatory consents, waivers, approvals, authorizations and other actions necessary in connection with performance by such signatory of its obligations under the Agreement have been obtained and are in full force and effect, that the Agreement has been duly authorized, executed, and

delivered by such signatory, and that it constitutes a binding commitment by the signatory enforceable in accordance with its terms. Forms of Documentation acceptable to New Hampshire Hydro are included in Attachment B hereto. Prior to signing this Agreement, each signatory has provided to New Hampshire Hydro a listing of all consents, waivers, approvals, authorizations, and other actions required for that signatory to deliver its Documentation.

Vermont Electric Power Company, Inc. (VELCO) and Massachusetts Municipal Wholesale Electric Company (MMWEC) represent a number of electric systems. If they desire and are qualified to be Equity Sponsors, they shall be deemed to have signed on behalf of those respective systems listed in Schedules I or II, respectively. By March 1, 1986, VELCO and MMWEC will provide New Hampshire Hydro with copies of contracts with their respective systems which impose absolute and unconditional obligations on such systems to pay their proportionate shares of all costs or obligation incurred under this Agreement by VELCO or MMWEC, respectively. By that date, VELCO and MMWEC will also provide to New Hampshire Hydro as part of their Documentation certificates, legal opinions (from counsel satisfactory to New Hampshire Hydro), and other documents in form and substance satisfactory to New Hampshire Hydro representing unconditionally that all consents, approvals, and authorizations have been obtained by their

contracting systems in connection with each such system's performance of its obligations under its respective contract with VELCO or MMWEC and that each such contract imposes absolute and unconditional obligations on such systems to pay their proportionate shares of all costs incurred under this Agreement by VELCO or MMWEC, respectively, and has been duly authorized, executed, and delivered and is a binding commitment of such system enforceable in accordance with its terms. If regulatory approvals have not been obtained by March 1, 1986, such representations shall be conditioned upon receipt of regulatory approvals. VELCO and MMWEC will have until June 1, 1986, to receive such approvals and make such representations unconditionally. In order that percentages of participation be consistent among the Basic Agreements, VELCO and MMWEC shall have their contracts with their contracting systems cover the necessary commitments for each Basic Agreement.

All expenses in connection with obtaining and delivering any Documentation under this Agreement, including legal opinions, are to be borne by the signatory incurring such expense. New Hampshire Hydro will have no responsibility for any expenses incurred by VELCO and MMWEC in providing Documentation for their respective contracting systems.

Any signatory that fails to meet the requirements of Section 2 by the deadlines contained herein will not be an Equity Sponsor under this Agreement and will not have any rights and obligations hereunder.

New Hampshire Hydro by written notice to all signatories may extend any deadline date specified in this Section to a later date, provided that any extension for longer than six months requires the consent of the Advisory Committee under the New Hampshire HVDC Support Agreement.

Section 3. Effective Date and Term

This Agreement shall become effective (the Effective Date) upon the last to occur of the following dates:

(i) the date that the Equity sponsors, committing in the aggregate to Equity Shares (as hereinafter defined) equal to at least 100%, have met the requirements of Section 2; and

(ii) the date that the last of the other Basic Agreements (excluding the Use Agreement) becomes effective or would become effective but for a condition that its effectiveness is subject to this Agreement becoming effective.

Upon execution and delivery of the Agreement by New Hampshire Hydro and NEES and other signatories committing in the aggregate to Equity Shares (as hereinafter defined) equal to no less than 100%, and notwithstanding any provision herein to the contrary, no signatory may terminate its obligations hereunder except in accordance with provisions of this Agreement.

The term of this Agreement shall expire on the termination date of the New Hampshire HVDC Support Agreement.

Section 4. Equity Sponsor Qualification

A. In order to enhance New Hampshire Hydro's ability to finance its portion of Phase II as required under the Massachusetts HVDC Support Agreement and to enhance the credit support of certain Supporters under the AC Support Agreement, some or all of the New England utilities participating in Phase II whose credit ratings are at least one grade above the lowest investment grade have agreed to provide, or to cause their designees to provide, credit support for those New England utilities participating in Phase II whose credit ratings are below investment grade. NEES and those New England utilities or their designees which have agreed to provide this credit support are the Equity Sponsors of New Hampshire Hydro under this Agreement.

B. A Participant under the New Hampshire HVDC Support Agreement or its authorized designee qualifies to be an Equity Sponsor by having its outstanding long-term debentures rated at least one grade above the lowest investment grade rating as of September 1, 1985. If no long-term debentures are outstanding, the ratings used shall be those of such company's most junior long-term mortgage or revenue bonds. If no mortgage bonds, revenue bonds, or debentures are outstanding, the ratings used shall be those of the most junior long-term debt. VELCO shall qualify to be an Equity Sponsor if 80% or more of its common stock is owned by utilities whose debt securities qualify pursuant to this subsection 4(B).

For purposes of this Agreement, "one grade above the lowest investment grade rating" means a rating equal to the following ratings from two of these rating agencies: Standard and Poor's Corporation - Rating BBB; Moodys Investor Service - Rating Baa2; and Duff & Phelps - Rating D&P 9 (or the equivalent municipal ratings).

C. A "designee" shall be authorized to be an Equity Sponsor if it is a parent company of such Participant and (i) its debt securities meet the appropriate test specified in B above, or (ii) at least 80% of its consolidated utility revenues are derived from subsidiaries whose debt securities meet the appropriate test specified in B above. (For VELCO, each stockholder of VELCO shall be a parent company of VELCO.) On or before the date of execution of this Agreement, each Participant shall identify its designee, if any.

D. In order that the necessary credit enhancement is provided as specified in A above, the qualification of each Equity Sponsor shall be reviewed by New Hampshire Hydro as of the date that the first equity contributions are to be made by such Equity Sponsor. If an Equity Sponsor fails to qualify on such date, appropriate actions and allocations shall be instituted as provided elsewhere in this Agreement.

Section 5. Equity Shares

A. Each Equity Sponsor shall have and be charged with a percentage interest in all rights and obligations hereunder determined in accordance with this Section 5 (which interest is

hereinafter referred to as its "Equity Share"). All of the equity of New Hampshire Hydro will be owned by the Equity Sponsors in proportion to their Equity Shares.

The Equity Share of each Equity Sponsor shall be computed both initially and as changed from time to time in accordance with the terms hereof, by New Hampshire Hydro as hereinafter provided. Such computations shall be made as of the first day of any month in which there is a change in the number of Equity Sponsors or any change in the interest of any Equity Sponsor as herein provided. The initial computation is to be made as of September 15, 1985, and subsequent computations are to be made in any month thereafter in which an interest is modified or terminated due (i) to the failure of a signatory to provide proof that it is qualified to be an Equity Sponsor by December 30, 1985, or (ii) to the failure to provide Documentation by June 1, 1986, or (iii) to the failure to be so qualified on the date the first equity contributions are to be made by such Equity Sponsor, or (iv) to the operation of any provision of this Agreement. All computations shall be final unless there is a manifest error. Such computations of Equity Sponsors' Equity Shares as initially calculated and as changed under (i) and (ii) shall be made pursuant to Attachment C. Changes under (iii) shall be made pursuant to section 5(C) below, and changes under (iv) shall be made pursuant to the appropriate section requiring the change.

B. The Equity Shares on and as of the initial computation date, and as of the date of subsequent computations under subparts (i) and (ii) of the second paragraph of A above, will be calculated as follows:

1. 51% to NEES; and
2. 49% apportioned among the other Equity Sponsors on the basis of the subscription process as described in Attachment C.

(Attachment C provides that each Equity Sponsor may specify a maximum percentage of equity and that such maximum shall remain in effect until June 1, 1986 or such later deadline if extended pursuant to Section 2 hereof.)

C. On the basis of New Hampshire Hydro's review of the qualifications of each Equity Sponsor other than NEES as of the date that the first equity contributions are to be made by such Equity Sponsor, if one or more Equity Sponsors are no longer qualified under Section 4, (i) the aggregate Equity Shares of such unqualified Equity Sponsors shall first be offered in writing by New Hampshire Hydro to all then qualified Equity Sponsors other than NEES for voluntary subscription, (ii) second, any remaining shortfall shall be allocated pro rata among such qualified Equity Sponsors not including NEES in proportion to their Equity Shares determined as of June 1, 1986, provided that the aggregate of all involuntary allocations under this Section 4(C) to such qualified Equity

Sponsors shall not exceed an aggregate Equity Share of 10%, and further provided that the aggregate of all such involuntary allocations to any such Equity Sponsor shall not increase such Equity Sponsor's Equity Share determined as of June 1, 1986, by more than 25% thereof, and (iii) finally, any remaining shortfalls shall be retained pro rata by such no longer qualified Equity Sponsors in proportion to their Equity Shares determined as of June 1, 1986; provided, however, that NEES and all qualified Equity Sponsors may agree to other allocation arrangements; and further provided that NEES shall not have an Equity Share of less than 51% unless it so consents. (The above deadlines of June 1, 1986, may be extended to a later deadline pursuant to Section 2 hereof.)

All offerings above shall be made in accordance with a voluntary subscription process as specified in New Hampshire Hydro's offering letter, and any oversubscriptions will be treated as provided therein.

Section 6. Relationship Among Equity Sponsors

The rights and obligations of the Equity Sponsors hereunder are several, in accordance with their respective Equity Shares, and not joint. The rights and obligations of New Hampshire Hydro hereunder are also several and not joint with those of the Equity Sponsors or any one thereof. There is no intention to create by this Agreement, or by any grant, lease, license, or activity related hereto, an association, joint venture,

trust, or partnership or to impose on New Hampshire Hydro or any Equity Sponsor trust or partnership rights or obligations; and any such implied intention is expressly negated. Except as expressly provided in this Agreement, no Equity Sponsor shall have by virtue of this Agreement or of any such grant, lease, license, or activity the right or power to bind any other Equity Sponsor without its express written consent.

Section 7. Equity Contribution

A. Under the Massachusetts HVDC Support Agreement, New Hampshire Hydro has agreed to limit its equity investment to a maximum of 40% of its total capital as of the effective date of that agreement and has agreed to use its best efforts to continue to limit its equity investment to 40% of its total capital during the time that New Hampshire Hydro has outstanding debt in its capital structure.

New Hampshire Hydro may call from time to time by written notification upon the Equity Sponsors to contribute equity in any of the forms set forth in this Section up to a maximum aggregate amount of $90 million, provided that Equity Sponsors having 66-2/3% of Equity Shares may agree to increase this maximum aggregate amount; and then all Equity Sponsors shall contribute such requested amount with each Equity Sponsor contributing up to its Equity Share of the new maximum. Any contribution made in response to New Hampshire Hydro's call in excess of the maximum aggregate amount, as adjusted from time

to time, may be made on a voluntary basis by any contributing Equity Sponsor, and New Hampshire Hydro will make an appropriate adjustment in Equity Shares.

B. During the term of this Agreement, New Hampshire Hydro has the option from time to time to call for contribution of equity in any of the following forms:

1. New Hampshire Hydro may offer shares of its common stock to its Equity Sponsors and each Equity Sponsor shall subscribe for and purchase, for cash at a price set by New Hampshire Hydro, its Equity Share of the common stock so offered.
2. After each Equity Sponsor owns common stock of New Hampshire Hydro, New Hampshire Hydro may request that capital contributions be made, and each Equity Sponsor shall contribute to New Hampshire Hydro its Equity Share of the total capital contribution so requested.

C. In order that New Hampshire Hydro may limit its equity investment to a maximum of 40% of its total capital, New Hampshire Hydro may, at its option, from time to time, take any of the following actions:

1. New Hampshire Hydro may repurchase for cash its common stock from Equity Sponsors in amounts that will not change the relative Equity Shares among Equity Sponsors and at a price per share equal to

book value per share at the time of repurchase. Each Equity Sponsor shall sell such common stock to New Hampshire Hydro in the full amount so requested.
2. New Hampshire Hydro may return any capital contribution previously received from Equity Sponsors in amounts that will not change the relative Equity Shares among Equity Sponsors. Each Equity Sponsor shall accept such return of capital contribution in the full amount so returned.
3. New Hampshire Hydro may pay dividends out of earnings or make liquidating dividends to the Equity Sponsors.

D. New Hampshire Hydro shall give written notice of any call for contributions of equity under B above to each Equity Sponsor. Such notice shall specify the amount to be contributed, the form of the contribution, and a date, at least thirty days after the date of the notice, that the equity is to be contributed. New Hampshire Hydro will provide annually estimates of its equity requirements and estimated dates when any equity contributions hereunder will be due. New Hampshire Hydro shall give written notice of any action to reduce its equity under C above to each Equity Sponsor. Such notice shall specify the amount and form of the reduction and a date, at least fifteen days after the date of the notice, that the reduction in equity is to occur.

E. New Hampshire Hydro shall use the proceeds of any equity contribution under this Agreement for the sole purpose of meeting its capital requirements under the New Hampshire HVDC Support Agreement.

F. All transactions under B, up to a maximum aggregate amount of $90 million, and under C above shall be subject to receipt of all necessary regulatory approvals, and New Hampshire Hydro and the Equity Sponsors shall use their best efforts to obtain, or to assist in obtaining, these approvals in advance of the Effective Date.

G. New Hampshire Hydro shall have two classes of common stock, both of which will have the same preferences, qualifications, special or relative rights or privileges, except that only one class shall have voting powers. Equity Shares allocated to NEES shall be evidenced by voting common stock. The Equity Shares allocated to each other Equity Sponsor shall, at the option of such Equity Sponsor, be evidenced by shares of voting common stock or non-voting common stock. Any reallocation of Equity Shares pursuant to Section 5 hereof shall be effected in such manner as to involve the issuance of additional common stock to each Equity Sponsor of the class then held by such Sponsor. Such election to take voting or non-voting stock shall be made in writing to New Hampshire Hydro by December 31, 1985.

H. Notwithstanding any provision of this Agreement to the contrary, prior to the date that New Hampshire Hydro first calls for equity contributions from all Equity Sponsors, all equity of New Hampshire Hydro will be owned and contributed by NEES.

Section 8. Cash Deficiency Guarantee

A. The New Hampshire HVDC Support Agreement provides that, if New Hampshire Hydro has, on any Due Date, a Cash Deficiency attributed to a Participant, the Participant absolutely and unconditionally guarantees to pay its Cash Deficiency on demand of Lenders. (The commitment is made in section 19 of that Agreement.) To provide further credit support to New Hampshire Hydro, each Equity Sponsor absolutely and unconditionally guarantees to pay its then Equity Share of the Cash Deficiency attributed to any Credit Enhanced Participant (as defined in the New Hampshire HVDC Support Agreement) with respect to any third party debt financing of New Hampshire Hydro that was credit enhanced for such Participant, with such amounts to be paid directly on demand to Lenders, in cash, if for any reason a Credit Enhanced Participant fails to pay when due its Cash Deficiency on demand of Lenders. Each Equity Sponsor agrees that its obligations under this Section shall be continuing, absolute, and unconditional and without the benefit of any defense, claim, set-off, recoupment, abatement, or other right, existing or

future, which an Equity Sponsor may have against the Lenders, New Hampshire Hydro, or any other person, and shall remain in full force and effect until all of the obligations of New Hampshire Hydro to the Lenders have been discharged.

Each Equity Sponsor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of merger or bankruptcy of any Lender or New Hampshire Hydro or any other Equity Sponsor, protest or notice with respect to this guarantee, and covenants that the obligations contained in this guarantee will not be discharged except by complete performance of the obligations of New Hampshire Hydro to the Lenders.

B. Notwithstanding any other provision contained herein, each Equity Sponsor's obligations under this Section 8 shall be limited to its Equity Share of the Cash Deficiency attributed to any Credit Enhanced Participant with respect to any financing of any New Hampshire Hydro that was credit enhanced for such Participant.

C. In no event shall the several guarantees of the Equity Sponsors attributable to Credit Enhanced Participants for each debt financing of New Hampshire Hydro exceed in the aggregate 35% of the aggregate amount of the obligations relating to such financing, provided that Equity Sponsors having an aggregate of at least 80% of the Equity Shares may agree to exceed such 35% maximum and subject to receipt of any necessary regulatory approvals, such agreement shall be binding on all Equity Sponsors.

D. In no event shall Equity Sponsors be required to provide guarantees for a Participant with respect to a particular third party debt financing of New Hampshire Hydro if that would result in Credit Enhanced Participants with respect to that and all other outstanding financings of New England Hydro and New Hampshire Hydro having Participating Shares exceeding 35% under the New Hampshire HVDC Support Agreement, provided that Equity Sponsors having an aggregate of at least 80% of the Equity Shares may agree to exceed such 35% maximum and subject to receipt of any necessary regulatory approvals, such agreement shall be binding on all Equity Sponsors.

E. Each Equity Sponsor shall use its best efforts to obtain and assist others in obtaining all necessary regulatory approvals required for the several guarantees made in this Section.

Section 9. Acceptance of Participating Shares

A. In accordance with section 15 of the New Hampshire HVDC Support Agreement, if a Participant that is a Credit Enhanced Participant is terminated by New Hampshire Hydro as a Participant, each Equity Sponsor or its appointee shall be allocated by New Hampshire Hydro its then Equity Share of the Participating Share of such terminated Participant; such allocation to be made as of the date of such termination. Each Equity Sponsor or its appointee shall accept such allocation from New Hampshire Hydro and shall unconditionally and

absolutely assume the rights and obligations associated therewith from the date of such allocation. If a Participant that was not also a Credit Enhanced Participant is terminated, then acceptance of any allocation shall be voluntary by any Equity Sponsor or its appointee and shall be in accordance with New Hampshire Hydro's offer thereof. If required by New Hampshire Hydro, any Equity Sponsor or its appointee assuming rights and obligations under the Massachusetts HVDC Support Agreement shall execute and deliver any documents necessary to effectuate such assumption. If any Equity Sponsor that is the designee of a Participant is unable to deliver these documents to effectuate the assumption, such Equity Sponsor shall take all actions necessary for the Participant that so designated it as an Equity Sponsor to assume such rights and obligations as its appointee.

The appointee of NEES shall be New England Power Company. The appointee(s) of any other Equity Sponsor shall be the Participant(s) for which such Equity Sponsor was acting as a designee. Each Equity Sponsor agrees that if its appointee is allocated a Participating Share under the New Hampshire HVDC Support Agreement, such Equity sponsor shall also allocate to it an equal participating share and support share under the Massachusetts HVDC Support Agreement and New England Power and Boston Edison AC Support Agreements, respectively.

B. Each Equity Sponsor shall use its best efforts to obtain and assist others in obtaining all necessary regulatory approvals required for performance of its or its appointee's commitments made in this Section.

Section 10. Character of Payment Obligations

The obligations of each Equity Sponsor to make payments hereunder, and to perform and observe all other agreements on its part contained herein, are absolute and unconditional and shall not be affected by any circumstances, including, without limitation, (i) any insolvency, composition, bankruptcy, reorganization, arrangement, liquidation or similar proceedings relating to New Hampshire Hydro, New England Power Company, Boston Edison Company, the Equity Sponsor, any other Equity Sponsor, or any affiliate thereof, (ii) any invalidity or unenforceability or disaffirmance by New Hampshire Hydro or any Equity Sponsor of any provision of this Agreement or any failure, omission, delay, or inability of New Hampshire Hydro to perform any of its obligations contained herein, (iii) any amendment, extension, or other change of, or any assignment or encumbrance of any rights or obligations under, this Agreement, or any waiver or other action or inaction, or any exercise or nonexercise of any right or remedy, under or in respect to this Agreement, or (iv) any inability of the Equity Sponsor or any other Equity Sponsor to obtain regulatory approvals for financing its Equity Share of any obligations under this

Agreement or for meeting any other obligations under this Agreement, it being the intention of the parties hereto that all amounts payable by each Equity Sponsor in respect of this Agreement shall begin to be payable and shall continue to be payable in all events in the manner and at the time herein provided. In that connection, each Equity Sponsor hereby waives, to the extent permitted by applicable law, any and all rights which it may now have or which may at any time hereafter be conferred upon it, by statute or otherwise, to terminate, cancel, or surrender any of its obligations under this Agreement.

Section 11. Default

A. Any of the following events (Events of Default) that occur and are continuing are Events of Default:

(i) An Equity Sponsors shall fail to pay to New Hampshire Hydro when due any amount which it has agreed to pay under any provision of this Agreement, and such failure shall continue for more than 15 days after written notice thereof has been given to such Equity Sponsor by New Hampshire Hydro; or

(ii) Any Equity Sponsor shall fail to supply in accordance with the terms hereof any documentation required by New Hampshire Hydro in connection with financing with Lenders by New

Hampshire Hydro (for VELCO and MMWEC, this includes documentation for their respective contracting electric systems), and such failure shall continue for more than 30 days after written notice of such failure has been given to such Equity Sponsor by New Hampshire Hydro; or

(iii) An Equity Sponsor shall fail to perform any other obligation under this Agreement in accordance with the terms hereof, and such failure shall continue for more than 30 days after written notice thereof has been given to such Equity Sponsor or any of its affiliates by New Hampshire Hydro.

(iv) Any Equity Sponsor shall experience an event of default under the Equity Funding Agreement for New Hampshire Hydro.

B. If an Event of Default under Section 11A(i) above shall have occurred, New Hampshire Hydro may, by written notice to each Equity Sponsor, request that the nondefaulting Equity Sponsors on a voluntary basis make the overdue payment to New England Hydro, provided that similar voluntary payments are made under the Equity Funding Agreement for New Hampshire Hydro.

C. New Hampshire Hydro or any Equity Sponsor shall be free to invoke such remedies at law or in equity as may be deemed appropriate against any Equity Sponsor that defaults under this Agreement.

Section 12. Restrictions on Transfer of Common Stock

Each Equity Sponsor agrees that it will not transfer any or all of its common stock of New Hampshire Hydro to any other person unless such person is an Equity Sponsor or meets the requirements for being an Equity Sponsor under sections 4B or 4C hereof as of the date of such transfer and a similar transfer is made under the Equity Funding Agreement for New Hampshire Hydro.

Section 13. Dividends on Common Stock

Any Equity Sponsor may direct New Hampshire Hydro to withhold the payment of a dividend to such Equity Sponsor and apply such dividend to reduce the current or the next Support Charge payment required to be made under the New Hampshire HVDC Support Agreement by such Equity Sponsor or its appointee.

Section 14. Restrictions on Dividends, Return of Capital and Repurchase of Common Stock

Any Equity Sponsor which is in default hereunder pursuant to Section 11 is not entitled to receive any amounts from New Hampshire Hydro representing such Equity Sponsor's then Equity Share of dividends, return of capital, or proceeds from any repurchase of common stock until all amounts (including interest thereon at an annual rate equal to two percent over the current interest rate on prime commercial loans from time to time in effect at the principal office of the First National Bank of Boston) owed by such Equity Sponsor to New Hampshire Hydro have been paid.

Section 15. Certain Actions of New Hampshire Hydro

A. New Hampshire Hydro shall not take any of the following actions without prior written approval of Equity Sponsors having at that time at least 80% of the Equity Shares:

(i) Amend New Hampshire Hydro's articles of organization or by-laws to adversely affect the rights of the Equity Sponsors as stockholders in a material manner under the Basic Agreements, unless such amendment is required by regulation or law; and

(ii) Merge, consolidate, or sell all or substantially all of the assets of New Hampshire Hydro not otherwise permitted by the New Hampshire HVDC Support Agreement.

B. New Hampshire Hydro shall distribute in a timely manner to each Equity Sponsor copies of (a) its annual audited financial statements, (b) notices of all of its directors' and stockholders' meetings (including any committees thereof), and (c) minutes of all of its directors' and stockholders' meetings.

Section 16. Miscellaneous

A. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of, and may be performed by, the successors and assigns of the parties and shall also be binding, insofar as permitted by law, on any receiver or trustee in bankruptcy, receivership, or

reorganization of any party. No assignment of this Agreement shall operate to relieve the assignor of its obligations under this Agreement without the written consent of the parties hereto. Written notice to all parties will be given prior to any assignment hereunder.

Notwithstanding the above, New Hampshire Hydro may collaterally assign this Agreement without the consent of the Equity Sponsors in connection with a third party financing by New Hampshire Hydro.

B. Right of Setoff. No Equity Sponsor shall be entitled to set off against the payments required to be made by it hereunder (1) any amounts owed to it by New Hampshire Hydro, any affiliate of New Hampshire Hydro, or any other Equity Sponsor, or (2) the amount of any claim by it against New Hampshire Hydro, any affiliate of New Hampshire Hydro, or any other Equity Sponsor. However, the foregoing shall not affect in any other way any Equity Sponsor's rights and remedies with respect to any such amounts owed to it by New Hampshire Hydro, any affiliate of New Hampshire Hydro, or any other Equity Sponsor or any such claim by it against New Hampshire Hydro or any other Equity Sponsor.

C. Amendments. Any amendments changing the Equity Shares of the Equity Sponsors or the several nature of the obligations and rights of the Equity Sponsors hereunder as specified in Section 6, shall require consent by all parties. In the event

that an Equity Sponsor is obligated to acquire Equity Shares hereunder and does not pay for such Shares, then such Shares will not be issued to him and such Equity Sponsor's Equity Share will be reduced accordingly. All other amendments to this Agreement shall be by mutual agreement of New Hampshire Hydro and Equity Sponsors owning Equity Shares aggregating at least 80%, evidenced by a written amendment signed by New Hampshire Hydro and such Equity Sponsors; and New Hampshire Hydro and all Equity Sponsors shall be bound by any such amendment.

D. Notices. Except as the parties may otherwise agree, any notice, request, bill, or other communication relating to this Agreement, or the rights, obligations or performance of the parties hereunder, shall be in writing and shall be considered as duly delivered when delivered in person or mailed by registered or certified mail, postage prepaid, to the respective post office address of the other parties shown following the signatures of such other parties hereto, or such other address as may be designated by written notice given as provided in this paragraph D.

E. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of The Commonwealth of Massachusetts.

F. Other.

(1) No action, regardless of form, arising out of this Agreement may be brought by any party hereto more than three years after the cause of action has arisen.

(2) In the event that any clause or provision of this Agreement, or any part thereof, shall be declared invalid or unenforceable by any court having jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining portions of this Agreement.

(3) All provisions of this Agreement providing for limitation of, or protection against, liability shall apply to the full extent permitted by law, and regardless of fault, and shall survive either termination pursuant to this Agreement or cancellation.

(4) Each party shall, upon request of another party, execute and deliver any document reasonably required to implement any provision hereof.

(5) Any number of counterparts of this Agreement may be executed and each shall have the same force and effect as the original.

(6) This Agreement, with the other Basic Agreements, Preliminary Quebec Interconnection Support Agreement - Phase II, the agreements with Hydro-Quebec regarding Phase II, and the basic agreements covering Phase I shall constitute the entire understanding among the parties and shall supersede any and all previous understandings pertaining to the subject matter of this Agreement.

(7) Terms defined in the Massachusetts HVDC Support Agreement and the New England Power and Boston Edison AC Support Agreements used in this Equity Funding Agreement shall be incorporated herein as defined in such Agreements unless the context indicates otherwise.

(8) This Agreement is the act and obligation of the parties hereto in their corporate or governmental capacity, and any claim hereunder against any shareholder, director, officer, employee, or agent of any party, as such, is expressly waived.

IN WITNESS WHEREOF, the signatories have caused this Agreement to be executed by their duly authorized officers or agents.

NEW ENGLAND HYDRO-TRANSMISSION CORPORATION

By: _____
Its

Address: 25 Research Drive
Westborough, MA 01582

_____

By: _____
Its

Address:

ATTACHMENT A

List of Equity Sponsors

New Hampshire Hydro will supply a list of Equity Sponsors as of the date of initial computation and as of each date thereafter that the list changes.

ATTACHMENT B

Forms of the following documentation:

1. Opinion of Counsel
2. Certificate
3. Incumbency and Signature Certificate
4. Directors' Vote

[Please note - governmental entities may make appropriate modifications to these documents to reflect that they are not corporations.]

[Form of Opinion of Counsel for Each Utility Participant]

New England Hydro-Transmission
Electric Company, Inc.;
New England Hydro-Transmission
Corporation; or
New England Power Company

Gentlemen:

This opinion is furnished in connection with the execution and delivery by _____ (the Company) of the following Agreements: _____.

We have acted as counsel to the Company, one of the Utility Participants, in connection with the execution and delivery of the Basic Agreements. We participated in reviewing and/or drafting the Agreements.

As general [special] counsel to the Company, we are generally familiar with its affairs. [If special counsel is giving the opinion, describe relationship to the Company.] We have reviewed the proceedings taken by the Company in connection with its authorization, execution, and delivery of the Agreements and any documentation supplied by the Company thereunder. We have also examined executed counterparts of the Agreements, have made such other investigation, and have examined such other records and documents, and have made such examination of law and satisfied ourselves as to such other matters as we have deemed relevant and necessary in order to enable us to express the opinions set forth below.

Based upon and subject to the foregoing and to the further qualifications in this opinion, we are of the opinion that:

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of [the jurisdiction of its incorporation], has the corporate power to own its assets and to transact the business in which it is engaged, and is duly qualified as a foreign corporation in, and is in good standing under the laws of, each jurisdiction in which the conduct of its business or the ownership of its assets requires such qualification.

2. The Company has (and in the case of the Agreements at the time of execution and delivery thereof, had) full corporate power, and legal right to execute, deliver and perform the Agreements, and the Company has taken all necessary corporate action to authorize the execution, delivery, and performance by it of the Agreements.

3. The execution, delivery, and performance by the Company of the Agreements do not (a) contravene the Company's [charter documents] or by-laws, (b) violate any applicable law, rule, regulation, order, writ, judgment, injunction, decree, or award known to us by which the Company is bound, (c) violate any indenture, instrument, or agreement known to us by which the Company is bound, or (d) result in or require the creation or the imposition of any lien pursuant to the provisions of any indenture, instrument, or agreement known to us by which the Company is bound.

4. No authorization, approval, consent, or other action by, and no notice to or filing with, any federal, state, or other governmental authority or regulatory body which has not been obtained or given and is not in full force and effect is required for the valid and lawful execution, delivery, and performance by the Company of the Agreements. [In this connection, to the extent it may be required by law, the approval of the Massachusetts Department of Public Utilities [Connecticut PUC, or other] has been given for the Agreements and the Company's performance thereunder by order(s) dated _____, which remains in full force and effect.]

5. The Agreements have each been duly executed and delivered by the Company and constitute the legal, valid, and binding obligations of the Company enforceable against it in accordance with their respective terms.

6. No action, suit, proceeding, or investigation at law in equity or by or before any governmental instrumentality or other agency now pending or threatened against or affecting the Company or its property or rights which, if adversely determined, would materially impair the ability of the Company to perform its obligations under the Agreements is known to us.

Our opinion that the Agreements are enforceable, each in accordance with the terms thereof, is qualified to the extent that the enforcement of the rights and remedies created thereby is subject to bankruptcy, insolvency, reorganization, and similar laws of general application affecting the rights and remedies of creditors and secured parties, and to the further extent that the availability of the remedies of specific enforcement, injunctive relief, or any other equitable remedy is subject to the discretion of the court before which any proceeding therefor may be brought.

Very truly yours,

CERTIFICATE

I, (insert name), the Clerk (or Secretary or other principal recording officer) of (insert name of Utility Participant), a (insert state of organization) (the "Company") do hereby certify that:

(1) Attached hereto as Exhibit A is a true and correct copy of a vote duly adopted at a meeting of the Board of Directors of the Company, duly called and held on _____, 198_, and that such vote and the authority vested thereby have not been amended or revoked and are still in full force and effect.

(2) Attached hereto as Exhibit B is a true and correct copy of the Articles of Organization (or other charter documents) of the Company, as amended and in effect as of the date of this Certificate.

(3) Attached hereto as Exhibit C is a true and correct copy of the By-Laws of the Company, as amended and in effect as of the date of this Certificate.

(4) The persons (or person) listed on Exhibit D have been duly elected to the offices set forth adjacent to their respective names since the first day of June, 1985, and the signatures adjacent to their respective names are the genuine signatures of said officers.

IN WITNESS WHEREOF, I have placed my hand and the seal of the Company this _____ day of _____, 198_.

By _____

Name:
Title:

CONFIRMATION OF INCUMBENCY AND SIGNATURE OF CLERK, SECRETARY, OR OTHER PRINCIPAL RECORDING OFFICER

I, (name), (title) of the Company, do hereby certify that (name of officer executing certificate) is and at all times subsequent to _____, 198_, has been the duly elected (title) of the Company and that the signature adjacent to his (or her) name is the genuine signature of said officer.

By _____

Name:
Title:

FORM OF DIRECTORS' VOTE APPROVING AGREEMENTS

VOTED: That in connection with this Company's participation in the Phase II expansion of the proposed interconnection between the New England Power Pool companies and Hydro-Quebec, the execution and delivery on behalf of this Company by _____, President, of the following agreements: (being collectively referred to in this vote as "Agreements") copies of which Agreements have been presented at this meeting, are hereby authorized, approved, ratified, and confirmed, and that the officers of this Company are further authorized severally to take any and all such further actions including the execution and delivery of such further documents, as such officers or any of them may deem necessary or appropriate in connection with the actions and documents authorized by this vote.

ATTACHMENT C

Subscription Process for Determining Equity Shares under Section 5(B)

After allocation of 51% of the Equity Shares to NEES pursuant to Section 5(B)(1), the Equity Shares shall be allocated to Equity sponsors other than NEES as follows:

(a) Each other Equity Sponsor shall be entitled to a pro rata share of the remainder based on the Participating Share of such Equity Sponsor or the Participant(s) that has designated it as an Equity Sponsor as a percentage of Participating Shares of all other Equity Sponsors or such Participants as shown in the New Hampshire HVDC Support Agreement. For the purpose of this calculation, the Participating Share of each Equity Sponsor designated by VELCO shall be deemed to be a pro rata share of VELCO's Participating Share based on the ratio of such Equity Sponsor's 1980 kwh load to the aggregate 1980 kwh load of all Equity Sponsors designated by VELCO.

(b) Upon execution of this Agreement, each other Equity Sponsor may subscribe for more or less than its share under (a) above.

(c) Upon execution of this Agreement, each other Equity Sponsor may specify a maximum limit on its share of such remainder that would apply to any allocations made on or before June 1, 1986 or such later deadline date as is fixed pursuant to Section 2 hereof.

(d) If there are no undersubscriptions or oversubscriptions under (b) above or if the sum of the shares under (a) or (b) above for all Equity Sponsors equals 100% of such remaining shares, then each Equity Sponsor shall have a share as determined under (a) or (b) above. (For the purposes of this attachment, oversubscription shall mean, with respect to any Equity Sponsor, a subscription under (b) above of more than its share under (a) above. For the same purposes, undersubscription shall mean, with respect to any Equity Sponsor, a subscription under (b) above of less than its share under (a) above. The amount of such oversubscription shall be equal to (b) minus (a) and the amount of such undersubscription shall be equal to (a) minus (b).)

(e) If there are undersubscriptions but not oversubscriptions or if there are oversubscriptions

but no undersubscriptions, then each Equity Sponsor shall have a share as determined under (a) above; provided, however, that no Equity Sponsor shall be allocated more than its specified limit under (c) above. If the sum of all shares heretofore allocated is less than 100%, any remaining share shall be allocated to all Equity Sponsors that have received shares less than their limits under (c) above, pro rata by the difference between their limits under (c) above and their shares as heretofore allocated.

(f) If the net result of subtracting the aggregate amount of all undersubscriptions from the aggregate amount of all oversubscriptions is greater than zero, the aggregate amount of all oversubscriptions must be reduced to the aggregate amount of all undersubscriptions. This amount shall be referred to as the total permitted amount of oversubscriptions. Each oversubscriber shall initially be allocated a share of the total permitted amount of oversubscriptions (pro rata by the Participating Shares of the oversubscribers or their designators as shown in the New Hampshire HVDC Support Agreement); provided that no oversubscriber shall be allocated more than its requested amount under (b) above. Any remaining unallocated portion of the total permitted amount of oversubscriptions shall be allocated to all oversubscribers that have not yet reached their requested amount under (b) above pro rata by the differences between their requested shares under (b) above and their shares as heretofore allocated.

(g) If the net result of subtracting the aggregate amount of all oversubscriptions from the aggregate amount of all undersubscriptions is greater than zero, the aggregate amount of all undersubscriptions must be reduced to the aggregate amount of all oversubscriptions. This amount shall be referred to as the total permitted amount of undersubscriptions. The total permitted amount of undersubscriptions shall be allocated to the undersubscribers pro rata by the amounts of their undersubscriptions; provided, however, that no Equity Sponsor shall be allocated more than its specified limit under (c) above. If the sum of all shares heretofore allocated is less than 100%, any remaining share shall be allocated to all Equity Sponsors that have received shares less than their limits under (c) above, pro rata by the difference between their limits under (c) above and their shares as heretofore allocated.

(h) If Equity Shares are required to be changed pursuant to subpart (i) or (ii) of Section 5(a), this reallocation shall be accomplished in accordance with this Attachment G on the basis of the subscriptions initially made under (b) and the maximum limits specified under (c) by each continuing Equity Sponsor, and giving effect to the termination of any Equity Sponsor pursuant to said subpart (i) or (ii).

(COMPOSITE CONFORMED COPY - as amended)
Amendment No. 1-May 1, 1986
Amendment No. 2-September 1, 1987
Amendment No. 3-August 1, 1988

EQUITY FUNDING AGREEMENT

FOR

NEW ENGLAND HYDRO-TRANSMISSION ELECTRIC COMPANY, INC.

DATED AS OF JUNE 1, 1985

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EQUITY FUNDING AGREEMENT

FOR

NEW ENGLAND HYDRO-TRANSMISSION ELECTRIC COMPANY, INC.

This AGREEMENT dated as of June 1, 1985, is between New England Hydro-Transmission Electric Company, Inc. (New England Hydro) and the New England entities listed in Attachment A hereto. New England Power Company is signing this Agreement only with respect to the commitments made to it by the Equity Sponsors under Section 10 hereof. Those New England entities that have executed this Agreement and that meet the further conditions for participation and qualification hereunder are hereinafter referred to as Equity Sponsors or individually as an Equity Sponsor. The Equity Sponsors are sometimes referred to collectively herein, but their rights and obligations hereunder are several and not joint as described in Section 6 hereof.

In consideration of the premises, the concurrent execution of the other Basic Agreements hereinafter referred to, the mutual covenants hereinafter and therein set forth, and other good and valuable consideration, receipt whereof is hereby acknowledged, it is hereby agreed as follows:

Section 1. Basic Understandings and Purpose

New England utilities are currently participating in the arrangements for the Phase I interconnection planned by the New England Power Pool (NEPOOL) with Hydro-Quebec, which is to consist of a ± 450 kV HVDC transmission line from a terminal at

the Des Cantons Substation on the Hydro-Quebec system near Sherbrooke, Quebec to a terminal having an approximate rating of 690 MW at a substation at the Comerford Generating Station on the Connecticut River (hereinafter referred to as Phase I). The basic arrangements covering the portion of Phase I in the United States are set forth in the New England Power Pool Agreement, as amended (the NEPOOL Agreement) and three contracts among the participants in Phase I as follows:

1. Vermont Transmission Line Support Agreement, dated as of December 1, 1981, as amended, with Vermont Electric Transmission Company, Inc.
2. Phase I Terminal Facilities Support Agreement, dated as of December 1, 1981, as amended, with New England Electric Transmission Corporation, and
3. Agreement With Respect To Use Of Quebec Interconnection, dated as of December 1, 1981, as amended, including the restatement thereof in connection with Phase II (this Agreement as restated to cover Phase II is hereinafter referred to as the Use Agreement).

These Phase I interconnection facilities are currently under construction with completion scheduled during 1986.

With the completion of arrangements for Phase I and the related contracts with Hydro-Quebec, the members of NEPOOL have conducted studies of the benefits of an expanded interconnection for NEPOOL with Hydro-Quebec (Phase II) and

have negotiated with Hydro-Quebec a firm energy arrangement to utilize the expanded interconnection facilities.

The portion of Phase II in the United States will consist of an extension of the Phase I DC transmission line from the proposed terminus of Phase I at the Comerford Station through New Hampshire to a site in Massachusetts with additional terminal facilities installed at that site to increase the total transfer capacity between Hydro Quebec and NEPOOL from the 690 MW of Phase I to approximately 2000 MW. Reinforcements to the existing AC transmission system of New England Power and to certain AC facilities of Boston Edison Company will also be required. The United States portion of the Phase II facilities will be designated as pool-planned facilities in the same manner as the United States portion of the Phase I facilities was so designated.

Each Equity Sponsor acknowledges that it has been represented on the Executive and Planning Committees of NEPOOL that had responsibility for evaluating the feasibility of Phase II and, through this representation, actively participated in the decision of NEPOOL to go forward with Phase II. Furthermore, each Equity Sponsor represents that it made its own independent investigations and inquiries as it deemed appropriate and did not rely upon representations (other than those contained in this Agreement) of New England Hydro or its affiliates in deciding to enter into this Agreement.

The sharing of benefits among the New England utilities

associated with Phase II is set forth in the Use Agreement. The Use Agreement also permits each New England utility to make its own entitlement transactions with Hydro Quebec and to use the interconnection for such transactions.

The provisions of the Phase II Massachusetts Transmission Facilities Support Agreement (Massachusetts HVDC Support Agreement) cover the Phase II Massachusetts HVDC transmission line and terminal facilities in Massachusetts. New England Hydro will build, own, operate, and maintain those Massachusetts HVDC transmission facilities.

The portion of the Phase II HVDC transmission line to be constructed in New Hampshire is covered under the Phase II New Hampshire Transmission Facilities Support Agreement (New Hampshire HVDC Support Agreement). New England Hydro-Transmission Corporation (New Hampshire Hydro, an affiliate of New England Hydro) will build, own, operate, and maintain those New Hampshire HVDC transmission facilities.

All improvements and reinforcements to the AC transmission system in Massachusetts necessitated by Phase II are covered under the Phase II New England Power AC Facilities Support Agreement (New England Power AC Support Agreement) and the Phase II Boston Edison AC Facilities Support Agreement (Boston Edison AC Support Agreement).

The provisions of this Agreement cover the commitments of the Equity Sponsors of New England Hydro to contribute equity funds to New England Hydro, to provide certain limited credit

support in connection with debt financing of New England Hydro, to provide certain limited credit support in connection with the New England Power AC Support Agreement and the Boston Edison AC Support Agreement, and to accept an allocation of a share of Phase II in the event of a default by certain participating New England utilities under certain other Basic Agreements.

In view of the need to formalize the agreements among the parties at an early date so that (i) binding commitments with Hydro Quebec for Phase II may be made, (ii) binding commitments for ultimate construction and the financing of the United States portion of Phase II may be undertaken consistent with the time schedule anticipated by NEPOOL and with the assurance that commitments among the New England utilities are in place, and (iii) licensing activities may proceed on a schedule that enables completion of such construction consistent with the time schedule anticipated by NEPOOL, the following agreements are concurrently being entered into (the "Basic Agreements") which collectively set forth rights and obligations with respect to the foregoing undertaking: (1) this Agreement; (2) the Massachusetts HVDC Support Agreement; (3) the New Hampshire HVDC Support Agreement; (4) the Equity Funding Agreement for New Hampshire Hydro; (5) the New England Power AC Support Agreement; (6) the Use Agreement; (7) various amendments to the NEPOOL Agreement relating to the sharing of savings, capability responsibilities, and Pool transmission arrangements; and (8)

the Boston Edison AC Support Agreement.

In order to coordinate each participating utility's interest in Phase II to the fullest extent possible, each of the following Basic Agreements have been drafted with the intent that the participating interest of each participating utility will be the same under each agreement: the Massachusetts HVDC Support Agreement, the New Hampshire HVDC Support Agreement, the New England Power AC Support Agreement, the Boston Edison AC Support Agreement, and the Use Agreement. These Basic Agreements also provide that, notwithstanding any provision thereof that may be interpreted to the contrary, the proper interpretation of each of these Basic Agreements is to be consistent with such overriding intent. Each Equity Sponsor acknowledges this overriding intent and agrees that any action by it or its appointee affecting such participating interests shall be the same under this Agreement and the Equity Funding Agreement with New Hampshire Hydro in order to also be consistent with such overriding intent.

Section 2. Conditions Precedent to Effectiveness

The effectiveness of this Agreement, and all rights, obligations, and performance of the signatories hereunder, is subject to (i) New England Electric System (NEES) and other signatories having executed this Agreement committing in the aggregate to Equity Shares (as hereinafter defined) equal to at least 100%, and each such signatory having demonstrated by February 1, 1988, to the satisfaction of New England Hydro

that it is qualified to be an Equity Sponsor pursuant to Section 4, (ii) New England Hydro or New Hampshire Hydro or New England Power or Boston Edison and members of NEPOOL (including Boston Edison and New England Power) serving at least 66-2/3% of the aggregate kilowatthour load served by NEPOOL members in 1980 having executed the other Basic Agreements (except for the Equity Funding Agreement for New Hampshire Hydro and the amendments to the NEPOOL Agreement), (iii) each signatory having also executed the Equity Funding Agreement for New Hampshire Hydro and having the same percentage of New Hampshire Hydro's equity as its Equity Share hereunder, (iv) members of NEPOOL having executed the amendments to the NEPOOL Agreement for Phase II in order that such amendments may become effective in accordance with the NEPOOL Agreement, and (v) each signatory having satisfied the conditions precedent set forth below.

By September 15, 1988, each signatory to this Agreement shall provide certificates and legal opinions from counsel satisfactory to New England Hydro, together with certified copies of related resolutions, consents, approvals, authorizations, and other documents (Documentation) necessary to establish to the satisfaction of New England Hydro that all corporate and regulatory consents, waivers, approvals, authorizations and other actions necessary in connection with performance by such signatory of its obligations under the Agreement have been obtained and are in full force and effect, that the Agreement has been duly authorized, executed, and

delivered by such signatory, and that it constitutes a binding commitment by the signatory enforceable in accordance with its terms. Forms of Documentation acceptable to New England Hydro are included in Attachment B hereto. Prior to signing this Agreement, each signatory has provided to New England Hydro a listing of all consents, waivers, approvals, authorizations, and other actions required for that signatory to deliver its Documentation.

Vermont Electric Power Company, Inc. (VELCO) and Massachusetts Municipal Wholesale Electric Company (MMWEC) represent a number of electric systems. If they desire and are qualified to be Equity Sponsors, they shall be deemed to have signed on behalf of those respective systems listed in Schedules I or II, respectively. By September 1, 1988, VELCO and MMWEC will provide New England Hydro with copies of contracts with their respective systems which impose absolute and unconditional obligations on such systems to pay their proportionate shares of all costs or obligation incurred under this Agreement by VELCO or MMWEC, respectively. By that date, VELCO and MMWEC will also provide to New England Hydro as part of their Documentation certificates, legal opinions (from counsel satisfactory to New England Hydro), and other documents in form and substance satisfactory to New England Hydro representing unconditionally that all consents, approvals, and authorizations have been obtained by their contracting systems in connection with each such system's performance of its

obligations under its respective contract with VELCO or MMWEC and that each such contract imposes absolute and unconditional obligations on such systems to pay their proportionate shares of all costs incurred under this Agreement by VELCO or MMWEC, respectively, and has been duly authorized, executed, and delivered and is a binding commitment of such system enforceable in accordance with its terms. If regulatory approvals have not been obtained by September 1, 1988, such representations shall be conditioned upon receipt of regulatory approvals. VELCO and MMWEC will have until September 15, 1988, to receive such approvals and make such representations unconditionally. In order that percentages of participation be consistent among the Basic Agreements, VELCO and MMWEC shall have their contracts with their contracting systems cover the necessary commitments for each Basic Agreement.

All expenses in connection with obtaining and delivering any Documentation under this Agreement, including legal opinions, are to be borne by the signatory incurring such expense. New England Hydro will have no responsibility for any expenses incurred by VELCO and MMWEC in providing Documentation for their respective contracting systems.

Any signatory that fails to meet the requirements of Section 2 by the deadlines contained herein will not be an Equity Sponsor under this Agreement and will not have any rights and obligations hereunder.

New England Hydro by written notice to all signatories may

extend any deadline date specified in this Agreement to a later date, provided that any extension for longer than six months requires the consent of the Advisory Committee under the Massachusetts HVDC Support Agreement.

Section 3. Effective Date and Term

This Agreement shall become effective (the Effective Date) upon the last to occur of the following dates:

(i) the date that the Equity Sponsors, committing in the aggregate to Equity Shares (as hereinafter defined) equal to at least 100%, have met the requirements of Section 2; and

(ii) the date that the last of the other Basic Agreements (excluding the Use Agreement) becomes effective or would become effective but for a condition that its effectiveness is subject to this Agreement becoming effective.

Upon execution and delivery of the Agreement by New England Hydro and NEES and other signatories committing in the aggregate to Equity Shares (as hereinafter defined) equal to no less than 100%, and notwithstanding any provision herein to the contrary, no signatory may terminate its obligations hereunder except in accordance with provisions of this Agreement.

The term of this Agreement shall expire on the later to occur of the termination dates of the Massachusetts HVDC Support Agreement or the New England Power and Boston Edison AC Support Agreements.

Section 4. Equity Sponsor Qualification

A. In order to enhance New England Hydro's ability to finance its portion of Phase II as required under the Massachusetts HVDC Support Agreement and to enhance the credit support of certain Supporters under the AC Support Agreement, some or all of the New England utilities participating in Phase II whose credit ratings are at least one grade above the lowest investment grade have agreed to provide, or to cause their designees to provide, credit support for those New England utilities participating in Phase II whose credit ratings are below investment grade. NEES and those New England utilities or their designees which have agreed to provide this credit support are the Equity Sponsors of New England Hydro under this Agreement.

B. A Participant under the Massachusetts HVDC Support Agreement or its authorized designee qualifies to be an Equity Sponsor by having its outstanding long-term debentures rated at least one grade above the lowest investment grade rating as of September 1, 1985. If no long-term debentures are outstanding, the ratings used shall be those of such company's most junior long-term mortgage or revenue bonds. If no mortgage bonds, revenue bonds, or debentures are outstanding, the ratings used shall be those of the most junior long-term debt. VELCO shall qualify to be an Equity Sponsor if 80% or more of its common stock is owned by utilities whose debt securities qualify pursuant to this subsection 4(B).

For purposes of this Agreement, "one grade above the lowest investment grade rating" means a rating equal to the following ratings from two of these rating agencies: Standard and Poor's Corporation - Rating BBB; Moodys Investor Service - Rating Baa2; and Duff & Phelps - Rating D&P 9 (or the equivalent municipal ratings).

C. A "designee" shall be authorized to be an Equity Sponsor if it is a parent company of such Participant and (i) its debt securities meet the appropriate test specified in B above, or (ii) at least 80% of its consolidated utility revenues are derived from subsidiaries whose debt securities meet the appropriate test specified in B above. (For VELCO, each stockholder of VELCO shall be a parent company of VELCO.) On or before the date of execution of this Agreement, each Participant shall identify its designee, if any.

D. A Participant under the Massachusetts HVDC Support Agreement also qualifies to be an Equity Sponsor if it has an Equity Share of four tenths of one percent (0.4%) or less and it has only one long-term debt rating from any of the three rating agencies referred to in B above and such rating is at least "A3" as of September 1, 1985.

E. In order that the necessary credit enhancement is provided as specified in A above, the qualification of each Equity Sponsor shall be reviewed by New England Hydro as of the date that the first equity contributions are to be made by such

Equity Sponsor. If an Equity Sponsor fails to qualify on such date, appropriate actions and allocations shall be instituted as provided elsewhere in this Agreement.

F. Notwithstanding any provision of Sections 2, 4(B), and 4(D) to the contrary, if a Participant (i) has only one credit rating and seeks to qualify to be an Equity Sponsor under B above, or (ii) has no credit rating at all and seeks to qualify to be an Equity Sponsor under B or D above, such new credit rating or ratings must be received by February 1, 1988, from one or more of the rating agencies referred to in B above and such new credit rating or ratings shall be current. Such Participant must demonstrate by February 1, 1988, to the satisfaction of New England Hydro that it is qualified to be an Equity Sponsor pursuant to this Section 4.

Section 5. Equity Shares

A. Each Equity Sponsor shall have and be charged with a percentage interest in all rights and obligations hereunder determined in accordance with this Section 5 (which interest is hereinafter referred to as its "Equity Share"). All of the equity of New England Hydro will be owned by the Equity Sponsors in proportion to their Equity Shares.

The Equity Share of each Equity Sponsor shall be computed both initially and as changed from time to time in accordance with the terms hereof, by New England Hydro as hereinafter

provided. Such computations shall be made as of the first day of any month in which there is a change in the number of Equity Sponsors or any change in the interest of any Equity Sponsor as herein provided. The initial computation is to be made as of September 15, 1985, and subsequent computations are to be made in any month thereafter in which an interest is modified or terminated due (i) to the failure of a signatory to provide proof that it is qualified to be an Equity Sponsor by February 1, 1988, or (ii) to the failure to provide Documentation by September 15, 1988, or (iii) to the failure to be so qualified on the date the first equity contributions are to be made by such Equity Sponsor, or (iv) to the operation of any provision of this Agreement. All computations shall be final unless there is a manifest error. Such computations of Equity Sponsors' Equity Shares as initially calculated and as changed under (i) and (ii) shall be made pursuant to Attachment C. Changes under (iii) shall be made pursuant to section 5(C) below, and changes under (iv) shall be made pursuant to the appropriate section requiring the change.

B. The Equity Shares on and as of the initial computation date, and as of the date of subsequent computations under subparts (i) and (ii) of the second paragraph of A above, will be calculated as follows:

1. 51% to NEES; and
2. 49% apportioned among the other Equity Sponsors on the basis of the subscription process as described in Attachment C.

(Attachment C provides that each Equity Sponsor may specify a maximum percentage of equity and that such maximum shall remain in effect until September 15, 1988 or such later deadline if extended pursuant to Section 2 hereof.) After the initial computation and prior to the Effective Date, each Equity Sponsor may transfer any or all of its Equity Share to one or more other Equity Sponsors. On or before September 1, 1988, any such Equity Sponsor which has transferred or intends to transfer any or all of its Equity Share to one or more other Equity Sponsors, must provide documentation to New England Hydro covering the transfer. Any apportionment of Equity Shares pursuant to Section 5B(2) above shall be made without regard to (i) any transfers of Participating Shares pursuant to Section 4 of the Massachusetts HVDC Support Agreement or (ii) any transfers of Equity Shares made after the initial computation and prior to the Effective Date, provided that each Equity Sponsor which has agreed to take such transferred Equity Share has provided the required Documentation by September 15, 1988 (including Documentation covering any such transferred Equity Share). Any transfers of Equity Shares, as provided above, shall be taken into account after such apportionment.

Upon execution of this Agreement, MMWEC may receive any such transferred Equity Shares; however, MMWEC shall not be included as an Equity Sponsor in any computations pursuant to the first paragraph of this Section 5B.

C. On the basis of New England Hydro's review of the qualifications of each Equity Sponsor other than NEES as of the date that the first equity contributions are to be made by such Equity Sponsor, if one or more Equity Sponsors are no longer qualified under Section 4, (i) the aggregate Equity Shares of such unqualified Equity Sponsors shall first be offered in writing by New England Hydro to all then qualified Equity Sponsors other than NEES for voluntary subscription, (ii) second, any remaining shortfall shall be allocated pro rata among such qualified Equity Sponsors not including NEES in proportion to their Equity Shares determined as of September 15, 1988, provided that the aggregate of all involuntary allocations under this Section 4(C) to such qualified Equity Sponsors shall not exceed an aggregate Equity Share of 10%, and further provided that the aggregate of all such involuntary allocations to any such Equity Sponsor shall not increase such Equity Sponsor's Equity Share determined as of September 15, 1988, by more than 25% thereof, and (iii) finally, any remaining shortfalls shall be retained pro rata by such no longer qualified Equity Sponsors in proportion to their Equity Shares determined as of September 15, 1988; provided, however, that NEES and all qualified Equity Sponsors may agree to other allocation arrangements; and further provided that NEES shall not have an Equity Share of less than 51% unless it so consents. (The above deadlines of September 15, 1988, may be extended to a later deadline pursuant to Section 2 hereof.)

All offerings above shall be made in accordance with a voluntary subscription process as specified in New England Hydro's offering letter, and any oversubscriptions will be treated as provided therein.

Section 6. Relationship among Equity Sponsors

The rights and obligations of the Equity Sponsors hereunder are several, in accordance with their respective Equity Shares, and not joint. The rights and obligations of New England Hydro hereunder are also several and not joint with those of the Equity Sponsors or any one thereof. There is no intention to create by this Agreement, or by any grant, lease, license, or activity related hereto, an association, joint venture, trust, or partnership or to impose on New England Hydro or any Equity Sponsor trust or partnership rights or obligations; and any such implied intention is expressly negated. Except as expressly provided in this Agreement, no Equity Sponsor shall have by virtue of this Agreement or of any such grant, lease, license, or activity the right or power to bind any other Equity Sponsor without its express written consent.

Section 7. Equity Contribution

A. Under the Massachusetts HVDC Support Agreement, New England Hydro has agreed to limit its equity investment to a maximum of 40% of its total capital as of the effective date of that agreement and has agreed to use its best efforts (subject to an exception specified in the Massachusetts HVDC Support Agreement) to continue to limit its equity investment to 40% of

its total capital during the time that New England Hydro has outstanding debt in its capital structure.

New England Hydro may call from time to time by written notification upon the Equity Sponsors to contribute equity in any of the forms set forth in this Section up to a maximum aggregate amount of $140 million, provided that Equity Sponsors having 66-2/3% of Equity Shares may agree to increase this maximum aggregate amount; and then all Equity Sponsors shall contribute such requested amount with each Equity Sponsor contributing up to its Equity Share of the new maximum. Any contribution made in response to New England Hydro's call in excess of the maximum aggregate amount, as adjusted from time to time, may be made on a voluntary basis by any contributing Equity Sponsor, and New England Hydro will make an appropriate adjustment in Equity Shares.

B. During the term of this Agreement, New England Hydro has the option from time to time to call for contribution of equity in any of the following forms:

1. New England Hydro may offer shares of its common stock to its Equity Sponsors and each Equity Sponsor shall subscribe for and purchase, for cash at a price set by New England Hydro, its Equity Share of the common stock so offered.
2. After each Equity Sponsor owns common stock of New England Hydro, New England Hydro may request that capital contributions be made, and each

Equity Sponsor shall contribute to New England Hydro its Equity Share of the total capital contribution so requested.

C. In order that New England Hydro may limit its equity investment to a maximum of 40% of its total capital, New England Hydro may, at its option, from time to time, take any of the following actions:

1. New England Hydro may repurchase for cash its common stock from Equity Sponsors in amounts that will not change the relative Equity Shares among Equity Sponsors and at a price per share equal to book value per share at the time of repurchase. Each Equity Sponsor shall sell such common stock to New England Hydro in the full amount so requested.
2. New England Hydro may return any capital contribution previously received from Equity Sponsors in amounts that will not change the relative Equity Shares among Equity Sponsors. Each Equity Sponsor shall accept such return of capital contribution in the full amount so returned.
3. New England Hydro may pay dividends out of earnings or make liquidating dividends to the Equity Sponsors.

D. New England Hydro shall give written notice of any call for contributions of equity under B above to each Equity Sponsor. Such notice shall specify the amount to be contributed, the form of the contribution, and a date, at least thirty days after the date of the notice, that the equity is to be contributed. New England Hydro will provide annually estimates of its equity requirements and estimated dates when any equity contributions hereunder will be due. New England Hydro shall give written notice of any action to reduce its equity under C above to each Equity Sponsor. Such notice shall specify the amount and form of the reduction and a date, at least fifteen days after the date of the notice, that the reduction in equity is to occur.

E. New England Hydro shall use the proceeds of any equity contribution under this Agreement for the sole purpose of meeting its capital requirements under the Massachusetts HVDC Support Agreement.

F. All transactions under B, up to a maximum aggregate amount of $140 million, and under C above shall be subject to receipt of all necessary regulatory approvals, and New England Hydro and the Equity Sponsors shall use their best efforts to obtain, or to assist in obtaining, these approvals in advance of the Effective Date.

G. New England Hydro shall have two classes of common stock, both of which will have the same preferences, qualifications, special or relative rights or privileges,

except that only one class shall have voting powers. Equity Shares allocated to NEES shall be evidenced by voting common stock. The Equity Shares allocated to each other Equity Sponsor shall, at the option of such Equity Sponsor, be evidenced by shares of voting common stock or non-voting common stock. Any reallocation of Equity Shares pursuant to Section 5 hereof shall be effected in such manner as to involve the issuance of additional common stock to each Equity Sponsor of the class then held by such Sponsor. Such election to take voting or non-voting stock shall be made in writing to New England Hydro by September 1, 1988.

H. Notwithstanding any provision of this Agreement to the contrary, prior to the date that New England Hydro first calls for equity contributions from all Equity Sponsors, all equity of New England Hydro will be owned and contributed by NEES.

Section 8. Cash Deficiency Guarantee

A. The Massachusetts HVDC Support Agreement provides that, if New England Hydro has, on any Due Date, a Cash Deficiency attributed to a Participant, the Participant absolutely and unconditionally guarantees to pay its Cash Deficiency on demand of Lenders. (This commitment is made in section 19 of that Agreement.) To provide further credit support to New England Hydro, each Equity Sponsor absolutely and unconditionally guarantees to pay its then Equity Share of the Cash Deficiency attributed to any Credit Enhanced Participant (as defined in the Massachusetts HVDC Support

Agreement) with respect to any third party debt financing of New England Hydro that was credit enhanced for such Participant, with such amounts to be paid directly on demand to Lenders, in cash, if for any reason a Credit Enhanced Participant fails to pay when due its Cash Deficiency on demand of Lenders. Each Equity Sponsor agrees that its obligations under this Section shall be continuing, absolute, and unconditional and without the benefit of any defense, claim, set-off, recoupment, abatement, or other right, existing or future, which an Equity Sponsor may have against the Lenders, New England Hydro, or any other person, and shall remain in full force and effect until all of the obligations of New England Hydro to the Lenders have been discharged.

Each Equity Sponsor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of merger or bankruptcy of any Lender or New England Hydro or any other Equity Sponsor, protest or notice with respect to this guarantee, and covenants that the obligations contained in this guarantee will not be discharged except by complete performance of the obligations of New England Hydro to the Lenders.

B. Notwithstanding any other provision contained herein, each Equity Sponsor's obligations under this Section 8 shall be limited to its Equity Share of the Cash Deficiency attributed to any Credit Enhanced Participant with respect to any financing of New England Hydro that was credit enhanced for such Participant.

C. In no event shall the several guarantees of the Equity Sponsors attributable to Credit Enhanced Participants for each debt financing of New England Hydro exceed in the aggregate 35% of the aggregate amount of the obligations relating to such financing, provided that Equity Sponsors having an aggregate of at least 80% of the Equity Shares may agree to exceed such 35% maximum and subject to receipt of any necessary regulatory approvals, such agreement shall be binding on all Equity Sponsors.

D. In no event shall Equity Sponsors be required to provide guarantees for a Participant with respect to a particular third party debt financing of New England Hydro if that would result in Credit Enhanced Participants with respect to that and all other outstanding financings of New England Hydro and New Hampshire Hydro having Participating Shares exceeding 35% under the Massachusetts HVDC Support Agreement, provided that Equity Sponsors having an aggregate of at least 80% of the Equity Shares may agree to exceed such 35% maximum and subject to receipt of any necessary regulatory approvals, such agreement shall be binding on all Equity Sponsors.

E. Each Equity Sponsor shall use its best efforts to obtain and assist others in obtaining all necessary regulatory approvals required for the several guarantees made in this Section.

Section 9. Acceptance of Participating Shares

A. In accordance with section 15 of the Massachusetts HVDC Support Agreement, if a Participant that is a Credit Enhanced Participant is terminated by New England Hydro as a Participant, each Equity Sponsor or its appointee shall be allocated by New England Hydro its then Equity Share of the Participating Share of such terminated Participant; such allocation to be made as of the date of such termination. Each Equity Sponsor or its appointee shall accept such allocation from New England Hydro and shall unconditionally and absolutely assume the rights and obligations associated therewith from the date of such allocation. If a Participant that was not also a Credit Enhanced Participant is terminated, then acceptance of any allocation shall be voluntary by any Equity Sponsor or its appointee and shall be in accordance with New England Hydro's offer thereof. If required by New England Hydro, any Equity Sponsor or its appointee assuming rights and obligations under the Massachusetts HVDC Support Agreement shall execute and deliver any documents necessary to effectuate such assumption. If any Equity Sponsor that is the designee of a Participant is unable to deliver these documents to effectuate the assumption, such Equity Sponsor shall take all actions necessary for the Participant that so designated it as an Equity Sponsor to assume such rights and obligations as its appointee.

The appointee of NEES shall be New England Power Company. The appointee(s) of any other Equity Sponsor shall be the

Participant(s) for which such Equity Sponsor was acting as a designee. Each Equity Sponsor agrees that if its appointee is allocated a Participating Share under the Massachusetts HVDC Support Agreement, such Equity Sponsor shall also allocate to it an equal participating share and support share under the New Hampshire HVDC Support Agreement and New England Power and Boston Edison AC Support Agreements, respectively.

B. Each Equity Sponsor shall use its best efforts to obtain and assist others in obtaining all necessary regulatory approvals required for performance of its or its appointee's commitments made in this Section.

Section 10. Commitments under the AC Support Agreements

A. In accordance with sections 4 of the New England Power and Boston Edison AC Support Agreements, if a Credit Enhanced Supporter thereunder is terminated, each Equity Sponsor or its appointee shall be allocated its then Equity Share of the Support Share of such terminated Supporter; such allocation to be made as of the date of such termination. Each Equity Sponsor or its appointee shall accept such allocation made by New England Power and Boston Edison and shall unconditionally and absolutely assume the rights and obligations associated therewith from the date of such allocation. If a Supporter under the AC Support Agreements which is not also a Credit Enhanced Supporter is terminated, then acceptance of any allocation shall be voluntary by any Equity Sponsor or its appointee and shall be made in accordance with New England

Power's and Boston Edison's offer thereof. If required by New England Power or Boston Edison, any Equity Sponsor or its appointee assuming rights and obligations under the AC Support Agreements shall execute and deliver any documents necessary to effectuate such assumption. If any Equity Sponsor that is a designee of a Participant is unable to deliver these documents to effectuate the assumption, such Equity Sponsor shall take all actions necessary for the Participant that so designated it as an Equity Sponsor to assume such rights and obligation as its appointee.

The appointee of NEES shall be New England Power Company. The appointee(s) of any other Equity Sponsor shall be the Supporter for which such Equity Sponsor was acting as a designee. Each Equity Sponsor agrees that if its appointee is allocated a Support Share under the New England Power and Boston Edison AC Support Agreements, such Equity Sponsor shall also allocate to it an equal participating share under the New Hampshire HVDC Support Agreement and Massachusetts HVDC Support Agreement, respectively.

B. Recognizing the need to provide additional financial security to induce New England Power, Boston Edison, and the Supporters to undertake the substantial obligations of these AC Support Agreements, each Equity Sponsor agrees that it shall absolutely and unconditionally pay (or cause its appointee to pay), promptly upon request and in addition to any Support Share payment, its then Equity Share of any unpaid amounts

attributed to a Credit Enhanced Supporter as specified in, and in accordance with, sections 14 of these AC Support Agreements (excluding any amounts due pursuant to sections 17 and 18 thereof).

C. Each Equity Sponsor shall use its best efforts to obtain and assist others in obtaining all necessary regulatory approvals required for performance of its commitments made in this Section.

Section 11. Character of Payment Obligations

The obligations of each Equity Sponsor to make payments hereunder, and to perform and observe all other agreements on its part contained herein, are absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any insolvency, composition, bankruptcy, reorganization, arrangement, liquidation or similar proceedings relating to New England Hydro, New England Power Company, Boston Edison Company, the Equity Sponsor, any other Equity Sponsor, or any affiliate thereof, (ii) any invalidity or unenforceability or disaffirmance by New England Hydro or any Equity Sponsor of any provision of this Agreement or any failure, omission, delay, or inability of New England Hydro to perform any of its obligations contained herein, (iii) any amendment, extension, or other change of, or any assignment or encumbrance of any rights or obligations under, this Agreement, or any waiver or other action or inaction, or any exercise or nonexercise of any right or remedy, under or in respect to this

Agreement, or (iv) any inability of the Equity Sponsor or any other Equity Sponsor to obtain regulatory approvals for financing its Equity Share of any obligations under this Agreement or for meeting any other obligations under this Agreement, it being the intention of the parties hereto that all amounts payable by each Equity Sponsor in respect of this Agreement shall begin to be payable and shall continue to be payable in all events in the manner and at the time herein provided. In that connection, each Equity Sponsor hereby waives, to the extent permitted by applicable law, any and all rights which it may now have or which may at any time hereafter be conferred upon it, by statute or otherwise, to terminate, cancel, or surrender any of its obligations under this Agreement.

Section 12. Default

A. Any of the following events (Events of Default) that occur and are continuing are Events of Default:

(i) An Equity Sponsor shall fail to pay to New England Hydro when due any amount which it has agreed to pay under any provision of this Agreement, and such failure shall continue for more than 15 days after written notice thereof has been given to such Equity Sponsor by New England Hydro; or

(ii) An Equity Sponsor shall fail to supply in accordance with the terms hereof any

documentation required by New England Hydro in connection with financing with Lenders by New England Hydro (for VELCO and MMWEC, this includes documentation for their respective contracting electric systems), and such failure shall continue for more than 30 days after written notice of such failure has been given to such Equity Sponsor by New England Hydro; or

(iii) An Equity Sponsor shall fail to perform any other obligation under this Agreement in accordance with the terms hereof, and such failure shall continue for more than 30 days after written notice thereof has been given to such Equity Sponsor or any of its affiliates by New England Hydro.

(iv) An Equity Sponsor shall experience an event of default under the Equity Funding Agreement for New Hampshire Hydro.

B. If an Event of Default under Section 12A(i) above shall have occurred, New England Hydro may, by written notice to each Equity Sponsor, request that the nondefaulting Equity Sponsors on a voluntary basis make the overdue payment to New England Hydro, provided that similar voluntary payments are made under the Equity Funding Agreement for New Hampshire Hydro.

C. New England Hydro or any Equity Sponsor shall be free to invoke such remedies at law or in equity as may be deemed

propriate against any Equity Sponsor that defaults under this Agreement.

Section 13. Restrictions on Transfer of Common Stock

Each Equity Sponsor agrees that it will not transfer any or all of its common stock of New England Hydro to any other person unless such person is an Equity Sponsor or meets the requirements for being an Equity Sponsor under sections 4B or 4C or 4D or 4F hereof as of the date of such transfer and a similar transfer is made under the Equity Funding Agreement for New Hampshire Hydro.

Section 14. Dividends on Common Stock

Any Equity Sponsor may direct New England Hydro to withhold the payment of a dividend to such Equity Sponsor and apply such dividend to reduce the current or the next Support Charge payment required to be made under the Massachusetts HVDC Support Agreement by such Equity Sponsor or its appointee.

Section 15. Restrictions on Dividends, Return of Capital and Repurchase of Common Stock

Any Equity Sponsor which is in default hereunder pursuant to Section 12 is not entitled to receive any amounts from New England Hydro representing such Equity Sponsor's then Equity Share of dividends, return of capital, or proceeds from any repurchase of common stock until all amounts (including interest thereon at an annual rate equal to two percent over the current interest rate on prime commercial loans from time to time in effect at the principal office of the First National Bank of Boston) owed by such Equity Sponsor to New Eng' Hydro have been paid.

Section 16. Certain Actions of New England Hydro

A. New England Hydro shall not take any of the following actions without prior written approval of Equity Sponsors having at that time at least 80% of the Equity Shares:

(i) Amend New England Hydro's articles of organization or by-laws to adversely affect the rights of the Equity Sponsors as stockholders in a material manner under the Basic Agreements, unless such amendment is required by regulation or law; and

(ii) Merge, consolidate, or sell all or substantially all of the assets of New England Hydro not otherwise permitted by the Massachusetts HVDC Support Agreement.

B. New England Hydro shall distribute in a timely manner to each Equity Sponsor copies of (a) its annual audited financial statements, (b) notices of all of its directors' and stockholders' meetings (including any committees thereof), and (c) minutes of all of its directors' and stockholders' meetings.

Section 17. Miscellaneous

A. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of, and may be performed by, the successors and assigns of the parties and shall also be binding, insofar as permitted by law, on any

receiver or trustee in bankruptcy, receivership, or reorganization of any party. Except for a transfer of any or all of an Equity Sponsor's Equity Share prior to the Effective Date as provided in Section 5B hereof, no assignment of this Agreement shall operate to relieve the assignor of its obligations under this Agreement without the written consent of the parties hereto. Written notice to all parties will be given prior to any assignment hereunder.

Notwithstanding the above, New England Hydro may collaterally assign this Agreement without the consent of the Equity Sponsors in connection with a third party financing by New England Hydro.

B. Right of Setoff. No Equity Sponsor shall be entitled to set off against the payments required to be made by it hereunder (1) any amounts owed to it by New England Hydro, any affiliate of New England Hydro, or any other Equity Sponsor, or (2) the amount of any claim by it against New England Hydro, any affiliate of New England Hydro, or any other Equity Sponsor. However, the foregoing shall not affect in any other way any Equity Sponsor's rights and remedies with respect to any such amounts owed to it by New England Hydro, any affiliate of New England Hydro, or any other Equity Sponsor or any such claim by it against New England Hydro or any other Equity Sponsor.

C. Amendments. Any amendments changing the Equity Shares of the Equity Sponsors or the several nature of the obligations

and rights of the Equity Sponsors hereunder as specified in Section 6, shall require consent by all parties. In the event that an Equity Sponsor is obligated to acquire Equity Shares hereunder and does not pay for such Shares, then such Shares will not be issued to him and such Equity Sponsor's Equity Share will be reduced accordingly. All other amendments to this Agreement shall be by mutual agreement of New England Hydro and Equity Sponsors owning Equity Shares aggregating at least 80%, evidenced by a written amendment signed by New England Hydro and such Equity Sponsors; and New England Hydro and all Equity Sponsors shall be bound by any such amendment.

D. Notices. Except as the parties may otherwise agree, any notice, request, bill, or other communication relating to this Agreement, or the rights, obligations or performance of the parties hereunder, shall be in writing and shall be effective upon delivery. Any such communication shall be considered as duly delivered when delivered in person or mailed by registered or certified mail, postage prepaid, to the respective post office address of the other parties shown following the signatures of such other parties hereto, or such other address as may be designated by written notice given as provided in this paragraph D.

E. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of The Commonwealth of Massachusetts.

F. Other.

(1) No action, regardless of form, arising out of this Agreement may be brought by any party hereto more than three years after the cause of action has arisen.

(2) In the event that any clause or provision of this Agreement, or any part thereof, shall be declared invalid or unenforceable by any court having jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining portions of this Agreement.

(3) All provisions of this Agreement providing for limitation of, or protection against, liability shall apply to the full extent permitted by law, and regardless of fault, and shall survive either termination pursuant to this Agreement or cancellation.

(4) Each party shall, upon request of another party, execute and deliver any document reasonably required to implement any provision hereof.

(5) Any number of counterparts of this Agreement may be executed and each shall have the same force and effect as the original.

(6) This Agreement, with the other Basic Agreements, Preliminary Quebec Interconnection Support Agreement - Phase II, the agreements with Hydro-Quebec regarding Phase II, and the basic agreements covering Phase I shall constitute the entire understanding among the parties and shall supersede any and all previous understandings pertaining to the subject matter of this Agreement.

(7) Terms defined in the Massachusetts HVDC Support Agreement and the New England Power and Boston Edison AC Support Agreements used in this Equity Funding Agreement shall be incorporated herein as defined in such Agreements unless the context indicates otherwise.

(8) This Agreement is the act and obligation of the parties hereto in their corporate or governmental capacity, and any claim hereunder against any shareholder, director, officer, employee, or agent of any party, as such, is expressly waived.

IN WITNESS WHEREOF, the signatories have caused this Agreement to be executed by their duly authorized officers or agents.

NEW ENGLAND HYDRO-TRANSMISSION
ELECTRIC COMPANY, INC.

s/R.O. Bigelow

By: _____
Its President

Address: 25 Research Drive
Westborough, MA 01582

NORTHEAST UTILITIES

s/William B. Ellis

By: _____
Its Chairman

Address: c/o Northeast Utilities
Service Company
P.O. Box 270
Hartford, Connecticut
06141-0270

Article 32 of the Declaration of Trust of Northeast Utilities dated January 15, 1927, as amended, provides as follows:

> No shareholder shall be held to any liability whatever for the payment of any sum of money, or for damages or otherwise under any contract, obligation or undertaking made, entered into or issued by the Trustees or by any officer, agent or representative elected or appointed by the Trustees and no such contract, obligation or undertaking shall be enforceable against the Trustees or any of them in their or his individual capacities or capacity and all such contracts, obligations and undertakings shall be enforceable only against the Trustees as such and every person, firm, association, trust and corporation having any claim or demand arising out of any such contract, obligation or undertaking shall look only to the trust estate for the payment or satisfaction thereof. It shall be the duty of the Trustees and each of them and of every officer, agent or representative elected or appointed by them to include in every written agreement entered into by them or any of them as herein provided, a statement of the immunity provided by this article for the Shareholders and for the Trustees as individuals, and neither the Trustees nor any of them nor any officer, agent or representative appointed or elected by them shall have any power or authority to enter into any agreement or incur any obligation as herein provided except in accordance with the provisions of this Article.
>
> In case any Shareholder shall at any time for any reason be held to or be under any personal liability whatever solely by reason of his being or having been a Shareholder and not by reason of his acts or omissions as a Shareholder, then such Shareholder (or his heirs, executors, administrators, or other legal representatives) shall be held harmless and indemnified out of the trust estate from and of all loss, liability or expense by reason of such liability.

Vermont Electric Power Company, Inc., as agent for the Vermont electric utilities named, and with authority to bind each such utility to the extent of the percentage interest of the VELCO Equity Share allocated hereunder that is specified, on Schedule 1 to this signature page.

VERMONT ELECTRIC POWER COMPANY, INC.

s/S. John Zuckernick

By: _____
Its President

Address: P.O. Box 548
Rutland, VT 05701-0548

BOSTON EDISON COMPANY

s/Stephen J. Sweeney

By: _____
Its President & Chief Executive Officer

Address: 800 Boylston Street
Boston, MA 02199

CHICOPEE MUNICIPAL LIGHTING PLANT

s/Herve L. Plasse

By: _____
Its Manager

Address: 725 Front Street
Chicopee, MA 01020

CANAL ELECTRIC COMPANY

s/Jeremiah V. Donovan

By: _____
Its President

Address: 2421 Cranberry Highway
Wareham, MA 02571

MONTAUP ELECTRIC COMPANY

s/Arthur A. Hatch

By: _____
Its Vice President
c/o Eastern Utilities Associates
Address: P. O. Box 2333
Boston, MA 02107

TAUNTON MUNICIPAL LIGHTING PLANT

s/Joseph M. Blain

By: _____
Its General Manager

Address: 55 Weir Street
Taunton, MA 02780

CONNECTICUT MUNICIPAL ELECTRIC ENERGY COOPERATIVE

s/Maurice R. Scully

By: _____
Its Executive Director

Address: 268 Thomas Road
Groton, CT 06340

NEWPORT ELECTRIC CORPORATION

s/Elliot G. Whitney

By: _____
Its President & General Manager

Address: 12 Turner Road
Middletown, R.I. 02840-0011

MASSACHUSETTS MUNICIPAL WHOLESALE ELECTRIC COMPANY

s/Gary L. Hunt

By _____
Its General Manager

Address: P. O. Box 426
Ludlow, MA 01056

PEABODY MUNICIPAL LIGHT PLANT

s/Bruce P. Patten

By: _____
Its Manager

Address: 70 Endicott Street
Peabody, MA 01960

TOWN OF MIDDLEBOROUGH

s/John W. Dunfey

By: _____
Its General Manager

Address: 32 South Main Street
Middleborough, MA 02346

Town of Middleborough — Light Department's 1980 Kilowatthour load 92,081,000

TOWN OF WAKEFIELD

s/William J. Wallace

By: _____
Its Manager
Wakefield Mun. Lt. Dept.
Address: 9 Albion Street
Wakefield, MA 01880

Town of Wakefield — Light Department's 1980 Kilowatthour load 107,609,000

TOWN OF NORTH ATTLEBORO

s/David Sweetland

By: _____
Its Manager

Address: P.O. Box 790
North Attleboro, MA 02761

Town of North Attleboro — Light Department's 1980 Kilowatthour load 93,816,000

TOWN OF BOYLSTON

s/Edward H. Kimbell

By: _____
Its Manager

Address: Sanatorium Road
Boylston, MA 01505

Town of Boylston

Light Department's
1980 Kilowatthour load 17,324,000

TOWN OF HINGHAM

s/Joseph R. Spadea, Jr.

By: _____
Its Manager

Address: Hingham Municipal Lighting Plant
19 Elm Street
Hingham, MA 02043

Town of Hingham

Light Department's
1980 Kilowatthour load 103,929,000

TOWN OF HUDSON

s/Horst Huehmer

By: _____
Its Manager

Address: TOWN OF HUDSON,
Light & Power Department,
49 Forest Ave.
Hudson, MA

WESTFIELD GAS & ELECTRIC LIGHT DEPARTMENT

s/Daniel Golubek

By: _____
Its Manager

Address: 100 Elm Street
Westfield, MA 01085

TOWN OF BRAINTREE ELECTRIC LIGHT DEPARTMENT

s/Walter R. McGrath

By: _____
Its General Manager

Address: 44 Allen Street
Braintree, MA 02184

Town of Braintree

Light Department's
1980 Kilowatthour load 267,289,000

TOWN OF DANVERS

s/Wayne P. Marquis

By: _____
Its Town Manager

s/Michael W. Madore

By: _____
Its Electric Superintendent

Address: Electric Division
2 Burroughs Street
Danvers, MA 01923

Town of Danvers

Light Department's
1980 Kilowatthour load 206,806,000

TOWN OF WEST BOYLSTON

s/Charles H. Coughlin

By: _____
Its Manager

Address: 4 Crescent Street
West Boylston, MA 01583

Town of West Boylston

Light Department's
1980 Kilowatthour load 43,974,000

CITY OF HOLYOKE

s/G.E. Leary

By: _____
Its Manager

Address: Gas & Electric Department
70 Suffolk Street
Holyoke, MA 01040

City of Holyoke

Light Department's
1980 Kilowatthour load 232,301,707

TOWN OF READING

s/Allan Ames

By: _____
Its Secretary, Reading Municipal Light Board

Address: 25 Haven Street
P.O. Box 150
Reading, MA 01867

Town of Reading

Light Department's
1980 Kilowatthour load 401,794,849

CONCORD MUNICIPAL LIGHT PLANT

s/Steven E. Sheiffer

By: _____
Its Town Manager

Address: 135 Keyes Road
Concord, MA 01742

TOWN OF SOUTH HADLEY

s/Wayne D. Doerpholz

By: _____
Its Manager

Address: 85 Main Street
South Hadley, MA

Town of South Hadley

Light Department's
1980 Kilowatthour load 99,981,000

TOWN OF GROTON

s/Roger H. Beeltje

By: _____
Its Manager of Municipal Lght.

Address: Groton Electric Light Department
Station Avenue
Groton, MA 01450

Town of Groton

Light Department's
1980 Kilowatthour load 22,908,000

TOWN OF SHREWSBURY

s/Thomas R. Josie

By: _____
Its Acting General Mgr.

Address: 100 Maple Avenue
Shrewsbury, MA 01545

Town of Shrewsbury

Light Department's
1980 Kilowatthour load 146,303,000

NEW ENGLAND ELECTRIC SYSTEM

s/Alfred D. Houston

By: _____
Its Vice President - Finance

Address: 25 Research Drive
Westborough, MA 01582

The name "New England Electric System" means the trustee or trustees for the time being (as trustee or trustees but not personally) under an agreement and declaration of trust dated January 2, 1926, as amended, which is hereby referred to, and a copy of which as amended has been filed with the Secretary of the Commonwealth of Massachusetts. Any agreement, obligation or liability made, entered into or incurred by or on behalf of New England Electric System binds only its trust estate, and no shareholder, director, trustee, officer or agent thereof assumes or shall be held to any liability therefor.

With respect to the Equity Sponsors' commitments under Section 10 hereof, New England Power Company hereby acknowledges these commitments.

NEW ENGLAND POWER COMPANY

s/R.H. McLaren

By: _____

Its Assistant Treasurer

Address: 25 Research Drive
Westborough, MA 01581

VELCO SCHEDULE 1

Utility	Percentage Interest
Citizens Utilities Company	1.1155
Franklin Electric Light Company	0.0433
Green Mountain Power Corporation	3.1800
	4.3388

Schedule II

Massachusetts Municipal Wholesale Electric Company
Contracting Electric Systems

Massachusetts Systems

Town of Ashburnham Municipal Light Plant
Town of Georgetown Municipal Light Department
Town of Hull Municipal Lighting Plant
Town of Littleton Electric Light Department
Town of Mansfield Municipal Electric Department
Town of Marblehead Municipal Light Department
Town of Middleton Municipal Electric Department
Town of Paxton Municipal Light Department
Town of Templeton Municipal Lighting Plant

Rhode Island System

Pascoag Fire District

ATTACHMENT A

List of Equity Sponsors

New England Hydro will supply a list of Equity Sponsors as of the date of initial computation and as of each date thereafter that the list changes.

As of February 1, 1988 (1)

Equity Sponsors	Equity Share (%)
New England Electric System	51.0000
Northeast Utilities	22.4245
Boston Edison	10.9335
Vermont Electric Power (2)	4.3388
Canal Electric	3.3885
Montaup	3.2435
Conn. Municipal Electric Coop.	0.8312
Reading	0.4638
Newport Electric	0.4426
Taunton	0.3547
Chicopee	0.3145
Braintree	0.2995
Peabody	0.2746
Holyoke Gas & Electric	0.2362
Westfield	0.2528
Danvers	0.2393
Shrewsbury	0.1612
Hudson	0.1474
Wakefield	0.1245
Hingham	0.1203
Concord	0.1161
North Attleboro	0.1086
Middleborough	0.1065
West Boylston	0.0509
Groton	0.0265
	100.0000

(1) Boylston and South Hadley signed the Equity Funding Agreements, but have not qualified as Equity Sponsors.

(2) VELCo has signed as agent for:

Green Mountain Power	3.1800%
Citizens Utilities	1.1155
Franklin Electric	0.0433
	4.3388%

ATTACHMENT B

Forms of the following documentation:

1. Opinion of Counsel

2. Certificate

3. Incumbency and Signature Certificate

4. Directors' Vote

[Please note - governmental entities may make appropriate modifications to these documents to reflect that they are not corporations.]

[Form of Opinion of Counsel for Each Utility Participant]

New England Hydro-Transmission
Electric Company, Inc.;
New England Hydro Transmission
Corporation; or
New England Power Company

Gentlemen:

This opinion is furnished in connection with the execution and delivery by _____ (the Company) of the following Agreements: _____.

We have acted as counsel to the Company, one of the Utility Participants, in connection with the execution and delivery of the Basic Agreements. We participated in reviewing and/or drafting the Agreements.

As general [special] counsel to the Company, we are generally familiar with its affairs. [If special counsel is giving the opinion, describe relationship to the Company.] We have reviewed the proceedings taken by the Company in connection with its authorization, execution, and delivery of the Agreements and any documentation supplied by the Company thereunder. We have also examined executed counterparts of the Agreements, have made such other investigation, and have examined such other records and documents, and have made such examination of law and satisfied ourselves as to such other matters as we have deemed relevant and necessary in order to enable us to express the opinions set forth below.

Based upon and subject to the foregoing and to the further qualifications in this opinion, we are of the opinion that:

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of [the jurisdiction of its incorporation], has the corporate power to own its assets and to transact the business in which it is engaged, and is duly qualified as a foreign corporation in, and is in good standing under the laws of, each jurisdiction in which the conduct of its business or the ownership of its assets requires such qualification.

2. The Company has (and in the case of the Agreements at the time of execution and delivery thereof, had) full corporate power, and legal right to execute, deliver and perform the Agreements, and the Company has taken all necessary corporate action to authorize the execution, delivery, and performance by it of the Agreements.

3. The execution, delivery, and performance by the Company of the Agreements do not (a) contravene the Company's [charter documents] or by-laws, (b) violate any applicable law, rule, regulation, order, writ, judgment, injunction, decree, or award known to us by which the Company is bound, (c) violate any indenture, instrument, or agreement known to us by which the Company is bound, or (d) result in or require the creation or the imposition of any lien pursuant to the provisions of any indenture, instrument, or agreement known to us by which the Company is bound.

4. No authorization, approval, consent, or other action by, and no notice to or filing with, any federal, state, or other governmental authority or regulatory body which has not been obtained or given and is not in full force and effect is required for the valid and lawful execution, delivery, and performance by the Company of the Agreements. [In this connection, to the extent it may be required by law, the approval of the Massachusetts Department of Public Utilities [Connecticut PUC, or other] has been given for the Agreements and the Company's performance thereunder by order(s) dated _____, which remains in full force and effect.]

5. The Agreements have each been duly executed and delivered by the Company and constitute the legal, valid, and binding obligations of the Company enforceable against it in accordance with their respective terms.

6. No action, suit, proceeding, or investigation at law or in equity or by or before any governmental instrumentality or other agency now pending or threatened against or affecting the Company or its property or rights which, if adversely determined, would materially impair the ability of the Company to perform its obligations under the Agreements is known to us.

Our opinion that the Agreements are enforceable, each in accordance with the terms thereof, is qualified to the extent that the enforcement of the rights and remedies created thereby is subject to bankruptcy, insolvency, reorganization, and similar laws of general application affecting the rights and remedies of creditors and secured parties, and to the further extent that the availability of the remedies of specific enforcement, injunctive relief, or any other equitable remedy is subject to the discretion of the court before which any proceeding therefor may be brought.

Very truly yours,

CERTIFICATE

I, (insert name), the Clerk (or Secretary or other principal recording officer) of (insert name of Utility Participant), a (insert state of organization) (the "Company") do hereby certify that:

(1) Attached hereto as Exhibit A is a true and correct copy of a vote duly adopted at a meeting of the Board of Directors of the Company, duly called and held on _____, 198_, and that such vote and the authority vested thereby have not been amended or revoked and are still in full force and effect.

(2) Attached hereto as Exhibit B is a true and correct copy of the Articles of Organization (or other charter documents) of the Company, as amended and in effect as of the date of this Certificate.

(3) Attached hereto as Exhibit C is a true and correct copy of the By-Laws of the Company, as amended and in effect as of the date of this Certificate.

(4) The persons (or person) listed on Exhibit D have been duly elected to the offices set forth adjacent to their respective names since the first day of June, 1985, and the signatures adjacent to their respective names are the genuine signatures of said officers.

IN WITNESS WHEREOF, I have placed my hand and the seal of the Company this _____ day of _____, 198_.

By _____

Name:
Title:

CONFIRMATION OF INCUMBENCY AND SIGNATURE OF
CLERK, SECRETARY, OR OTHER PRINCIPAL RECORDING OFFICER

I, (name), (title) of the Company, do hereby certify that (name of officer executing certificate) is and at all times subsequent to _____, 198_, has been the duly elected (title) of the Company and that the signature adjacent to his (or her) name is the genuine signature of said officer.

By _____

Name:
Title:

FORM OF DIRECTORS' VOTE APPROVING AGREEMENTS

VOTED: That in connection with this Company's participation in the Phase II expansion of the proposed interconnection between the New England Power Pool companies and Hydro-Quebec, the execution and delivery on behalf of this Company by _____, President, of the following agreements: (being collectively referred to in this vote as "Agreements") copies of which Agreements have been presented at this meeting, are hereby authorized, approved, ratified, and confirmed, and that the officers of this Company are further authorized severally to take any and all such further actions including the execution and delivery of such further documents, as such officers or any of them may deem necessary or appropriate in connection with the actions and documents authorized by this vote.

ATTACHMENT C

Subscription Process for Determining Equity Shares under Section 5(B)

After allocation of 51% of the Equity Shares to NEES pursuant to Section 5(B)(1), the Equity Shares shall be allocated to Equity Sponsors other than NEES as follows:

(a) Each other Equity Sponsor shall be entitled to a pro rata share of the remainder based on the Participating Share of such Equity Sponsor or the Participant(s) that has designated it as an Equity Sponsor as a percentage of Participating Shares of all other Equity Sponsors or such Participants as shown in the Massachusetts HVDC Support Agreement. For the purpose of this calculation, the Participating Share of each Equity Sponsor designated by VELCO shall be deemed to be a pro rata share of VELCO's Participating Share based on the ratio of such Equity Sponsor's 1980 kwh load to the aggregate 1980 kwh load of all Equity Sponsors designated by VELCO.

(b) Upon execution of this Agreement, each other Equity Sponsor may subscribe for more or less than its share under (a) above.

(c) Upon execution of this Agreement, each other Equity Sponsor may specify a maximum limit on its share of such remainder that would apply to any allocations made on or before June 1, 1986 or such later deadline date as is fixed pursuant to Section 2 hereof.

(d) If there are no undersubscriptions or oversubscriptions under (b) above or if the sum of the shares under (a) or (b) above for all Equity Sponsors equals 100% of such remaining shares, then each Equity Sponsor shall have a share as determined under (a) or (b) above. (For the purposes of this attachment, oversubscription shall mean, with respect to any Equity Sponsor, a subscription under (b) above of more than its share under (a) above. For the same purposes, undersubscription shall mean, with respect to any Equity Sponsor, a subscription under (b) above of less than its share under (a) above. The amount of such oversubscription shall be equal to (b) minus (a) and the amount of such undersubscription shall be equal to (a) minus (b).)

(e) If there are undersubscriptions but not oversubscriptions or if there are oversubscriptions

but no undersubscriptions, then each Equity Sponsor shall have a share as determined under (a) above; provided, however, that no Equity Sponsor shall be allocated more than its specified limit under (c) above. If the sum of all shares heretofore allocated is less than 100%, any remaining share shall be allocated to all Equity Sponsors that have received shares less than their limits under (c) above, pro rata by the difference between their limits under (c) above and their shares as heretofore allocated.

(f) If the net result of subtracting the aggregate amount of all undersubscriptions from the aggregate amount of all oversubscriptions is greater than zero, the aggregate amount of all oversubscriptions must be reduced to the aggregate amount of all undersubscriptions. This amount shall be referred to as the total permitted amount of oversubscriptions. Each oversubscriber shall initially be allocated a share of the total permitted amount of oversubscriptions (pro rata by the Participating Shares of the oversubscribers or their designators as shown in the Massachusetts HVDC Support Agreement); provided that no oversubscriber shall be allocated more than its requested amount under (b) above. Any remaining unallocated portion of the total permitted amount of oversubscriptions shall be allocated to all oversubscribers that have not yet reached their requested amount under (b) above pro rata by the differences between their requested shares under (b) above and their shares as heretofore allocated.

(g) If the net result of subtracting the aggregate amount of all oversubscriptions from the aggregate amount of all undersubscriptions is greater than zero, the aggregate amount of all undersubscriptions must be reduced to the aggregate amount of all oversubscriptions. This amount shall be referred to as the total permitted amount of undersubscriptions. The total permitted amount of undersubscriptions shall be allocated to the undersubscribers pro rata by the amounts of their undersubscriptions; provided, however, that no Equity Sponsor shall be allocated more than its specified limit under (c) above. If the sum of all shares heretofore allocated is less than 100%, any remaining share shall be allocated to all Equity Sponsors that have received shares less than their limits under (c) above, pro rata by the difference between their limits under (c) above and their shares as heretofore allocated.

(h) If Equity Shares are required to be changed pursuant to subpart (i) or (ii) of Section 5(a), this reallocation shall be accomplished in accordance with this Attachment C on the basis of the subscriptions initially made under (b) and the maximum limits specified under (c) by each continuing Equity Sponsor, and giving effect to the termination of any Equity Sponsor pursuant to said subpart (i) or (ii).

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(COMPOSITE CONFORMED COPY - as amended)
Amendment No. 1-May 1, 1986
Amendment No. 2-September 1, 1987
Amendment No. 3-August 1, 1988

EQUITY FUNDING AGREEMENT

FOR

NEW ENGLAND HYDRO-TRANSMISSION CORPORATION

DATED AS OF JUNE 1, 1985

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EQUITY FUNDING AGREEMENT

FOR

NEW ENGLAND HYDRO-TRANSMISSION CORPORATION

This AGREEMENT dated as of June 1, 1985, is between New England Hydro-Transmission Corporation (New Hampshire Hydro) and the New England entities listed in Attachment A hereto. Those New England entities that have executed this Agreement and that meet the further conditions for participation and qualification hereunder are hereinafter referred to as Equity Sponsors or individually as an Equity Sponsor. The Equity Sponsors are sometimes referred to collectively herein, but their rights and obligations hereunder are several and not joint as described in Section 6 hereof.

In consideration of the premises, the concurrent execution of the other Basic Agreements hereinafter referred to, the mutual covenants hereinafter and therein set forth, and other good and valuable consideration, receipt whereof is hereby acknowledged, it is hereby agreed as follows:

Section 1. Basic Understandings and Purpose

New England utilities are currently participating in the arrangements for the Phase I interconnection planned by the New England Power Pool (NEPOOL) with Hydro-Quebec, which is to consist of a ± 450 kV HVDC transmission line from a terminal at the Des Cantons Substation on the Hydro-Quebec system near

Sherbrooke, Quebec to a terminal having an approximate rating of 690 MW at a substation at the Comerford Generating Station on the Connecticut River (hereinafter referred to as Phase I). The basic arrangements covering the portion of Phase I in the United States are set forth in the New England Power Pool Agreement, as amended (the NEPOOL Agreement) and three contracts among the participants in Phase I as follows:

1. Vermont Transmission Line Support Agreement, dated as of December 1, 1981, as amended, with Vermont Electric Transmission Company, Inc.
2. Phase I Terminal Facilities Support Agreement, dated as of December 1, 1981, as amended, with New England Electric Transmission Corporation, and
3. Agreement With Respect To Use Of Quebec Interconnection, dated as of December 1, 1981, as amended, including the restatement thereof in connection with Phase II (this Agreement as restated to cover Phase II is hereinafter referred to as the Use Agreement).

These Phase I interconnection facilities are currently under construction with completion scheduled during 1986.

With the completion of arrangements for Phase I and the related contracts with Hydro-Quebec, the members of NEPOOL have conducted studies of the benefits of an expanded interconnection for NEPOOL with Hydro-Quebec (Phase II) and

have negotiated with Hydro-Quebec a firm energy arrangement to utilize the expanded interconnection facilities.

The portion of Phase II in the United States will consist of an extension of the Phase I DC transmission line from the proposed terminus of Phase I at the Comerford Station through New Hampshire to a site in Massachusetts with additional terminal facilities installed at that site to increase the total transfer capacity between Hydro Quebec and NEPOOL from the 690 MW of Phase I to approximately 2000 MW. Reinforcements to the existing AC transmission system of New England Power and to certain AC facilities of Boston Edison Company will also be required. The United States portion of the Phase II facilities will be designated as pool-planned facilities in the same manner as the United States portion of the Phase I facilities was so designated.

Each Equity Sponsor acknowledges that it has been represented on the Executive and Planning Committees of NEPOOL that had responsibility for evaluating the feasibility of Phase II and, through this representation, actively participated in the decision of NEPOOL to go forward with Phase II. Furthermore, each Equity Sponsor represents that it made its own independent investigations and inquiries as it deemed appropriate and did not rely upon representations (other than those contained in this Agreement) of New Hampshire Hydro or its affiliates in deciding to enter into this Agreement.

The sharing of benefits among the New England utilities associated with Phase II is set forth in the Use Agreement. The Use Agreement also permits each New England utility to make its own entitlement transactions with Hydro Quebec and to use the interconnection for such transactions.

The provisions of the Phase II Massachusetts Transmission Facilities Support Agreement (Massachusetts HVDC Support Agreement) cover the Phase II Massachusetts HVDC transmission line and terminal facilities in Massachusetts. New England Hydro-Transmission Electric Company, Inc. (New England Hydro) will build, own, operate, and maintain those Massachusetts HVDC transmission facilities.

The portion of the Phase II HVDC transmission line to be constructed in New Hampshire is covered under the Phase II New Hampshire Transmission Facilities Support Agreement (New Hampshire HVDC Support Agreement). New Hampshire Hydro will build, own, operate, and maintain those New Hampshire HVDC transmission facilities.

All improvements and reinforcements to the AC transmission system in Massachusetts necessitated by Phase II are covered under the Phase II New England Power AC Facilities Support Agreement (New England Power AC Support Agreement) and the Phase II Boston Edison AC Facilities Support Agreement (Boston Edison AC Support Agreement).

The provisions of this Agreement cover the commitments of the Equity Sponsors of New Hampshire Hydro to contribute equity funds to New Hampshire Hydro, to provide certain limited credit support in connection with debt financing of New Hampshire Hydro, and to accept an allocation of a share of Phase II in the event of a default by certain participating New England utilities under certain other Basic Agreements.

In view of the need to formalize the agreements among the parties at an early date so that (i) binding commitments with Hydro Quebec for Phase II may be made, (ii) binding commitments for ultimate construction and the financing of the United States portion of Phase II may be undertaken consistent with the time schedule anticipated by NEPOOL and with the assurance that commitments among the New England utilities are in place, and (iii) licensing activities may proceed on a schedule that enables completion of such construction consistent with the time schedule anticipated by NEPOOL, the following agreements are concurrently being entered into (the "Basic Agreements") which collectively set forth rights and obligations with respect to the foregoing undertaking: (1) this Agreement; (2) the Massachusetts HVDC Support Agreement; (3) the New Hampshire HVDC Support Agreement; (4) the Equity Funding Agreement for New England Hydro; (5) the New England Power AC Support Agreement; (6) the Use Agreement; (7) various amendments to the NEPOOL Agreement relating to the sharing of savings, capability responsibilities, and Pool transmission arrangements; and (8) the Boston Edison AC Support Agreement.

In order to coordinate each participating utility's interest in Phase II to the fullest extent possible, each of the following Basic Agreements have been drafted with the intent that the participating interest of each participating utility will be the same under each agreement: the Massachusetts HVDC Support Agreement, the New Hampshire HVDC Support Agreement, the New England Power AC Support Agreement, the Boston Edison AC Support Agreement, and the Use Agreement. These Basic Agreements also provide that, notwithstanding any provision thereof that may be interpreted to the contrary, the proper interpretation of each of these Basic Agreements is to be consistent with such overriding intent. Each Equity Sponsor acknowledges this overriding intent and agrees that any action by it or its appointee affecting such participating interests shall be the same under this Agreement and the Equity Funding Agreement with New England Hydro in order to also be consistent with such overriding intent.

Section 2. Conditions Precedent to Effectiveness

The effectiveness of this Agreement, and all rights, obligations, and performance of the signatories hereunder, is subject to (i) New England Electric System (NEES) and other signatories having executed this Agreement committing in the aggregate to Equity Shares (as hereinafter defined) equal to at least 100%, and each such signatory having demonstrated by February 1, 1988, to the satisfaction of New Hampshire Hydro

that it is qualified to be an Equity Sponsor pursuant to Section 4, (ii) New England Hydro or New Hampshire Hydro or New England Power or Boston Edison and members of NEPOOL (including Boston Edison and New England Power) serving at least 66-2/3% of the aggregate kilowatthour load served by NEPOOL members in 1980 having executed the other Basic Agreements (except for the Equity Funding Agreement for New England Hydro and the amendments to the NEPOOL Agreement), (iii) each signatory having also executed the Equity Funding Agreement for New England Hydro and having the same percentage of New England Hydro's equity as its Equity Share hereunder, (iv) members of NEPOOL having executed the amendments to the NEPOOL Agreement for Phase II in order that such amendments may become effective in accordance with the NEPOOL Agreement, and (v) each signatory having satisfied the conditions precedent set forth below.

By September 15, 1988, each signatory to this Agreement shall provide certificates and legal opinions from counsel satisfactory to New Hampshire Hydro, together with certified copies of related resolutions, consents, approvals, authorizations, and other documents (Documentation) necessary to establish to the satisfaction of New Hampshire Hydro that all corporate and regulatory consents, waivers, approvals, authorizations and other actions necessary in connection with performance by such signatory of its obligations under the Agreement have been obtained and are in full force and effect, that the Agreement has been duly authorized, executed, and

delivered by such signatory, and that it constitutes a binding commitment by the signatory enforceable in accordance with its terms. Forms of Documentation acceptable to New Hampshire Hydro are included in Attachment B hereto. Prior to signing this Agreement, each signatory has provided to New Hampshire Hydro a listing of all consents, waivers, approvals, authorizations, and other actions required for that signatory to deliver its Documentation.

Vermont Electric Power Company, Inc. (VELCO) and Massachusetts Municipal Wholesale Electric Company (MMWEC) represent a number of electric systems. If they desire and are qualified to be Equity Sponsors, they shall be deemed to have signed on behalf of those respective systems listed in Schedules I or II, respectively. By September 1, 1988, VELCO and MMWEC will provide New Hampshire Hydro with copies of contracts with their respective systems which impose absolute and unconditional obligations on such systems to pay their proportionate shares of all costs or obligation incurred under this Agreement by VELCO or MMWEC, respectively. By that date, VELCO and MMWEC will also provide to New Hampshire Hydro as part of their Documentation certificates, legal opinions (from counsel satisfactory to New Hampshire Hydro), and other documents in form and substance satisfactory to New Hampshire Hydro representing unconditionally that all consents, approvals, and authorizations have been obtained by their

contracting systems in connection with each such system's performance of its obligations under its respective contract with VELCO or MMWEC and that each such contract imposes absolute and unconditional obligations on such systems to pay their proportionate shares of all costs incurred under this Agreement by VELCO or MMWEC, respectively, and has been duly authorized, executed, and delivered and is a binding commitment of such system enforceable in accordance with its terms. If regulatory approvals have not been obtained by September 1, 1988, such representations shall be conditioned upon receipt of regulatory approvals. VELCO and MMWEC will have until September 15, 1988, to receive such approvals and make such representations unconditionally. In order that percentages of participation be consistent among the Basic Agreements, VELCO and MMWEC shall have their contracts with their contracting systems cover the necessary commitments for each Basic Agreement.

All expenses in connection with obtaining and delivering any Documentation under this Agreement, including legal opinions, are to be borne by the signatory incurring such expense. New Hampshire Hydro will have no responsibility for any expenses incurred by VELCO and MMWEC in providing Documentation for their respective contracting systems.

Any signatory that fails to meet the requirements of Section 2 by the deadlines contained herein will not be an Equity Sponsor under this Agreement and will not have any rights and obligations hereunder.

New Hampshire Hydro by written notice to all signatories may extend any deadline date specified in this Agreement to a later date, provided that any extension for longer than six months requires the consent of the Advisory Committee under the New Hampshire HVDC Support Agreement.

Section 3. Effective Date and Term

This Agreement shall become effective (the Effective Date) upon the last to occur of the following dates:

(i) the date that the Equity Sponsors, committing in the aggregate to Equity Shares (as hereinafter defined) equal to at least 100%, have met the requirements of Section 2; and

(ii) the date that the last of the other Basic Agreements (excluding the Use Agreement) becomes effective or would become effective but for a condition that its effectiveness is subject to this Agreement becoming effective.

Upon execution and delivery of the Agreement by New Hampshire Hydro and NEES and other signatories committing in the aggregate to Equity Shares (as hereinafter defined) equal to no less than 100%, and notwithstanding any provision herein to the contrary, no signatory may terminate its obligations hereunder except in accordance with provisions of this Agreement.

The term of this Agreement shall expire on the termination date of the New Hampshire HVDC Support Agreement.

Section 4. Equity Sponsor Qualification

A. In order to enhance New Hampshire Hydro's [illegible] finance its portion of Phase II as required under the New Hampshire HVDC Support Agreement and to enhance the [illegible] support of certain Supporters under the AC Support [illegible] some or all of the New England utilities participating [illegible] II whose credit ratings are at least one grade above [illegible] investment grade have agreed to provide, or to cause [illegible] designees to provide, credit support for those New [illegible] utilities participating in Phase II whose credit [illegible] below investment grade. NEES and those New England [illegible] or their designees which have agreed to provide this [illegible] support are the Equity Sponsors of New Hampshire [illegible] this Agreement.

B. A Participant under the New Hampshire HVDC [illegible] Agreement or its authorized designee qualifies to be [illegible] Sponsor by having its outstanding long-term debentures [illegible] least one grade above the lowest investment grade [illegible] September 1, 1985. If no long-term debentures are [illegible] the ratings used shall be those of such company's [illegible] long-term mortgage or revenue bonds. If no mortgage [illegible] revenue bonds, or debentures are outstanding, the [illegible] shall be those of the most junior long-term debt. [illegible] qualify to be an Equity Sponsor if 80% or more of its [illegible] stock is owned by utilities whose debt securities [illegible] pursuant to this subsection 4(B).

For purposes of this Agreement, "one grade above the lowest investment grade rating" means a rating equal to the following ratings from two of these rating agencies: Standard and Poor's Corporation - Rating BBB; Moodys Investor Service - Rating Baa2; and Duff & Phelps - Rating D&P 9 (or the equivalent municipal ratings).

C. A "designee" shall be authorized to be an Equity Sponsor if it is a parent company of such Participant and (i) its debt securities meet the appropriate test specified in B above, or (ii) at least 80% of its consolidated utility revenues are derived from subsidiaries whose debt securities meet the appropriate test specified in B above. (For VELCO, each stockholder of VELCO shall be a parent company of VELCO.) On or before the date of execution of this Agreement, each Participant shall identify its designee, if any.

D. A Participant under the New Hampshire HVDC Support Agreement also qualifies to be an Equity Sponsor if it has an Equity Share of four tenths of one percent (0.4%) or less and it has only one long-term debt rating from any of the three rating agencies referred to in B above and such rating is at least "A3" as of September 1, 1985.

E. In order that the necessary credit enhancement is provided as specified in A above, the qualification of each Equity Sponsor shall be reviewed by New Hampshire Hydro as of the date that the first equity contributions are to be made by

such Equity Sponsor. If an Equity Sponsor fails to [illegible] such date, appropriate actions and allocations shall be instituted as provided elsewhere in this Agreement.

F. Notwithstanding any provision of Sections 2, [illegible] 4(D) to the contrary, if a Participant (i) has only one [illegible] rating and seeks to qualify to be an Equity Sponsor under D above, or (ii) has no credit rating at all and seeks to [illegible] to be an Equity Sponsor under B or D above, such new [illegible] rating or ratings must be received by February 1, 1988, [illegible] one or more of the rating agencies referred to in B above [illegible] such new credit rating or ratings shall be current. Such Participants must demonstrate by February 1, 1988, to the satisfaction of New Hampshire Hydro that it is qualified to be an Equity Sponsor pursuant to this Section 4.

Section 5. Equity Shares

A. Each Equity Sponsor shall have and be charged with a percentage interest in all rights and obligations hereunder determined in accordance with this Section 5 (which interest is hereinafter referred to as its "Equity Share"). All of the equity of New Hampshire Hydro will be owned by the Equity Sponsors in proportion to their Equity Shares.

The Equity Share of each Equity Sponsor shall be computed both initially and as changed from time to time in accordance with the terms hereof, by New Hampshire Hydro as hereinafter provided. Such computations shall be made as of the first day of any month in which there is a change in the number of Equity

Sponsors or any change in the interest of any Equity Sponsor as herein provided. The initial computation is to be made as of September 15, 1985, and subsequent computations are to be made in any month thereafter in which an interest is modified or terminated due (i) to the failure of a signatory to provide proof that it is qualified to be an Equity Sponsor by February 1, 1988, or (ii) to the failure to provide Documentation by September 15, 1988, or (iii) to the failure to be so qualified on the date the first equity contributions are to be made by such Equity Sponsor, or (iv) to the operation of any provision of this Agreement. All computations shall be final unless there is a manifest error. Such computations of Equity Sponsors' Equity Shares as initially calculated and as changed under (i) and (ii) shall be made pursuant to Attachment C. Changes under (iii) shall be made pursuant to section 5(C) below, and changes under (iv) shall be made pursuant to the appropriate section requiring the change.

B. The Equity Shares on and as of the initial computation date, and as of the date of subsequent computations under subparts (i) and (ii) of the second paragraph of A above, will be calculated as follows:

1. 51% to NEES; and
2. 49% apportioned among the other Equity Sponsors on the basis of the subscription process as described in Attachment C.

(Attachment C provides that each Equity Sponsor may specify a maximum percentage of equity and that such maximum shall remain in effect until September 15, 1988 or such later deadline as extended pursuant to Section 2 hereof.) After the initial computation and prior to the Effective Date, each Equity Sponsor may transfer any or all of its Equity Share to one or more other Equity Sponsors. On or before September 1, [illegible] any such Equity Sponsor which has transferred or intends to transfer any or all of its Equity Share to one or more other Equity Sponsors must provide documentation to New Hampshire Hydro covering the transfer. Any apportionment of Equity Shares pursuant to Section 5B(2) above shall be made without regard to (i) any transfers of Participating Shares pursuant to Section 4 of the New Hampshire HVDC Support Agreement or any transfers of Equity Shares made after the initial computation and prior to the Effective Date, provided that each Equity Sponsor which has agreed to take such transferred Equity Share has provided the required Documentation by September 15, 1988 (including Documentation covering any such transferred Equity Share). Any transfers of Equity Shares, as provided above, shall be taken into account after such apportionment.

Upon execution of this Agreement, MMWEC may receive any such transferred Equity Shares; however, MMWEC shall not be included as an Equity Sponsor in any computations pursuant to the first paragraph of this Section 5B.

C. On the basis of New Hampshire Hydro's review of the qualifications of each Equity Sponsor other than NEES as of the date that the first equity contributions are to be made by such Equity Sponsor, if one or more Equity Sponsors are no longer qualified under Section 4, (i) the aggregate Equity Shares of such unqualified Equity Sponsors shall first be offered in writing by New Hampshire Hydro to all then qualified Equity Sponsors other than NEES for voluntary subscription, (ii) second, any remaining shortfall shall be allocated pro rata among such qualified Equity Sponsors not including NEES in proportion to their Equity Shares determined as of June 1, 1986, provided that the aggregate of all involuntary allocations under this Section 4(C) to such qualified Equity Sponsors shall not exceed an aggregate Equity Share of 10%, and further provided that the aggregate of all such involuntary allocations to any such Equity Sponsor shall not increase such Equity Sponsor's Equity Share determined as of September 15, 1988, by more than 25% thereof, and (iii) finally, any remaining shortfalls shall be retained pro rata by such no longer qualified Equity Sponsors in proportion to their Equity Shares determined as of September 15, 1988; provided, however, that NEES and all qualified Equity Sponsors may agree to other allocation arrangements; and further provided that NEES shall not have an Equity Share of less than 51% unless it so consents. (The above deadlines of September 15, 1988, may be extended to a later deadline pursuant to Section 2 hereof.)

All offerings above shall be made in accordance with a voluntary subscription process as specified in New Hampshire Hydro's offering letter, and any oversubscriptions will be treated as provided therein.

Section 6. Relationship among Equity Sponsors

The rights and obligations of the Equity Sponsors hereunder are several, in accordance with their respective Equity Shares, and not joint. The rights and obligations of New Hampshire Hydro hereunder are also several and not joint with those of the Equity Sponsors or any one thereof. There is no intention to create by this Agreement, or by any grant, lease, license, or activity related hereto, an association, joint venture, trust, or partnership or to impose on New Hampshire Hydro or any Equity Sponsor trust or partnership rights or obligations; and any such implied intention is expressly negated. Except as expressly provided in this Agreement, no Equity Sponsor shall have by virtue of this Agreement or of any such grant, lease, license, or activity the right or power to bind any other Equity Sponsor without its express written consent.

Section 7. Equity Contribution

A. Under the New Hampshire HVDC Support Agreement, New Hampshire Hydro has agreed to limit its equity investment to a maximum of 40% of its total capital as of the effective date of that agreement and has agreed to use its best efforts (subject to an exception specified in the New Hampshire HVDC Support Agreement) to continue to limit its equity investment to 40% of

its total capital during the time that New Hampshire Hydro has outstanding debt in its capital structure.

New Hampshire Hydro may call from time to time by written notification upon the Equity Sponsors to contribute equity in any of the forms set forth in this Section up to a maximum aggregate amount of $90 million, provided that Equity Sponsors having 66-2/3% of Equity Shares may agree to increase this maximum aggregate amount; and then all Equity Sponsors shall contribute such requested amount with each Equity Sponsor contributing up to its Equity Share of the new maximum. Any contribution made in response to New Hampshire Hydro's call in excess of the maximum aggregate amount, as adjusted from time to time, may be made on a voluntary basis by any contributing Equity Sponsor, and New Hampshire Hydro will make an appropriate adjustment in Equity Shares.

B. During the term of this Agreement, New Hampshire Hydro has the option from time to time to call for contribution of equity in any of the following forms:

1. New Hampshire Hydro may offer shares of its common stock to its Equity Sponsors and each Equity Sponsor shall subscribe for and purchase, for cash at a price set by New Hampshire Hydro, its Equity Share of the common stock so offered.
2. After each Equity Sponsor owns common stock of New Hampshire Hydro, New Hampshire Hydro may request that capital contributions be made, and

each Equity Sponsor shall contribute [illegible] New Hampshire Hydro its Equity Share of [illegible] capital contribution so requested.

C. In order that New Hampshire Hydro may limit [illegible] investment to a maximum of 40% of its total capital, [illegible] Hampshire Hydro may, at its option, from time to time, [illegible] of the following actions:

1. New Hampshire Hydro may repurchase [illegible] common stock from Equity Sponsors [illegible] will not change the relative Equity Shares [illegible] Equity Sponsors and at a price per share [illegible] book value per share at the time of [illegible] Each Equity Sponsor shall sell such [illegible] to New Hampshire Hydro in the full [illegible] requested.
2. New Hampshire Hydro may return any [illegible] contribution previously received from [illegible] Sponsors in amounts that will not change [illegible] relative Equity Shares among Equity Sponsors. Each Equity Sponsor shall accept such [illegible] capital contribution in the full [illegible] returned.
3. New Hampshire Hydro may pay dividends [illegible] earnings or make liquidating dividends [illegible] Equity Sponsors.

D. New Hampshire Hydro shall give written notice of any call for contributions of equity under B above to each Equity Sponsor. Such notice shall specify the amount to be contributed, the form of the contribution, and a date, at least thirty days after the date of the notice, that the equity is to be contributed. New Hampshire Hydro will provide annually estimates of its equity requirements and estimated dates when any equity contributions hereunder will be due. New Hampshire Hydro shall give written notice of any action to reduce its equity under C above to each Equity Sponsor. Such notice shall specify the amount and form of the reduction and a date, at least fifteen days after the date of the notice, that the reduction in equity is to occur.

E. New Hampshire Hydro shall use the proceeds of any equity contribution under this Agreement for the sole purpose of meeting its capital requirements under the New Hampshire HVDC Support Agreement.

F. All transactions under B, up to a maximum aggregate amount of $90 million, and under C above shall be subject to receipt of all necessary regulatory approvals, and New Hampshire Hydro and the Equity Sponsors shall use their best efforts to obtain, or to assist in obtaining, these approvals in advance of the Effective Date.

G. New Hampshire Hydro shall have two classes of common stock, both of which will have the same preferences, qualifications, special or relative rights or privileges,

except that only one class shall have voting powers. Equity Shares allocated to NEES shall be evidenced by voting common stock. The Equity Shares allocated to each other Equity Sponsor shall, at the option of such Equity Sponsor, be evidenced by shares of voting common stock or non-voting common stock. Any reallocation of Equity Shares pursuant to Section 5 hereof shall be effected in such manner as to involve the issuance of additional common stock to each Equity Sponsor of the class then held by such Sponsor. Such election to take voting or non-voting stock shall be made in writing to New Hampshire Hydro by September 1, 1988.

H. Notwithstanding any provision of this Agreement to the contrary, prior to the date that New Hampshire Hydro first calls for equity contributions from all Equity Sponsors, all equity of New Hampshire Hydro will be owned and contributed by NEES.

Section 8. Cash Deficiency Guarantee

A. The New Hampshire HVDC Support Agreement provides that, if New Hampshire Hydro has, on any Due Date, a Cash Deficiency attributed to a Participant, the Participant absolutely and unconditionally guarantees to pay its Cash Deficiency on demand of Lenders. (This commitment is made in section 19 of that Agreement.) To provide further credit support to New Hampshire Hydro, each Equity Sponsor absolutely and unconditionally guarantees to pay its then Equity Share of the Cash Deficiency attributed to any Credit Enhanced

Participant (as defined in the New Hampshire HVDC Support Agreement) with respect to any third party debt financing of New Hampshire Hydro that was credit enhanced for such Participant, with such amounts to be paid directly on demand to Lenders, in cash, if for any reason a Credit Enhanced Participant fails to pay when due its Cash Deficiency on demand of Lenders. Each Equity Sponsor agrees that its obligations under this Section shall be continuing, absolute, and unconditional and without the benefit of any defense, claim, set-off, recoupment, abatement, or other right, existing or future, which an Equity Sponsor may have against the Lenders, New Hampshire Hydro, or any other person, and shall remain in full force and effect until all of the obligations of New Hampshire Hydro to the Lenders have been discharged.

Each Equity Sponsor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of merger or bankruptcy of any Lender or New Hampshire Hydro or any other Equity Sponsor, protest or notice with respect to this guarantee, and covenants that the obligations contained in this guarantee will not be discharged except by complete performance of the obligations of New Hampshire Hydro to the Lenders.

B. Notwithstanding any other provision contained herein, each Equity Sponsor's obligations under this Section 8 shall be limited to its Equity Share of the Cash Deficiency attributed to any Credit Enhanced Participant with respect to any

financing of New Hampshire Hydro that was credit enhanced for such Participant.

C. In no event shall the several guarantees of the Equity Sponsors attributable to Credit Enhanced Participants for such debt financing of New Hampshire Hydro exceed in the aggregate 35% of the aggregate amount of the obligations relating to such financing, provided that Equity Sponsors having an aggregate of at least 80% of the Equity Shares may agree to exceed such 35% maximum and subject to receipt of any necessary regulatory approvals, such agreement shall be binding on all Equity Sponsors.

D. In no event shall Equity Sponsors be required to provide guarantees for a Participant with respect to a particular third party debt financing of New Hampshire Hydro that would result in Credit Enhanced Participants with respect to that and all other outstanding financings of New England Hydro and New Hampshire Hydro having Participating Shares exceeding 35% under the New Hampshire HVDC Support Agreement, provided that Equity Sponsors having an aggregate of at least 80% of the Equity Shares may agree to exceed such 35% maximum and subject to receipt of any necessary regulatory approvals, such agreement shall be binding on all Equity Sponsors.

E. Each Equity Sponsor shall use its best efforts to obtain and assist others in obtaining all necessary regulatory approvals required for the several guarantees made in this Section.

Section 9. Acceptance of Participating Shares

A. In accordance with section 15 of the New Hampshire HVDC Support Agreement, if a Participant that is a Credit Enhanced Participant is terminated by New Hampshire Hydro as a Participant, each Equity Sponsor or its appointee shall be allocated by New Hampshire Hydro its then Equity Share of the Participating Share of such terminated Participant; such allocation to be made as of the date of such termination. Each Equity Sponsor or its appointee shall accept such allocation from New Hampshire Hydro and shall unconditionally and absolutely assume the rights and obligations associated therewith from the date of such allocation. If a Participant that was not also a Credit Enhanced Participant is terminated, then acceptance of any allocation shall be voluntary by any Equity Sponsor or its appointee and shall be in accordance with New Hampshire Hydro's offer thereof. If required by New Hampshire Hydro, any Equity Sponsor or its appointee assuming rights and obligations under the New Hampshire HVDC Support Agreement shall execute and deliver any documents necessary to effectuate such assumption. If any Equity Sponsor that is the designee of a Participant is unable to deliver these documents to effectuate the assumption, such Equity Sponsor shall take all actions necessary for the Participant that so designated it as an Equity Sponsor to assume such rights and obligations as its appointee.

The appointee of NEES shall be New England [illegible] The appointee(s) of any other Equity Sponsor [illegible] Participant(s) for which such Equity Sponsor [illegible] designee. Each Equity Sponsor agrees that if [illegible] allocated a Participating Share under the New [illegible] Support Agreement, such Equity Sponsor shall [illegible] it an equal participating share and support [illegible] Massachusetts HVDC Support Agreement and New [illegible] Boston Edison AC Support Agreements, respectively.

B. Each Equity Sponsor shall use its best [illegible] obtain and assist others in obtaining all necessary [illegible] approvals required for performance of its or its [illegible] commitments made in this Section.

Section 10. Character of Payment Obligations

The obligations of each Equity Sponsor to [illegible] hereunder, and to perform and observe all other [illegible] its part contained herein, are absolute and [illegible] shall not be affected by any circumstance, [illegible] limitation, (i) any insolvency, composition, [illegible] reorganization, arrangement, liquidation or [illegible] relating to New Hampshire Hydro, New England [illegible] Boston Edison Company, the Equity Sponsor, [illegible] Sponsor, or any affiliate thereof, (ii) any [illegible] unenforceability or disaffirmance by New [illegible] Equity Sponsor of any provision of this [illegible] failure, omission, delay, or inability of [illegible]

to perform any of its obligations contained herein, (iii) any amendment, extension, or other change of, or any assignment or encumbrance of any rights or obligations under, this Agreement, or any waiver or other action or inaction, or any exercise or nonexercise of any right or remedy, under or in respect to this Agreement, or (iv) any inability of the Equity Sponsor or any other Equity Sponsor to obtain regulatory approvals for financing its Equity Share of any obligations under this Agreement or for meeting any other obligations under this Agreement, it being the intention of the parties hereto that all amounts payable by each Equity Sponsor in respect of this Agreement shall begin to be payable and shall continue to be payable in all events in the manner and at the time herein provided. In that connection, each Equity Sponsor hereby waives, to the extent permitted by applicable law, any and all rights which it may now have or which may at any time hereafter be conferred upon it, by statute or otherwise, to terminate, cancel, or surrender any of its obligations under this Agreement.

Section 11. Default

A. Any of the following events (Events of Default) that occur and are continuing are Events of Default:

(i) An Equity Sponsor shall fail to pay to New Hampshire Hydro when due any amount which it has agreed to pay under any provision of this Agreement, and such failure shall continue for

more than 15 days after written [illegible] has been given to such Equity [illegible] Hampshire Hydro; or

(ii) An Equity Sponsor shall fail [illegible] accordance with the terms [illegible] documentation required by [illegible] in connection with financing [illegible] New Hampshire Hydro (for VELCO [illegible] includes documentation for [illegible] contracting electric systems), [illegible] shall continue for more than [illegible] written notice of such failure [illegible] to such Equity Sponsor by [illegible] or

(iii) An Equity Sponsor shall fail [illegible] other obligation under this [illegible] accordance with the terms [illegible] failure shall continue for [illegible] after written notice thereof has [illegible] such Equity Sponsor or any of its [illegible] New Hampshire Hydro.

(iv) An Equity Sponsor shall experience [illegible] default under the Equity Funding [illegible] New England Hydro.

B. If an Event of Default under Section 11(i) [illegible] shall have occurred, New Hampshire Hydro may, by [illegible]

to each Equity Sponsor, request that the nondefaulting Equity Sponsors on a voluntary basis make the overdue payment to New England Hydro, provided that similar voluntary payments are made under the Equity Funding Agreement for New Hampshire Hydro.

C. New Hampshire Hydro or any Equity Sponsor shall be free to invoke such remedies at law or in equity as may be deemed appropriate against any Equity Sponsor that defaults under this Agreement.

Section 12. Restrictions on Transfer of Common Stock

Each Equity Sponsor agrees that it will not transfer any or all of its common stock of New Hampshire Hydro to any other person unless such person is an Equity Sponsor or meets the requirements for being an Equity Sponsor under sections 4B or 4C or 4D or 4F hereof as of the date of such transfer and a similar transfer is made under the Equity Funding Agreement for New England Hydro.

Section 13. Dividends on Common Stock

Any Equity Sponsor may direct New Hampshire Hydro to withhold the payment of a dividend to such Equity Sponsor and apply such dividend to reduce the current or the next Support Charge payment required to be made under the New Hampshire HVDC Support Agreement by such Equity Sponsor or its appointee.

Section 14. Restrictions on Dividends, Return of Capital and Repurchase of Common Stock

Any Equity Sponsor which is in default hereunder pursuant to Section 11 is not entitled to receive any amounts from New

Hampshire Hydro representing such Equity Sponsor's [illegible] Share of dividends, return of capital, or proceeds [illegible] repurchase of common stock until all amounts [illegible] interest thereon at an annual rate equal to [illegible] the current interest rate on prime commercial [illegible] to time in effect at the principal office of [illegible] Bank of Boston) owed by such Equity Sponsor to [illegible] Hydro have been paid.

Section 15. Certain Actions of New Hampshire [illegible]

A. New Hampshire Hydro shall not take [illegible] following actions without prior written approval [illegible] Sponsors having at that time at least 80% of [illegible]

(i) Amend New Hampshire Hydro's [illegible] organization or by-laws to [illegible] rights of the Equity Sponsors [illegible] in a material manner under [illegible] Agreements, unless such [illegible] by regulation or law; and

(ii) Merge, consolidate, or sell all or substantially all of the assets of [illegible] Hampshire Hydro not otherwise [illegible] New Hampshire HVDC Support [illegible]

B. New Hampshire Hydro shall distribute [illegible] manner to each Equity Sponsor copies of (a) its [illegible] financial statements, (b) notices of all of its [illegible] stockholders' meetings (including any [illegible] (c) minutes of all of its directors' and [illegible]

Section 16. Miscellaneous

A. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of, and may be performed by, the successors and assigns of the parties and shall also be binding, insofar as permitted by law, on any receiver or trustee in bankruptcy, receivership, or reorganization of any party. Except for a transfer of any or all of an Equity Sponsor's Equity Share prior to the Effective Date as provided in Section 5B hereof, no assignment of this Agreement shall operate to relieve the assignor of its obligations under this Agreement without the written consent of the parties hereto. Written notice to all parties will be given prior to any assignment hereunder.

Notwithstanding the above, New Hampshire Hydro may collaterally assign this Agreement without the consent of the Equity Sponsors in connection with a third party financing by New Hampshire Hydro.

B. Right of Setoff. No Equity Sponsor shall be entitled to set off against the payments required to be made by it hereunder (1) any amounts owed to it by New Hampshire Hydro, any affiliate of New Hampshire Hydro, or any other Equity Sponsor, or (2) the amount of any claim by it against New Hampshire Hydro, any affiliate of New Hampshire Hydro, or any other Equity Sponsor. However, the foregoing shall not affect in any other way any Equity Sponsor's rights and remedies with respect to any such amounts owed to it by New Hampshire Hydro,

any affiliate of New Hampshire Hydro, or any other Equity Sponsor or any such claim by it against New Hampshire Hydro or any other Equity Sponsor.

C. Amendments. Any amendments changing the Equity Shares of the Equity Sponsors or the several nature of the obligations and rights of the Equity Sponsors hereunder as specified in Section 6, shall require consent by all parties. In the event that an Equity Sponsor is obligated to acquire Equity Shares hereunder and does not pay for such Shares, then such Shares will not be issued to him and such Equity Sponsor's Equity Share will be reduced accordingly. All other amendments to this Agreement shall be by mutual agreement of New Hampshire Hydro and Equity Sponsors owning Equity Shares aggregating at least 80%, evidenced by a written amendment signed by New Hampshire Hydro and such Equity Sponsors; and New Hampshire Hydro and all Equity Sponsors shall be bound by any such amendment.

D. Notices. Except as the parties may otherwise agree, any notice, request, bill, or other communication relating to this Agreement, or the rights, obligations or performance of the parties hereunder, shall be in writing and shall be effective upon delivery. Any such communication shall be considered as duly delivered when delivered in person or mailed by registered or certified mail, postage prepaid, to the respective post office address of the other parties shown following the signatures of such other parties hereto, or such

other address as may be designated by written notice given as provided in this paragraph D.

E. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of The Commonwealth of Massachusetts.

F. Other.

(1) No action, regardless of form, arising out of this Agreement may be brought by any party hereto more than three years after the cause of action has arisen.

(2) In the event that any clause or provision of this Agreement, or any part thereof, shall be declared invalid or unenforceable by any court having jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining portions of this Agreement.

(3) All provisions of this Agreement providing for limitation of, or protection against, liability shall apply to the full extent permitted by law, and regardless of fault, and shall survive either termination pursuant to this Agreement or cancellation.

(4) Each party shall, upon request of another party, execute and deliver any document reasonably required to implement any provision hereof.

(5) Any number of counterparts of this Agreement may be executed and each shall have the same force and effect as the original.

(6) This Agreement, with the other Basic Agreements, Preliminary Quebec Interconnection Support Agreement - Phase II, the agreements with Hydro-Quebec regarding Phase II, and the basic agreements covering Phase I shall constitute the entire understanding among the parties and shall supersede any and all previous understandings pertaining to the subject matter of this Agreement.

(7) Terms defined in the New Hampshire HVDC Support Agreement and the New England Power and Boston Edison AC Support Agreements used in this Equity Funding Agreement shall be incorporated herein as defined in such Agreements unless the context indicates otherwise.

(8) This Agreement is the act and obligation of the parties hereto in their corporate or governmental capacity, and any claim hereunder against any shareholder, director, officer, employee, or agent of any party, as such, is expressly waived.

IN WITNESS WHEREOF, the signatories have caused this Agreement to be executed by their duly authorized officers or agents.

NEW ENGLAND HYDRO-TRANSMISSION CORPORATION

s/R.O. Bigelow

By: _____
Its President

Address: c/o New England Power Service Company
25 Research Drive
Westborough, MA 01582

NORTHEAST UTILITIES

s/William B. Ellis

By: _____
Its Chairman

Address: c/o Northeast Utilities
Service Company
P.O. Box 270
Hartford, Connecticut
06141-0270

Article 32 of the Declaration of Trust of Northeast Utilities dated January 15, 1927, as amended, provides as follows:

No shareholder shall be held to any liability whatever for the payment of any sum of money, or for damages or otherwise under any contract, obligation or undertaking made, entered into or issued by the Trustees or by any officer, agent or representative elected or appointed by the Trustees and no such contract, obligation or undertaking shall be enforceable against the Trustees or any of them in their or his individual capacities or capacity and all such contracts, obligations and undertakings shall be enforceable only against the Trustees as such and every person, firm, association, trust and corporation having any claim or demand arising out of any such contract, obligation or undertaking shall look only to the trust estate for the payment or satisfaction thereof. It shall be the duty of the Trustees and each of them and of every officer, agent or representative elected or appointed by them to include in every written agreement entered into by them or any of them as herein provided, a statement of the immunity provided by this article for the Shareholders and for the Trustees as individuals, and neither the Trustees nor any of them nor any officer, agent or representative appointed or elected by them shall have any power or authority to enter into any agreement or incur any obligation as herein provided except in accordance with the provisions of this Article.

In case any Shareholder shall at any time for any reason be held to or be under any personal liability whatever solely by reason of his being or having been a Shareholder and not by reason of his acts or omissions as a Shareholder, then such Shareholder (or his heirs, executors, administrators, or other legal representatives) shall be held harmless and indemnified out of the trust estate from and of all loss, liability or expense by reason of such liability.

Vermont Electric Power Company, Inc., as agent for the Vermont electric utilities named, and with authority to bind each such utility to the extent of the percentage interest of the VELCO Equity Share allocated hereunder that is specified, on Schedule 1 to this signature page.

VERMONT ELECTRIC POWER COMPANY, INC.

s/S. John Zuckernick

By: _____
Its President

Address: P.O. Box 548
Rutland, VT 05702-0548

BOSTON EDISON COMPANY

s/Stephen J. Sweeney

By: _____
Its President & Chief Executive Officer

Address: 800 Boylston Street
Boston, MA 02199

CHICOPEE MUNICIPAL LIGHTING PLANT

s/Herve L. Plasse

By: _____
Its Manager

Address: 725 Front Street
Chicopee, MA 01020

CANAL ELECTRIC COMPANY

s/Jeremiah V. Donovan

By: _____
Its President

Address: 2421 Cranberry Highway
Wareham, MA 02571

MASSACHUSETTS MUNICIPAL WHOLESALE ELECTRIC COMPANY

s/Gary L. Hunt

By: _____
Its General Manager

Address: P.O. Box 426
Ludlow, MA 01056

MONTAUP ELECTRIC COMPANY

s/Arthur A. Hatch

By: _____
Its Vice President
c/o Eastern Utilities Associates
Address: P. O. Box 2333
Boston, MA 02107

TAUNTON MUNICIPAL LIGHTING PLANT

s/Joseph M. Blain

By: _____
Its General Manager

Address: 55 Weir Street
Taunton, MA 02780

CONNECTICUT MUNICIPAL ELECTRIC ENERGY COOPERATIVE

s/Maurice R. Scully

By: _____
Its Executive Director

Address: 268 Thomas Road
Groton, CT 06340

NEWPORT ELECTRIC CORPORATION

s/Elliot G. Whitney

By: _____
Its President & General Manager

Address: 12 Turner Road
Middletown, R.I. 02840-0011

PEABODY MUNICIPAL [illegible]

s/Bruce F. [illegible]

By: _____
Its Manager

Address: 70 [illegible]
Peabody, MA [illegible]

TOWN OF MIDDLEBOROUGH

s/John M. Duffy

By: _____
Its General Manager

Address: 32 South Main Street
Middleborough, MA [illegible]

Town of Middleborough — Light Department's 1980 Kilowatthour load [illegible]

TOWN OF WAKEFIELD

s/William J. Wallace

By: _____
Its Manager
Wakefield Mun. Lt. Dept.
Address: 9 Albion Street
Wakefield, MA 01880

Town of Wakefield — Light Department's 1980 Kilowatthour load 107,609,000

TOWN OF NORTH ATTLEBORO

s/David Sweetland

By: _____
Its Manager

Address: P.O. Box 790
North Attleboro, MA 02761

Town of North Attleboro — Light Department's 1980 Kilowatthour load 93,816,000

TOWN OF BOYLSTON

s/Edward H. Kimbell

By: _____
Its Manager

Address: Sanatorium Road
Boylston, MA 01505

Town of Boylston

Light Department's
1980 Kilowatthour load 17,324,000

TOWN OF HINGHAM

s/Joseph R. Spadea, Jr.

By: _____
Its Manager

Address: Hingham Municipal Lighting Plant
19 Elm Street
Hingham, MA 02043

Town of Hingham

Light Department's
1980 Kilowatthour load 103,929,000

TOWN OF HUDSON

s/Horst Huehmer

By: _____
Its Manager

Address: TOWN OF HUDSON,
Light & Power Department,
49 Forest Ave.
Hudson, MA

WESTFIELD GAS & ELECTRIC LIGHT DEPARTMENT

s/Daniel Golubek

By: _____
Its Manager

Address: 100 Elm Street
Westfield, MA 01085

TOWN OF BRAINTREE [illegible]

s/Walter R. McGrath

By: _____
Its General Manager

Address: 44 Allen Street
Braintree, MA 02184

Town of Braintree

Light Department's
1980 Kilowatthour load 267,289,000

TOWN OF DANVERS

s/Wayne P. Marquis

By: _____
Its Town Manager

s/Michael W. Madore

By: _____
Its Electric Superintendent

Address: Electric Division
2 Burroughs Street
Danvers, MA 01923

Town of Danvers

Light Department's
1980 Kilowatthour load 206,806,000

TOWN OF WEST BOYLSTON

s/Charles H. Coughlin

By: _____
Its Manager

Address: 4 Crescent Street
West Boylston, MA 01583

Town of West Boylston

Light Department's
1980 Kilowatthour load 43,974,000

CITY OF HOLYOKE

s/G.E. Leary

By: _____
Its Manager

Address: Gas & Electric Department
70 Suffolk Street
Holyoke, MA 01040

City of Holyoke

Light Department's
1980 Kilowatthour load 232,301,707

TOWN OF READING

s/Allan Ames

By: _____
Its Secretary, Reading Municipal Light Board

Address: 25 Haven Street
P.O. Box 150
Reading, MA 01867

Town of Reading

Light Department's
1980 Kilowatthour load 401,794,849

CONCORD MUNICIPAL LIGHT PLANT

s/Steven E. Sheiffer

By: _____
Its Town Manager

Address: 135 Keyes Road
Concord, MA 01742

TOWN OF SOUTH HADLEY

s/Wayne D. Doerpholz

By: _____
Its Manager

Address: 85 Main Street
South Hadley, MA

Town of South Hadley

Light Department's
1980 Kilowatthour load 99,981,000

TOWN OF [redacted]

s/[redacted]

By: _____
Its Manager of [redacted]

Address: [redacted]

Town of Groton

Light Department's
1980 Kilowatthour [redacted]

TOWN OF [redacted]

s/Thomas [redacted]

By: _____
Its Acting [redacted]

Address: [redacted]

Town of Shrewsbury

Light Department's
1980 Kilowatthour [redacted]

NEW ENGLAND [redacted]

s/Alfred [redacted]

By: _____
Its Vice President - [redacted]

Address: 25 [redacted]

The name "New England Electric System" [redacted] trustees for the time being (as trustee or [redacted] personally) under an agreement and declaration of [redacted] January 2, 1926, as amended, which is hereby [redacted] copy of which as amended has been filed with [redacted] the Commonwealth of Massachusetts. Any [redacted] or liability made, entered into or incurred by or [redacted] New England Electric System binds only its [redacted] no shareholder, director, trustee, officer or [redacted] assumes or shall be held to any liability [redacted].

VELCO SCHEDULE 1

Utility	Percentage Interest
Citizens Utilities Company	1.1155
Franklin Electric Light Company	0.0433
Green Mountain Power Corporation	3.1800
	4.3388

Schedule II

Massachusetts Municipal Wholesale Electric Company
Contracting Electric Systems

Massachusetts Systems

Town of Ashburnham Municipal Light Plant
Town of Georgetown Municipal Light Department
Town of Hull Municipal Lighting Plant
Town of Littleton Electric Light Department
Town of Mansfield Municipal Electric Department
Town of Marblehead Municipal Light Department
Town of Middleton Municipal Electric Department
Town of Paxton Municipal Light Department
Town of Templeton Municipal Lighting Plant

Rhode Island System

Pascoag Fire District

ATTACHMENT A

List of Equity Sponsors

New Hampshire Hydro will supply a list of Equity Sponsors as of the date of initial computation and as of each date thereafter that the list changes.

As of February 1, 1988 (1)

Equity Sponsors	Equity Share (%)
New England Electric System	51.0000
Northeast Utilities	22.4245
Boston Edison	10.9335
Vermont Electric Power (2)	4.3388
Canal Electric	3.3885
Montaup	3.2435
Conn. Municipal Electric Coop.	0.8312
Reading	0.4638
Newport Electric	0.4426
Taunton	0.3547
Chicopee	0.3145
Braintree	0.2995
Peabody	0.2746
Holyoke Gas & Electric	0.2362
Westfield	0.2528
Danvers	0.2393
Shrewsbury	0.1612
Hudson	0.1474
Wakefield	0.1245
Hingham	0.1203
Concord	0.1161
North Attleboro	0.1086
Middleborough	0.1065
West Boylston	0.0509
Groton	0.0265
	100.0000

(1) Boylston and South Hadley signed the Equity Funding Agreements, but have not qualified as Equity Sponsors.

(2) VELCo has signed as agent for:

Green Mountain Power	3.1800%
Citizens Utilities	1.1155
Franklin Electric	0.0433
	4.3388%

ATTACHMENT B

Forms of the following documentation:

1. Opinion of Counsel
2. Certificate
3. Incumbency and Signature Certificate
4. Directors' Vote

[Please note - governmental entities may make appropriate modifications to these documents to reflect that they are not corporations.]

[Form of Opinion of Counsel for Each Utility Participant]

New England Hydro-Transmission
Electric Company, Inc.;
New England Hydro-Transmission
Corporation; or
New England Power Company

Gentlemen:

This opinion is furnished in connection with the execution and delivery by _____ (the Company) of the following Agreements: _____.

We have acted as counsel to the Company, one of the Utility Participants, in connection with the execution and delivery of the Basic Agreements. We participated in reviewing and/or drafting the Agreements.

As general [special] counsel to the Company, we are generally familiar with its affairs. [If special counsel is giving the opinion, describe relationship to the Company.] We have reviewed the proceedings taken by the Company in connection with its authorization, execution, and delivery of the Agreements and any documentation supplied by the Company thereunder. We have also examined executed counterparts of the Agreements, have made such other investigation, and have examined such other records and documents, and have made such examination of law and satisfied ourselves as to such other matters as we have deemed relevant and necessary in order to enable us to express the opinions set forth below.

Based upon and subject to the foregoing and to the further qualifications in this opinion, we are of the opinion that:

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of [the jurisdiction of its incorporation], has the corporate power to own its assets and to transact the business in which it is engaged, and is duly qualified as a foreign corporation in, and is in good standing under the laws of, each jurisdiction in which the conduct of its business or the ownership of its assets requires such qualification.

2. The Company has (and in the case of the Agreements at the time of execution and delivery thereof, had) full corporate power, and legal right to execute, deliver and perform the Agreements, and the Company has taken all necessary corporate action to authorize the execution, delivery, and performance by it of the Agreements.

3. The execution, delivery, and performance by the Company of the Agreements do not (a) contravene the Company's [charter documents] or by-laws, (b) violate any applicable law, rule, regulation, order, writ, judgment, injunction, decree, or award known to us by which the Company is bound, (c) violate any indenture, instrument, or agreement known to us by which the Company is bound, or (d) result in or require the creation or the imposition of any lien pursuant to the provisions of any indenture, instrument, or agreement known to us by which the Company is bound.

4. No authorization, approval, consent, or other action by, and no notice to or filing with, any federal, state, or other governmental authority or regulatory body which has not been obtained or given and is not in full force and effect is required for the valid and lawful execution, delivery, and performance by the Company of the Agreements. [In this connection, to the extent it may be required by law, the approval of the Massachusetts Department of Public Utilities [Connecticut PUC, or other] has been given for the Agreements and the Company's performance thereunder by order(s) dated _____, which remains in full force and effect.]

5. The Agreements have each been duly executed and delivered by the Company and constitute the legal, valid, and binding obligations of the Company enforceable against it in accordance with their respective terms.

6. No action, suit, proceeding, or investigation at law or in equity or by or before any governmental instrumentality or other agency now pending or threatened against or affecting the Company or its property or rights which, if adversely determined, would materially impair the ability of the Company to perform its obligations under the Agreements is known to us.

Our opinion that the Agreements are enforceable, each in accordance with the terms thereof, is qualified to the extent that the enforcement of the rights and remedies created thereby is subject to bankruptcy, insolvency, reorganization, and similar laws of general application affecting the rights and remedies of creditors and secured parties, and to the further extent that the availability of the remedies of specific enforcement, injunctive relief, or any other equitable remedy is subject to the discretion of the court before which any proceeding therefor may be brought.

Very truly yours,

CERTIFICATE

I, (insert name), the Clerk (or Secretary or other principal recording officer) of (insert name of Utility Participant), a (insert state of organization) (the "Company") do hereby certify that:

(1) Attached hereto as Exhibit A is a true and correct copy of a vote duly adopted at a meeting of the Board of Directors of the Company, duly called and held on _____, 198_, and that such vote and the authority vested thereby have not been amended or revoked and are still in full force and effect.

(2) Attached hereto as Exhibit B is a true and correct copy of the Articles of Organization (or other charter documents) of the Company, as amended and in effect as of the date of this Certificate.

(3) Attached hereto as Exhibit C is a true and correct copy of the By-Laws of the Company, as amended and in effect as of the date of this Certificate.

(4) The persons (or person) listed on Exhibit D have been duly elected to the offices set forth adjacent to their respective names since the first day of June, 1985, and the signatures adjacent to their respective names are the genuine signatures of said officers.

IN WITNESS WHEREOF, I have placed my hand and the seal of the Company this _____ day of _____, 198_.

By _____

Name:
Title:

CONFIRMATION OF INCUMBENCY AND SIGNATURE OF
CLERK, SECRETARY, OR OTHER PRINCIPAL RECORDING OFFICER

I, (name), (title) of the Company, do hereby certify that (name of officer executing certificate) is and at all times subsequent to _____, 198_, has been the duly elected (title) of the Company and that the signature adjacent to his (or her) name is the genuine signature of said officer.

By _____

Name:
Title:

FORM OF DIRECTORS' VOTE APPROVING AGREEMENTS

VOTED: That in connection with this Company's participation in the Phase II expansion of the proposed interconnection between the New England Power Pool companies and Hydro-Quebec, the execution and delivery on behalf of this Company by _____, President, of the following agreements: (being collectively referred to in this vote as "Agreements") copies of which Agreements have been presented at this meeting, are hereby authorized, approved, ratified, and confirmed, and that the officers of this Company are further authorized severally to take any and all such further actions including the execution and delivery of such further documents, as such officers or any of them may deem necessary or appropriate in connection with the actions and documents authorized by this vote.

ATTACHMENT C

Subscription Process for Determining Equity Shares under Section 5(B)

After allocation of 51% of the Equity Shares to NEES pursuant to Section 5(B)(1), the Equity Shares shall be allocated to Equity Sponsors other than NEES as follows:

(a) Each other Equity Sponsor shall be entitled to a pro rata share of the remainder based on the Participating Share of such Equity Sponsor or the Participant(s) that has designated it as an Equity Sponsor as a percentage of Participating Shares of all other Equity Sponsors or such Participants as shown in the New Hampshire HVDC Support Agreement. For the purpose of this calculation, the Participating Share of each Equity Sponsor designated by VELCO shall be deemed to be a pro rata share of VELCO's Participating Share based on the ratio of such Equity Sponsor's 1980 kwh load to the aggregate 1980 kwh load of all Equity Sponsors designated by VELCO.

(b) Upon execution of this Agreement, each other Equity Sponsor may subscribe for more or less than its share under (a) above.

(c) Upon execution of this Agreement, each other Equity Sponsor may specify a maximum limit on its share of such remainder that would apply to any allocations made on or before June 1, 1986 or such later deadline date as is fixed pursuant to Section 2 hereof.

(d) If there are no undersubscriptions or oversubscriptions under (b) above or if the sum of the shares under (a) or (b) above for all Equity Sponsors equals 100% of such remaining shares, then each Equity Sponsor shall have a share as determined under (a) or (b) above. (For the purposes of this attachment, oversubscription shall mean, with respect to any Equity Sponsor, a subscription under (b) above of more than its share under (a) above. For the same purposes, undersubscription shall mean, with respect to any Equity Sponsor, a subscription under (b) above of less than its share under (a) above. The amount of such oversubscription shall be equal to (b) minus (a) and the amount of such undersubscription shall be equal to (a) minus (b).)

(e) If there are undersubscriptions but not oversubscriptions or if there are oversubscriptions

but no undersubscriptions, then each Equity Sponsor shall have a share as determined under (a) above; provided, however, that no Equity Sponsor shall be allocated more than its specified limit under (c) above. If the sum of all shares heretofore allocated is less than 100%, any remaining share shall be allocated to all Equity Sponsors that have received shares less than their limits under (c) above, pro rata by the difference between their limits under (c) above and their shares as heretofore allocated.

(f) If the net result of subtracting the aggregate amount of all undersubscriptions from the aggregate amount of all oversubscriptions is greater than zero, the aggregate amount of all oversubscriptions must be reduced to the aggregate amount of all undersubscriptions. This amount shall be referred to as the total permitted amount of oversubscriptions. Each oversubscriber shall initially be allocated a share of the total permitted amount of oversubscriptions (pro rata by the Participating Shares of the oversubscribers or their designators as shown in the New Hampshire HVDC Support Agreement); provided that no oversubscriber shall be allocated more than its requested amount under (b) above. Any remaining unallocated portion of the total permitted amount of oversubscriptions shall be allocated to all oversubscribers that have not yet reached their requested amount under (b) above pro rata by the differences between their requested shares under (b) above and their shares as heretofore allocated.

(g) If the net result of subtracting the aggregate amount of all oversubscriptions from the aggregate amount of all undersubscriptions is greater than zero, the aggregate amount of all undersubscriptions must be reduced to the aggregate amount of all oversubscriptions. This amount shall be referred to as the total permitted amount of undersubscriptions. The total permitted amount of undersubscriptions shall be allocated to the undersubscribers pro rata by the amounts of their undersubscriptions; provided, however, that no Equity Sponsor shall be allocated more than its specified limit under (c) above. If the sum of all shares heretofore allocated is less than 100%, any remaining share shall be allocated to all Equity Sponsors that have received shares less than their limits under (c) above, pro rata by the difference between their limits under (c) above and their shares as heretofore allocated.

(h) If Equity Shares are required to be changed pursuant to subpart (i) or (ii) of Section 5(a), this reallocation shall be accomplished in accordance with this Attachment C on the basis of the subscriptions initially made under (b) and the maximum limits specified under (c) by each continuing Equity Sponsor, and giving effect to the termination of any Equity Sponsor pursuant to said subpart (i) or (ii).

EX-10.3 6 exhibit103.htm EXH. 10.3 NU

Exhibit 10.3

Northeast Utilities System

Northeast Utilities Incentive Plan

Amended, Restated and Adopted by Northeast
Utilities Compensation Committee of the Board of
Trustees on February 13, 2007 as Approved by
Northeast Utilities Shareholders on May 8, 2007
Amended and Restated Effective
January 1, 2009

ARTICLE I
PURPOSE

The purpose of the Northeast Utilities Incentive Plan (the "Plan") is to provide (i) designated employees of the Company (as hereinafter defined in Article X) and (ii) non-employee members of the Board of Trustees (the "Board") of Northeast Utilities, a Massachusetts business trust, ("NU") with the opportunity to receive annual incentive compensation and grants of incentive stock options, nonqualified stock options, stock appreciation rights, restricted shares, restricted share units and performance units. The Company believes that the Plan will assist it in recruiting talented employees who will contribute materially to the growth of the Company, thereby benefiting NU's shareholders and aligning the economic interests of the participants with those of the shareholders.

For purposes of the Plan, definitions appear in the Plan and as set forth in Article XIV.

ARTICLE II
ADMINISTRATION

1. Committee. The Plan shall be administered and interpreted by the Board's Compensation Committee, or the person or persons to which such committee delegates any of its functions under the Plan (the "Committee"). The Committee may consist of two or more persons appointed by the Board, all of whom shall be "outside directors" as defined under section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") and related Treasury regulations and "non-employee directors" as defined under Rule 16b-3 under the Exchange Act. Members of the Committee shall be "independent" as defined under the listing standards of the New York Stock Exchange. However, the Board may ratify or approve any grants as it deems appropriate or as are submitted by the Committee.

2. Committee Authority. The Committee shall have the authority to amend or terminate the Plan as provided in Article XII. The Committee shall have the sole authority to (a) establish, and review the Company's and the Grantee's, as defined below, performance against annual goals for purpose of the annual incentives to be distributed and determine the individuals to whom grants shall be made under the Plan, (b) determine the type, size and terms of the grants to be made to each such individual, (c) determine the time when the grants will be made and the duration of any applicable exercise or restriction period, including the criteria for exercisability and the acceleration of exercisability (d) establish such rules and regulations or take such action as it deems necessary or advisable for the proper administration of the Plan, including the delegation of day-to-day plan administration, and (e) deal with any other matters arising under the Plan.

3. Committee Determinations. The Committee shall have full power and authority to administer and interpret the Plan, to make factual determinations and to adopt or amend such rules, regulations, agreements and instruments for implementing the Plan and for the conduct of its business as it deems necessary or advisable, in its sole discretion. The Committee's interpretations of the Plan and all determinations made by the

Committee pursuant to the powers vested in it hereunder shall be conclusive and binding on all persons having any interest in the Plan or in any awards granted hereunder including, but not limited to, the Company, the Committee, the Board, the affected Participants, and their respective successors in interest. All powers of the Committee shall be executed in its sole discretion, in the best interest of the Company, not as a fiduciary, and in keeping with the objectives of the Plan and need not be uniform as to similarly situated individuals.

ARTICLE III
ANNUAL INCENTIVE AWARDS

1. Eligibility for Participation. Each employee of the Company classified as a Vice President or higher (an "Executive Employee") shall be eligible to receive an annual incentive award (an "Award") under the Plan

2. Annual Awards.

(a) As soon as practicable after the start of each fiscal year of NU, but in any event within 90 days, the Committee shall set the Performance Goals for the Company which shall be the basis for determining the Awards to be paid to each Executive Employee for such fiscal year and the Committee shall communicate the target and the percentages (including minimums and maximums) for each Executive Employee applicable to each level of achievement against the target set. In no event may an individual Award for an Executive Employee exceed $4,000,000.

(b) The maximum amount of an Award for an Executive Employee shall be based upon the Company's performance compared against the Performance Goals set for that fiscal year. The actual amount of the Award for any Executive Employee shall be reduced, accordingly, by the Committee if the Executive Employee does not satisfy one or more individual financial or nonfinancial objectives set by the Committee for that Executive Employee as of the beginning of the relevant fiscal year. Any such objectives for an Executive Employee shall be set by the Committee and announced to the affected Executive Employee no later than 90 days after the commencement of the relevant fiscal year of NU.

(c) The Committee shall certify and announce the Awards that will be paid by the Company to each Executive Employee as soon as practicable following the final determination of the Company's financial results for the relevant fiscal year. Payment of Awards that an Executive Employee has not expressly deferred pursuant to Section 3 below shall be made in cash, or in shares of Company Stock or Options, the value of which shall equal the amount to be distributed, all as determined by the Committee, after the end of the relevant fiscal year but not later than two and one-half months after the end of such fiscal year, provided that the Executive Employee has not separated from employment by the Company prior to the date that payment is due except as otherwise specifically provided in a contract between the Company and the Executive Employee. The Committee may provide for complete or partial exceptions to this requirement if an Executive Employee's employment terminated on account of Retirement, termination without Cause, death, Disability or a Change of Control.

3. Deferral of Annual Awards . The Committee may permit an Executive Employee to defer an Award in accordance with such procedures as the Committee may from time to time specify subject to the limitations set forth in Section 3 of Article XIII of this Plan. _

ARTICLE IV
STOCK-BASED GRANTS

1. Grants. Grants under the Plan may consist of grants of incentive stock options ("Incentive Stock Options") or nonqualified stock options ("Nonqualified Stock Options")(Incentive Stock Options and Nonqualified Stock Options are collectively referred to as "Options"), restricted stock ("Restricted Stock"), restricted share units (Restricted Share Units" or "RSUs"), stock appreciation rights ("SARs"), and/or performance units ("Performance Units") (hereinafter collectively referred to as "Grants"). Grants may be awarded singly, in combination or in tandem with other Grants. All Grants shall be subject to the terms and conditions set forth herein and to such other terms and conditions consistent with this Plan as the Committee deems appropriate and as are specified in writing by the Committee in program documents applicable to particular years and/or Grants and in individual grant instruments or amendments to the same (each a "Grant Instrument"). The Committee shall approve the form and provisions of each Grant Instrument. Grants under a particular Section of the Plan need not be uniform as among the Grantees, as defined below.

2. Eligibility for Participation.

(a) Eligible Persons. All employees of the Company ("Employees"), including Employees who are officers or members of the Board, contractors of the Company ("Contractors"), and members of the Board who are not Employees ("Non-Employee Trustees") shall be eligible to receive Grants under the Plan. Contractors shall be eligible to receive Grants only of Nonqualified Stock Options.

(b) Selection of Grantees. The Committee shall select the Employees and Contractors to receive Grants and shall determine the number of shares of Company Stock subject to a particular Grant in such manner as the Committee determines. Employees, Contractors and Non-Employee Trustees who receive Grants under this Plan shall hereinafter be referred to as "Grantees".

(c) Collective Bargaining Employees. Anything to the contrary in this Plan notwithstanding, no Employee whose terms and conditions of employment are subject to negotiation with a collective bargaining agent shall be eligible to receive Grants under this Plan until the agreement between the Company and such collective bargaining agent with respect to the Employee provides for participation in the Plan.

3. Granting of Options.

(a) Number of Shares. The Committee shall determine the number of shares of Company Stock that will be subject to each Grant of Options to Employees and Contractors subject to the overall limits of Article IX.

(b) Type of Option and Price.

(i) The Committee may grant Incentive Stock Options that are intended to qualify as "incentive stock options" within the meaning of section 422 of the Code or Nonqualified Stock Options that are not intended so to qualify or any combination of Incentive Stock Options and Nonqualified Stock Options, all in accordance with the terms and conditions set forth herein. Incentive Stock Options may be granted only to Employees. Nonqualified Stock Options may be granted to Employees, Contractors and Non-Employee Trustees.

(ii) The purchase price (the "Exercise Price") of Company Stock subject to an Option shall be determined by the Committee and shall be equal to or greater than the Fair Market Value (as defined below) of a share of Company Stock on the date the Option is granted; provided, however, that an Incentive Stock Option may not be granted to an Employee who, at the time of grant, owns stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or any parent or subsidiary of the Company, unless the Exercise Price per share is not less than 110% of the Fair Market Value of Company Stock on the date of grant. The Committee may not modify the applicable Exercise Price after the date of Grant.

(iii) If the Company Stock is publicly traded, then the Fair Market Value per share shall be the closing price of the Company Stock as reported in the Wall Street Journal as composite transactions for the relevant date (or the latest date for which such price was reported if such date is not a business day), or if not available, determined as follows: (A) if the principal trading market for the Company Stock is the New York Stock Exchange, the last reported sale price thereof on the relevant date or (if there were no trades on that date) the latest preceding date upon which a sale was reported, (B) if the principal trading market for the Company Stock is a national securities exchange other than the New York Stock Exchange or is the NASDAQ National Market, the last reported sale price thereof on the relevant date or (if there were no trades on that date) the latest preceding date upon which a sale was reported, or (C) if the Company Stock is not principally traded on such exchange or market, the mean between the last reported "bid" and "asked" prices of Company Stock on the relevant date, as reported on NASDAQ or, if not so reported, as reported by the National Daily Quotation Bureau, Inc. or as reported in a customary financial reporting service, as applicable and as the Committee determines. If the Company Stock is not publicly traded or, if publicly traded, is not subject to reported transactions or "bid" or "asked" quotations as set forth above, the Fair Market Value per share shall be as determined by the Committee in accordance with the requirements of Section 1.409A-1(b)(5)(iv)(B) of the Treasury Regulations .

(c) Option Term. The Committee shall determine the term of each Option. The term of any Option shall not exceed ten years from the date of grant. However, an Incentive Stock Option that is granted to an Employee who, at the time of grant, owns stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company, or any parent or subsidiary of the Company, may not have a term that exceeds five years from the date of grant.

(d) Exercisability of Options. Options shall become exercisable in accordance with such terms and conditions, consistent with the Plan, as may be determined by the Committee and specified in the Grant Instrument. The Committee may accelerate the exercisability of any or all outstanding Options at any time for any reason.

(e) Termination of Employment, Retirement, Disability or Death.

(i) Except as provided below, an Option may be exercised only while the Grantee is employed by, or providing service to, the Company as an Employee, a Contractor, or a member of the Board. In the event that a Grantee ceases to be employed by, or provide service to, the Company then, unless the Committee deems otherwise, all outstanding Options will expire upon termination from employment or service with the Board for Cause, or any other reason, including termination on account of "Retirement," "Disability," or death.

(ii) For purposes of this Plan and programs thereunder:

(A) "Cause" shall mean, except to the extent specified otherwise by the Committee acting on behalf of the Company, (x) the Grantee's conviction of a felony, (y) in the reasonable determination of the Committee, the Grantee's (I) commission of an act of fraud, embezzlement, or theft in connection with the Grantee's duties in the course of the Grantee's employment with the Company, (II) acts or omissions causing intentional, wrongful damage to the property of the Company or intentional and wrongful disclosure of confidential information of the Company, or (III) engaging in gross misconduct or gross negligence in the course of the Grantee's employment with the Company, or (z) the Grantee's material breach of his or her obligations under any written agreement with the Company if such breach shall not have been remedied within 30 days after receiving written notice from the Committee specifying the details thereof. For purposes of this Program, an act or omission on the part of a Grantee shall be deemed "intentional" only if it was not due primarily to an error in judgment or negligence and was done by Grantee not in good faith and without reasonable belief that the act or omission was in the best interest of the Company. In the event a Grantee's employment or service is terminated for cause, in addition to the immediate termination of all Grants, the Grantee shall automatically forfeit all shares underlying any exercised portion of an Option for which the Company has not yet delivered the share certificates, upon refund by the Company of the Exercise Price paid by the Grantee for such shares.

(B) "Disability" shall mean a Grantee's being determined to be disabled within the meaning of the long-term disability plan or program that is a part of

the Northeast Utilities Service Company Flexible Benefits Plan (or any successor plan or program, hereafter, the "LTD Program").

(C) "Employed by, or provide service to, the Company" shall mean employment or service as an Employee, Contractor or member of the Board (so that, for purposes of exercising Options and SARs and satisfying conditions with respect to Restricted Stock, RSUs and Performance Units, a Grantee shall not be considered to have terminated employment or service until the Grantee ceases to be an Employee, Contractor and member of the Board), unless the Committee determines otherwise.

(D) "Retired" shall mean a termination of employment from the Company, other than for "Cause" on or after the earlier to occur of (x) attainment of age 65, (y) eligibility for pension payments under the Supplemental Executive Retirement Plan for Officers of Northeast Utilities System Companies, or employment-related agreement with the Company, or (z) attainment of age 55 after completing at least ten years of vesting service under the Northeast Utilities Service Company 401k Plan.

(f) Exercise of Options. A Grantee may exercise an Option that has become exercisable, in whole or in part, by delivering a notice of exercise to the Company with payment of the Exercise Price. The Grantee shall pay the Exercise Price for an Option as specified by the Committee:

(i) in cash,

(ii) with the approval of the Committee, by delivering shares of Company Stock owned by the Grantee (including Company Stock acquired in connection with the exercise of an Option or Restricted Stock, as defined below, granted under this Plan, subject to such restrictions as the Committee deems appropriate including placing the same restrictions on the shares of Company Stock obtained through the exchange of the Restricted Stock) and having a Fair Market Value on the date of exercise equal to the Exercise Price, or

(iii) by such other method as the Committee may approve, including payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board. The Grantee shall pay the Exercise Price and the amount of any withholding tax due at the time of exercise.

(g) Limits on Incentive Stock Options. Each Incentive Stock Option shall provide that, if the aggregate Fair Market Value of the stock on the date of the grant with respect to which Incentive Stock Options are exercisable for the first time by a Grantee during any calendar year, under the Plan or any other stock option plan of the Company exceeds $100,000, then the option, as to the excess, shall be treated as a Nonqualified Stock Option. An Incentive Stock Option shall not be granted to any person who is not an Employee of the Company.

ARTICLE V
STOCK-BASED GRANTS TO NON-EMPLOYEE TRUSTEES

1. Eligibility for Participation. Non-Employee Trustees shall be eligible to receive Grants as set forth in Article IV; provided, that the number of shares of Company Stock subject to each Grant of Options, as well as the terms of all Grants, to Non-Employee Trustees shall be approved by the Board, in accordance with Article (9) of the Declaration of Trust of Northeast Utilities, as amended.

2. Terms of Retirement. The words "age 65" in the definition of "Retired" in Section 3(e)(ii)(D) of Article IV shall be read as "age 70" with respect to Non-Employee Trustees.

ARTICLE VI
RESTRICTED STOCK AND RESTRICTED SHARE UNIT GRANTS

1. Restricted Stock Grants. Subject to the terms and conditions of the Plan, the Committee may issue or transfer shares of Company Stock to a Grantee with such restrictions as the Committee deems appropriate ("Restricted Stock"). The following provisions are applicable to Restricted Stock:

(a) General Requirements. Shares of Company Stock issued or transferred pursuant to Restricted Stock Grants may be issued or transferred in exchange for services performed or to be performed. The Committee may establish conditions under which restrictions on shares of Restricted Stock shall lapse over a period of time or according to such other criteria as the Committee deems appropriate. The period of time during which the Restricted Stock will remain subject to restrictions (the "Restriction Period") will be designated in the Grant Instrument

(b) Number of Shares. The Committee shall determine the number of shares of Company Stock to be issued or transferred pursuant to a Restricted Stock Grant and the restrictions applicable to such shares, subject to the limitations contained in Article IX.

(c) Requirement of Employment or Service. If the Grantee ceases to be employed by, or provide service to, the Company during the Restriction Period, or if other specified conditions are not met, the Restricted Stock Grant shall terminate as to all shares covered by the Grant as to which the restrictions have not lapsed, and those shares of Company Stock must be immediately returned to the Company. The Committee may, however, provide for complete or partial exceptions to this requirement as it deems appropriate.

(d) Restrictions on Transfer and Legend on Share Certificate. During the Restriction Period, a Grantee may not sell, assign, transfer, pledge or otherwise dispose of the shares of Restricted Stock except to a Successor Grantee, as defined below. The Committee may determine that the Company will issue certificates for shares of Restricted Stock, in which case each certificate for a share of Restricted Stock shall contain a legend giving appropriate notice of the restrictions in the Grant. The Grantee shall be entitled to have the legend removed from the share certificate covering the shares

subject to restrictions when all restrictions on such shares have lapsed. The Committee may determine that the Company will not issue certificates for shares of Restricted Stock until all restrictions on such shares have lapsed, or that the Company will retain possession of certificates for shares of Restricted Stock until all restrictions on such shares have lapsed.

(e) Right to Vote and to Receive Dividends. Unless the Committee determines otherwise, the Grantee shall have the right to vote Restricted Stock and to receive any dividends or other distributions paid on such shares during the Restriction Period subject to any restrictions deemed appropriate by the Committee.

(f) Lapse of Restrictions. All restrictions imposed on Restricted Stock shall lapse upon the expiration of the applicable Restriction Period and the satisfaction of all conditions imposed by the Committee. The Committee may determine, as to any or all Restricted Stock Grants, that the restrictions shall lapse without regard to any Restriction Period.

2. Restricted Share Unit Grants.

(a) Restriction Period. The Committee may make Grants of Restricted Share Units to Employees and Non-Employee Trustees representing the right to receive shares of Company Stock, cash, or both, as determined by the Committee (hereafter, "Restricted Share Units"). Between the end of the Restriction Period and the second payroll date following the end of the Restriction Period, subject to any deferral election that may be made or applied to the Grant pursuant to subsection (e) below and further subject to the limitations set forth in Section 3 of Article XIII of this Plan with respect to a Grant of Restricted Share Units that is subject to Section 409A of the Code , cash or shares or both shall be delivered to the Grantee (unless previously forfeited). Restricted Share Units may not be sold, assigned, transferred, pledged or otherwise encumbered during the Restriction Period. A Grantee of Restricted Share Units shall have none of the rights of a holder of Company Stock unless and until shares of Company Stock are actually delivered in satisfaction of such Restricted Share Units.

(b) Number of Units. The Committee shall determine the number of Restricted Share Units pursuant to a Restricted Share Unit Grant and the restrictions applicable to such shares, subject to the limitations contained in Article IX.

(c) Requirement of Employment or Service. If the Grantee ceases to be employed by, or provide service to, the Company during a period designated in the Grant Instrument as the Restriction Period, or if other specified conditions are not met, the Restricted Share Unit Grant shall terminate as to all Restricted Share Units covered by the Grant as to which the restrictions have not lapsed. The Committee may, however, provide in the Grant Instrument for complete or partial exceptions to this requirement if an Employee’s employment or Non-Employee Trustee’s service with the Board ends on account of Retirement, termination without Cause, death or Disability or due to a Change of Control, as it deems appropriate subject to the limitations set forth in Section 3 of Article XIII of this Plan .

(d) Dividend Equivalents. The Committee may determine that a Grant Instrument with respect to Restricted Share Units may provide that the Grantee shall be entitled to receive as compensation from the Company dividend equivalents with respect thereto, in the form determined by the Committee from the effective date of the Grant Instrument through the earlier of (i) the date the Restricted Share Unit is forfeited, and (ii) the date Company Stock representing such Restricted Share Units or cash is delivered to the Grantee as provided herein.

(e) Deferrals of Restricted Share Units. The Committee may provide in the Grant Instrument for the automatic deferral of the payment of Restricted Share Units upon the lapse of restrictions on the Grant or permit a Grantee to elect deferral by filing a written election with the Committee in accordance with such procedures as the Committee may from time to time specify, subject to the limitations set forth in Section 3 of Article XIII of this Plan .

3. Withholding. The Company shall have the right to deduct from any settlement of a Grant of Restricted Shares or Restricted Share Units, including the delivery or vesting of shares or dividend equivalents, an amount sufficient to cover withholding required by law for any federal, state or local taxes or to take such other action as may be necessary to satisfy any withholding obligations. The Committee may permit shares to be used to satisfy required tax withholding, and such shares shall be valued at the fair market value as of the settlement date of the applicable Grant.

4. Section 162(m). Notwithstanding any other provision of the Plan or the terms of any Grant or Award issued hereunder, Grants of Restricted Stock or Restricted Share Units under this Article VI are not intended to be or meet the requirements for "qualified performance based compensation" under Section 162(m) of the Code or Treasury Regulation § 1.162-27(e).

ARTICLE VII
STOCK APPRECIATION RIGHTS

1. Stock Appreciation Rights.

(a) General Requirements. The Committee may grant stock appreciation rights ("SARs") to a Grantee separately or in tandem with any Option (for all or a portion of the applicable Option). Tandem SARs may be granted either at the time the Option is granted or at any time thereafter while the Option remains outstanding; provided, however, that, in the case of an Incentive Stock Option, SARs may be granted only at the time of the Grant of the Incentive Stock Option. The Committee shall establish the base amount of the SAR at the time the SAR is granted. The base amount of each SAR shall be equal to the per share Exercise Price of the related Option or, if there is no related Option, the Fair Market Value of a share of Company Stock as of the date of Grant of the SAR ("Base Amount"). The Committee may not modify the applicable Base Amount of the SAR after the date of Grant.

(b) Tandem SARs. In the case of tandem SARs, the number of SARs granted to a Grantee that shall be exercisable during a specified period shall not exceed the number of shares of Company Stock that the Grantee may purchase upon the exercise of the related Option during such period. Upon the exercise of an Option, the SARs relating to the Company Stock covered by such Option shall terminate. Upon the exercise of SARs, the related Option shall terminate to the extent of an equal number of shares of Company Stock.

(c) Exercisability. An SAR shall be exercisable during the period specified by the Committee in the Grant Instrument and shall be subject to such vesting and other restrictions as may be specified in the Grant Instrument. SARs may only be exercised while the Grantee is employed by the Company or during the applicable period after termination of employment as described in Article IV, Section 3(e). A tandem SAR shall be exercisable only during the period when the Option to which it is related is also exercisable.

(d) Value of SARs. When a Grantee exercises SARs, the Grantee shall receive in settlement of such SARs an amount equal to the "spread value" for the number of SARs exercised, payable in cash.. The "spread value" for an SAR is the amount representing the difference by which the Fair Market Value of the underlying Company Stock on the date of exercise of the SAR exceeds the base amount of the SAR as described in Subsection (a).

(e) Form of Payment. For purposes of calculating the amount of cash to be received, shares of Company Stock shall be valued at their Fair Market Value on the date of exercise of the SAR and cash shall be distributed, net of applicable withholding taxes.

ARTICLE VIII
PERFORMANCE UNITS

1. Performance Units.

(a) General Requirements. The Committee may grant performance units ("Performance Units") to an Employee. Each Performance Unit shall represent the right of the Grantee to receive an amount based on the value of the Performance Unit, if performance goals established by the Committee are met. A Performance Unit shall be based on the Fair Market Value of a share of Company Stock or on such other measurement base as the Committee deems appropriate. The Committee shall determine the number of Performance Units to be granted and the requirements applicable to such Units, subject to the limitations contained in Article IX.

(b) Performance Period and Performance Goals. When Performance Units are granted, the Committee shall establish the Performance Period during which performance shall be measured, Performance Goals applicable to the Units and such other conditions of the Grant as the Committee deems appropriate. Performance Goals may relate to the financial performance of the Company or its operating units, the performance of Company Stock, individual performance, or such other criteria as the Committee deems appropriate.

(c) Payment with respect to Performance Units. At the end of each Performance Period, the Committee shall determine to what extent the Performance Goals and other conditions of the Performance Units are met and the amount, if any, to be paid with respect to the Performance Units. Payments with respect to Performance Units shall be made in cash, in Company Stock, or in a combination of the two, as determined by the Committee after the end of the relevant Performance Period but not later than two and one-half months after the end of such Performance Period subject to any deferral election that may be made or applied to the Grant pursuant to subsection (e) below and further subject to the limitations set forth in Section 3 of Article XIII of this Plan with respect to a Grant of Performance Units that is subject to Section 409A of the Code.

(d) Requirement of Employment or Service. If the Grantee ceases to be employed by, or provide service to, the Company (as defined in Article IV, Section 3(e)) during a Performance Period, or if other conditions established by the Committee are not met, the Grantee's Performance Units shall be forfeited. The Committee may, however, provide in the Grant Instrument for complete or partial exceptions to this requirement if an Employee's employment ends on account of Retirement, termination without Cause, death or Disability or due to a Change of Control, as it deems appropriate subject to the limitations set forth in Section 3 of Article XIII of this Plan ..

(e) Deferrals of Performance Units. The Committee may provide in the Grant Instrument for the automatic deferral of the payment of Performance Units at the end of the Performance Period or permit a Grantee to elect deferral by filing a written election with the Committee in accordance with such procedures as the Committee may from time to time specify subject to the limitations set forth in Section 3 of Article XIII of this Plan.

(f) Designation as Qualified Performance-Based Compensation. The Committee may determine that Performance Units granted to a Grantee shall be considered "qualified performance-based compensation" under Section 162(m) of the Code. The provisions of this subsection (e) shall apply to Grants of Performance Units that are to be considered "qualified performance-based compensation" under Section 162 (m) of the Code.

(i) Performance Goals. When Performance Units that are to be considered "qualified performance-based compensation" are Granted, the Committee shall establish in writing (A) the objective Performance Goals that must be met in order for amounts to be paid under the Performance Units, (B) the Performance Period during which the performance goals must be met, (C) the threshold, target and maximum amounts that may be paid if the Performance Goals are met, and (D) any other conditions, including without limitation provisions relating to death, disability, other termination of employment or Change of Control, that the Committee deems appropriate and consistent with the Plan and Section 162(m) of the Code. The performance goals may relate to the Employee's business unit or the performance of the Company and its subsidiaries as a whole, or any combination of the foregoing.

(ii) Establishment of Goals. The Committee shall establish the Performance Goals in writing either before the beginning of the Performance Period or

during a period ending no later than the earlier of (A) 90 days after the beginning of the Performance Period or (B) the date on which 25% of the Performance Period has been completed, or such other date as may be required or permitted under applicable regulations under Section 162(m) of the Code. The performance goals shall satisfy the requirements for "qualified performance-based compensation," including the requirement that the achievement of the goals be substantially uncertain at the time they are established and that the goals be established in such a way that a third party with knowledge of the relevant facts could determine whether and to what extent the performance goals have been met. The Committee shall not have discretion to increase the amount of compensation that is payable upon achievement of the designated performance goals.

(iii) Maximum Payment. The number of Performance Units granted and paid in shares shall not exceed the limit specified under Article IX(1)(a). If Performance Units are paid in cash, the maximum amount that may be paid to an Employee with respect to a Performance Period is $4,000,000.

(iv) Announcement of Grants. The Committee shall certify and announce the results for each Performance Period to all Grantees immediately following the announcement of the Company's financial results for the Performance Period. If and to the extent that the Committee does not so certify that the performance goals have been met, the grants of Performance Units for the Performance Period shall be forfeited.

ARTICLE IX
AUTHORIZED SHARES

1. Shares Subject to the Plan.

(a) Shares Reserved for Grants and Awards. The aggregate number of common shares of NU, par value $5.00, ("Company Stock") that may be subject to Grants of Options, or transferred on account of other Grants or Awards under the Plan may not exceed 4.5 million shares. The shares may be authorized but unissued shares of Company Stock or reacquired shares of Company Stock, including shares purchased by the Company on the open market for purposes of the Plan. If and to the extent (i) Options or SARs granted under the Plan terminate, expire, or are canceled, forfeited, exchanged or surrendered without having been exercised (other than for reasons of the Exercise Price of the Option being less than the current Fair Market Value thereof), or (ii) any shares of Restricted Stock, RSUs or Performance Units are forfeited, or (iii) Company Stock, including RSUs, are used by the Participant to pay withholding taxes or as payment for the Exercise Price of the Grant, then the shares not made the subject of Grants and Awards, and the shares subject to such terminated, expired, canceled, forfeited, exchanged or surrendered Grants and Awards shall again be available for purposes of the Plan in addition to the number of shares of Company Stock otherwise available for Grants and Awards. No Participant under the Plan may receive aggregate Grants and Awards in excess of one million shares over the term of the Plan.

(b) Adjustments. If there is any change in the number or kind of shares of Company Stock outstanding (i) by reason of a stock dividend, spinoff, recapitalization,

stock split, or combination or exchange of shares, (ii) by reason of a merger, reorganization or consolidation in which NU is the surviving entity, (iii) by reason of a reclassification or change in par value, or (iv) by reason of any other extraordinary or unusual event affecting the outstanding Company Stock as a class without NU's receipt of consideration, or (v) otherwise in the event of an equity restructuring within the meaning of Statement of Financial Accounting Standards No. 123 (revised 2004), other than (A) any distribution of securities or other property by the Company to shareholders in a spin-off or split-off that does not qualify as a tax-free spin-off or split-up under Section 355 of the Code (or any successor provision of the Code) or (B) any cash dividend (other than an extraordinary cash dividend or distribution), then the maximum number of shares of Company Stock available for Grants, the number of shares covered by outstanding Grants, the kind of shares issued under the Plan, and the price per share or the applicable market value of such Grants, including the per share exercise price of Options and Stock Appreciation Rights, shall be appropriately adjusted by the Committee to reflect any increase or decrease in the number of, or change in the kind or value of, issued shares of Company Stock to preclude, to the extent practicable, the enlargement or dilution of rights and benefits under such Grants; provided, however, that any fractional shares resulting from such adjustment shall be eliminated and, provided further, that any substitution of a new stock right or assumption of an outstanding stock right pursuant to a corporate transaction shall comply with the requirements of Section 1.409A-1(b)(5)(v)(D) of the Treasury Regulations and any adjustment of a stock right to reflect a stock split or stock dividend shall comply with the requirements of Section 1.409A-1(b)(5)(v)(H) of the Treasury Regulations . Any increase to the number or kind of shares of Company Stock outstanding under this Article IX(1)(b) occurring on or after May 9, 2007 shall result in the adjustment in the 4.5 million shares authorized under Article IX(1)(a). No such adjustment shall be required to reflect the events described in clauses (x) and (y) above, or any other change in capitalization that does not constitute an equity restructuring; however, such adjustment may be made if the Committee determines that such adjustment is appropriate ; provided, however, that any such adjustment shall comply with the requirements of Section 1.409A-1(b)(5)(v) of the Treasury Regulations . Any adjustments determined by the Committee shall be final, binding and conclusive.

(c) Minimum Vesting Requirement. Grants of Restricted Stock or RSUs made pursuant to the Plan shall vest ratably no sooner than the first business day of each of the three years following the calendar year of the Grant. Grants of Options shall vest no sooner than the first business day of the year following the calendar year of the Grant. The Committee may, in its discretion, determine such other vesting schedule as it deems appropriate, except that any such other vesting schedule must fulfill at least the applicable minimum requirements set forth in the prior two sentences. The Committee may provide in the Grant Instrument for complete or partial exceptions to these requirements as it deems appropriate in the case of a Participant whose service with the Company ends for reason of Retirement, Death, or Disability, or in the case of a Grant to a Non-Employee Trustee or a newly-hired Employee, or upon a Change of Control of NU subject to the limitations set forth in Section 3 of Article XIII of this Plan .

ARTICLE X
OPERATING RULES

1. Withholding of Taxes. All Grants under the Plan shall be subject to applicable federal (including FICA), state and local tax withholding requirements. The Company shall have the right to deduct from all Grants paid in cash, or from other wages paid to the Grantee, any federal, state or local taxes required by law to be withheld with respect to such Grants. In the case of Options and other Grants paid in Company Stock, the Company may require the Grantee or other person receiving such shares to pay to the Company the amount of any such taxes that the Company is required to withhold with respect to such Grants, or the Company may deduct from other wages paid by the Company the amount of any withholding taxes due with respect to such Grants. If the Committee so permits, a Grantee may elect to satisfy the Company's income tax withholding obligation with respect to an Option, SAR, Restricted Stock, Restricted Share Units or Performance Units that are paid in Company Stock, by having shares withheld up to an amount that does not exceed the Grantee's minimum applicable withholding tax rate for federal (including FICA), state and local tax liabilities. The election must be in a form and manner prescribed by the Committee.

2. Transferability of Grants.

(a) Nontransferability of Grants. Except as provided below, only the Grantee may exercise rights under a Grant during the Grantee’s lifetime. A Grantee may not transfer those rights except by will or by the laws of descent and distribution or, with respect to Grants other than Incentive Stock Options, if permitted in any specific case by the Committee, pursuant to a domestic relations order (as defined under the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the regulations thereunder). When a Grantee dies, the personal representative or other person entitled to succeed to the rights of the Grantee ("Successor Grantee") may exercise such rights. A Successor Grantee must furnish proof satisfactory to the Company of his or her right to receive the Grant under the Grantee's will or under the applicable laws of descent and distribution.

(b) Transfer of Nonqualified Stock Options. Notwithstanding the foregoing, the Committee may provide, in a Grant Instrument, that a Grantee may transfer Nonqualified Stock Options to family members, one or more trusts for the benefit of family members, or one or more partnerships of which family members are the only partners, according to such terms as the Committee may determine; provided that the Grantee receives no consideration for the transfer of an Option and the transferred Option shall continue to be subject to the same terms and conditions as were applicable to the Option immediately before the transfer.

3. Requirements for Issuance or Transfer of Shares. No Company Stock shall be issued or transferred in connection with any Grant hereunder unless and until all legal requirements applicable to the issuance or transfer of such Company Stock have been complied with to the satisfaction of the Committee. The Committee shall have the right to condition any Grant made to any Grantee hereunder on such Grantee's undertaking in writing to comply with such restrictions on his or her subsequent disposition of such shares of Company Stock as the Committee shall deem necessary or advisable as a result of any applicable law, regulation or official interpretation thereof, and certificates

representing such shares may be legended to reflect any such restrictions. Certificates representing shares of Company Stock issued or transferred under the Plan will be subject to such stop-transfer orders and other restrictions as may be required by applicable laws, regulations and interpretations, including any requirement that a legend be placed thereon.

4. Funding of the Plan. This Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Grants under this Plan. In no event shall interest be paid or accrued on any Grant, including unpaid installments of Grants.

5. Rights of Participants. Nothing in this Plan shall entitle any Employee or Non-Employee Trustee or other person to any claim or right to be granted a Grant under this Plan except as provided in Article V. Neither this Plan nor any action taken hereunder shall be construed as giving any individual any rights to be retained by or in the employ of the Company or any other employment rights, nor shall they interfere in any way with the right of the Company, a subsidiary or an affiliate to terminate the employment of any Employee at any time.

6. Headings. Section headings are for reference only. In the event of a conflict between a title and the content of a Section, the content of the Section shall control.

7. Effective Date of the Plan. Subject to approval by NU's shareholders, if required, the Plan as amended and restated, is effective on January 1, 2009.

8. Definition of Company. "Company" means NU and any Affiliate which is authorized by the Board to adopt the Plan and cover its eligible employees and whose designation as such has become effective upon acceptance of such status by the board of directors of the Affiliate. An Affiliate may revoke its acceptance of such designation at any time, but until such acceptance has been revoked, all the provisions of the Plan, including the authority of the Board and the Committee, and amendments thereto shall apply to the eligible employees of the Affiliate. In the event the designation is revoked by the board of directors of an Affiliate, the Plan shall be deemed terminated only with respect to such Affiliate. For the purposes hereof, "Affiliate" means each direct and indirect affiliated company that directly or through one or more intermediaries, controls, is controlled by, or is under common control with NU.

ARTICLE XI
CHANGE OF CONTROL OF NU

1. Change of Control of NU.

As used herein, a "Change of Control" shall mean a change in ownership or control effected through any one or more of the following :

(a) When any "person," as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act"), other than the Company, its

affiliates, or any Company or NU employee benefit plan (including any trustee of such plan acting as trustee), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of NU representing more than 20% of the combined voting power of either (i) the then outstanding common shares of NU (the "Outstanding Common Shares") or (ii) the then outstanding voting securities of NU entitled to vote generally in the election of directors (the "Voting Securities"); or

(b) Individuals who, as of the beginning of any twenty-four month period, constitute the Trustees (the "Incumbent Trustees") cease for any reason to constitute at least a majority of the Trustees or cease to be able to exercise the powers of the majority of the Trustees, provided that any individual becoming a trustee subsequent to the beginning of such period whose election or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the trustees then comprising the Incumbent Trustees shall be considered as though such individual were a member of the Incumbent Trustees, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Trustees of NU (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

(c) Consummation by NU of a reorganization, merger or consolidation (a "Business Combination"), in each case, with respect to which all or substantially all of the individuals and entities who were the respective beneficial owners of the Outstanding Common Shares and Voting Securities immediately prior to such Business Combination do not, following consummation of all transactions intended to constitute part of such Business Combination, beneficially own, directly or indirectly, more than 75% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation, business trust or other entity resulting from or being the surviving entity in such Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination of the Outstanding Common Shares and Voting Securities, as the case may be; or

(d) Consummation of a complete liquidation or dissolution of NU or sale or other disposition of all or substantially all of the assets of NU other than to a corporation, business trust or other entity with respect to which, following consummation of all transactions intended to constitute part of such sale or disposition, more than 75% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Common Shares and Voting Securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Outstanding Common Shares and Voting Securities, as the case may be, immediately prior to such sale or disposition.

2. Consequences of a Change of Control.

(a) Notice. Upon a Change of Control, the Company shall provide each Grantee with outstanding Grants written notice of such Change of Control.

(b) Assumption of Grants. Upon a Change of Control where the Company is not the surviving corporation (or survives only as a subsidiary of another corporation), unless the Committee determines otherwise, all outstanding Options and SARs that are not exercised and all outstanding restricted shares, restricted share units and Performance Units that are denominated in shares of Company Stock shall be assumed by, or replaced with comparable options, rights or entitlements by, the surviving corporation , subject to compliance with Section 1.409A-1(b)(5)(v) of the Treasury Regulations .

(c) Other Alternatives. Notwithstanding the foregoing, subject to subsection (d) below and compliance with Section 1.409A-1(b)(5)(v) of the Treasury Regulations , in the event of a Change of Control, the Committee may provide in annual program documents that, notwithstanding any deferral election or deferral provision, take any of the following actions: (i) eliminate all risk of forfeiture remaining on any Options, SARs, restricted shares, restricted share units and Performance Units outstanding at the time of a Change of Control; (ii) require that Grantees surrender their outstanding Options, SARs, restricted shares, restricted share units and Performance Units that are denominated in shares of Company Stock in exchange for a payment by the Company, in cash or Company Stock as determined by the Committee, in an amount equal to the restricted shares, restricted share units or Performance Units (based on the then Fair Market Value of shares of Company Stock) (except that a distribution of any award that is a 409A Award may only be made, other than on Termination, upon a change of control that qualifies as a "change in control" under Section 1.409A -3(i)(5) of the Treasury Regulations), or with respect to unexercised Options or SARs, in the amount by which the then Fair Market Value of the shares of Company Stock subject to the Grantee's unexercised Options and SARs exceeds the Exercise Price of the Options or the base amount of the SARs, as applicable, or (iii) after giving Grantees an opportunity to exercise their outstanding Options and SARs, terminate any or all unexercised Options and SARs at such time as the Committee deems appropriate. Such surrender or termination shall take place as of the date of the Change of Control or such other date as the Committee may specify.

(d) Committee. The Committee making the determinations under this Article XI, Section 2(d) following a Change of Control must comprise the same members as those on the Committee immediately before the Change of Control. If the Committee members do not meet this requirement, the automatic provisions of Subsections (a) and (b) shall apply, and the Committee shall not have discretion to vary them.

(e) Limitations. Notwithstanding anything in the Plan to the contrary, in the event of a Change of Control, the Committee shall not have the right to take any actions described in the Plan (including without limitation actions described in Subsection (c) above) that would make the Change of Control ineligible for pooling of interests accounting treatment or that would make the Change of Control ineligible for desired tax

treatment if, in the absence of such right, the Change of Control would qualify for such treatment and the Company intends to use such treatment with respect to the Change of Control.

ARTICLE XII
AMENDMENT AND TERMINATION

1. Amendment and Termination of the Plan.

(a) Amendment. Subject to the limitations set forth in Section 3 of Article XIII of this Plan, the Board or the Committee may amend or terminate the Plan at any time; provided, however, that neither the Board nor the Committee shall amend the Plan without shareholder approval if such approval is required by Sections 162(m) or 422 of the Code.

(b) Termination of the Plan. The Plan shall terminate on the day preceding the tenth anniversary of its effective date, unless the Plan is terminated earlier by the Board or the Committee in accordance with Subsection (a) above , or is extended by the Board or the Committee with the approval of the shareholders.

(c) Termination and Amendment of Outstanding Grants. A termination or amendment of the Plan that occurs after a Grant is made shall not materially impair the rights of a Grantee unless the Grantee consents, unless the Committee acts under Article XI, Section 2(c), or unless the amendment or termination is required under statute, regulation, other law, or rule of a governing or administrative body having the effect of a statute or regulation or unless such an amendment is necessary to bring a Grant into compliance with, or obtain an exemption from, the requirements of Section 409A of the Code . The termination of the Plan shall not impair the power and authority of the Committee with respect to an outstanding Grant.

(d) Governing Document. The Plan shall be the controlling document. No other statements, representations, explanatory materials or examples, oral or written, may amend the Plan in any manner. The Plan shall be binding upon and enforceable against the Company and its successors and assigns.

ARTICLE XIII
MISCELLANEOUS

1. Grants in Connection with Corporate Transactions and Otherwise. Nothing contained in this Plan shall be construed to (a) limit the right of the Committee to make Grants under this Plan in connection with the acquisition, by purchase, lease, merger, consolidation or otherwise, of the business or assets of any corporation, firm or association, including Grants to employees thereof who become Employees of the Company, or for other proper corporate purposes, or (b) limit the right of the Company to grant stock options or make other awards outside of this Plan. Without limiting the foregoing, the Committee may make a Grant to an employee of another corporation who becomes an Employee by reason of a corporate merger, consolidation, acquisition of stock or property, reorganization or liquidation involving the Company or any of its

subsidiaries in substitution for a stock option or restricted stock grant made by such corporation. The terms and conditions of the substitute grants may vary from the terms and conditions required by the Plan and from those of the substituted stock incentives. The Committee shall prescribe the provisions of the substitute grants.

2. Compliance with Law. The Plan, the exercise of Options and SARs and the obligations of the Company to issue or transfer shares of Company Stock under Grants shall be subject to all applicable laws and to approvals by any governmental or regulatory agency as may be required. With respect to persons subject to section 16 of the Exchange Act, it is the intent of the Company that the Plan and all transactions under the Plan comply with all applicable provisions of Rule 16b-3 or its successors under the Exchange Act. In addition, it is the intent of the Company that the Plan and applicable Grants under the Plan comply with the applicable provisions of sections 162(m) and 422 of the Code, and any other applicable law or regulation having the effect of law. To the extent that any legal requirement of section 16 of the Exchange Act or section 162(m) or 422 of the Code as set forth in the Plan ceases to be required under section 16 of the Exchange Act or section 162(m) or 422 of the Code, that Plan provision shall cease to apply. Anything in this Plan to the contrary notwithstanding, the terms of this Plan shall be interpreted and applied in a manner consistent with the requirements of Section 409A of the Code and the Treasury Regulations thereunder and the Company shall have no right to make any payment under this Plan except to the extent permitted under Section 409A of the Code. It is intended that payments made under this Plan on or before the 15th day of the third month following the end of the Participant's first taxable year in which the right to the payment is no longer subject to a substantial risk of forfeiture shall be exempt from compliance with Section 409A of the Code pursuant to the exception for short-term deferrals set forth in Section 1.409A-1(b)(4) of the Treasury Regulations . The Company shall have no obligation, however, to reimburse a Participant for any tax penalty or interest payable or provide a gross-up payment in connection with any tax liability of a Participant under Section 409A of the Code except that this provision shall not apply in the event of the Company's negligence or willful disregard in interpreting the application of Section 409A of the Code to the Plan which negligence or willful disregard causes the Participant to become subject to a tax penalty or interest payable under Section 409A of the Code, in which case the Company will reimburse the Participant on an after-tax basis for any such tax penalty or interest not later than the last day of the Participant's taxable year next following the Participant's taxable year in which the Participant remits the applicable taxes and interest. To the extent permitted by applicable law, the Committee may revoke any Grant if it is contrary to law or modify a Grant to bring it into compliance with any valid and mandatory government regulation. The Committee may also adopt rules regarding the withholding of taxes on payments to Grantees. The Committee may, in its sole discretion, agree to limit its authority under this Section.

3. Deferred Compensation.

(a) 409A Awards. Anything in this Plan to the contrary notwithstanding, the following rules shall apply to 409A Awards and shall constitute further restrictions on terms of Awards and Grants set forth elsewhere in this Plan:

(i) The Committee may permit a Participant to elect to defer a Grant or Award, or any payment under a Grant or Award, in 2005 or thereafter, only if such election is either made before the beginning of the fiscal year for which the Grant or Award is granted or complies with an exception set forth in the Treasury Regulations under Section 409A of the Code or the transition rules set forth in Q&A 19(c) of IRS Notice 2005-1 as extended by the Treasury Regulations and IRS Notices 2006-79 and 2007-86 (collectively, the "Transition Rules").

(ii) The Committee may, in its discretion, for the period beginning January 1, 2005 through December 31, 2008, require or permit on an elective basis (one or more times) a change in the distribution terms applicable to 409A Awards (and Non-409A Awards that qualify for the short-term deferral exemption under Section 409A) in accordance with, and to the fullest extent permitted by, the Transition Rules.

(iii) The Committee shall have no authority to accelerate distributions relating to 409A Awards in excess of the authority permitted under Section 1.409A-3(j) of the Treasury Regulations.

(iv) Any distribution of a 409A Award triggered by a Participant's termination of employment and intended to qualify under Section 409A(a)(2)(A)(i) of the Code shall be made only at the time that the Participant has had a Termination (or at such earlier time, after a termination of employment, that there occurs another event triggering a distribution under the Plan or the applicable Grant Instrument in compliance with Section 409A).

(v) Any distribution of a 409A Award triggered by a Participant's Termination shall be delayed for six months following the date of such Termination if such Participant is a Specified Employee on such date. In the event of any such delay in the distribution date, the 409A Award will be paid at the beginning of the seventh month following the Participant's Termination. In the event of the Participant's death during such six-month period, payment will be made in the payroll period next following the payroll period in which the Participant's death occurs.

Any payment due within such six-month period will be adjusted to reflect the deferred payment date by multiplying the payment by the product of the interest discount rate used for financial accounting purposes to compute the present value liability of the Supplemental Executive Retirement Plan for Officers of Northeast Utilities System Companies for the plan year immediately preceding the date of the Specified Employee's Termination, multiplied by a fraction, the numerator of which is the number of days by which such payment was delayed and the denominator of which is 365.

(vi) In the case of any distribution of a 409A Award, if the timing of such distribution is not otherwise specified in the Plan or a Grant Instrument, the distribution shall be made on or after the date at which the settlement of the Award is specified to occur and on or before the 75th day following the date at which the settlement of the Award is specified to occur, determined in the sole discretion of the Committee, except as otherwise provided in Subsection (v) above.

(vii) No amendment or termination of the Plan or a Grant pursuant to Article XII shall be effective with respect to 409A Awards except insofar as it complies with the requirements of Section 409A of the Code and the Treasury Regulations thereunder or the Transition Rules, including without limitation, the requirements set forth in Treasury Regulations Section 1.409A-2(b) governing subsequent changes in time and form of payment and Section 1.409A-3(j)(4)(ix) governing plan terminations.

(b) Grandfathered Grants. Any Grant that was both granted and vested before 2005 and which otherwise might constitute a deferral of compensation under Section 409A is intended to be "grandfathered" under Section 409A. No amendment or change to the Plan or other change (including an exercise of discretion) with respect to such a grandfathered Grant after October 3, 2004, shall be effective if such change would constitute a "material modification" within the meaning of the Treasury Regulations under Section 409A, except in the case of a Grant that is specifically modified to become compliant as a 409A Award or compliant with an exemption under Section 409A.

(c) Distributions Upon Vesting. In the case of any Grant providing for a distribution upon the lapse of a risk of forfeiture, if the timing of such distribution is not otherwise specified in the Plan or a Grant Instrument, the distribution shall be made on or after January 1 and on or before March 15 of the year following the year in which the risk of forfeiture lapsed.

(d) Scope and Application of this Provision. For purposes of this Section 3 and Section 2 above, references to a term or event (including any authority or right of the Company or a Participant) being "permitted" under or in "compliance" with Section 409A and the Treasury Regulations thereunder or the Transition Rules mean that the term or event will not cause the Participant to be deemed to be in constructive receipt of compensation relating to the 409A Award prior to the distribution of cash, shares or other property or to be liable for payment of interest or a tax penalty under Section 409A.

4. Clawback. Upon written demand of the Company, an Employee will reimburse or forfeit all or a portion of any Award or Grant paid to the Employee under the Plan where: (a) payment of the Award or Grant was predicated on the achievement of certain financial results that were subsequently the subject of a substantial restatement of the financial statements of the Company, (b) in the judgment of the Board the Employee engaged in fraud or misconduct that caused or partially caused the need for the substantial restatement, and (c) a lower payment would have been made to the Employee based on the restated financial results. In the event the Employee fails to make prompt reimbursement of any such Award or Grant previously paid or delivered, the Company may, to the extent permitted by applicable law, deduct the amount required to be reimbursed from the Grantee's compensation otherwise due from the Company; provided, however, that the Company will not seek to recover upon Awards or Grants paid more than three years prior to the date the applicable restatement is disclosed.

5. Governing Law. The validity, construction, interpretation and effect of the Plan and Grant Instruments issued under the Plan shall exclusively be governed by and determined in accordance with the law of the State of Connecticut.

6. Disclaimer of Liability. The Declaration of Trust of NU provides that no shareholder of NU shall be held to any liability whatever for the payment of any sum of money, or for damages or otherwise under any contract, obligation or undertaking made, entered into or issued by the Board or by any officer, agent or representative elected or appointed by the Board, and no such contract, obligation or undertaking shall be enforceable against the Board or any of them in their or his or her individual capacities or capacity and all such contracts, obligations and undertakings shall be enforceable only against the Board as such, and every person or entity, having any claim or demand arising out of any such contract, obligation or undertaking shall look only to the trust estate for the payment or satisfaction thereof.

ARTICLE XIV
DEFINITIONS

When used herein, each of the following terms shall have the corresponding meaning set forth below unless a different meaning is plainly required by the context in which a term is used:

14.1 "Award" is an annual incentive award made to an Employee as provided in Article III.

14.2 "Cause" is described in Article IV(3)(e)(ii)(A).

14.3 "Change of Control" is described in Article XI(1).

14.4 "Code" is the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

14.5 "Committee" is described in Article II(1).

14.6 "Company Stock" or "Stock" is Northeast Utilities common shares, as described in Article IX(1)(a).

14.7 "Company" or "NU" is described in Article X.

14.8 "Disability" is described in Article IV(3)(e)(ii)(B).

14.9 "Exchange Act" is the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.

14.10 "Exercise Price" is described in Article IV(3)(b)(ii).

14.11 "409A Award" is an Award or Grant that constitutes a deferral of compensation subject to Code Section 409A and the Treasury Regulations thereunder. "Non-409A Award" is an Award or Grant other than a 409A Award (including Awards and Grants exempt under the short-term deferral exception set forth in Treasury Regulation Section 1.409A-1(b)(4) and Awards and Grants that vested before 2005 and therefore are "grandfathered" under Section 409A). Although the Committee retains authority under the Plan to grant Options and Stock Appreciation Rights on terms that will cause those Grants to be 409A Awards, Options and Stock Appreciation Rights are intended to be Non-409A Awards unless otherwise expressly specified by the Committee.

14.12 "Fair Market Value" is, as of any given date, the value of Company Stock, as provided in Article IV(3)(b)(iii), or as otherwise determined by the Committee.

14.13 "Grant" is described in Article IV(1).

14.14 "Grantee" is the individual to whom a Grant is made, as provided in Article IV, Section 2(b).

14.15 "Grant Instrument" is described in Article IV(1).

14.16 "Stock Option" is described in Article IV(3)(b).

14.17 "Nonqualified Stock Option " is described in Article IV(3)(b).

14.18 " Option " is an Incentive Stock Option or a Nonqualified Stock Option, as described in Article IV(3)(b).

14.19 "Participant" is any eligible individual to whom an Award or Grant is made.

14.20 "Performance Goals" means the objectives for the Company or any subsidiary or affiliate or any unit thereof or any individual that may be established by the Committee for a Performance Period with respect to any performance-based Awards or Grants contingently awarded under the Plan. The Performance Goals for Awards or Grants that are intended to constitute "performance-based" compensation within the meaning of Section 162(m) (or any amended or successor provision) of the Code shall be based on one or more of the following criteria, either individually, alternatively or in any combination, and subject to such modifications or variations as specified by the Committee, applied to either the Company as a whole or to a business unit or subsidiary entity thereof, either individually, alternatively or in any combination, and measured over

a period of time including any portion of a year, annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Committee: cash flow; cash flow from operations; earnings (including, but not limited to, earnings before interest, taxes, depreciation and amortization or operating earnings); earnings per share, diluted or basic; earnings per share from continuing operations; net asset turnover; inventory turnover; capital expenditures; debt; debt reduction; credit rating; working capital; return on investment; return on sales; net or gross sales; market share; economic value added; cost of capital; change in assets; expense reduction levels; unit volume; productivity; delivery performance; service levels; safety record; stock price; return on equity; total shareholder return; return on capital; return on assets or net assets; revenue; income or net income; operating income or net operating income; operating profit or net operating profit; gross margin, operating margin or profit margin; and completion of acquisitions, divestitures, business expansion, product diversification, new or expanded market penetration and other non-financial operating and management performance objectives, or other strategic business criteria consisting of one or more objectives based on satisfaction of specified revenue goals, geographic business expansion goals or cost targets.

With respect to awards that are intended to qualify as performance-based compensation within the meaning of Section 162(m) and to the extent consistent with Section 162(m) of the Code and the regulations promulgated thereunder, the Committee may, unless otherwise determined by the Committee at the time the Performance Goals are established, adjust the Performance Goals to exclude the effect of any of the following events that occur during a Performance Period: the impairment of tangible or intangible assets; litigation or claim judgments or settlements; changes in tax law, accounting principles or other such laws or provisions affecting reported results; business combinations, reorganizations and/or restructuring programs that have been approved by the Board; reductions in force and early retirement incentives; and any extraordinary, unusual, infrequent or non-recurring items separately identified in the financial statements and/or notes thereto in accordance with generally accepted accounting principles. Notwithstanding the foregoing and with respect to awards that are not intended to qualify as performance-based compensation within the meaning of Section 162(m) of the Code, the Committee may, in its discretion, adjust Performance Goals as it considers necessary or appropriate.

14.21 "Performance Period" is the period selected by the Committee during which the performance of the Company or any subsidiary, affiliate or unit thereof or any individual is measured for the purpose of determining the extent to which an Award or Grant subject to Performance Goals or time vesting has been earned.

14.22 "Performance Unit" is described in Article VIII(1)(a).

14.23 "Plan" is this Northeast Utilities Incentive Plan, as amended from time to time.

14.24 "Qualified Performance-Based Compensation" is described in Article VIII (1)(e).

14.25 "Restriction Period" is described in Article VI(1)(a) and (2)(a).

14.26 "Restricted Stock" is a Grant described in Article VI.

14.27 "Restricted Share Units" or "RSUs" is a Grant described in Article VI.

14.28 "Retired" or "Retirement" is described in Article IV(3)(c)(ii)(D).

14.29 "Specified Employee" is a Vice President or more senior officer of the Company at any time during a calendar year in which case such employee shall be considered a Specified Employee for the 12-month period beginning on the first day of the fourth month immediately following the end of such calendar year.

14.30 "Stock Appreciation Right" or "SAR" is a right granted pursuant to Article VII.

14.31 "Termination" is a termination of employment with the Company and any affiliate of the Company in all capacities, including as a common law employee and independent contractor. Whether a Participant has had a Termination shall be determined by the Committee on the basis of all relevant facts and circumstances with reference to Treasury Regulations Section 1.409A-1(h) regarding a "separation from service" and the default provisions set forth in Regulations Sections 1.409A-1(h)(1)(ii) and 1.409A-1(n).

14.32 "Termination on Account of Change of Control" of a Participant shall mean a Termination during the period beginning on the earlier of (a) approval by the shareholders of NU of a Change of Control or (b) consummation of a Change of Control and, in either case, ending on the second anniversary of the consummation of the transaction that constitutes the Change of Control (or if such period started on shareholder approval and after such shareholder approval the Board abandoned the transaction, on the date the Board abandoned the transaction) either:

(i) initiated by the Company for any reason other than the Participant's (A) Disability, (B) death, (C) retirement on or after attaining age 65, or (D) Cause, or

(ii) initiated by the Participant upon written notice to the Company provided within 90 days of the initial existence of any of the following circumstances unless such circumstances are corrected within 30 days after the Company's receipt of such notice (A) upon any significant reduction by the Company of the authority, duties or

responsibilities of the Participant, (B) any material reduction of the Participant's base compensation as in effect immediately prior to the Change of Control, (C) the assignment to the Participant of duties which are materially inconsistent with the duties of the Participant's position with the Company or those of his or her supervisor, or (D) if the Participant is transferred, without the Participant's written consent, to a location that is more than 50 miles from the Participant's principal place of business immediately preceding the Change of Control.

NORTHEAST UTILITIES SERVICE COMPANY

SERVICE CONTRACT

AGREEMENT made and entered into as of the 1st day of July, 1966, by and between NORTHEAST UTILITIES SERVICE COMPANY (hereinafter referred to as Service Company) and

THE CONNECTICUT LIGHT AND POWER COMPANY

(hereinafter referred to as Associate Company).

WHEREAS, by order in File No. 37-65, the Securities and Exchange Commission (hereinafter referred to as SEC) approved and authorized, under the Public Utility Holding Company Act of 1935 (hereinafter referred to as the Act), the organization and conduct of business of Service Company in accordance herewith, as a wholly owned subsidiary service company of Northeast Utilities (hereinafter referred to as Northeast); and

WHEREAS, Service Company is willing to render services as provided herein to Northeast and its associated subsidiaries (hereinafter collectively referred to as the System) at cost, determined in accordance with applicable rules and regulations under the Act; and

WHEREAS, economies, increased efficiencies and other benefits will result to the System from the performance by Service Company of services as herein provided:

NOW, THEREFORE, in consideration of the premises and of the mutual agreements herein, it is agreed as follows:

Section 1. Agreement to Furnish Services.

Service Company agrees to furnish to Associate Company and other System companies, upon the terms and conditions herein provided, the services hereinafter referred to in Section 2 hereof at such times and for such periods as may be required, and Service Company will, as and to the extent required to provide such services to the System, keep itself and its personnel available and competent to render such services to the System so long as it is authorized so to do by federal and state regulatory agencies having jurisdiction.

For the purpose of providing services as herein provided, Service Company proposes to establish various departments, one or more of which will participate in providing particular services hereinafter described. Service Company reserves to itself the privilege, without amendment hereof or express prior agreement by Associate Company or other System companies, from time to time to establish new departments, to subdivide or otherwise reorganize any of the departments established by it, and to reallocate services among various departments.

Service Company will also provide for Associate Company and other System companies as required such other services not referred to in Section 2 hereof as Service Company may conclude it may furnish with economies and increased efficiencies to the System or such other services as Associate Company or other System companies may require and Service Company is competent to perform.

Services will also be furnished to other System companies under agreements similar in all respects hereto and may also be furnished, in Service Company's discretion, to others, provided that by so

doing the cost of services to Associate Company or other System companies will not be increased.

In supplying services hereunder, Service Company may arrange for services of such executives, financial advisers, accountants, attorneys, technical advisers, engineers and other persons as are required for or pertinent to the rendition of such services.

Section 2. Services to be Performed.

Subject to the provisions of Section 1 hereof, Service Company will provide to Associate Company and other System companies, the following services:

(A) General System Management: Executive, administrative, managerial, coordinating and advisory services, particularly with respect to the formulation and effectuation of policies and programs affecting or relating to the System as a whole, including financial, accounting, and economic policies and programs, power supply, public and employee relations, regulation, contractual arrangements, administrative and other proceedings, industry-wide activities and like matters.

(B) Other Functions and Activities: Studying, planning, advice, assistance, guidance, supervision, direction, administration, maintenance, handling, performance and operation, as may be required, in connection with the following functions and activities:

(i) Corporate and Secretarial: Policies and practices relating to the performance of corporate secretarial functions and activities, including the preparation and maintenance of official corporate records, reports, minutes and correspondence in accordance

with assigned responsibilities and duties.

(ii) Financial Planning: Financial structures; financial programs to raise funds required or to effect savings through refinancing; relations with commercial banks and negotiation of short-term borrowings; relationships with investment bankers, analysts, analyst societies, securities holders, stock exchanges and indenture trustees, transfer agents and registrars; general treasury, banking and financial matters.

(iii) Accounting: General accounting, customer accounting and related records; depreciation, accounting procedures and practices to improve efficiency; internal auditing, relations with independent auditors and appearances before and requirements of regulatory bodies with respect to accounting matters; and financial and operating reports and other statistical matters and anaylses thereof.

(iv) Taxes: Consolidated and other income tax returns and other federal, state and municipal tax returns, and all matters related thereto, including relations with the Internal Revenue Service and other taxing authorities, the examination and processing of tax returns, assessments and claims, and developments in federal, state and municipal taxes.

(v) Insurance: Insurance programs and matters, including pension and other employee benefit plans and programs; and relations with insurance brokers and agents.

(vi) Budgets: Operating, construction and cash budgets, and similar studies or documents, including estimates and other information required therefor or related thereto.

(vii) Data Processing: Computer and other data processing activities.

(viii) Bulk Power Supply: The bulk power supply system from sources of supply through to bulk substations, to achieve reliable service at minimum cost, including forecasts of electric loads; power supply arrangements among System companies; power supply relations with other utilities; forecasts of gas requirements and the procurement of gas supplies; design, engineering and scheduling of electric and gas production and transmission facilities; the design, engineering and scheduling of major and unusual distribution facilities; and System electric load dispatching operations and related matters.

(ix) Engineering Research and Standardization: Engineering activities in the fields of research, design, construction and standardization; technical specifications and standard designs for and procedures and methods of utilizing materials, equipment and associated services; technical support and engineering as required in all areas of the System's operations.

(x) System Operations: Electric and gas operations, including production, transmission and distribution of electricity and gas; the construction, operation and maintenance of electric and gas facilities; and in general all electric and gas construction, maintenance and operating activities.

(xi) Other Administrative Services: Management-union and all other employee relation activities, including the definition of major organizational responsibilities and the translation of those responsibilities into effective organization structures; employee welfare and

other programs and problems; business methods and procedures; and transportation activities and matters.

(xii) Purchasing and Stores: The purchasing and handling of materials and supplies, fuel and equipment, including such activities as buying, traffic, expediting and stock control, and scrap and salvage sales; major and long-term purchase contracts pertaining to the foregoing; and contacts with market conditions and principal suppliers.

(xiii) Commercial Activities: Electric, gas and other sales; customer service facilities; rate matters and rate structures; and area development plans and activities.

(C) Officers and other employees of Service Company will, on request of Associate Company, serve, without charge other than as herein provided, as officers or representatives of such Company.

Section 3. Agreement to Take and Pay for Services.

Associate Company agrees to take from Service Company such of the services to be performed by Service Company as may be required and to pay to Service Company the cost of such services determined as herein provided. It is the intent of this Agreement that the payment for services rendered by the Service Company to the System shall cover all the costs of its doing business (less credits for services to others and any other miscellaneous income items), including reasonable compensation for necessary capital as permitted by Rule 91 of the SEC under the Act. The methods and procedure for determining the cost of services performed for Associate Company are set forth in Appendix A hereto.

Bills will be rendered for each calendar month on or before the twentieth day of the succeeding month and will be payable on presentation and not later than the last day of that month. Monthly charges may be made in whole or in part for particular expenses on an estimated basis, subject to adjustment, so that all charges for services during a calendar year will be made on an actual basis.

4. Effective Date; Term; and Cancellation.

This Agreement shall become and be effective as of the date hereof and it shall continue in effect, unless sooner terminated as herein provided, for a period of one year. It may be renewed from time to time for similar one-year periods by mutual agreement. This Agreement shall also be subject to termination and shall terminate, without any action by either of the parties, to the extent and from the time that performance may conflict with the Act or with any rule, regulation or order of the SEC adopted before or after the making hereof.

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

NORTHEAST UTILITIES SERVICE COMPANY

By Sherman R. Knapp
Its President

Attest: R F Rabsk
Secretary

THE CONNECTICUT LIGHT AND POWER COMPANY

By Paul V Hayden
Its President

Attest: R F Rabsk
Secretary

APPENDIX A

DESCRIPTION OF METHODS AND PROCEDURE FOR ALLOCATING COST OF SERVICES

JOB OR WORK ORDERS FOR SERVICE

There shall be job or work orders covering services to be performed for Associate Company or other System companies. These orders may be either general or specific. Services of a continuing nature, such as accounting, financial planning and dispatching, will be covered by general job or work orders; specific job or work orders will cover such things as issues of securities, special studies or construction projects. General orders, as well as specific orders, will specify the nature of the services to be performed thereunder in sufficient detail that charges therefor may be determined as herein provided and properly accounted for by the Associate Company under its prescribed Uniform System of Accounts.

CHARGES FOR SERVICES

General

Charges for services rendered to Associate Company and other System companies will be made on the bases of benefits conferred and of actual cost (including reasonable compensation for necessary capital as permitted by Rule 91 of the SEC under the Act), fairly and equitably allocated.

Specific Services

Charges for specific services performed will be made to the appropriate specific job or work order number assigned to accumulate the charges applicable to the particular activity. These charges will include both direct and indirect costs involved in providing the specific services.

General Services

Charges for general services performed will be made to the appropriate general job or work order number assigned to accumulate the charges applicable to the particular activity. These charges will include both direct and indirect costs involved in providing the general services.

NATURE OF CHARGES AND METHOD OF ALLOCATION

Direct Charges

Direct charges consist of those costs which can practicably be recorded separately and identified not only by job or work order number and department but also as to source, such as time reports for each employee, vehicle reports, invoices and other source documents. Time reports will be maintained for each employee, including officers, in such detail as may be appropriate for such employee and the nature of the services performed. Employees (other than stenographic, secretarial, clerical, and other workers engaged in rendering support services) will record on their time reports hours chargeable to the appropriate job or work order numbers and the nature of the work performed.

Northeast will be charged with 25% of the costs chargeable to job or work orders for general services not of an operating or functional nature related primarily to the System subsidiary companies but primarily of benefit to and performed for Northeast and the System as a whole. The balance of the charges to such job or work orders will be allocated among System subsidiary companies as provided hereafter under "Charges to System Companies - General Services."

Indirect Charges or Overhead Expenses

Indirect charges or overhead expenses consist of all costs of

the Service Company, other than direct charges described above. These charges may be classified into the following two general categories:

1. General Service Company Overheads - These charges include costs which cannot be identified as applicable to either a particular job or work order number or department and which must be allocated to the various Service Company departments on a fair and equitable basis. The following items are illustrative, and not all-inclusive, of the types of costs which may be so-allocated to the extent above provided: rents; office supplies and expenses; depreciation; building operation and maintenance; insurance; reasonable compensation for necessary capital; general services, such as stenographic, files, mail, etc., including salaries, employee benefits, and expenses of related employees; and other general overheads.

   These overhead costs will be allocated to each department on the basis of functional relationship, such as number of personnel, space occupied, use, etc.

2. Departmental Overheads - These charges include costs which can be identified as applicable to a particular department but which cannot be directly associated with a particular job or work order number. These costs will consist of the following:

   (a) Wages and salaries of stenographic, secretarial, clerical and other workers in the department engaged in rendering support services.

   (b) Lost or nonproductive time for vacations, personal time off, sickness, holidays, etc., of all employees in department.

(c) Payroll-related Federal and State taxes and group benefit plans for pension, life insurance, hospitalization and medical, etc., of all employees in department.

(d) Miscellaneous supplies and expense.

(e) General Service Company overheads allocated to the particular department as set forth in item 1 above.

The indirect charges of a particular department, as outlined in this item 2, will be distributed to the active specific or general job or work orders for which work is being performed by that department on the same proportionate basis as the actual direct payroll charges of that department.

CHARGES TO OTHER THAN SYSTEM COMPANIES

Services performed for other than System companies will be billed and paid for by them on an appropriate basis. All amounts so billed will be credited to the appropriate job or work orders before any charges are made therefrom to System companies.

CHARGES TO SYSTEM COMPANIES

Specific Services

Charges for specific services recorded in the appropriate job or work order numbers, including overhead items, will be billed to the company or companies for whom the services are performed.

General Services

Charges for general services recorded in the appropriate job or work order numbers, including overhead items, will be allocated among System subsidiary companies on one of the following bases determined on the basis of functional relationship to be the most fair and equitable:

1. Revenues - The relation of each company's gross operating revenues (electric, gas or total, as may be appropriate) to the sum of the operating revenues of all System companies (electric, gas or total, as may be appropriate) for the preceding calendar year.
2. Electric Peak Load - The relation of each company's annual electric peak load to the combined electric peak load of all System companies for the preceding calendar year.
3. Peak Day Sendout - The relation of each company's gas peak day sendout to the combined gas peak day sendout of all System companies for the preceding calendar year.
4. Customers Billed - The relation of each company's total customers billed to the combined total customers billed of all System companies for the preceding calendar year.
5. Other - Such other basis or bases as experience may show will provide, on a functional relationship, a more fair and equitable allocation of particular charges than any of the foregoing.

DEPARTMENT COST CONTROLS

Annual operating budgets, on a departmental basis, will be used and costs will be controlled independently for each department so as to maintain a periodic check on the balances, if any, over or underbilled to insure that services rendered are being billed at cost. Each department will be charged with all of its expenses, including overhead items allocated to it, and will be credited with amounts billed from the department for services rendered. The accounts of each department will be maintained so as to be substantially in balance at all times. Accordingly, semiannual

reviews will be made of balances to determine to what extent the billings should be adjusted to reflect actual cost.

BILLING

Bills will be provided Associate Company in sufficient detail so as to identify the services rendered and permit proper accounting distribution of the charges under the Associate Company's prescribed Uniform System of Accounts. Detail on the bill will include: (1) Department; (2) Function or type of service; (3) Nature of charges, whether direct or indirect (overhead); and (4) Source of charges, if direct.

EX-10.1 3 ex101.htm

Exhibit 10.1

NORTHEAST UTILITIES SERVICE COMPANY
TRANSMISSION AND ANCILLARY SERVICE
WHOLESALE REVENUE ALLOCATION METHODOLOGY

This Transmission and Ancillary Service Wholesale Revenue Allocation Methodology dated as of January 1, 2008, is entered into by and between The Connecticut Light and Power Company, Western Massachusetts Electric Company, Public Service Company of New Hampshire, Holyoke Water Power Company and Holyoke Power and Electric Company (collectively the "NU Companies").

WHEREAS, the NU Companies are engaged in the business of providing transmission and ancillary services to wholesale customers in New England; and

WHEREAS, Northeast Utilities Service Company ("NUSCO") receives revenues on behalf of the NU Companies for the provision of transmission and ancillary services provided by the NU Companies; and

WHEREAS, the NU Companies desire to clarify the methodology for allocating the wholesale transmission and ancillary service revenues received by NUSCO among the NU Companies;

NOW THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the NU Companies agree as follows:

SECTION 1. DEFINITIONS

Capitalized terms not otherwise defined herein have the meaning specified in the ISO New England Inc. ("ISO-NE") Transmission, Markets and Services Tariff, FERC Electric Tariff No. 3 (the "ISO-NE Tariff"), as it may be amended from time to time.

SECTION 2. ALLOCATIONS

(a) Wholesale revenues received by NUSCO on behalf of the NU Companies for transmission and ancillary service provided under Section II of the ISO-NE Tariff shall be allocated to the individual NU Companies in proportion to their respective revenue requirements that are used to calculate

the charges for the said service (e.g., wholesale revenues received from ISO-NE for Regional Network Service shall be allocated to the individual NU Companies in proportion to their respective annual Total Transmission Revenue Requirements for PTF).

(b) Wholesale transmission support revenue and wholesale transmission rental revenue received by NUSCO on behalf of the NU Companies will be directly allocated to the NU Company that is named in the support or lease agreements or contracts.

(c) Amortizations of prepaid wholesale transmission revenues will be allocated among the individual NU Companies in proportion to their respective Category A Formula Rate for Transmission Service.

(d) Wholesale transmission revenues received by NUSCO on behalf of the NU Companies for Excepted Transactions will be allocated among the individual NU Companies in proportion to their respective Category A Formula Rate for Transmission Service, except for revenues for directly assigned costs, which costs will be allocated to the individual NU Companies in proportion to their respective directly assigned costs.

By: /s/ David R. McHale
David R. McHale
For the Connecticut Light and Power Company

By: /s/ David R. McHale
David R. McHale
For Western Massachusetts Electric Company

By: /s/ David R. McHale
David R. McHale
For Public Service Company of New Hampshire

By: /s/ David R. McHale
David R. McHale
For Holyoke Power and Electric Company

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Exhibit 10.57

PURCHASE AND SALE AGREEMENT between
PSNH FUNDING LLC
Issuer
and
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE Seller
Dated as of April 25, 2001

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This PURCHASE AND SALE AGREEMENT, dated as of April 25, 2001, is between PSNH Funding LLC, a Delaware limited liability company (the "Issuer"), and Public Service Company of New Hampshire, a New Hampshire corporation (together with its successors in interest to the extent permitted hereunder, the "Seller").

RECITALS

WHEREAS, the Issuer desires to purchase the RRB Property (as defined herein) created pursuant to the Statute and the Finance Order (each as defined herein); and

WHEREAS, the Seller is willing to sell the RRB Property to the Issuer.

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

ARTICLE 1

DEFINITIONS

Section 1.01. Definitions. Whenever used in this Agreement, the following words and phrases shall have the following meanings:

"Administration Agreement" means the Administration Agreement dated as of the date hereof between Public Service Company of New Hampshire, as Administrator, and the Issuer, as amended and supplemented from time to time.

"Agreement" means this Purchase and Sale Agreement, as amended and supplemented from time to time.

"Authorized Officer" means an officer of the Seller listed on the list of Authorized Officers delivered by the Seller to the Trustee on the date of issuance of the Bonds (as such list may be modified or supplemented by the Seller from time to time).

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"Back-Up Security Interest" has the meaning specified in Section 2.01.

"Basic Documents" means, collectively, this Agreement, the Indenture, the Servicing Agreement, the Administration Agreement, the Underwriting Agreement and the Fee and Indemnity Agreement.

"Bondholder" or "Holder" means the Person in whose name a Bond is registered on the Register.

"Bonds" means the PSNH Funding LLC Bonds issued under the Indenture.

"Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions or trust companies in New York, New York,

Hartford, Connecticut, Manchester, New Hampshire or Wilmington, Delaware are authorized or obligated by law, regulation or executive order to remain closed.

"Capital Subaccount" has the meaning specified in Section 8.02(a) of the ndenture.

"Closing Date" means April 25, 2001.

"Collection Account" has the meaning specified in Section 8.02(a) of the Indenture.

"Corporate Trust Office" has the meaning specified in Section 1.01(a) of the Indenture.

"Date of Breach" means, with respect to the repurchase obligation specified in Section 5.01(b), the date of a breach of a representation or warranty that triggers such repurchase obligation.

"Fee and Indemnity Agreement" means the Fee and Indemnity Agreement dated as of the date hereof between the Issuer and the Trustee, as amended and supplemented from time to time.

"Finance Order" means the order of the NHPUC, DE 99-099 , issued on September 8, 2000 (Order No. 23,550).

"Fitch" means Fitch, Inc. or its successor.

"Indemnified Person" has the meaning specified in Section 5.01(c), Section 5.01(d), Section 5.01(e) or in Section 5.01(h), for the purposes set forth therein.

"Indenture" means the Indenture dated as of the date hereof between the ıssuer and the Trustee, as amended and supplemented from time to time.

"Independent" has the meaning specified in Section 1.01(a) of the
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Indenture.

"Interest Reserve Subaccount" has the meaning specified in Section 8.02(a) of the Indenture.

"Issuance Advice Letter" means the initial Issuance Advice Letter, dated April 23, 2001, filed with the NHPUC by the Seller pursuant to the Finance Order.

"Issuance Date" has the meaning specified in Section 2.01(c)(i) of the Indenture.

"Issuer" has the meaning set forth in the preamble of this Agreement.

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

"Losses" has the meaning specified in Section 5.01(e).

"Moody's" means Moody's Investors Service, Inc. or its successor.

"NHPUC" means the New Hampshire Public Utilities Commission and any uccessor thereto.

"NHPUC Regulations" has the meaning specified in Section 1.01 of the Servicing Agreement.

"Officer's Certificate" means a certificate signed by the chairman of the board, the chief executive officer, the president, the vice chairman of

the board, any vice president, the treasurer, any assistant treasurer, the secretary, any assistant secretary, the controller or the finance manager of the Seller.

"Operating Expense" has the meaning specified in Section 1.01(a) of the ndenture.

"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 of counsel, which counsel shall be reasonably acceptable to the party receiving such opinion of counsel.

"Outstanding Amount" has the meaning specified in Section 1.01(a) of the Indenture.

"Overcollateralization Subaccount" has the meaning specified in Section 8.02(a) of the Indenture.
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"Person" means any individual, corporation, limited liability company, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization or government or any agency or political subdivision thereof.

"Prospectus" means the prospectus dated April 20, 2001 offering the Bonds.

"Rating Agencies" means, collectively, S&P, Moody's and Fitch.

"Register" has the meaning specified in Section 2.05 of the Indenture.

"Repurchase Date" means the date that is five Business Days after the date that is (i) if the terms of Section 5.01(b)(i)(A) and Section 5.01(b)(i)(B)(2) are applicable, two Business Days after the Date of Breach f the Seller fails to make the deposit required by Section 5.01(b)(i)(B)(2) or 90 days after the Date of Breach if the Seller makes the deposit required by Section 5.01(b)(i)(B)(2); (ii) if the terms of Section 5.01(b)(ii) are applicable, 90 days after the Date of Breach; and (iii) if the terms of Section 5.01(b)(i)(A) and Section 5.01(b)(i)(B)(1) are applicable, 90 days after the Date of Breach.

"Repurchase Price" has the meaning specified in Section 5.01(b)(i).

"Required Capital Level" has the meaning specified in Section 1.01(a) of the Indenture.

"Required Overcollateralization Level" has the meaning specified in Section 1.01(a) of the Indenture.

"Required Interest Reserve Level" has the meaning specified in Section 1.01(a) of the Indenture.

"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" has the meaning specified in Section 1.01 of the Servicing Agreement.

"RRB Property" means the RRB Property that exists under Approval Nos. 20 to 2 of the Finance Order.

"RSA" means New Hampshire Revised Statutes Annotated.
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"Seller" has the meaning set forth in the preamble of this Agreement.

"Servicer Default" means an event specified in Section 7.01 of the

Servicing Agreement.

"Servicing Agreement" means the Servicing Agreement dated as of the date hereof between Public Service Company of New Hampshire, as Servicer, and the Issuer, as amended and supplemented from time to time.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. or its successor.

"State Treasurer" means the Treasurer of the State of New Hampshire.

"Statute" means RSA Chapter 369-B.

"Trustee" means the Person acting as trustee under the Indenture.

"Underwriting Agreement" means the Underwriting Agreement dated as of April 20, 2001 among Public Service Company of New Hampshire, the Issuer and the underwriters named therein.

Section 1.02. Other Definitional Provisions.

(a) 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.

(b) 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 and Exhibit references contained in this Agreement are references to Sections, Schedules and Exhibits in or to this Agreement unless otherwise specified; and the term "including" shall mean "including without limitation".

(c) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms.

ARTICLE 2

CONVEYANCE OF RRB PROPERTY

Section 2.01. Conveyance of RRB Property. In consideration of the Issuer's delivery to or upon the order of the Seller of $518,558,601.33, the Seller does hereby irrevocably sell, transfer, assign, set over and otherwise convey to the Issuer, WITHOUT RECOURSE OR WARRANTY, except as
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specifically set forth herein, all right, title and interest of the Seller in and to the RRB Property (such sale, transfer, assignment, setting over and conveyance of the RRB Property includes, to the fullest extent permitted by the Statute, the assignment of all revenues, collections, claims, payments, money or proceeds of or arising from the RRB Charge pursuant to the Finance Order) and copies of all books and records related thereto. Such sale, transfer, assignment, setting over and conveyance is hereby expressly stated to be a sale and, pursuant to RSA 369-B:6, V, shall be treated as an absolute transfer of all of the Seller's right, title and interest in (as in a true sale), and not as a pledge or other financing of, the RRB Property. If such sale, transfer, assignment, setting over and conveyance is held by any court of competent jurisdiction not to be a true sale as provided in RSA 369-B:6, V, then such sale, transfer, assignment, setting over and conveyance shall be treated as the creation of a security interest in the RRB Property and, without prejudice to its position that it has absolutely transferred all of its rights in the RRB Property to the Issuer, the Seller hereby grants to the Issuer a security interest in the RRB Property (including, to the fullest extent permitted by the Statute, all revenues, collections, claims, payments, money or proceeds of or arising from the RRB Charge pursuant to the Finance Order) to secure a payment obligation incurred by the Seller in respect of the amount paid by the Issuer to the Seller pursuant to this Agreement (the "Back-Up Security Interest"). Such sale, transfer, assignment, setting over and conveyance of the RRB Property

includes the right to use the Seller's computer software system to access and create copies of all books and records related to the RRB Property.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF SELLER

Subject to Section 3.09 hereof, the Seller makes the following representations and warranties, as of the Closing Date, on which the Issuer has relied in acquiring the RRB Property.

Section 3.01. Organization and Good Standing. The Seller 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
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conduct its business as such business is now conducted by it, and has the requisite corporate power and authority to own the RRB Property.

Section 3.02. Due Qualification. The Seller 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 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 Seller's business, operations, assets, revenues or properties).

Section 3.03. Power and Authority. The Seller 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 Seller.

Section 3.04. Binding Obligation. This Agreement constitutes a legal, valid and binding obligation of the Seller enforceable against it in accordance with its terms, subject to applicable insolvency, reorganization, moratorium, fraudulent transfer and other laws relating to or affecting creditors' or secured parties' 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.

Section 3.05. 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 Seller, or any material indenture, agreement or other instrument to which the Seller is a party or by which it is bound; (ii) result in the creation or imposition of any Lien upon any of the Seller's properties pursuant to the terms of any such indenture, agreement or other instrument (other than any Lien that may be granted under the Basic Documents or any Lien created pursuant to RSA 369 B:7, VIII); or (iii) violate any existing law or any existing order, rule or regulation applicable to the Seller of any court or of any federal or state regulatory body, administrative agency or other governmental instrumentality
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having jurisdiction over the Seller or its properties.

Section 3.06. No Proceedings. Except as described under the caption "Risk actors - Bondholders could experience payment delays or losses as a result of amendment, repeal or invalidation of the securitization statute, breach of the state pledge or invalidation of the stranded cost recovery charge - Appeal of settlement order" in the Prospectus, there are no proceedings pending and, to the Seller's knowledge, there are no proceedings threatened and, to the Seller'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 Seller or its properties involving or relating to the Seller or the Issuer or, to the Seller's knowledge, any other Person: (i) asserting the invalidity of this Agreement, any of the other Basic Documents, the Bonds, the Statute or the Finance Order, (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 Basic Documents, (iii) seeking any determination or ruling that might materially and adversely affect the performance by the Seller of its obligations under, or the validity or enforceability of, this Agreement, any of the other Basic Documents or the Bonds or (iv) seeking to adversely affect the federal or state income tax classification of the Bonds as debt.

Section 3.07. 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 Seller of this Agreement, the performance by the Seller of the transactions contemplated hereby or the fulfillment by the Seller of the terms hereof, except those that have been obtained or made and those that the Seller, in its capacity as Servicer under the Servicing Agreement, is required to make in the future pursuant to the Servicing Agreement and post closing filings required in connection therewith.

Section 3.08. The RRB Property.

(a) Title. It is the intention of the parties hereto that the transfer and assignment herein contemplated constitute a sale of the RRB Property from the Seller to the Issuer and that no interest in, or title to, the RRB Property shall be part of the Seller's estate in the event of the
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filing of a bankruptcy petition by or against the Seller under any bankruptcy law. No portion of the RRB Property has been sold, transferred, assigned or pledged by the Seller to any Person other than the Issuer. On the Closing Date, immediately upon the sale hereunder, the Seller has transferred, sold and conveyed the RRB Property to the Issuer, free and clear of all Liens (including the Lien of the Seller's first mortgage indenture but excluding any Lien created pursuant to RSA 369-B:7, VIII and any Lien that may be granted under the Basic Documents), and pursuant to RSA 369-B:6, V such transfer shall be treated as an absolute transfer of all of the Seller's right, title and interest (as in a true sale), and not as a pledge or other financing of, the RRB Property.

(b) Transfer Filings. On the Closing Date, immediately upon the sale hereunder, the RRB Property has been validly transferred and sold to the Issuer, the Issuer shall own all such RRB Property free and clear of all Liens (including the Lien of the Seller's first mortgage indenture but excluding any Lien created pursuant to RSA 369-B:7, VIII and any Lien that may be granted under the Basic Documents) and all filings to be made by the Seller (including filings with the NHPUC under the Statute) necessary in any jurisdiction to give the Issuer a valid first priority perfected ownership interest and to grant to the Trustee a first priority perfected security interest (subject to any Lien created pursuant to RSA 369-B:7, VIII and any Lien that may be granted under the Basic Documents) in the RRB Property have been made. No further action is required to maintain the Issuer's first priority perfected ownership interest or the Trustee's first priority perfected security interest (subject to any Lien created pursuant to RSA 369 B:7, VIII and any Lien that may be granted under the Basic Documents). Filings have also been made to the extent required by applicable law in any jurisdiction to perfect the Back-Up Security Interest granted by the Seller to the Issuer (subject to any Lien created pursuant to RSA 369-B:7, VIII and any Lien that may be granted under the Basic Documents).

(c) Finance Order and Issuance Advice Letter; Other Approvals. On the Closing Date, under the laws of the State of New Hampshire and the United States in effect on the Closing Date, (i) the Finance Order pursuant to which the RRB Property has been created is in full force and effect; (ii) the Bondholders are entitled to the protections of the Statute and, accordingly, the Finance Order is not revocable by the Commission; (iii) the State of New
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Hampshire may neither limit nor alter the RRB Charge, RRB Property, the Finance Order and all rights thereunder, in a manner that would substantially impair the rights of Bondholders, absent a demonstration that an impairment is narrowly-tailored and is necessary to advance an important public interest, such as responding to a "great public calamity," until the Bonds, together with accrued interest, are fully met and discharged; provided that the State of New Hampshire is not precluded from such limitation or alteration if and when adequate provision is made by law for the protection of the Issuer, the Bondholders and the Trustee; (iv) except for periodic adjustments to the RRB Charge required under the Statute, the NHPUC does not have authority, either by rescinding, altering or amending the Finance Order or otherwise, to revalue or revise for ratemaking purposes the stranded costs or the costs of providing, recovering, financing or refinancing the stranded costs, to determine that the RRB Charge is unjust or unreasonable or in any way to reduce or impair the value of RRB Property either directly or indirectly by taking the RRB Charge into account when setting other rates for the Seller; nor are the amount of revenues arising with respect thereto subject to reduction, impairment, postponement or termination; (v) the process by which the Finance Order was adopted and approved, and the Finance Order and Issuance Advice Letter themselves, comply with all applicable laws, rules and regulations; (vi) the Issuance Advice Letter has been filed in accordance with the Finance Order; (vii) no other 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 creation or sale of the RRB Property, except those that have been obtained or made and post closing filings required in connection therewith and those that the Seller, in its capacity as Servicer under the Servicing Agreement, is required to make in the future pursuant to the Servicing Agreement; and (viii) the State of New Hampshire, in the exercise of its executive or legislative powers, may not repeal or amend the Statute or the Finance Order, or take any action in contravention of the pledge by the State of New Hampshire in RSA 369-B:6, II, without paying just compensation to the Bondholders, as determined by a court of competent jurisdiction, if this action would constitute a permanent appropriation of a substantial property interest of Bondholders in the RRB Property and deprive the Bondholders of their reasonable expectations arising from their investments in the Bonds.
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(d) Assumptions. On the Closing Date, based upon the information available to the Seller on the Closing Date, the assumptions used in calculating the initial RRB Charge are reasonable and are made in good faith. Notwithstanding the foregoing, the Seller makes no representation or warranty that the assumptions used in calculating such RRB Charge will in fact be realized.

(e) Creation of RRB Property. Upon the effectiveness of the Finance Order and the Issuance Advice Letter: (i) all of the RRB Property constitutes an existing property right; (ii) the RRB Property includes the right, title and interest in and to all revenues, collections, claims, payments, money, or proceeds of or arising from the RRB Charge, as adjusted from time to time pursuant to the Finance Order, and all rights to obtain adjustments to the RRB Charge pursuant to the Finance Order; and (iii) subject to the cap on the Seller's "stranded cost recovery charge" set forth in the Statute and the Finance Order, the owner of the RRB Property is legally entitled to collect payments in respect of the RRB Charge in the aggregate sufficient to pay the interest on and principal of the Bonds, to pay the fees and expenses of servicing the Bonds, to replenish the Capital Subaccount to the Required Capital Level and to fund the Overcollateralization Subaccount to the Required Overcollateralization Level, to fund the Interest Reserve Subaccount to the Required Interest Reserve Level and to enforce all other material rights conferred in the Finance Order and the Statute until the earlier of 14 years after "competition day" (as defined in the Statute) and the date on which the Bonds are paid in full. Notwithstanding the foregoing, the Seller makes no representation or warranty that any amounts actually collected in respect of the RRB Charge will in fact be sufficient to meet payment obligations with respect to the Bonds (other than as provided in the Finance Order with respect to other components of the "stranded cost recovery charge" (as defined in the Statute).

(f) Prospectus. As of the date hereof, the information describing the Seller under the caption "The Seller and Servicer" in the Prospectus is correct in all material respects.

Section 3.09. Limitations on Representations and Warranties. Notwithstanding any other provisions of this Agreement, the Seller will not be in breach of any representation or warranty as a result of a change in law
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by means of a legislative enactment or constitutional amendment or (if such means become available in the future) referendum or initiative petition. Notwithstanding anything to the contrary in this Agreement, the Seller makes no representation or warranty that any amounts actually collected in respect of the RRB Charge will in fact be sufficient to meet payment obligations with respect to the Bonds or that the assumptions used in calculating the RRB Charge will in fact be realized nor shall the Seller be obligated to reduce, or accept a reduction of, any rates or charges to which it would otherwise be entitled in respect of services rendered or to be rendered to customers in order to permit the payment of the RRB Charge (other than as provided in the Finance Order with respect to other components of the "stranded cost recovery charge" (as defined in the Statute).

ARTICLE 4

COVENANTS OF THE SELLER

Section 4.01. Corporate Existence. So long as any of the Bonds are outstanding, the Seller (a) will keep in full force and effect its existence, rights and franchises as a corporation under the laws of the jurisdiction of its organization and (b) will obtain and preserve its qualification to do business, in each case to the extent that in each such jurisdiction such existence or qualification is or shall be necessary to protect the validity and enforceability of this Agreement, the other Basic Documents to which the Seller is a party and each other instrument or agreement necessary or appropriate to the proper administration of this Agreement and the transactions contemplated hereby.

Section 4.02. No Liens. Except for the conveyances hereunder or any Lien under RSA 369-B:7, VIII, the Seller will not sell, pledge, assign or transfer, or grant, create, or incur any Lien on, any of the RRB Property, or any interest therein, and the Seller shall defend the right, title and interest of the Issuer and the Trustee in, to and under the RRB Property against all claims of third parties claiming through or under the Seller. Public Service Company of New Hampshire, in its capacity as Seller, will not at any time assert any Lien against, or with respect to, any of the RRB Property.

Section 4.03. Delivery of Collections. If the Seller receives any payments in respect of the RRB Charge or the proceeds thereof when it is not acting as the Servicer, the Seller agrees to pay to the Servicer all
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payments received by it in respect thereof as soon as practicable after receipt thereof by it.

Section 4.04. Notice of Liens. The Seller shall notify the Issuer and the Trustee promptly after becoming aware of any Lien on any of the RRB Property, other than the conveyances hereunder, any Lien under the Basic Documents or any Lien under RSA 369-B:7, VIII.

Section 4.05. Compliance with Law. The Seller hereby agrees to comply with its organizational and governing documents and all laws, treaties, rules, regulations and determinations of any governmental instrumentality applicable to it, except to the extent that failure to so comply would not adversely affect the Issuer's or the Trustee's interests in the RRB Property or under any of the other Basic Documents to which the Seller is party or the Seller's performance of its obligations hereunder or under any of the other Basic Documents to which it is party.

Section 4.06. Covenants Related to Bonds and RRB Property.

(a) So long as any of the Bonds are outstanding, the Seller shall treat the Bonds as debt of the Issuer and not of the Seller, except for financial accounting or tax reporting purposes.

(b) So long as any of the Bonds are outstanding, the Seller shall indicate in its financial statements that it is not the owner of the RRB Property and that the assets of the Issuer are not available to pay creditors of the Seller or any of its Affiliates (other than the Issuer).

(c) So long as any of the Bonds are outstanding, the Seller shall disclose the effects of all transactions between the Seller and the Issuer in accordance with generally accepted accounting principles.

(d) So long as any of the Bonds are outstanding, the Seller shall not own or purchase any Bonds.

(e) The Seller agrees that, upon the sale by the Seller of the RRB Property to the Issuer pursuant to this Agreement, (i) to the fullest extent permitted by law, including the Statute and applicable NHPUC Regulations, the Issuer shall have all of the rights originally held by the Seller with respect to the RRB Property, including the right (subject to the terms of the Servicing Agreement) to exercise any and all rights and remedies to collect any amounts payable by any customer or third party supplier in respect of the RRB Property, notwithstanding any objection or direction to the contrary by the Seller and (ii) any payment by any customer or third party supplier to
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the Issuer shall discharge such customer's or third party supplier's obligations in respect of the RRB Property to the extent of such payment, notwithstanding any objection or direction to the contrary by the Seller.

(f) So long as any of the Bonds are outstanding, (i) (A) the Seller shall affirmatively certify and confirm that it has sold the RRB Property to the Issuer (other than for financial accounting or tax reporting purposes), and (B) the Seller shall not make any statement or reference in respect of the RRB Property that is inconsistent with the ownership thereof by the Issuer (other than for financial accounting or tax reporting purposes), and (ii) the Seller shall not take any action in respect of the RRB Property except solely in its capacity as the Servicer thereof pursuant to the Servicing Agreement or as otherwise contemplated by the Basic Documents.

Section 4.07. Protection of Title. The Seller shall execute and file such filings, including filings with the NHPUC pursuant to the Statute and Uniform Commercial Code filings, and cause to be executed and filed such filings, all in such manner and in such places as may be required by law fully to preserve, maintain and protect the ownership or security interest of the Issuer and the Trustee in the RRB Property and the Back-Up Security Interest, including all filings required under the Statute and the applicable Uniform Commercial Code relating to the transfer of the ownership or security interest in the RRB Property by the Seller to the Issuer and the granting of a security interest in the RRB Property by the Issuer to the Trustee and the Back-Up Security Interest and the continued perfection of such ownership or security interest. The Seller shall deliver (or cause to be delivered) to the Issuer and the Trustee file-stamped copies of, or filing receipts for, any document filed as provided above, as soon as available following such filing. The Seller 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 or the Finance Order, and the Seller 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 (i) to protect the Issuer, the Bondholders, the Trustee, the State of New Hampshire, the State Treasurer, agencies of the State of New Hampshire and any of
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their respective affiliates, officials, officers, directors, employees, consultants, counsel and agents from claims, state actions or other actions or proceedings of third parties which, if successfully pursued, would result in a breach of any representation set forth in Article III or (ii) to block or overturn any attempts to cause a repeal of, modification of or supplement to the statute, the Finance Order, any Advice Letter (as defined in the Indenture), the Settlement Agreement (as defined in the Finance Order) (to the extent it adversely affects the rights of Bondholders or the validity or value of the RRB Property) or the rights of Bondholders by executive action, legislative enactment or constitutional amendment that would be adverse to the Issuer, the Trustee or the Bondholders. If the Servicer performs its obligations under Section 5.02(d) of the Servicing Agreement in all respects, such performance shall be deemed to constitute performance of the Seller's obligations pursuant to clause (ii) of the immediately preceding sentence. In such event, the Seller agrees to assist the Servicer as reasonably necessary to perform its obligations under Section 5.02(d) of the Servicing Agreement in all respects. The costs of any such actions or proceedings 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 Seller's obligations pursuant to this Section 4.07 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 Seller may be required to advance its own funds to satisfy its obligations hereunder).

Section 4.08. 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 Seller pursuant to RSA 369-B:7, V or RSA 369-B:7, VIII, the Seller shall not, prior to the date which is one year and one day after the termination of the Indenture, petition or otherwise invoke or cause the Issuer to invoke the process of any court or government authority for the purpose of commencing or sustaining a case against the Issuer under any Federal or state bankruptcy, insolvency or similar law, 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
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of the affairs of the Issuer.

Section 4.09. Taxes.

(a) So long as any of the Bonds are outstanding, the Seller shall, and shall cause each of its subsidiaries to, pay all material taxes, assessments and governmental charges imposed upon it or any of its properties or assets or with respect to any of its franchises, business, income or property before any penalty accrues thereon if the failure to pay any such taxes, assessments and governmental charges would, after any applicable grace periods, notices or other similar requirements, result in a lien on the RRB Property; provided that no such tax need be paid if the Seller or one of its subsidiaries is contesting the same in good faith by appropriate proceedings promptly instituted and diligently conducted and if the Seller or such subsidiary has established appropriate reserves as shall be required in conformity with generally accepted accounting principles.

(b) The Seller represents, warrants and covenants that any New Hampshire income taxes, including without limitation the New Hampshire Business Profits Tax imposed under the provisions of New Hampshire RSA Chapter 77-A (taking into account credits in respect of the New Hampshire Business Enterprise Tax imposed under RSA Chapter 77-E), associated with the Issuer will be allocated to, and paid by, the Seller in accordance with the Amended and Restated NU Tax Allocation Agreement, dated as of January 1, 1990, as amended (the "NU Tax Sharing Agreement"), and that the applicable provisions of the NU Tax Sharing Agreement, which currently provide for such treatment by their reliance on federal income tax principles in allocating state income tax liabilities, shall not be amended or modified by the Seller in contravention of

this Section 4.09(b) for so long as the Bonds are outstanding.

Section 4.10. Additional Sales of RRB Property. So long as any of the Bonds are outstanding, the Seller shall not sell any RRB property (as defined in the Statute) to secure another issuance of rate reduction bonds (as defined in the Statute) if it would cause the then existing ratings on any class of Bonds from the Rating Agencies to be withdrawn or downgraded.

Section 4.11. Issuance Advice Letter. The Seller hereby agrees not to withdraw the filing of the Issuance Advice Letter with the NHPUC.

Section 4.12. Maintenance of Working Papers. So long as any of the Bonds are outstanding, the Seller shall keep and maintain any and all working papers, reports and other documents used by the firm of Independent certified
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public accountants in the preparation of its letters delivered on the Issuance Date pursuant to Section 2.10(g) of the Indenture and Section 6(h) of the Underwriting Agreement.

ARTICLE 5

THE SELLER

Section 5.01. Liability of Seller; Indemnities.

(a) The Seller shall be liable in accordance herewith only to the extent of the obligations specifically undertaken by the Seller under this Agreement.

(b) In the event of a breach by the Seller of any representation and warranty specified in Sections 3.08(c) or 3.08(e) that has a material adverse effect on the Bondholders, the Seller shall repurchase the RRB Property from the Issuer at a purchase price equal to the then outstanding principal amount of the Bonds and all accrued and unpaid interest thereon, excluding any premium or penalty of any kind (the "Repurchase Price"), as of the Repurchase Date; provided, however, that the Seller shall not be obligated to repurchase the RRB Property if (A) within 90 days after the Date of Breach such breach is cured or the Seller takes remedial action such that there is not and will not be a material adverse effect on the Bondholders as a result of such breach and (B) either (1) if the Seller had, immediately prior to the Date of Breach, a long term debt rating of at least "A3" by Moody's and "BBB" or the equivalent by S&P or Fitch, and the Seller enters into a binding agreement with the Issuer to pay any amounts necessary so that all interest payments due on the Bonds during such 90-day period will be paid in full, or (2) if the Seller does not have such long term debt ratings, the Seller deposits, within two Business Days after the Date of Breach, an amount in escrow with the Trustee sufficient, taking into account amounts on deposit in the Collection Account which will be available for such purpose, to pay all interest payments which will become due on the Bonds during such 90-day period.

(i) In the event of a breach by the Seller of any representation and warranty specified in Sections 3.01, 3.03, 3.04, 3.05, 3.06, 3.08(a) or 3.08(b) that has a material adverse effect on the Bondholders, if within 90 days after the Date of Breach such breach has not been cured or the Seller has not taken remedial action such that there is not and will not be a material adverse effect on the Bondholders as a result of
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such breach, then the Seller shall repurchase the RRB Property from the Issuer for the Repurchase Price on the Repurchase Date.

(ii) Notwithstanding any other provision of this Agreement, upon the payment by the Seller of the Repurchase Price pursuant to this Section 5.01(b), neither the Issuer nor any other Person shall have any other claims, rights or remedies against the Seller under, arising from or with respect to this Agreement, except as set forth in Section 5.01(h).

(c) Subject to Section 5.01(i), the Seller shall indemnify the Issuer, the Trustee, the State of New Hampshire, the State Treasurer, agencies of the State of New Hampshire and the Bondholders (each an "Indemnified Person" for purposes of this Section 5.01(c) and Section 5.01(i)) for, and defend and hold harmless each such Indemnified Person from and against, any and all taxes (other than taxes imposed on Bondholders solely as a result of their ownership of Bonds) that may at any time be imposed on or asserted against any such Person under existing law as of the Closing Date as a result of the sale of the RRB Property to the Issuer, including any sales, gross receipts, general corporation, tangible personal property, privilege or license taxes; provided, however, that the Bondholders shall be entitled to enforce their rights against the Seller under this Section 5.01(c) solely through a cause of action brought for their benefit by the Trustee.

(d) Subject to Section 5.01(i), the Seller shall indemnify the Issuer, the Trustee, the State of New Hampshire, the State Treasurer, agencies of the State of New Hampshire and the Bondholders (each an "Indemnified Person" for purposes of this Section 5.01(d) and Section 5.01(i)) for, and defend and hold harmless each such Indemnified Person from and against, any and all taxes that may be imposed on or asserted against any such Indemnified Person under existing law as of the Closing Date as a result of the issuance and sale by the Issuer of the Bonds, or the other transactions contemplated herein, including any sales, gross receipts, general corporation, tangible personal property, privilege or license taxes; provided, however, that the Bondholders shall be entitled to enforce their rights against the Seller under this Section 5.01(d) solely through a cause of action brought for their benefit by the Trustee. The Seller shall be reimbursed for any payments under this Section 5.01(d) from RRB Charge Collections as an Operating Expense in accordance with the priorities set forth in Section 8.02(d) of the Indenture.

(e) Subject to Section 5.01(i), the Seller shall indemnify the Issuer and the Bondholders (each an "Indemnified Person" for purposes of
PAGE>
this Section 5.01(e) and Section 5.01(i)) for, and defend and hold harmless each such Person from and against, any and all liabilities, obligations, losses, actions, suits, claims, damages, payments, costs or expenses of any kind whatsoever (collectively, "Losses") that may be imposed on, incurred by or asserted against each such Indemnified Person as a result of (i) the Seller's willful misconduct or negligence in the performance of its duties or observance of its covenants under this Agreement, or (ii) the Seller's breach in any material respect of any of its representations and warranties contained in this Agreement (other than the representations and warranties specified in Sections 3.01, 3.03, 3.04, 3.05, 3.06, 3.08(a), 3.08(b), 3.08(c) or 3.08(e), the breach of which are subject to the repurchase obligation set forth in Section 5.01(b)), except in the case of both clauses (i) and (ii) to the extent of Losses either resulting from the willful misconduct or gross negligence of such Indemnified Person or resulting from a breach of a representation and warranty made by such Indemnified Person in any of the Basic Documents that gives rise to the Seller's breach; provided, however, that the Bondholders shall be entitled to enforce their rights against the Seller under this indemnification solely through a cause of action brought for their benefit by the Trustee; provided, further, that the Seller may, at its election and in full satisfaction of its obligations under this Section 5.01(e), repurchase the RRB Property at the Repurchase Price, in which case neither the Issuer nor any other Person shall have any other claims, rights or remedies against the Seller under, arising from or with respect to this Agreement, except as set forth in Section 5.01(h).

(f) Indemnification under Sections 5.01(c), 5.01(d), 5.01(e) and 5.01(h) shall survive the resignation or removal of the Trustee and the termination of this Agreement and shall include reasonable fees and out-of pocket expenses of investigation and litigation (including reasonable attorneys' fees and expenses), except as otherwise provided in this Agreement.

(g) Without prejudice to any of the other rights of the parties, the Seller will not be in breach of any representation or warranty as a result of a change in law by means of a legislative enactment or constitutional amendment or

(if such means become available in the future) referendum or initiative petition. Notwithstanding anything to the contrary
<PAGE>
in this Agreement, the Seller makes no representation or warranty that any amounts actually collected in respect of the RRB Charge will in fact be sufficient to meet payment obligations with respect to the Bonds or that the assumptions used in calculating the RRB Charge will in fact be realized nor shall the Seller be obligated to reduce, or accept a reduction of, any rates or charges to which it would otherwise be entitled in respect of services rendered or to be rendered to customers in order to permit the payment of the RRB Charge (other than as provided in the Finance Order with respect to other components of the "stranded cost recovery charge" (as defined in the Statute)).

(h) Subject to Section 5.01(i), the Seller shall indemnify and hold harmless the Trustee, the State of New Hampshire, the State Treasurer, agencies of the State of New Hampshire and any of their respective affiliates, officials, officers, directors, employees, consultants, counsel and agents (each an "Indemnified Person" for purposes of this Section 5.01(h) and Section 5.01(i)) against any and all Losses incurred by any of such Indemnified Persons as a result of (i) the Seller's willful misconduct or negligence in the performance of its duties or observance of its covenants under this Agreement or (ii) the Seller's breach in any material respect of any of its representations and warranties contained in this Agreement, except in the case of both clauses (i) and (ii) to the extent of Losses either 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 Seller's breach.

(i) The Seller shall not be required to indemnify any Indemnified Person under Sections 5.01(c), 5.01(d), 5.01(e) or 5.01(h) 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 Seller, 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 Seller under this Section 5.01, notify the Seller in writing of such involvement. Failure by an Indemnified
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Person to so notify the Seller shall relieve the Seller from the obligation to indemnify and hold harmless such Indemnified Person under this Section 5.01 only to the extent that the Seller 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 5.01, the Seller shall be entitled to assume the defense of any such action, proceeding or investigation. Upon assumption by the Seller 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 Seller shall be entitled to appoint counsel of the Seller's choice at the Seller's expense to represent the Indemnified Person in any action, proceeding or investigation for which a claim of indemnification is made against the Seller under this Section 5.01 (in which case the Seller 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 Seller'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 local counsel), and the Seller shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the Seller 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 Seller 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 Seller, (iii) the Seller 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 Seller shall authorize the Indemnified Person to employ separate counsel at the expense of the Seller. Notwithstanding the foregoing, the Seller 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 local counsel). The Seller 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
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pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought under this Section 5.01 (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.

(j) The remedies of the Issuer and the Bondholders provided in this Agreement are each such Person's sole and exclusive remedies against the Seller for breach of its representations and warranties in this Agreement.

Section 5.02. Merger or Consolidation of, or Assumption of the Obligations of, Seller. Any Person (a) into which the Seller may be merged or consolidated, (b) that may result from any merger or consolidation to which the Seller shall be a party or (c) that may succeed to the properties and assets of the Seller substantially as a whole, which Person in the case described in the foregoing clause (c) executes an agreement of assumption to perform every obligation of the Seller hereunder, shall be the successor to the Seller under this Agreement without further act on the part of any of the parties to this Agreement; provided, however, that (i) if the Seller is the Servicer, 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 Seller shall have delivered to the Issuer and the Trustee an Officer's Certificate stating that such consolidation, merger or succession and such agreement of assumption comply with this Section and that all conditions precedent, if any, provided for in this Agreement relating to such transaction have been complied with, (iii) the Seller shall have delivered to the Issuer and the Trustee an Opinion of Counsel stating that, in the opinion of such counsel (A) 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 and (B) either (1) all filings to be made by the Seller, 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
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such interests and (iv) the Rating Agencies shall have received prior written notice of such transaction. When any Person acquires the properties and assets of the Seller substantially as a whole and becomes the successor to the Seller in accordance with the terms of this Section 5.02 and execution by such successor of an agreement of assumption to perform every obligation of the Seller hereunder, then upon satisfaction of all of the other conditions of this Section 5.02, the Seller shall automatically and without further notice be released from all of its obligations hereunder.

Section 5.03. Limitation on Liability of Seller and Others. The Seller and any director, officer, employee or agent of the Seller may rely in good faith on the advice of counsel or on any document of any kind, prima facie properly executed and submitted by any Person, respecting any matters arising hereunder.

ARTICLE 6

MISCELLANEOUS PROVISIONS

Section 6.01. Amendment. This Agreement may be amended by the Seller and the Issuer, with ten Business Days' prior written notice given to the Rating Agencies and the prior written consent of the Trustee, 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.

This Agreement may also be amended from time to time by the Seller and the Issuer, with ten Business Days' prior written notice given to the Rating Agencies and the prior written consent of the Trustee and the prior written consent of the Holders of Bonds evidencing not less than a majority of the Outstanding Amount of the Bonds affected thereby, 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.

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.
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Prior to the execution of any amendment to this Agreement, the Trustee shall be entitled to receive and rely upon an Opinion of Counsel stating that the execution of 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 6.02. 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 (confirmed by telephone, United States mail or courier service in the case of notice by 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 Seller, to

1000 Elm Street
Manchester, NH
Facsimile: (860) 665-5457 Telephone: (860) 665-3258 E-Mail: shoopra@nu.com (email)

with a copy to:

Public Service Company of New Hampshire c/o Northeast Utilities Service Company
if by U.S. Mail:
P.O. Box 270
Hartford, CT 06141-0270

if by courier:

107 Selden Street
Berlin, CT 06037

Attention: Assistant Treasurer - Finance Facsimile: (860) 665-5457
Telephone: (860) 665-3258
E-Mail: shoopra@nu.com

(b) if to the Issuer, to
PSNH Funding LLC
c/o Public Service Company of New Hampshire 1000 Elm Street
Manchester, NH 03105

Facsimile: (860) 665-5457
Telephone: (860) 665-3258
E-Mail: shoopra@nu.com (email) with a copy to:

Public Service Company of New Hampshire c/o Northeast
PAGE>
Utilities Service Company

if by U.S. Mail:

P.O. Box 270
Hartford, CT 06141-0270

if by courier:

107 Selden Street
Berlin, CT 06037

Attention: Assistant Treasurer - Finance
Facsimile: (860) 665-5457
Telephone: (860) 665-3258
E-Mail: shoopra@nu.com

(c) if to the Trustee, to
The Bank of New York
101 Barclay Street Floor 12 East
New York, NY 10286
Attention: ABS Unit
Facsimile: (212) 815-5563
Telephone: (212) 815-5368

(d) if to Moody's, to
Moody's Investors Service, Inc.
99 Church Street
New York, NY 10007
Attention: ABS Monitoring Department
Facsimile: (212) 553-0573
Telephone: (212) 553-3686

(e) if to S&P, to
Standard & Poor's
55 Water Street, 41st Floor
New York, NY 10041
Attention: Asset Backed Surveillance Department
Facsimile: (212) 438-2664
Telephone: (212) 438-2000

(f) if to Fitch, to
Fitch, Inc.
One State Street Plaza
New York, NY 10004
Attention: ABS Surveillance
Facsimile: (212) 514-9879
Telephone: (212) 908-0500
E-mail: surv@fitchratings.com

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

Section 6.03. Assignment. Notwithstanding anything to the contrary contained herein, except as provided in Section 5.02, this Agreement may not be assigned by the Seller.

Section 6.04. Limitations on Rights of Third Parties. The provisions of this Agreement are solely for the benefit of the Seller, the Issuer, the
<PAGE>
Bondholders, the Trustee, the State of New Hampshire, the State Treasurer, 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 Seller 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 6.05. 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 6.06. 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 6.07. 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 6.08. Governing Law. This Agreement shall be construed in accordance with the laws of the State of New Hampshire, without reference to its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

Section 6.09. Assignment to Trustee. The Seller hereby acknowledges and consents to any mortgage, pledge, assignment and grant of a security interest by the Issuer to the Trustee pursuant to the Indenture for the benefit of the Bondholders of all right, title and interest of the Issuer in, to and under the RRB Property and the proceeds thereof and the mortgage, pledge, assignment of, and grant of a security interest by the Issuer to the Trustee in, any or all of the Issuer's rights and obligations hereunder to the Trustee.

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

PSNH FUNDING LLC,
Issuer
By: /s/ Randy A. Shoop
Name: Randy A. Shoop
Title: President

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE, Seller

By: /s/ Randy A. Shoop
Name: Randy A. Shoop
Title: Assistant Treasurer - Finance

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<SEQUENCE>28
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Exhibit 10.58

PSNH FUNDING LLC,

as Issuer

and

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

as Servicer

SERVICING AGREEMENT

Dated as of April 25, 2001

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This SERVICING AGREEMENT, dated as of April 25, 2001, is between PSNH Funding LLC, 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 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. 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 ^dvice Letter, a Routine Semiannual True-Up Letter, a Routine True-Up Letter or 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.

"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.

"Closing Date" means April 25 2001.

"Expected Amortization Schedule" means Schedule 4.01(a) hereto.

"Finance Order" means the order of the NHPUC, DE 99-099, issued on September 8, 2000 (Order No. 23,550).

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

"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.

"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.

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

"Issuance Advice Letter" means the initial Issuance Advice Letter, dated April 23, 2001, filed with the NHPUC pursuant to the Finance Order.

"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(b).

"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 ccordance with the Finance Order with respect to any Non-Routine Periodic Adjustment, pursuant to which the related Non-Routine Periodic Adjustment will become effective within 60 days after filing of the Non-Routine True-Up Letter, subject to the review and approval of the NHPUC.

"Officer's Certificate" means a certificate of the Servicer signed by a Responsible Officer.

"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.

"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.

"Quarterly Servicer Certificate" has the meaning assigned to that term in Section 4.01(d)(3).

"Remittance" means each remittance pursuant to Section 4.03 of 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 Period" means, in each year, each successive six-month period commencing on April 25 and ending on October 24 and commencing on October 25 and ending on April 24; provided, however, that the initial Remittance Period shall commence on the Closing Date and end on October 24, 2001.

"Required Debt Service" means, for any Remittance Period, the total dollar amount calculated by the Servicer in accordance with Section 4.01(b)(1) 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 Reserve Subaccount at the time of calculation and which are available for payments on the Bonds, (b) any shortfalls in Required Debt Service for any prior Remittance Period and (c) 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 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 Interest Reserve Subaccount equals the aggregate Required Interest Reserve Level, (iv) the balance on deposit in the Capital Subaccount equals the aggregate Required Capital Level, (v) the balance on deposit in the Overcollateralization

Subaccount equals the aggregate Required Overcollateralization Level and (vi) 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; provided, however, that, with respect to any Periodic Adjustment occurring after the last Scheduled Maturity Date for any Bonds, the Required Debt Service shall be calculated to ensure that sufficient amounts will be collected to retire such Bonds in full as of the earlier of (x) the next Payment Date and (y) the Final Maturity Date for such Bonds.

"Responsible Officer" means the chief executive officer, the president, the chairman or vice chairman of the board, the any vice president, the treasurer, any assistant treasurer, the secretary, the clerk, any assistant secretary, and assistant clerk, the controller or the finance manager 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 Semiannual True-Up Letter" means a letter filed with the NHPUC, substantially in the form of Exhibit B hereto, not later than 30 days prior to April 25 and October 25 in each year, in respect of a semiannual Periodic Adjustment. Absent

manifest error in the Routine Semiannual True-Up Letter, the resulting upward or downward adjustments to the RRB Charge will be effective on the ensuing April 25 or October 25.

"Routine True-Up Letter" means a letter filed with the NHPUC, substantially in the form of Exhibit B hereto, as frequently as monthly, in respect of a Periodic Adjustment. Absent manifest error in the Routine True-Up Letter, the resulting upward or downward adjustments to the RRB Charge will be effective immediately upon the filing of such 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 RRB Charge Payments remitted to the Collection Account.

"RRB Charge Payments" means the actual payments received by the Servicer, directly or indirectly (including through a TPS), from or on behalf of customers, multiplied by the percentage of such collections which is calculated in accordance with Annex II hereto to have been received in respect of the RRB Charge.

"RRB Property" means the RRB Property that exists under Approval Nos. 20 to 22 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.

"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 ffices 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).

"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.

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. ubject to Section 6.05 and Article 7, the Issuer hereby appoints the Servicer, nd 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 shall be, and hereby 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 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 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.

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; 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. 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 any NHPUC Regulations as in effect at the time such duties are to be performed.

(b) Reporting Functions.

(1) 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.

(2) Other Information. Upon the reasonable request of the Issuer, he Trustee or any Rating Agency, the Servicer shall provide to such Issuer, frustee or the Rating Agencies, 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 for the Issuer, the Trustee , or the Rating Agencies to monitor the Servicer's performance hereunder.

(3) 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 under the securities laws, including a copy of each Quarterly Servicer Certificate described in Section 4.01(d)(3), the annual Certificate of Compliance described in Section 3.03 and the Annual Accountant's Report described in Section 3.04.

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 perfected ownership interest and security interest of the Issuer and the Trustee in the RRB Property; 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.

Section 3.03. Certificate of Compliance. The Servicer shall deliver to the Issuer, the Trustee and the Rating Agencies on or before March 31 of each year, commencing March 31, 2002 to and including the March 31 succeeding the Retirement of the Bonds, 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, 2002, the period of time from the date of this Agreement until December 31, 2001) and of its performance under this Agreement has been made under such Responsible Officer's supervision, and (ii) to such Responsible Officer's knowledge, based on such review, the Servicer has fulfilled all of its obligations in all material respects under this Agreement throughout such twelve months (or, in the case of the Certificate of Compliance to be delivered on or before March 31, 2002, the period of time from the date of this Agreement until December 31, 2001), or, if there has been a default in the fulfillment of any such material obligation, specifying each such material efault known to such Responsible Officer and the nature and status thereof.

Section 3.04. Annual Report by Independent Public Accountants.

(a) 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 March 31 each year, beginning March 31, 2002 to and including the March 31 succeeding the Retirement of the Bonds, 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, 2002, the period of time from the date of this Agreement until December 31, 2001), identifying the results of such procedures and including any exceptions noted.

(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 Ethics of the American Institute of Certified Public Accountants.

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).

(b) Routine Periodic Adjustments and Semiannual Filings.

(1) Routine Semiannual Periodic Adjustments and Filings. For the purpose of preparing a Routine Semiannual True-Up Letter, the Servicer shall: (A) update the assumptions underlying the calculation of the RRB Charge, including energy usage volume, the rate of charge-offs and estimated expenses and fees of the Issuer to the extent not fixed, for the Remittance Period beginning on April 25 or October 25 (whichever is next to occur) of each year; (B) determine the Required Debt Service for such Remittance Period based upon such updated assumptions; and (C) determine the RRB Charge to be charged during such Remittance Period based upon such Required Debt Service. The Servicer shall file a Routine Semiannual True-Up Letter with the NHPUC no later than 30 days prior to April 25 and October 25 of each year.

(2) Routine Periodic Adjustments. The Servicer shall file a Routine True-Up Letter at least 15 days before the end of any calendar month, at each such time as the Servicer may reasonably determine is necessary to meet the Required Debt Service for the then current Remittance Period.

(3) 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 as of the effective date of the Non-Routine True-Up Letter.

(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 (excluding April, 2001), 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) Quarterly Servicer Certificate. So long as any Bonds are outstanding, not later than 11:00 a.m. (New York City time) on 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 "Quarterly 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.

(e) Uniformity of RRB Charge. The Servicer shall not take any action to implement any Periodic Adjustment that would cause the RRB Charge to vary among customer classes unless the Rating Agency Condition shall have been satisfied.

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 any Periodic Adjustments or Non-Routine Periodic Adjustments), by the NHPUC (or, in

connection with any Non-Routine Periodic Adjustment, by the Rating Agencies) 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) 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 energy usage volume, the rate of charge-offs, estimated expenses and fees of the Issuer, so long as the Servicer has not acted in a 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, except only to the extent that the Servicer is liable under Section 6.02 of this Agreement.

(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) Pursuant to the remittance methodology more fully described in Annex II hereto, starting with collections that are received on the first Servicer Business Day that is at least 45 days after the first day on which Public Service Company of New Hampshire imposes the RRB Charge, the Servicer will remit to the Trustee on each Servicer Business Day, within two Servicer Business Days after receipt, by wire transfer of immediately available funds to the General Subaccount of the Collection Account, an amount equal to the RRB Charge Payments (as calculated in accordance with Annex II 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. Prior to or simultaneous with each Remittance to the General Subaccount of 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) The Servicer may elect to make Remittances less frequently than on a daily basis, and shall be permitted to do so, but in any event shall make Remittances within one calendar month of collection thereof, provided that the Servicer shall send written notice of such election to the Issuer and the Trustee, together with (i) an Officer's Certificate stating that no Servicer Default has occurred and is continuing under this Servicing Agreement, (ii) evidence that the Rating Agency Condition has been satisfied, (iii) evidence of the delivery by the Servicer to the Issuer or the Trustee, as applicable, of any credit enhancement which may be required by the Rating Agencies in connection therewith in form and substance satisfactory to the Issuer and the Trustee, as applicable, the cost of which credit enhancement shall be borne solely by the Servicer, and (iv) an executed copy of any appropriate amendment hereto or to the Indenture or any other Basic Agreement as reasonably requested by the Servicer, the Issuer or the Trustee in connection therewith.

(c) The Servicer agrees and acknowledges that it will remit RRB Charge Payments in accordance with this Section 4.03 without any surcharge, fee, offset, charge or other deduction except for late fees permitted by Section 6.06.

Article 5

THE RRB PROPERTY

Section 5.01. Custody of RRB Property Records. To assure uniform uality 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 and the Trustee 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 to comply with this 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 eport to the Issuer and the Trustee 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 in Manchester, New Hampshire, Berlin, Connecticut or at such other office in the United States 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. Nothing in this Section 5.02(b) 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 uch information as a result of such obligation shall not constitute a breach of his Section 5.02(b).

(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 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. If the Servicer must incur costs to satisfy its obligations hereunder and is required hereunder to advance its own funds with respect to such costs but is unable to do so, the Servicer shall, in accordance with the provisions of Section 8.02(j) of the Indenture, make written request to the Trustee to pay such costs from amounts on deposit in the Servicer Advance Subaccount. Amounts so paid by the Trustee from amounts on deposit in the Servicer Advance Subaccount in accordance with the provisions of Section 8.02(j) of the Indenture shall remain payable as Operating Expenses advanced by the Servicer in accordance with this Section 5.02(d) and Section 8.02(j) of the Indenture.

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, on

which the Issuer is deemed to have relied in entering into this Agreement relating to the servicing of the RRB Property.

(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 f 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 now 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 inding 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 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 nowledge, any other Person: (i) asserting the invalidity of this Agreement; (ii) seeking to prevent the consummation of any of the transactions contemplated by this Agreement; or (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.

(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 and post-closing filings in connection therewith.

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 and 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, 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 negligence in the performance of its duties or observance of its covenants under this Agreement (including the Servicer's willful misconduct or 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; rovided, 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; and, provided, further, that the Servicer shall not be liable for any Losses, regardless of when incurred, after the Bonds have been paid in full, except as provided in Section 6.02(c).

(c) The Servicer shall indemnify and hold harmless the Trustee, the State of New Hampshire, the Treasurer of the State of New Hampshire, agencies of the State of New Hampshire and any of their 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 negligence in the performance of its duties or observance of its covenants under this Agreement (including the Servicer's willful misconduct or 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 pursuant to Section 6.02(b) or Section 6.02(c) 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

ction, proceeding or investigation, such Indemnified Person shall, if a claim for indemnification in respect thereof is to be made against the Servicer under Section 6.02(b) or Section 6.02(c), 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 Section 6.02(b) or Section 6.02(c), as applicable, 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 Section 6.02(b) or Section 6.02(c), 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 Section 6.02(b) or Section 6.02(c) (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 local counsel), and the Servicer shall bear the reasonable 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 local counsel). 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 Section 6.02(b) or Section 6.02(c), as applicable, (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) Indemnification under Section 6.02(b) and Section 6.02(c) shall survive the resignation or removal of the Trustee and the termination of this Agreement and shall include reasonable fees and out-of-pocket expenses of investigation and litigation (including reasonable attorneys' fees and expenses), except as otherwise

provided in this Agreement.

(f) For purposes of Section 6.02(b) and Section 6.02(c), 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 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.

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) 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 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 and (iv) 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 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 (except that with respect to Moody's it shall be sufficient to provide ten days prior notice) 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 Retirement of the Bonds, the Servicer shall receive an annual fee (the "Servicing Fee") in an amount equal to (i) one-quarter of one percent (0.25%) of the outstanding 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 one and one-half percent (1.5%) of the outstanding 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). The Servicing Fee shall be payable in quarterly installments on each Payment Date. The Servicer also shall be entitled to retain as additional compensation (i) any interest earnings on RRB Charge Payments 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.

(b) The Servicing Fee set forth in Section 6.06(a) and expenses provided for in Section 6.06(c) 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 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 (except that with respect to Moody's it shall be sufficient to provide ten days prior notice); 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 execution by the Servicer of a TPS Service Agreement with any TPS pursuant to applicable NHPUC Regulations. 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 has no employees. Therefore, in carrying out the foregoing duties or any of its other obligations under this Agreement, the Servicer may enter into transactions with or otherwise deal with any of its Affiliates to obtain the services of employees 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. 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) Business Days after written notice of such failure is received by the Servicer from the Issuer or the Trustee; or

(b) any failure on the part of the Servicer duly to observe or to perform in any material respect any other covenants or agreements of the Servicer set forth in this Agreement, which failure shall (a) materially and

adversely affect the rights of the Bondholders and (ii) continue unremedied for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given (A) to the Servicer by the Issuer or (B) to the Servicer by the Trustee or by the Holders of Bonds evidencing not less than 25 percent of the Outstanding Amount of the Bonds; or

(c) any representation or warranty made by the Servicer in this Agreement 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

(d) 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) 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. 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 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(a) or Section 7.01(b).

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 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) and the prior written consent of the Holders of Bonds evidencing not less than a majority of the Outstanding Amount of the Bonds, 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 ny manner the rights of the Bondholders; provided, however, that any amendment f the provisions of Section 4.01 or Section 4.03 shall satisfy the Rating Agency Condition.

(c) If the written consent of Bondholders is required in connection with an amendment hereof, approval by Bondholders of the substance of any proposed amendment or consent shall constitute sufficient consent of the Bondholders pursuant to this Section, and it shall not be necessary that Bondholders approve of the particular form of any amendment or consent.

(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 roperty accurately and in accordance with its standard accounting procedures.

(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 (confirmed by telephone, United States mail or courier service in the case of notice by 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

Public Service Company of New Hampshire
1000 Elm Street
Manchester, NH 03105
Facsimile: (860) 665-5457
Telephone: (860) 665-3258
E-Mail: shoopra@nu.com (email)

with a copy to:

Public Service Company of New Hampshire
c/o Northeast Utilities Service Company

if by U.S. Mail:

P.O. Box 270
Hartford, CT 06141-0270

if by courier:

107 Selden Street
Berlin, CT 06037

Attention: Assistant Treasurer - Finance
Facsimile: (860) 665-5457

Telephone: (860) 665-3258
E-Mail: shoopra@nu.com

(b) if to the Issuer, to

PSNH Funding LLc
c/o Public Service Company of New Hampshire
1000 Elm Street
Manchester, NH 03105
Facsimile: (860) 665-5457
Telephone: (860) 665-3258
E-Mail: shoopra@nu.com (email)

with a copy to:

Public Service Company of New Hampshire
c/o Northeast Utilities Service Company

if by U.S. Mail:

P.O. Box 270
Hartford, CT 06141-0270

if by courier:

107 Selden Street
Berlin, CT 06037

Attention: Assistant Treasurer - Finance
Facsimile: (860) 665-5457
Telephone: (860) 665-3258
E-Mail: shoopra@nu.com

(c) if to the Trustee, to

The Bank of New York
101 Barclay Street
Floor 12 East
New York, NY 10286
Attention: ABS Unit
Facsimile: (212) 815-5563
Telephone: (212) 815-5368

(d) if to Moody's, to

Moody's Investors Service, Inc.
99 Church Street
New York, NY 10007
Attention: ABS Monitoring Department
Facsimile: (212) 553-0573
Telephone: (212) 553-3686

(e) if to S&P, to

Standard & Poor's
55 Water Street, 41st Floor
New York, NY 10041

Attention: Asset Backed Surveillance Department
Facsimile: (212) 438-2664
Telephone: (212) 438-2000

(f) if to Fitch, to

Fitch, Inc.
One State Street Plaza
New York, NY 10004
Attention: ABS Surveillance
Facsimile: (212) 514-9879
Telephone: (212) 908-0500
E-mail: surv@fitchratings.com

(g) 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 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 a 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.

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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,
Issuer

By: /s/ Randy A. Shoop

Name: Randy A. Shoop
Title: President

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE,
Servicer

By: /s/ Randy A. Shoop

Name: Randy A. Shoop
Title: Assistant Treasurer - Finance

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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 April 25, 2001 (the "Servicing Agreement"), between the Servicer and PSNH Funding LLC (the "Issuer"), and further certifies on behalf of the Servicer that:

1. 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 Section 3.03 of the Servicing Agreement; and

2. 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.

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

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE,
Servicer

By:

Name:
Title:

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ANNEX A TO EXHIBIT A

LIST OF SERVICER DEFAULTS

Nature of Default	Status

<PAGE>

EXHIBIT B

FORM OF ROUTINE TRUE-UP LETTER

[date]

ADVICE

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION (THE "COMMISSION")

SUBJECT: Periodic RRB Charge True-Up Mechanism Advice Filing

Pursuant to the order of the Commission, DE 99-099 , issued on September 8, 2000 (Order No. 23,550) (the "FINANCE ORDER"), Public Service Company of New ampshire ("PSNH"), as servicer of the RRBs or any successor Servicer and on behalf of the RRB trustee as assignee of the special purpose entity (the "SPE"), shall apply for adjustment to the RRB Charge not later than 30 days prior to each semiannual anniversary of the RRB transaction closing 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 Charge 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 third party supplier, and whether or not such distribution system is being operated by PSNH or a successor distribution company. The RRB Charge 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 not later than 30 days prior to each semiannual anniversary of the RRB transaction closing 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 sum of 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.

sing 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 Charge. Table I shows the revised assumptions for each of the variables used in calculating the RRB Charge for customers. The assumptions underlying the current RRB Charges were filed in an Issuance Advice Letter, dated _____.

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

<PAGE>

TABLE I

INPUT VALUES FOR RRB CHARGE

Forecasted retail kWh sales for the period:

January:_____
February:_____
March:_____
April:_____
May:_____
June:_____
July:_____
August:_____
September:_____
October:_____

November:_____
December:_____
Percent of billed amounts expected to be charged-off:_____
Weighted average days sales outstanding:_____

(calculated as follows)

Percent of billed amounts collected in current month:_____
Percent of billed amounts collected in second month after billing:_____
Percent of billed amounts collected in third month after billing:_____
Percent of billed amounts collected in fourth month after billing:_____
Percent of billed amounts collected in fifth month after billing:_____

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

Current Interest Reserve Subaccount balance:_____
Scheduled Interest Reserve Subaccount balance at the end of the period:_____
Current Overcollateralization Subaccount balance:_____
Scheduled Overcollateralization Subaccount balance at the end of the period:____
Current Capital Subaccount balance:_____
Initial Capital Subaccount balance:_____
Current RRB outstanding balance:_____
Scheduled RRB outstanding balance at the end of the period:_____
Current Reserve Subaccount balance:_____

The adjusted RRB Charge calculated for retail users is as follows:_____(cent)/kWh

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EFFECTIVE DATE

In accordance with the Finance Order, Routine True-Up Letters for semiannual RRB Charge adjustments shall be filed not later than 30 days prior to each semiannual anniversary of the RRB transaction closing, 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 semiannual anniversary. In accordance with the Finance Order, Routine True-Up Letters may also be filed as frequently as monthly, with the resulting upward or downward adjustments to the RRB Charge to be effective - absent manifest error in the Routine True-Up Letters - immediately upon the filing of the on the Routine True-Up Letters. 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 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.

nclosures

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EXHIBIT C

FORM OF MONTHLY SERVICER CERTIFICATE

Pursuant to Section 4.01(d)(2) of the Servicing Agreement, dated as of April 25, 2001 (the "Agreement"), between Public Service Company of New Hampshire, as servicer (the "Servicer"), and PSNH Funding LLC, 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:

a) Monthly kWh Consumption:
b) Applicable RRB Charge:
c) Total RRB Charge Amount Billed this Month:
d) Cumulative RRB Charge Amount Billed this Remittance Period:

2. REMITTANCES:

a) Total Amount Remitted this Month:
b) Cumulative Amount Remitted this Remittance Period:
c) "RRB %" (calculated in accordance with Annex II to the Agreement) for this Remittance Period:

3. DRAWS ON SUBACCOUNTS:

) Reserve Subaccount Draw Amount this Month:
b) Cumulative Reserve Subaccount Draw Amount this Remittance Period (net of funding):
c) Overcollateralization Subaccount Draw Amount this Month:
d) Cumulative Overcollateralization Subaccount Draw Amount this Remittance Period (net of funding):
e) Capital Subaccount Draw Amount this Month:
f) Cumulative Capital Subaccount Draw Amount this Remittance Period (net of funding):
g) Interest Reserve Subaccount Draw Amount this Month:
h) Cumulative Interest Reserve Subaccount Draw Amount this Remittance Period (net of funding):
i) Servicer Advance Subaccount Draw Amount this Month:
j) Cumulative Servicer Advance Subaccount Draw Amount this Remittance Period:

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Executed as of this _____ day of _____.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE,
Servicer

By:

Name:

Title:

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EXHIBIT D

FORM OF QUARTERLY SERVICER CERTIFICATE

Pursuant to Section 4.01(d)(3) of the Servicing Agreement, dated as of April 25, 2001 (the "Agreement"), between Public Service Company of New Hampshire, as servicer (the "Servicer"), and PSNH Funding LLC, 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. Amount Remitted [Month] [Year]
   viii. Amount Remitted [Month] [Year]
   IX. TOTAL AMOUNT REMITTED FOR THIS PERIOD (SUM OF I. THROUGH VIII. ABOVE):
   x. Net Earnings on Collection Account:
   xi. Expenses Paid to Date:
   XII. GENERAL SUBACCOUNT BALANCE (SUM OF IX. AND X. ABOVE MINUS XI.):
   xiii. Reserve Subaccount Balance
   xiv. Overcollateralization Subaccount Balance
   xv. Capital Subaccount Balance
   xvi. Interest Reserve Subaccount Balance
   xvii. Servicer Advance Subaccount Balance
   XVIII. COLLECTION ACCOUNT BALANCE (SUM OF XII. THROUGH XVII. ABOVE):

2. OUTSTANDING PRINCIPAL BALANCE AS OF PRIOR PAYMENT DATE BY TRANCHE:

   i. Class A-1 Principal Balance Outstanding Bond:
   ii. Class A-2 Principal Balance Outstanding Bond:
   iii. Class A-3 Principal Balance Outstanding Bond:
   IV. TOTAL BOND PRINCIPAL BALANCE:

3. REQUIRED FUNDING/PAYMENTS AS OF CURRENT PAYMENT DATE

PAGE>

A) PROJECTED PRINCIPAL BALANCES AND PAYMENTS

Projected Principal Balance	Quarterly Principal Due
---	---

i. Class A-1 Bond
ii. Class A-2 Bond
iii. Class A-3 Bond
IV. TOTAL PROJECTED PRINCIPAL AMOUNT:

B) REQUIRED INTEREST PAYMENTS

	Bond Interest Rate	Days in Applicable Period	Interest Due
i. Class A-1 Bond			
ii. Class A-2 Bond			
iii. Class A-3 Bond			
IV. TOTAL REQUIRED INTEREST AMOUNT:			

C) PROJECTED SUBACCOUNT PAYMENTS AND LEVELS

	Subaccount	Projected Level	Funding Required
i. Interest Reserve Subaccount:			
ii. Capital Subaccount:			
iii. Overcollateralization Subaccount:			
iv. Servicer Advance Subaccount:			N/A
V. TOTAL SUBACCOUNT PAYMENTS AND LEVELS:			

4. ALLOCATION OF REMITTANCES AS OF CURRENT PAYMENT DATE PURSUANT TO SECTION 8.02(D) OF INDENTURE:

A) QUARTERLY EXPENSES

Net Expense Amount (Payable on Current Payment Date)
i. Trustee Fees and Expenses:
ii. Quarterly Servicing Fee:
iii. Quarterly Administration Fee:
iv. Operating Expenses (subject to $100,000 cap):

V. TOTAL EXPENSES:

B) QUARTERLY INTEREST

	Per $1000 of Original	Aggregate Principal Amount
i. Class A-1 Bond		
ii. Class A-2 Bond		
iii. Class A-3 Bond		
IV. TOTAL QUARTERLY INTEREST:		

C) QUARTERLY PRINCIPAL

	Per $1000 of Original	Aggregate Principal Amount
i. Class A-1 Bond		
ii. Class A-2 Bond		
iii. Class A-3 Bond		
IV. TOTAL QUARTERLY PRINCIPAL:		

D) OTHER PAYMENTS

i. Operating Expenses (in excess of $100,000):
ii. Funding of Interest Reserve Subaccount (to required level):
iii. Funding of Capital Subaccount (to required amount):
iv. Funding of Overcollateralization Subaccount (to required level):
v. Deposits to Reserve Subaccount:
vi. Interest earnings on Capital Subaccount Released to Issuer:
vii. Interest earnings on Servicer Advance Subaccount Released to Issuer:
viii. Operating Expenses Paid From Servicer Advance Subaccount at Request of Servicer:

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 Principal Balance Outstanding Bond:
ii. Class A-2 Principal Balance Outstanding Bond:
iii. Class A-3 Principal Balance Outstanding Bond:
IV. TOTAL BOND PRINCIPAL BALANCE:

B) COLLECTION ACCOUNT BALANCES OUTSTANDING:

i. Interest Reserve Subaccount:
ii. Capital Subaccount:
iii. Overcollateralization Subaccount:
iv. Reserve Subaccount:
v. Servicer Advance Subaccount
VI. TOTAL SUBACCOUNT AMOUNT:

6. SUBACCOUNT DRAWS AS OF CURRENT PAYMENT DATE (IF APPLICABLE, PURSUANT TO SECTION 8.02(E) OR 8.02(J) OF INDENTURE):

i. Interest Reserve Subaccount:
ii. Capital Subaccount:
iii. Overcollateralization Subaccount:
iv. Reserve Subaccount:
v. Servicer Advance Subaccount:
VI. TOTAL SUBACCOUNT DRAWS:

7. SHORTFALLS IN INTEREST AND PRINCIPAL PAYMENTS AS OF CURRENT PAYMENT DATE (IF APPLICABLE):

A) QUARTERLY INTEREST SHORTFALL

i. Class A-1 Bond

ii. Class A-2 Bond

iii. Class A-3 Bond

IV. TOTAL QUARTERLY INTEREST SHORTFALL:

B) QUARTERLY PRINCIPAL SHORTFALL

i. Class A-1 Bond

ii. Class A-2 Bond

iii. Class A-3 Bond

IV. TOTAL QUARTERLY PRINCIPAL SHORTFALL:

8. SHORTFALLS IN REQUIRED SUBACCOUNT LEVELS AS OF CURRENT DISTRIBUTION DATE:

i. Interest Reserve Subaccount

ii. Capital Subaccount

iii. Overcollateralization Subaccount:

IV. TOTAL SUBACCOUNT SHORTFALLS:

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Quarterly Servicer Certificate this ___ day of ____, ____.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE,
Servicer

By:

Name:
Title:

SCHEDULE 4.01(a)

EXPECTED AMORTIZATION SCHEDULE

OUTSTANDING PRINCIPAL AMOUNT

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Payment Date	Class A-1	Class A-2	Class A-3
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Closing	$75,211,483	$214,649,395	$235,139,122
11/1/01	57,592,606	214,649,395	235,139,122
2/1/02	43,797,063	214,649,395	235,139,122
5/1/02	28,368,117	214,649,395	235,139,122
8/1/02	20,697,824	214,649,395	235,139,122
11/1/02	14,392,034	214,649,395	235,139,122
2/1/03	7,780,415	214,649,395	235,139,122
5/1/03	(0)	214,649,395	235,139,122
8/1/03	0	206,917,868	235,139,122
11/1/03	0	197,869,570	235,139,122
2/1/04	0	189,598,432	235,139,122
5/1/04	0	180,590,351	235,139,122
8/1/04	0	172,246,415	235,139,122
11/1/04	0	162,796,874	235,139,122
2/1/05	0	154,148,908	235,139,122
5/1/05	0	144,473,833	235,139,122
8/1/05	0	135,568,653	235,139,122
11/1/05	0	125,605,470	235,139,122
2/1/06	0	116,266,274	235,139,122
5/1/06	0	106,175,553	235,139,122
8/1/06	0	96,723,253	235,139,122
11/1/06	0	86,167,370	235,139,122
2/1/07	0	76,211,779	235,139,122
5/1/07	0	65,563,711	235,139,122
8/1/07	0	55,515,784	235,139,122
11/1/07	0	44,346,853	235,139,122
2/1/08	0	33,748,007	235,139,122
5/1/08	0	22,498,547	235,139,122
8/1/08	0	11,818,671	235,139,122
11/1/08	0	0	235,139,122
2/1/09	0	0	223,861,093
5/1/09	0	0	211,970,981
8/1/09	0	0	200,623,964
11/1/09	0	0	188,113,319
2/1/10	0	0	176,150,999
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8/1/11	0	0	99,366,197
11/1/11	0	0	85,367,758
2/1/12	0	0	71,905,110
5/1/12	0	0	57,742,177
8/1/12	0	0	44,103,087
11/1/12	0	0	29,294,415
2/1/13	0	0	14,974,162
5/1/13	0	0	0

</TABLE>

- Schedule 4.01(a)-43

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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.

"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

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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 the Servicer Polices and Practices.

(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, (B) would not materially adversely affect the Bondholders, 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 one Servicer Business Day after receipt.

(c) Investment of RRB Charge Payments Received. Prior to remittance on the applicable Remittance Date, the Servicer may invest RRB Charge Payments 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 Payments invested by it.

(d) Calculation of 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 RRB Charge Payments calculated in accordance with the methodology described in Annex II attached to the Agreement.

(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.

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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 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.

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ANNEX II

REMITTANCE METHODOLOGY

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Exhibit 10.58

PSNH FUNDING LLC,

as Issuer

and

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

as Servicer

SERVICING AGREEMENT

Dated as of April 25, 2001

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Section 2.02. Authorization.....

Section 2.03. Dominion and Control Over the RRB Property.....

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Section 3.04. Annual Report by Independent Public Accountants.....

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This SERVICING AGREEMENT, dated as of April 25, 2001, is between PSNH Funding LLC, 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 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. 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, a Routine Semiannual True-Up Letter, a Routine True-Up Letter or 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.

"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.

"Closing Date" means April 25 2001.

"Expected Amortization Schedule" means Schedule 4.01(a) hereto.

"Finance Order" means the order of the NHPUC, DE 99-099, issued on September 8, 2000 (Order No. 23,550).

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

"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.

"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.

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

"Issuance Advice Letter" means the initial Issuance Advice Letter, dated April 23, 2001, filed with the NHPUC pursuant to the Finance Order.

"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(b).

"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 which the related Non-Routine Periodic Adjustment will become effective within 60 days after filing of the Non-Routine True-Up Letter, subject to the review and approval of the NHPUC.

"Officer's Certificate" means a certificate of the Servicer signed by a Responsible Officer.

"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.

"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.

"Quarterly Servicer Certificate" has the meaning assigned to that term in Section 4.01(d)(3).

"Remittance" means each remittance pursuant to Section 4.03 of 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 Period" means, in each year, each successive six-month period commencing on April 25 and ending on October 24 and commencing on October 25 and ending on April 24; provided, however, that the initial Remittance Period shall commence on the Closing Date and end on October 24, 2001.

"Required Debt Service" means, for any Remittance Period, the total dollar amount calculated by the Servicer in accordance with Section 4.01(b)(1) 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 Reserve Subaccount at the time of calculation and which are available for payments on the Bonds, (b) any shortfalls in Required Debt Service for any prior Remittance Period and (c) 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 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 Interest Reserve Subaccount equals the aggregate Required Interest Reserve Level, (iv) the balance on deposit in the Capital Subaccount equals the aggregate Required Capital Level, (v) the balance on deposit in the Overcollateralization

Subaccount equals the aggregate Required Overcollateralization Level and (vi) 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; provided, however, that, with respect to any Periodic Adjustment occurring after the last Scheduled Maturity Date for any Bonds, the Required Debt Service shall be calculated to ensure that sufficient amounts will be collected to retire such Bonds in full as of the earlier of (x) the next Payment Date and (y) the Final Maturity Date for such Bonds.

"Responsible Officer" means the chief executive officer, the president, the chairman or vice chairman of the board, the any vice president, the treasurer, any assistant treasurer, the secretary, the clerk, any assistant secretary, and assistant clerk, the controller or the finance manager 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 Semiannual True-Up Letter" means a letter filed with the NHPUC, substantially in the form of Exhibit B hereto, not later than 30 days prior to April 25 and October 25 in each year, in respect of a semiannual Periodic Adjustment. Absent

manifest error in the Routine Semiannual True-Up Letter, the resulting upward or downward adjustments to the RRB Charge will be effective on the ensuing April 25 or October 25.

"Routine True-Up Letter" means a letter filed with the NHPUC, substantially in the form of Exhibit B hereto, as frequently as monthly, in respect of a Periodic Adjustment. Absent manifest error in the Routine True-Up Letter, the resulting upward or downward adjustments to the RRB Charge will be effective immediately upon the filing of such 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 RRB Charge Payments remitted to the Collection Account.

"RRB Charge Payments" means the actual payments received by the Servicer, directly or indirectly (including through a TPS), from or on behalf of customers, multiplied by the percentage of such collections which is calculated in accordance with Annex II hereto to have been received in respect of the RRB Charge.

"RRB Property" means the RRB Property that exists under Approval Nos. 20 to 22 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.

"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).

"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.

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 6.05 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 shall be, and hereby 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 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 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.

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; 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. 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 any NHPUC Regulations as in effect at the time such duties are to be performed.

(b) Reporting Functions.

(1) 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.

(2) Other Information. Upon the reasonable request of the Issuer, the Trustee or any Rating Agency, the Servicer shall provide to such Issuer, Trustee or the Rating Agencies, 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 for the Issuer, the Trustee , or the Rating Agencies to monitor the Servicer's performance hereunder.

(3) 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 under the securities laws, including a copy of each Quarterly Servicer Certificate described in Section 4.01(d)(3), the annual Certificate of Compliance described in Section 3.03 and the Annual Accountant's Report described in Section 3.04.

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 perfected ownership interest and security interest of the Issuer and the Trustee in the RRB Property; 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.

Section 3.03. Certificate of Compliance. The Servicer shall deliver to the Issuer, the Trustee and the Rating Agencies on or before March 31 of each year, commencing March 31, 2002 to and including the March 31 succeeding the Retirement of the Bonds, 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, 2002, the period of time from the date of this Agreement until December 31, 2001) and of its performance under this Agreement has been made under such Responsible Officer's supervision, and (ii) to such Responsible Officer's knowledge, based on such review, the Servicer has fulfilled all of its obligations in all material respects under this Agreement throughout such twelve months (or, in the case of the Certificate of Compliance to be delivered on or before March 31, 2002, the period of time from the date of this Agreement until December 31, 2001), or, if there has been a default in the fulfillment of any such material obligation, specifying each such material default known to such Responsible Officer and the nature and status thereof.

Section 3.04. Annual Report by Independent Public Accountants.

(a) 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 March 31 each year, beginning March 31, 2002 to and including the March 31 succeeding the Retirement of the Bonds, 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, 2002, the period of time from the date of this Agreement until December 31, 2001), identifying the results of such procedures and including any exceptions noted.

(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 Ethics of the American Institute of Certified Public Accountants.

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).

(b) Routine Periodic Adjustments and Semiannual Filings.

(1) Routine Semiannual Periodic Adjustments and Filings. For the purpose of preparing a Routine Semiannual True-Up Letter, the Servicer shall: (A) update the assumptions underlying the calculation of the RRB Charge, including energy usage volume, the rate of charge-offs and estimated expenses and fees of the Issuer to the extent not fixed, for the Remittance Period beginning on April 25 or October 25 (whichever is next to occur) of each year; (B) determine the Required Debt Service for such Remittance Period based upon such updated assumptions; and (C) determine the RRB Charge to be charged during such Remittance Period based upon such Required Debt Service. The Servicer shall file a Routine Semiannual True-Up Letter with the NHPUC no later than 30 days prior to April 25 and October 25 of each year.

(2) Routine Periodic Adjustments. The Servicer shall file a Routine True-Up Letter at least 15 days before the end of any calendar month, at each such time as the Servicer may reasonably determine is necessary to meet the Required Debt Service for the then current Remittance Period.

(3) 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 as of the effective date of the Non-Routine True-Up Letter.

(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 (excluding April, 2001), 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) Quarterly Servicer Certificate. So long as any Bonds are outstanding, not later than 11:00 a.m. (New York City time) on 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 "Quarterly 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.

(e) Uniformity of RRB Charge. The Servicer shall not take any action to implement any Periodic Adjustment that would cause the RRB Charge to vary among customer classes unless the Rating Agency Condition shall have been satisfied.

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 any Periodic Adjustments or Non-Routine Periodic Adjustments), by the NHPUC (or, in

connection with any Non-Routine Periodic Adjustment, by the Rating Agencies) 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) 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 energy usage volume, the rate of charge-offs, estimated expenses and fees of the Issuer, so long as the Servicer has not acted in a 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, except only to the extent that the Servicer is liable under Section 6.02 of this Agreement.

(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) Pursuant to the remittance methodology more fully described in Annex II hereto, starting with collections that are received on the first Servicer Business Day that is at least 45 days after the first day on which Public Service Company of New Hampshire imposes the RRB Charge, the Servicer will remit to the Trustee on each Servicer Business Day, within two Servicer Business Days after receipt, by wire transfer of immediately available funds to the General Subaccount of the Collection Account, an amount equal to the RRB Charge Payments (as calculated in accordance with Annex II 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. Prior to or simultaneous with each Remittance to the General Subaccount of 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) The Servicer may elect to make Remittances less frequently than on a daily basis, and shall be permitted to do so, but in any event shall make Remittances within one calendar month of collection thereof, provided that the Servicer shall send written notice of such election to the Issuer and the Trustee, together with (i) an Officer's Certificate stating that no Servicer Default has occurred and is continuing under this Servicing Agreement, (ii) evidence that the Rating Agency Condition has been satisfied, (iii) evidence of the delivery by the Servicer to the Issuer or the Trustee, as applicable, of any credit enhancement which may be required by the Rating Agencies in connection therewith in form and substance satisfactory to the Issuer and the Trustee, as applicable, the cost of which credit enhancement shall be borne solely by the Servicer, and (iv) an executed copy of any appropriate amendment hereto or to the Indenture or any other Basic Agreement as reasonably requested by the Servicer, the Issuer or the Trustee in connection therewith.

(c) The Servicer agrees and acknowledges that it will remit RRB Charge Payments in accordance with this Section 4.03 without any surcharge, fee, offset, charge or other deduction except for late fees 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 and the Trustee 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 to comply with this 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 and the Trustee 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 in Manchester, New Hampshire, Berlin, Connecticut or at such other office in the United States 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. Nothing in this Section 5.02(b) 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(b).

(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 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. If the Servicer must incur costs to satisfy its obligations hereunder and is required hereunder to advance its own funds with respect to such costs but is unable to do so, the Servicer shall, in accordance with the provisions of Section 8.02(j) of the Indenture, make written request to the Trustee to pay such costs from amounts on deposit in the Servicer Advance Subaccount. Amounts so paid by the Trustee from amounts on deposit in the Servicer Advance Subaccount in accordance with the provisions of Section 8.02(j) of the Indenture shall remain payable as Operating Expenses advanced by the Servicer in accordance with this Section 5.02(d) and Section 8.02(j) of the Indenture.

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, on

which the Issuer is deemed to have relied in entering into this Agreement relating to the servicing of the RRB Property.

(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 now 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 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 consummation of any of the transactions contemplated by this Agreement; or (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.

(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 and post-closing filings in connection therewith.

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 and 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, 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 negligence in the performance of its duties or observance of its covenants under this Agreement (including the Servicer's willful misconduct or 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; and, provided, further, that the Servicer shall not be liable for any Losses, regardless of when incurred, after the Bonds have been paid in full, except as provided in Section 6.02(c).

(c) The Servicer shall indemnify and hold harmless the Trustee, the State of New Hampshire, the Treasurer of the State of New Hampshire, agencies of the State of New Hampshire and any of their 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 negligence in the performance of its duties or observance of its covenants under this Agreement (including the Servicer's willful misconduct or 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 pursuant to Section 6.02(b) or Section 6.02(c) 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

ction, proceeding or investigation, such Indemnified Person shall, if a claim for indemnification in respect thereof is to be made against the Servicer under Section 6.02(b) or Section 6.02(c), 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 Section 6.02(b) or Section 6.02(c), as applicable, 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 Section 6.02(b) or Section 6.02(c), 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 Section 6.02(b) or Section 6.02(c) (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 local counsel), and the Servicer shall bear the reasonable 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 local counsel). 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 Section 6.02(b) or Section 6.02(c), as applicable, (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) Indemnification under Section 6.02(b) and Section 6.02(c) shall survive the resignation or removal of the Trustee and the termination of this Agreement and shall include reasonable fees and out-of-pocket expenses of investigation and litigation (including reasonable attorneys' fees and expenses), except as otherwise

provided in this Agreement.

(f) For purposes of Section 6.02(b) and Section 6.02(c), 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 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.

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) 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 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 and (iv) 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 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 (except that with respect to Moody's it shall be sufficient to provide ten days prior notice) 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 Retirement of the Bonds, the Servicer shall receive an annual fee (the "Servicing Fee") in an amount equal to (i) one-quarter of one percent (0.25%) of the outstanding 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 one and one-half percent (1.5%) of the outstanding 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). The Servicing Fee shall be payable in quarterly installments on each Payment Date. The Servicer also shall be entitled to retain as additional compensation (i) any interest earnings on RRB Charge Payments 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.

(b) The Servicing Fee set forth in Section 6.06(a) and expenses provided for in Section 6.06(c) 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 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 (except that with respect to Moody's it shall be sufficient to provide ten days prior notice); 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 execution by the Servicer of a TPS Service Agreement with any TPS pursuant to applicable NHPUC Regulations. 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 has no employees. Therefore, in carrying out the foregoing duties or any of its other obligations under this Agreement, the Servicer may enter into transactions with or otherwise deal with any of its Affiliates to obtain the services of employees 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. 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) Business Days after written notice of such failure is received by the Servicer from the Issuer or the Trustee; or

(b) any failure on the part of the Servicer duly to observe or to perform in any material respect any other covenants or agreements of the Servicer set forth in this Agreement, which failure shall (a) materially and

adversely affect the rights of the Bondholders and (ii) continue unremedied for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given (A) to the Servicer by the Issuer or (B) to the Servicer by the Trustee or by the Holders of Bonds evidencing not less than 25 percent of the Outstanding Amount of the Bonds; or

(c) any representation or warranty made by the Servicer in this Agreement 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

(d) 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) 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. 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 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(a) or Section 7.01(b).

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 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) and the prior written consent of the Holders of Bonds evidencing not less than a majority of the Outstanding Amount of the Bonds, 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; provided, however, that any amendment of the provisions of Section 4.01 or Section 4.03 shall satisfy the Rating Agency Condition.

(c) If the written consent of Bondholders is required in connection with an amendment hereof, approval by Bondholders of the substance of any proposed amendment or consent shall constitute sufficient consent of the Bondholders pursuant to this Section, and it shall not be necessary that Bondholders approve of the particular form of any amendment or consent.

(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.

(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 (confirmed by telephone, United States mail or courier service in the case of notice by 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

Public Service Company of New Hampshire
1000 Elm Street
Manchester, NH 03105
Facsimile: (860) 665-5457
Telephone: (860) 665-3258
E-Mail: shoopra@nu.com (email)

with a copy to:

Public Service Company of New Hampshire
c/o Northeast Utilities Service Company

if by U.S. Mail:

P.O. Box 270
Hartford, CT 06141-0270

if by courier:

107 Selden Street
Berlin, CT 06037

Attention: Assistant Treasurer - Finance
Facsimile: (860) 665-5457

Telephone: (860) 665-3258
E-Mail: shoopra@nu.com

(b) if to the Issuer, to

PSNH Funding LLc
c/o Public Service Company of New Hampshire
1000 Elm Street
Manchester, NH 03105
Facsimile: (860) 665-5457
Telephone: (860) 665-3258
E-Mail: shoopra@nu.com (email)

with a copy to:

Public Service Company of New Hampshire
c/o Northeast Utilities Service Company

if by U.S. Mail:

P.O. Box 270
Hartford, CT 06141-0270

if by courier:

107 Selden Street
Berlin, CT 06037

Attention: Assistant Treasurer - Finance
Facsimile: (860) 665-5457
Telephone: (860) 665-3258
E-Mail: shoopra@nu.com

(c) if to the Trustee, to

The Bank of New York
101 Barclay Street
Floor 12 East
New York, NY 10286
Attention: ABS Unit
Facsimile: (212) 815-5563
Telephone: (212) 815-5368

(d) if to Moody's, to

Moody's Investors Service, Inc.
99 Church Street
New York, NY 10007
Attention: ABS Monitoring Department
Facsimile: (212) 553-0573
Telephone: (212) 553-3686

(e) if to S&P, to

Standard & Poor's
55 Water Street, 41st Floor
New York, NY 10041

Attention: Asset Backed Surveillance Department
Facsimile: (212) 438-2664
Telephone: (212) 438-2000

(f) if to Fitch, to

Fitch, Inc.
One State Street Plaza
New York, NY 10004
Attention: ABS Surveillance
Facsimile: (212) 514-9879
Telephone: (212) 908-0500
E-mail: surv@fitchratings.com

(g) 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 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 a 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.

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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,
Issuer

By: /s/ Randy A. Shoop

Name: Randy A. Shoop
Title: President

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE,
Servicer

By: /s/ Randy A. Shoop

Name: Randy A. Shoop
Title: Assistant Treasurer - Finance

<PAGE>

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 April 25, 2001 (the "Servicing Agreement"), between the Servicer and PSNH Funding LLC (the "Issuer"), and further certifies on behalf of the Servicer that:

1. 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 Section 3.03 of the Servicing Agreement; and

2. 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.

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

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE,
Servicer

By:

Name:
Title:

<PAGE>

ANNEX A TO EXHIBIT A

LIST OF SERVICER DEFAULTS

Nature of Default	Status

<PAGE>

EXHIBIT B

FORM OF ROUTINE TRUE-UP LETTER

[date]

ADVICE

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION (THE "COMMISSION")

SUBJECT: Periodic RRB Charge True-Up Mechanism Advice Filing

Pursuant to the order of the Commission, DE 99-099 , issued on September 8, 2000 (Order No. 23,550) (the "FINANCE ORDER"), Public Service Company of New Hampshire ("PSNH"), as servicer of the RRBs or any successor Servicer and on behalf of the RRB trustee as assignee of the special purpose entity (the "SPE"), shall apply for adjustment to the RRB Charge not later than 30 days prior to each semiannual anniversary of the RRB transaction closing 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 Charge 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 third party supplier, and whether or not such distribution system is being operated by PSNH or a successor distribution company. The RRB Charge 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 not later than 30 days prior to each semiannual anniversary of the RRB transaction closing 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 sum of 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 Charge. Table I shows the revised assumptions for each of the variables used in calculating the RRB Charge for customers. The assumptions underlying the current RRB Charges were filed in an Issuance Advice Letter, dated _____.

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

TABLE I

INPUT VALUES FOR RRB CHARGE

Forecasted retail kWh sales for the period:

January:_____
February:_____
March:_____
April:_____
May:_____
June:_____
July:_____
August:_____
September:_____
October:_____

November:_____
December:_____
Percent of billed amounts expected to be charged-off:_____
Weighted average days sales outstanding:_____

(calculated as follows)

Percent of billed amounts collected in current month:_____
Percent of billed amounts collected in second month after billing:_____
Percent of billed amounts collected in third month after billing:_____
Percent of billed amounts collected in fourth month after billing:_____
Percent of billed amounts collected in fifth month after billing:_____

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

Current Interest Reserve Subaccount balance:_____
Scheduled Interest Reserve Subaccount balance at the end of the period:_____
Current Overcollateralization Subaccount balance:_____
Scheduled Overcollateralization Subaccount balance at the end of the period:____
Current Capital Subaccount balance:_____
Initial Capital Subaccount balance:_____
Current RRB outstanding balance:_____
Scheduled RRB outstanding balance at the end of the period:_____
Current Reserve Subaccount balance:_____

The adjusted RRB Charge calculated for retail users is as follows:_____(cent)/kWh

EFFECTIVE DATE

In accordance with the Finance Order, Routine True-Up Letters for semiannual RRB Charge adjustments shall be filed not later than 30 days prior to each semiannual anniversary of the RRB transaction closing, 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 semiannual anniversary. In accordance with the Finance Order, Routine True-Up Letters may also be filed as frequently as monthly, with the resulting upward or downward adjustments to the RRB Charge to be effective - absent manifest error in the Routine True-Up Letters - immediately upon the filing of the on the Routine True-Up Letters. 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 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.

nclosures

EXHIBIT C

FORM OF MONTHLY SERVICER CERTIFICATE

Pursuant to Section 4.01(d)(2) of the Servicing Agreement, dated as of April 25, 2001 (the "Agreement"), between Public Service Company of New Hampshire, as servicer (the "Servicer"), and PSNH Funding LLC, 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:

a) Monthly kWh Consumption:
b) Applicable RRB Charge:
c) Total RRB Charge Amount Billed this Month:
d) Cumulative RRB Charge Amount Billed this Remittance Period:

2. REMITTANCES:

a) Total Amount Remitted this Month:
b) Cumulative Amount Remitted this Remittance Period:
c) "RRB %" (calculated in accordance with Annex II to the Agreement) for this Remittance Period:

3. DRAWS ON SUBACCOUNTS:

a) Reserve Subaccount Draw Amount this Month:
b) Cumulative Reserve Subaccount Draw Amount this Remittance Period (net of funding):
c) Overcollateralization Subaccount Draw Amount this Month:
d) Cumulative Overcollateralization Subaccount Draw Amount this Remittance Period (net of funding):
e) Capital Subaccount Draw Amount this Month:
f) Cumulative Capital Subaccount Draw Amount this Remittance Period (net of funding):
g) Interest Reserve Subaccount Draw Amount this Month:
h) Cumulative Interest Reserve Subaccount Draw Amount this Remittance Period (net of funding):
i) Servicer Advance Subaccount Draw Amount this Month:
j) Cumulative Servicer Advance Subaccount Draw Amount this Remittance Period:

<PAGE>

Executed as of this _____ day of _____.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE,
Servicer

By:

Name:

Title:

PAGE>

EXHIBIT D

FORM OF QUARTERLY SERVICER CERTIFICATE

Pursuant to Section 4.01(d)(3) of the Servicing Agreement, dated as of April 25, 2001 (the "Agreement"), between Public Service Company of New Hampshire, as servicer (the "Servicer"), and PSNH Funding LLC, 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. Amount Remitted [Month] [Year]
   viii. Amount Remitted [Month] [Year]
   IX. TOTAL AMOUNT REMITTED FOR THIS PERIOD (SUM OF I. THROUGH VIII. ABOVE):
   x. Net Earnings on Collection Account:
   xi. Expenses Paid to Date:
   XII. GENERAL SUBACCOUNT BALANCE (SUM OF IX. AND X. ABOVE MINUS XI.):
   xiii. Reserve Subaccount Balance
   xiv. Overcollateralization Subaccount Balance
   xv. Capital Subaccount Balance
   xvi. Interest Reserve Subaccount Balance
   xvii. Servicer Advance Subaccount Balance
   XVIII. COLLECTION ACCOUNT BALANCE (SUM OF XII. THROUGH XVII. ABOVE):

2. OUTSTANDING PRINCIPAL BALANCE AS OF PRIOR PAYMENT DATE BY TRANCHE:

   i. Class A-1 Principal Balance Outstanding Bond:
   ii. Class A-2 Principal Balance Outstanding Bond:
   iii. Class A-3 Principal Balance Outstanding Bond:
   IV. TOTAL BOND PRINCIPAL BALANCE:

3. REQUIRED FUNDING/PAYMENTS AS OF CURRENT PAYMENT DATE

PAGE>

A) PROJECTED PRINCIPAL BALANCES AND PAYMENTS

Projected Principal Balance	Quarterly Principal Due
---	---

i. Class A-1 Bond
ii. Class A-2 Bond
iii. Class A-3 Bond
IV. TOTAL PROJECTED PRINCIPAL AMOUNT:

B) REQUIRED INTEREST PAYMENTS

	Bond Interest Rate	Days in Applicable Period	Interest Due
i. Class A-1 Bond			
ii. Class A-2 Bond			
iii. Class A-3 Bond			
IV. TOTAL REQUIRED INTEREST AMOUNT:			

C) PROJECTED SUBACCOUNT PAYMENTS AND LEVELS

	Subaccount	Projected Level	Funding Required
i. Interest Reserve Subaccount:			
ii. Capital Subaccount:			
iii. Overcollateralization Subaccount:			
iv. Servicer Advance Subaccount:			N/A
V. TOTAL SUBACCOUNT PAYMENTS AND LEVELS:			

4. ALLOCATION OF REMITTANCES AS OF CURRENT PAYMENT DATE PURSUANT TO SECTION 8.02(D) OF INDENTURE:

A) QUARTERLY EXPENSES

Net Expense Amount (Payable on Current Payment Date)
i. Trustee Fees and Expenses:
ii. Quarterly Servicing Fee:
iii. Quarterly Administration Fee:
iv. Operating Expenses (subject to $100,000 cap):

V. TOTAL EXPENSES:

B) QUARTERLY INTEREST

	Per $1000 of Original	Aggregate Principal Amount
i. Class A-1 Bond		
ii. Class A-2 Bond		
iii. Class A-3 Bond		
IV. TOTAL QUARTERLY INTEREST:		

C) QUARTERLY PRINCIPAL

	Per $1000 of Original	Aggregate Principal Amount
i. Class A-1 Bond		
ii. Class A-2 Bond		
iii. Class A-3 Bond		
IV. TOTAL QUARTERLY PRINCIPAL:		

D) OTHER PAYMENTS

i. Operating Expenses (in excess of $100,000):
ii. Funding of Interest Reserve Subaccount (to required level):
iii. Funding of Capital Subaccount (to required amount):
iv. Funding of Overcollateralization Subaccount (to required level):
v. Deposits to Reserve Subaccount:
vi. Interest earnings on Capital Subaccount Released to Issuer:
vii. Interest earnings on Servicer Advance Subaccount Released to Issuer:
viii. Operating Expenses Paid From Servicer Advance Subaccount at Request of Servicer:

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 Principal Balance Outstanding Bond:
ii. Class A-2 Principal Balance Outstanding Bond:
iii. Class A-3 Principal Balance Outstanding Bond:
IV. TOTAL BOND PRINCIPAL BALANCE:

B) COLLECTION ACCOUNT BALANCES OUTSTANDING:

i. Interest Reserve Subaccount:
ii. Capital Subaccount:
iii. Overcollateralization Subaccount:
iv. Reserve Subaccount:
v. Servicer Advance Subaccount
VI. TOTAL SUBACCOUNT AMOUNT:

6. SUBACCOUNT DRAWS AS OF CURRENT PAYMENT DATE (IF APPLICABLE, PURSUANT TO SECTION 8.02(E) OR 8.02(J) OF INDENTURE):

i. Interest Reserve Subaccount:
ii. Capital Subaccount:
iii. Overcollateralization Subaccount:
iv. Reserve Subaccount:
v. Servicer Advance Subaccount:
VI. TOTAL SUBACCOUNT DRAWS:

7. SHORTFALLS IN INTEREST AND PRINCIPAL PAYMENTS AS OF CURRENT PAYMENT DATE (IF APPLICABLE):

A) QUARTERLY INTEREST SHORTFALL

i. Class A-1 Bond

ii. Class A-2 Bond

iii. Class A-3 Bond

IV. TOTAL QUARTERLY INTEREST SHORTFALL:

B) QUARTERLY PRINCIPAL SHORTFALL

i. Class A-1 Bond

ii. Class A-2 Bond

iii. Class A-3 Bond

IV. TOTAL QUARTERLY PRINCIPAL SHORTFALL:

8. SHORTFALLS IN REQUIRED SUBACCOUNT LEVELS AS OF CURRENT DISTRIBUTION DATE:

i. Interest Reserve Subaccount

ii. Capital Subaccount

iii. Overcollateralization Subaccount:

IV. TOTAL SUBACCOUNT SHORTFALLS:

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Quarterly Servicer Certificate this ___ day of ____, ____.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE,
Servicer

By:

Name:
Title:

SCHEDULE 4.01(a)

EXPECTED AMORTIZATION SCHEDULE

OUTSTANDING PRINCIPAL AMOUNT

<TABLE>
<CAPTION>

Payment Date	Class A-1	Class A-2	Class A-3
<S>	<C>	<C>	<C>
Closing	$75,211,483	$214,649,395	$235,139,122
11/1/01	57,592,606	214,649,395	235,139,122
2/1/02	43,797,063	214,649,395	235,139,122
5/1/02	28,368,117	214,649,395	235,139,122
8/1/02	20,697,824	214,649,395	235,139,122
11/1/02	14,392,034	214,649,395	235,139,122
2/1/03	7,780,415	214,649,395	235,139,122
5/1/03	(0)	214,649,395	235,139,122
8/1/03	0	206,917,868	235,139,122
11/1/03	0	197,869,570	235,139,122
2/1/04	0	189,598,432	235,139,122
5/1/04	0	180,590,351	235,139,122
8/1/04	0	172,246,415	235,139,122
11/1/04	0	162,796,874	235,139,122
2/1/05	0	154,148,908	235,139,122
5/1/05	0	144,473,833	235,139,122
8/1/05	0	135,568,653	235,139,122
11/1/05	0	125,605,470	235,139,122
2/1/06	0	116,266,274	235,139,122
5/1/06	0	106,175,553	235,139,122
8/1/06	0	96,723,253	235,139,122
11/1/06	0	86,167,370	235,139,122
2/1/07	0	76,211,779	235,139,122
5/1/07	0	65,563,711	235,139,122
8/1/07	0	55,515,784	235,139,122
11/1/07	0	44,346,853	235,139,122
2/1/08	0	33,748,007	235,139,122
5/1/08	0	22,498,547	235,139,122
8/1/08	0	11,818,671	235,139,122
11/1/08	0	0	235,139,122
2/1/09	0	0	223,861,093
5/1/09	0	0	211,970,981
8/1/09	0	0	200,623,964
11/1/09	0	0	188,113,319
2/1/10	0	0	176,150,999
5/1/10	0	0	163,545,614
8/1/10	0	0	151,478,734
11/1/10	0	0	138,246,734

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<PAGE>

<TABLE>

<S>	<C>	<C>	<C>
2/1/11	0	0	125,549,313
5/1/11	0	0	112,194,918
8/1/11	0	0	99,366,197
11/1/11	0	0	85,367,758
2/1/12	0	0	71,905,110
5/1/12	0	0	57,742,177
8/1/12	0	0	44,103,087
11/1/12	0	0	29,294,415
2/1/13	0	0	14,974,162
5/1/13	0	0	0

</TABLE>

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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.

"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

<PAGE>

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 the Servicer Polices and Practices.

(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, (B) would not materially adversely affect the Bondholders, 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 one Servicer Business Day after receipt.

(c) Investment of RRB Charge Payments Received. Prior to remittance on the applicable Remittance Date, the Servicer may invest RRB Charge Payments 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 Payments invested by it.

(d) Calculation of 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 RRB Charge Payments calculated in accordance with the methodology described in Annex II attached to the Agreement.

(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.

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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 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.

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ANNEX II

REMITTANCE METHODOLOGY

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RENEWAL OF SERVICE CONTRACT
NORTHEAST UTILITIES SERVICE COMPANY AND
THE CONNECTICUT LIGHT AND POWER COMPANY

AGREEMENT, made and entered into as of the thirty-first day of December, 2010, by and between Northeast Utilities Service Company ("Service Company") and The Connecticut Light and Power Company ("Associate Company").

WHEREAS, the Service Contract between Service Company and Associate Company, as amended as of December 31, 2006, expires as of December 31, 2010; and

WHEREAS, both companies deem it to be in their best interests to renew the Service Contract for an additional period of one year on the same terms and conditions;

NOW, THEREFORE, in consideration of the promises and of the mutual agreements herein contained, it is agreed as follows:

(1) The Service Contract between Service Company and Associate Company is hereby renewed as of January 1, 2011, for a period of one year; and

(2) All terms and conditions of the Service Contract shall continue in full force and effect during such renewal period.

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

NORTHEAST UTILITIES SERVICE COMPANY

Attest:

By: Randy Shoop
Name: Randy A. Shoop
Title: Vice President and Treasurer

O. Kay Comendul
Assistant Secretary

THE CONNECTICUT LIGHT AND POWER COMPANY

Attest:

By: Randy Shoop
Name: Randy A. Shoop
Title: Vice President and Treasurer

O. Kay Comendul
Assistant Secretary

\corpsec\annual subs\12.december\CL&P Renewal.doc

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Exhibit 1E

Lease

The Rocky River Realty Company

To

Northeast Utilities Service Company

As of April 14, 1992

Project Lease

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Appendix A. Definitions

Schedules

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PROJECT LEASE

THIS LEASE, dated as of April 14, 1992, by and between THE ROCKY RIVER REALTY COMPANY, a corporation duly organized and existing under the laws of the State of Connecticut (hereinafter the "Landlord"), and NORTHEAST UTILITIES SERVICE COMPANY, a corporation duly organized and existing under the laws of the State of Connecticut (hereinafter the "Tenant"),

W I T N E S S E T H:

That in consideration of the rents, covenants and conditions herein set forth, Landlord and Tenant do hereby covenant, promise and agree as follows:

[See the Appendix of Definitions attached hereto and made a part hereof as Appendix A for definitions of all capitalized terms used in this Lease.]

Section 1. DEMISED PREMISES: Landlord does hereby demise and lease to Tenant, and Tenant does hereby hire and lease from Landlord, (a) that certain parcel of land, together with the buildings and improvements now or hereafter located thereon, located on the easterly side of Selden Street in the Town of Berlin, County of Hartford, State of Connecticut, more particularly described on Schedule A attached hereto and made a part hereof, said parcel being a portion of the land of Landlord described on Schedule D attached hereto, and made a part hereof, (b) each of the appurtenances as set forth on Schedule A-1 attached hereto and made a part hereof, and (c) the personal property more particularly described in Schedule A-2 attached hereto and made a part hereof (said real property, including buildings and improvements now or hereafter located thereon, appurtenances and personal property are hereinafter called the "Demised Premises"), reserving, however, to the Landlord and its assigns, the rights to enter upon and to use the Demised Premises, or portions thereof, as set forth in Schedule A-3 hereto and made a part hereof.

Section 2. LEASE TERM: The term of this Lease ("Lease Term") shall commence as of April 14, 1992 and shall, unless sooner terminated pursuant to the terms and conditions of this Lease, terminate on April 14, 2017.

Section 3. DEMISED PREMISES LEASED AS IS: Tenant has thoroughly inspected the Demised Premises, the condition of title, and any governmental statutes, ordinances, regulations, codes and reports relating thereto and is fully satisfied with the Demised Premises in all respects and accepts the same as is.

Tenant acknowledges that neither Landlord nor its representatives, agents or employees have made any representation or promise as to the condition of any element or aspect of the Demised Premises, its habitability, fitness for a particular purpose or for possession, or compliance with any applicable land use or zoning law or other restrictions to which the Demised Premises may be subject, upon which Tenant has relied.

Section 4. RENT: (a) Base Rent. During the Lease Term, Tenant shall pay to Landlord Base Rent in the amounts and in the manner described in Schedule B attached hereto and made a part hereof. Notwithstanding any law, rule, policy or court decision to the contrary, and in order to induce Landlord to enter into this Lease, the Base Rent shall be payable free of set-off, counterclaim, abatement or reduction.

(b) Additional Rent. The Base Rent herein specified shall be completely net to Landlord. Accordingly, all costs, expenses and obligations of every kind related to the Demised Premises or related to Landlord's ownership thereof, or related to this Lease, that may arise, become due or relate to any event occurring during the Lease Term ("Additional Rent"), whether or not the same are designated as "Additional Rent", shall be paid by Tenant, and Tenant shall indemnify Landlord against and hold Landlord harmless from all such costs, expenses and obligations. Tenant shall pay Additional Rent required to be paid by Tenant under the terms of this Lease, as and when the same are due under the terms of the Lease, where specified, or within seven (7) days of receipt of written notice from Landlord, where any due date is not specified in the Lease. Notwithstanding any law, rule, policy or court decision to the contrary, all Additional Rent shall be payable without abatement, deduction or offset.

(c) Default Interest. If Tenant shall fail to pay when due any Base Rent or Additional Rent, such unpaid amounts shall bear interest from the due date thereof to the date of payment at the Interest Rate. This provision shall not be construed to extend the date of payment of any such sums or to relieve Tenant of its obligation to pay any such sums at the time or times herein stipulated. For the purposes of this Lease, the term "Interest Rate" shall be the lower of (a) the highest rate allowed by applicable law or (b) the interest rate applicable to any overdue principal amount as provided under the Notes.

(d) Prohibitions. Notwithstanding any law, rule, policy or court decision to the contrary, and in order to induce Landlord to enter into this Lease, no abatement, diminution, or reduction of Base Rent, Additional Rent, charges, or other compensation shall be claimed by or allowed to Tenant or any persons claiming under Tenant, without the Landlord's consent, under any circumstances, whether for inconvenience, discomfort, interruption of business, or otherwise arising from the making of

alterations, changes, additions, improvements, or repairs to any buildings now on or which may hereafter be erected on the Demised Premises, by virtue or because of any present or future governmental laws, ordinances, requirements, orders, directions, rules or regulations or by virtue or arising from, and during, the restoration of the Demised Premises after the destruction or damage thereof by fire or other cause (notwithstanding that Landlord shall make all or a portion of the insurance proceeds available to Tenant pursuant to Section 12 hereof) or the taking or condemnation of a portion only of the Demised Premises as set forth in Section 13 hereof (notwithstanding that Landlord shall make all or a portion of a condemnation award available to Tenant pursuant to Section 13 hereof), or arising from any other cause or reason.

Section 5. INSURANCE: (a) Insurance. Tenant will maintain insurance with respect to the Demised Premises in the types and amounts provided for in the Note Agreement, and Tenant shall pay as Additional Rent all costs, fees and expenses, including attorneys fees, incurred by Landlord in maintaining such insurance. Such insurance shall (i) as to liability insurances, name the Trustee and the Tenant as additional insureds as their respective interests may appear, [(ii) provide that no action by Landlord or Tenant or any other person shall void such policy as to the Trustee,] (iii) provide that for effective cancellation, the Tenant and the Trustee shall be notified of any proposed cancellation of such policy at least thirty (30) days in advance thereof and (iv) allow the Tenant or the Trustee to correct any deficiency giving rise to such proposed cancellation.

(b) Indemnification. Tenant shall indemnify and hold harmless the Landlord and any holder of an interest in this Lease from and against any and all loss or damage to persons or property which may be asserted against the Landlord and any holder of an interest in this Lease by reason of the ownership or operation of the Demised Premises under any workers' compensation laws or by reason of any common law or other liability incident in any way to the ownership or operation of the Demised Premises. Tenant may at its election and at its expense procure insurance against any or all such loss or damage.

Section 6. UTILITIES: Tenant shall be entitled to use all existing utility connections, fixtures, risers and services but Landlord shall be under no obligation to furnish utilities to the Demised Premises. Tenant shall pay directly to providers of such services, as Additional Rent, all utilities and services, including, but not limited to, gas, electricity, light, heat, power and telephone, used or consumed or furnished to the Demised Premises, as and when the charges for the same shall become due and payable.

Section 7. REPAIRS, OPERATION AND MAINTENANCE: General Repair, Operation and Maintenance Obligations.

(a) The Landlord shall not be required to make any repairs or improvements of any kind to the Demised Premises.

(b) The Tenant shall, at all times during the Lease Term, and at its own cost and expense, keep and maintain in good order and condition, ordinary wear and tear excepted, the Demised Premises, including all buildings and improvements on the Demised Premises at the commencement of the Lease Term and thereafter erected on the Demised Premises, or forming part thereof, and their full equipment and appurtenances, and make all repairs thereto and restorations, replacements, and renewals thereof, both inside and outside, structural and nonstructural, extraordinary and ordinary, foreseen or unforeseen, howsoever the necessity or desirability for repairs may occur, and whether or not necessitated by latent defects or otherwise and shall use all reasonable precaution to prevent waste, damage, or injury.

(c) The Tenant shall also, at its own cost and expense, put, keep, replace, and maintain in thorough repair and in good, safe, and substantial order and condition, and free from dirt, snow, ice, rubbish, and other obstructions or encumbrances, parking areas, the sidewalks, areas, coalchutes, sidewalk hoists, railings, gutters, and curbs within, in front of, and adjacent to the Demised Premises.

(d) Without limiting the foregoing, the Tenant shall be responsible for any and all operation and maintenance costs of the Demised Premises, and the costs to Landlord of maintaining, upgrading, replacing or repairing any fixture, utility fixture, road, appurtenance, including without limitation the appurtenances listed on Schedule A-1 hereto, or any other improvement that Tenant may use or benefit from, in common with Landlord or any other tenants of Landlord, in proportion to Tenant's pro-rata use or benefit of such improvement.

(e) The Landlord shall not be required to furnish to Tenant any facilities or services of any kind whatsoever during the term, such as, but not limited to, water, steam, heat, gas, hot water, electricity, light, and power. The Landlord shall in no event be required to make any alterations, rebuildings, replacements, changes, additions, improvements, or repairs during the Lease Term.

Section 8. QUIET ENJOYMENT: Landlord warrants that it is the owner of the Demised Premises in fee simple and has good right and lawful authority to enter into this Lease, and that Landlord will suffer and permit the Tenant (it keeping all the covenants on its part, as hereafter contained) to occupy, possess, and enjoy the Demised Premises, without hindrance or

molestation from it or any person claiming, by, from or under it, except with respect to applicable present and future laws, and those matters listed on Schedule A-4 attached hereto and made a part hereof ("Permitted Encumbrances").

Section 9. USE OF DEMISED PREMISES: The Demised Premises may be used for any purposes whatsoever, provided that Tenant shall not use or occupy, or permit the Demised Premises, or any part thereof, to be used or occupied for any unlawful business, use, or purpose, nor for any business, use or purpose reasonably deemed disreputable or extra-hazardous by Landlord, nor for any purpose or in any manner which is in violation of any present or future governmental laws or regulations or which would impair or negate the insurance coverage required hereunder. The Tenant shall promptly after the earlier of discovery or notice of any such unpermitted, unlawful, disreputable or extra-hazardous use, take all necessary steps, legal and equitable, to compel the discontinuance of such use. The Tenant shall indemnify the Landlord against all costs, expenses, liabilities, losses, damages, injunctions, suits, fines, penalties, claims and demands, including without limitation, attorneys' fees, arising out of any violation or default of these covenants. Tenant shall not use or occupy the Demised Premises or any part thereof so that the buildings or any other improvements thereon will not be insurable by a responsible insurance company or companies against loss or damage, without additional premium.

Section 10. ASSIGNMENT, SUBLETTING AND MORTGAGING BY TENANT: (a) Except as otherwise provided in this Section 10, Tenant shall not, by operation of law or otherwise, assign, mortgage or encumber this Lease, or without Landlord's prior written consent, sublet or assign any of its interests in the Demised Premises or any part thereof or permit the Demised Premises or any part thereof to be used or occupied by others, without Landlord's prior written consent in each instance, which consent shall not be unreasonably withheld.

(b) Notwithstanding any provision of this Lease to the contrary, provided no default exists by the Tenant under this Lease, Tenant may, without the consent of Landlord but after notice to Landlord:

(i) Enter into any of the permitted subleases set forth on Schedule C hereto which is made a part hereof ("Permitted Subleases"), provided, however, that the total area demised by such Permitted Subleases, and any and all other subleases entered by Tenant with respect to the Demised Premises, shall not exceed the limitation set forth in subsection (iv) of this Section 10(b);

(ii) Sublet any part of the Demised Premises to any parent, affiliate or wholly owned subsidiary of Tenant;

(iii) Assign this Lease in its entirety to an entity into which Tenant is merged or consolidated or to which all or substantially all of Tenant's assets and business as a continuing concern are transferred, or to any entity which controls or is controlled by Tenant or is under common control with Tenant provided, that in any of such events the entity succeeding to Tenant has a net worth computed in accordance with generally accepted accounting principles equal to or greater than (1) the net worth of Tenant at the date immediately prior to such merger, consolidation or transfer, or (2) the net worth of Tenant on the date of this Lease, whichever is greater; or

(iv) Sublet up to fifteen (15%) percent of the total space, existing from time to time, in buildings and other structures located on the Demised Premises, to any sublessees that provide services or products to Tenant or to any parent, affiliate, or wholly-owned subsidiary of Tenant, or to the employees of any of the foregoing.

(c) Notwithstanding any provision of this Lease to the contrary, Tenant shall remain at all times primarily, jointly, and severally liable under this Lease despite any subletting or assignment, except that in connection with a permitted assignment pursuant to subparagraph (b) (iii) above, Tenant shall be released from any and all future obligation or liability hereunder upon delivery to Landlord of (i) a duplicate original of the assignment, (ii) an agreement wherein the assignee assumes or agrees to keep, observe, and perform all obligations to be kept, performed and observed under this Lease on the part of the Tenant, and (iii) a document evidencing the prior written consent to release of the Tenant duly executed by any and all parties, including any person or entity to whom Landlord has collaterally assigned, pledged or otherwise mortgaged its interest in the Demised Premises or this Lease.

Section 11. COMPLIANCE WITH LAWS, ETC.. Tenant shall, at its sole cost and expense, promptly observe and comply with all present and future laws, ordinances, requirements, orders, directions, rules and regulations, of all governmental and regulatory authorities having or claiming jurisdiction over, or affecting, the Demised Premises or any part thereof.

Section 12. DAMAGE BY FIRE OR OTHER CASUALTY: (a) General Obligations. If the Demised Premises, or any part thereof, shall be damaged or destroyed by fire, other casualty, condemnation or other taking as provided in Section 13 hereof, whether or not said damage or destruction shall have resulted from the fault or neglect of Landlord or Tenant or their respective servants, invitees, employees, agents, visitors or licensees and whether or not proceeds sufficient to restore or rebuild are available, notwithstanding any law, rule, policy or

court decision to the contrary, and in order to induce Landlord to enter into this Lease, this Lease shall continue in full force and effect and Tenant shall, with reasonable diligence, repair or replace such damage or destruction, at its sole cost and expense; provided, however, that the provisions of this Subsection shall not apply if this Lease is terminated pursuant to Section 13(a) hereof.

(b) Rental Payments Continue; Use of Insurance Proceeds. As provided in Section 4(c) hereof, Tenant's obligation to make payments of Base Rent and Additional Rent shall continue unabated notwithstanding partial destruction or taking of the Demised Premises (other than a taking which terminates the Lease pursuant to Section 13(a) hereof); provided, however, that to the extent that Tenant actually makes such repairs and replacements as are covered by the proceeds of any condemnation award or any insurance covering the interests of both Landlord and Tenant (and any assignee of Landlord's interest therein, including the Trustee), and Tenant continues to make timely payment to Landlord of all Base Rent, Additional Rent, and other charges payable hereunder, Landlord shall make any such proceeds actually received by it available to Tenant in accordance with all of the provisions of Sections 12 and 13 hereof, and Tenant shall be entitled to apply such proceeds to the costs of such repairs and replacements. Any amount of such proceeds which is in excess of the cost of such replacements or repairs shall be the sole property of the Landlord.

(c) Notice of Loss. The Tenant shall give the Landlord and the Trustee prompt notice of any loss covered by insurance and the Landlord shall have the right to join the Tenant in adjusting any loss.

(d) Restoration of the Demised Premises. In the event of damage or destruction of the Demised Premises, or any part thereof, as a result of casualty, condemnation, taking or other cause, the Tenant shall give prompt written notice thereof to the Landlord and the Trustee, and (except in the event of a condemnation or other taking by which this Lease is terminated under Section 13(a) hereof), the Tenant shall promptly commence and diligently continue to perform the repair, restoration and rebuilding of that portion of the Demised Premises so damaged or destroyed (hereinafter, the "Work") so as to restore the Demised Premises in full compliance with all legal requirements and so that the Demised Premises shall be at least equal in value and general utility as they were prior to the damage or destruction, and the Tenant shall, prior to the commencement of the Work, furnish to the Landlord for its approval: (i) complete plans and specifications for the Work, with satisfactory evidence of the approval thereof (a) by all governmental authorities whose approval is required, (b) by all parties to or having an interest in this Lease, including without limitation the Trustee, whose

approval is required, and (c) by an architect reasonably satisfactory to the Landlord (hereinafter, the "Architect") and which shall be accompanied by the Architect's signed estimate, bearing the Architect's seal, of the entire cost of completing the Work; (ii) certified or photostatic copies of all permits and approvals required by law in connection with the commencement of the Work and as and when obtainable, the conduct of the Work and (iii) a surety bond and/or guaranty of the payment for and completion of the Work, which bond or guaranty shall be in form and substance satisfactory to the Landlord and shall be signed by a surety or sureties, or guarantor or guarantors, as the case may be, who are acceptable to the Landlord, and in an amount not less than the Architect's estimate of the entire cost of completing the Work, less the amount of insurance proceeds (or condemnation award), if any, then held by the Landlord for application toward the cost of the Work.

The Tenant shall not commence any of the Work until the Tenant shall have complied with the applicable requirements referred to in this Section 12(d), and after commencing the Work the Tenant shall perform the Work diligently and in good faith in accordance with the plans and specifications referred to in this Section 12(d).

The Tenant shall pay the full cost of any repairs or restorations to the Demised Premises which cost is not covered by the proceeds of any insurance or condemnation award, whether or not any such proceeds or award is available.

(e) Restoration; Advances. In the event that the Landlord recovers insurance proceeds (or, in the case of condemnation or taking, the award therefor) on account of damage or destruction to the Demised Premises, such proceeds or award (if any) less the cost, if any, to the Landlord of such recovery and of paying out such proceeds (including reasonable attorneys' fees and costs allocable to inspecting the Work and the plans and specifications therefor), shall be applied by the Landlord to the payment of the cost of the Work and shall be paid out from time to time to the Tenant and/or, at the Landlord's option exercised from time to time, directly to the contractor, subcontractors, materialmen, laborers, engineers, architects and other persons rendering services or materials for the Work, as said Work progresses except as otherwise hereinafter provided, but subject to the following conditions, any of which the Landlord may waive:

(i) the Architect shall be in charge of the Work;

(ii) each request for payment shall be made on seven (7) days' prior notice to the Landlord and shall be accompanied by (a) a certificate of the president or chief financial officer of the Tenant, specifying the party to whom (and for the account of which) such payment is to be made and (b) a certificate of the

Architect if one be required under subsection (d) above, otherwise by a certificate of the president or chief financial officer of the Tenant, as applicable, stating (1) that all of the Work completed has been done in compliance with the approved plans and specifications, if any be required under said subsection (d), and in accordance with all provisions of law; (2) the sum requested is justly required to reimburse the Tenant for payments by the Tenant to, or is justly due to, the contractor, subcontractors, materialmen, laborers, engineers, architects or other persons rendering services or materials for the Work (giving a brief description of such services and materials), and that when added to all sums, if any, previously paid out by the Landlord does not exceed the value of the Work done to the date of such certificate, and (3) that the amount of such proceeds remaining in the hands of the Landlord, will be sufficient on completion of the Work to pay for the same in full (giving in such reasonable detail as the Landlord may require an estimate of the cost of such completion);

(iii) each request shall be accompanied by waivers of liens, or if unavailable, lien bonds, satisfactory to the Landlord covering that part of the Work previously paid for, if any, and by a search prepared by a title insurance company satisfactory to the Landlord or by Landlord's counsel or by other evidence satisfactory to the Landlord, that there has not been filed with respect to the Demised Premises any mechanic's lien or other lien or instrument for the retention of title in respect of any part of the Work not discharged of record and that there exist no encumbrances on or affecting the Demised Premises (or any part thereof) other than encumbrances, if any, existing as of the date hereof and which have been approved by the Landlord;

(iv) no event shall have occurred and be continuing which with the passage of time or the giving of notice, or both, would constitute an Event of Default pursuant to Section 20 hereof; and

(v) the request for any payment after the Work has been completed shall be accompanied by certified copies of all certificates, permits, licenses, waivers and/or other documents required by law (or pursuant to any agreement binding upon the Tenant or affecting the Demised Premises or any part thereof) to render occupancy of the Demised Premises legal.

Any such proceeds or award remaining in the Landlord's hands after the completion of the Work and payment in full therefor, or upon the Tenant's failure to commence and diligently complete the Work, shall be the sole property of the Landlord, and the Landlord shall owe no duty to account therefor to Tenants or to apply the same to the amounts due to the Landlord from the Tenant hereunder.

(f) Restoration by the Tenant. If within one hundred twenty (120) days after the occurrence of any damage or destruction to the Demised Premises, the Tenant shall not have submitted to the Landlord and received the Landlord's approval of plans and specifications for the repair, restoration and rebuilding of the Demised Premises so damaged or destroyed (approved by the Architect and by all governmental authorities and other persons or entities, if any, whose approval is required), or if, after such plans and specifications are approved by all such governmental authorities and other persons or entities, if any, and the Landlord, the Tenant shall fail to commence promptly such repair, restoration and rebuilding, or if thereafter the Tenant fails diligently to continue such repair, restoration and rebuilding or is delinquent in the payment to mechanics, materialmen or others of the costs incurred in connection with such Work, or if the Tenant shall fail to repair, restore and rebuild promptly the Demised Premises so damaged or destroyed, then, in addition to all other rights herein set forth, and after giving the Tenant ten (10) days' written notice of the nonfulfillment of one or more of the foregoing conditions, the Landlord, Trustee or any lawfully appointed receiver of the Demised Premises, may at their respective options, perform or cause to be performed such repair, restoration and rebuilding, and may take such other steps as they deem advisable to perform such repair, restoration and rebuilding, and upon twenty-four (24) hours' prior written notice to the Tenant, the Landlord may enter upon the Demised Premises to the extent reasonably necessary or appropriate for any of the foregoing purposes, and the Tenant hereby waives, for the Landlord and all others holding an interest in Landlord's interest in this Lease, including the Trustee, any claim against the Landlord, Trustee and such receiver arising out of anything done by the Landlord, Trustee or such receiver pursuant hereto, and the Landlord, Trustee or such receiver, may, at its option, apply insurance proceeds (without the need by the Landlord or Trustee to fulfill any other requirements of this Lease) to reimburse the Landlord or Trustee and/or such receiver for all amounts expended or incurred by them, respectively, in connection with the performance of such Work, and any excess costs shall be paid by the Tenant to the Landlord upon demand, and such payment of excess costs shall be deemed Additional Rent and due on demand.

(g) Waiver. In order to induce Landlord to enter into this Lease, Tenant hereby expressly waives the provisions of any statute or law granting to Tenant the right or option to continue or terminate this Lease or to remain in or vacate the Demised Premises in the event of damage thereto or destruction thereof, and Tenant hereby agrees that the provisions of this Section shall govern and control in lieu of the provisions of any such statute or law.

Section 13. EMINENT DOMAIN: (a) Termination on Complete Taking. Notwithstanding anything to the contrary in Section 12 hereof, if the Demised Premises or such part thereof as would render the remainder of the Demised Premises unusable for the conduct of Tenant's operations on the Demised Premises as they are then being conducted (as determined by Landlord in its reasonable discretion) shall be taken in condemnation proceedings or by virtue of the exercise of eminent domain or for any public or quasi public improvement or use, Tenant's obligations under this Lease, including the obligation to pay Base Rent and Additional Rent hereunder, shall continue up to and including the later of (i) the date that actual possession of the Demised Premises, or that portion thereof, is taken by the condemning authority, if this Lease has not been terminated by the condemning authority, or (ii) the date that this Lease is terminated by the condemning authority and title to the Demised Premises or the part so taken has vested in the condemning authority, upon which date this Lease shall terminate as though the Lease Term had expired. If this Lease is terminated as a result of any such taking as provided in this Subsection, Tenant shall have no right to any part of the damages assessed for the taking of the Demised Premises. All sums recovered or awarded for such taking or for damages for such taking shall belong to and are hereby assigned to Landlord.

(b) Partial Taking. In the event this Lease shall not be terminated as a result of a taking pursuant to Section 13(a) above, the Tenant shall, with reasonable diligence, repair and restore that portion of the Demised Premises not so taken, and the Landlord shall make all or a portion of the condemnation award (up to the amount of the cost of such repairs and restoration), when received, available to Tenant for application toward such costs in the manner otherwise specified in Section 12 in the case of casualty. No repairs or restoration shall be commenced without the prior written approval of Landlord, which approval shall not be unreasonably withheld. Tenant's obligation to pay Base Rent and Additional Rent shall continue, without abatement, deduction or offset, notwithstanding the foregoing.

(c) Waiver. In order to induce Landlord to enter into this Lease, Tenant hereby expressly waives the provisions of any statute or law granting to Tenant any rights or options that affect the agreements of the parties contained in this Section, and Tenant agrees that the provisions of this Section shall govern and control in lieu of the provisions of any such statute or law.

Section 14. ASSIGNMENT OF RENTS AND ATTORNMENT:

(a) Assignments. Landlord may assign all right, title and interest in, to and under this Lease, including all rights to consent, approve, or exercise any option or election, rents,

issues, profits and proceeds (including, without limitation, casualty and condemnation proceeds) payable now or hereafter to Landlord from Tenant under this Lease, to the Trustee, or to any bank, insurance company or similar financial institution which shall have the same rights and duties as the Trustee hereunder, whether or not such assignee is the holder of any mortgage and, upon written notice from Landlord, Tenant will make such rent and/or other payments, as and when due under this Lease, directly to any such assignee designated by Landlord.

(b) Tenant's Duties to the Trustee. Without limitation of any other agreement entered into between the Trustee and the Tenant, Landlord and Tenant agree so long as Landlord has any outstanding monetary obligations to Trustee or any of the owners of the Notes, the following provisions shall apply:

(i) There shall be no cancellation, surrender, or modification of this Lease by joint action of Landlord and Tenant without the prior consent in writing of the Trustee;

(ii) Tenant shall, upon sending Landlord any notice of default pursuant to Section 21 hereof, simultaneously send a copy of such notice to the Trustee, and no such notice to Landlord shall be effective unless such copy is sent to the Trustee. Tenant agrees that the Trustee shall, after receipt of such notice, have the right to cure or cause the cure of any default of Landlord hereunder, for the same cure period permitted to Landlord hereunder, and Tenant agrees to accept such performance by or at the instigation of the Trustee as if the same had been done by Landlord.

(iii) In the event that the Trustee acquires Landlord's interest hereunder by judicial proceedings or otherwise, then, upon written request of the Trustee, Tenant agrees to accept the Trustee as a party to this Lease, to re-execute a lease upon substantially the same terms and conditions as this Lease for the then remaining term hereof, and to accord the Trustee full right, title, interest and privileges accorded to Landlord hereunder. In any such event, the Trustee shall not be liable for any prior acts or omissions of the Landlord.

(iv) Tenant shall, on or before ten (10) days after a request by the Trustee or Landlord, execute, acknowledge and deliver to the Trustee an agreement, prepared at Landlord's sole cost and expense, in form satisfactory to Landlord and Trustee, between Landlord, Tenant and the Trustee, memorializing all of the provisions of this Section 14 and further assent to the terms of the assignment by Landlord of its interests hereunder to the Trustee, and such other documentation as Trustee reasonably requests from time to time.

Section 15. ALTERATIONS, INSTALLATIONS AND CHANGES. Tenant may, at its sole cost and expense, from time to time redecorate the Demised Premises and make such alterations, installations and changes in such parts thereof as it shall deem necessary or desirable for its purposes; provided, however, that no alteration, installation or change costing in excess of $1,000,000.00 shall be commenced without the prior written approval of Landlord, which approval shall not be unreasonably withheld. All alterations, improvements, renewals and replacements made in or upon the Demised Premises by Tenant shall immediately belong to Landlord and become part of the Demised Premises.

Section 16. SIGNS. With the prior written consent of Landlord, Tenant shall, at its own expense, have the right to install, maintain, change and remove any signs on the Demised Premises. Tenant may continue to maintain any existing signs on other land of the Landlord, in their current locations, at Tenant's sole expense, subject to the right of Landlord to terminate such right, upon thirty (30) days advance written notice to Landlord. All such signs shall be erected and maintained in accordance with all laws and regulations pertaining thereto. Upon the termination of this Lease, Tenant shall remove any such signs and restore the areas occupied by such signs to the condition existing prior to the installation thereof.

Section 17. ACCESS TO DEMISED PREMISES. Tenant shall permit Landlord or Landlord's agents to enter upon the Demised Premises, at all reasonable hours, for the purpose of inspecting the same.

Section 18. IMPROVEMENTS AND TRADE FIXTURES AT END OF TERM: (a) Improvements to Demised Premises. At the expiration or earlier termination of the Lease Term, Tenant shall surrender to Landlord the Demised Premises, together with all alterations, improvements, renewals and replacements thereof, in good order, condition and state of repair, ordinary wear and tear excepted.

(b) Trade Fixtures. All non-structural installations made by and at the expense of Tenant for the purpose of the conduct of its business on the Demised Premises (hereinafter referred to as "Trade Fixtures") shall at all times be and remain the sole property of Tenant and may be removed by Tenant at any time during, or at the end of, the Lease Term, provided that the same can be removed without structural damage to the Demised Premises and Tenant places the Demised Premises in the same condition as they were prior to the installation or placement of the Trade Fixtures on the Demised Premises.

Section 19. CURING TENANT'S DEFAULTS: If Tenant shall be in default in the performance of any of the agreements, conditions, covenants or terms of this Lease beyond applicable

notice and grace periods, or in the payment of any amounts required to be paid hereunder by Tenant, including, without limitation, payment of premiums in connection with any insurance policies required to be maintained pursuant to the terms hereof, any other charges under this Lease, repair and maintenance obligations, keeping the Demised Premises free of any mechanics or other liens, or making any other payment or performing any other act on Tenant's part to be paid or performed as provided herein, then Landlord may, but shall not be obligated to, upon thirty (30) days written notice to Tenant or without notice in an emergency, pay or perform the same for the account of Tenant without waiving the performance of or releasing Tenant from any of Tenant's agreements, obligations or covenants hereunder. Any amount paid, or any expenses or liability incurred, including attorneys' fees, by Landlord for the account of the Tenant as aforesaid, shall be deemed to be Additional Rent, payable immediately upon demand. The foregoing remedy shall be in addition to and not in limitation of all of the rights and remedies of Landlord described in this Lease.

Section 20. DEFAULTS: (a) Events of Default. Each of the following shall be deemed an Event of Default by Tenant hereunder and a breach of this Lease:

(i) A failure by Tenant in the payment of the Base Rent, any Additional Rent or any other charges due hereunder within thirty (30) days after its due date; (ii) a default in the performance or observance of any other covenant, condition or provision of this Lease to be performed or observed by Tenant and continuing for a period of thirty (30) days after the earlier to occur of (A) Tenant's obtaining actual knowledge of such default or (B) Tenant's receipt of written notice of such default; provided, however, that in the case of any such default which cannot be cured by the payment of money but which is otherwise curable, if such default cannot be cured within such thirty (30) day period, then and so long as the Landlord is not (and could not reasonably be expected to be) materially adversely affected by such default and so long as the Tenant is proceeding with due diligence to cure such default and is submitting periodic reports on request of Landlord with respect to the efforts to effect such cure, such thirty (30) day period shall be extended for up to an additional ninety (90) days to the extent required to permit Tenant, proceeding with due diligence, to cure such default; (iii) the filing of a petition by or against Tenant for adjudication as a bankrupt under the Federal Bankruptcy Code (hereinafter referred to as the "Bankruptcy Laws") as now or hereafter amended or supplemented, or for reorganization or for arrangement within the meaning of or pursuant to any of the Bankruptcy Laws, or the filing of any petition by or against Tenant under any future bankruptcy act or law for the same or similar relief; the commencement of any action or proceeding for the liquidation of Tenant whether instituted by or against

Tenant, or for the appointment of a receiver or trustee of the property of Tenant, or any material portion thereof; the taking of possession of the property of Tenant by any governmental officer or agency pursuant to statutory authority for the dissolution, rehabilitation, reorganization or liquidation of Tenant; the making by Tenant of an assignment for the benefit of creditors; however, if any of such actions shall be involuntary on the part of Tenant, the event in question shall not be deemed a default within the meaning of this Lease if cured by Tenant within sixty (60) days thereof; (iv) the abandonment or vacating of the Demised Premises by Tenant; (v) two or more events of default under this Lease in any consecutive twelve (12) month period, whether or not the same may have been cured in any applicable cure period; or (vi) any default by Tenant which is defined as an Event of Default under any agreements ("Assignment Documents") between the Landlord and an assignee of Landlord's interest hereunder, including without limitation the Trustee, shall be an Event of Default hereunder, and to the extent there is any conflict between the provisions governing default contained in this Lease and the provisions governing default contained in any of the Assignment Documents, the provisions of the Assignment Documents shall govern.

(b) Termination. If an Event of Default under the Lease has occurred and is continuing beyond any applicable cure periods, Landlord may terminate this Lease.

(c) Rights On Termination. Upon a termination of this Lease by Landlord, in accordance with Section 20(b) hereof, Tenant shall quit and peacefully surrender the Demised Premises to Landlord and Landlord, upon or at any time after any such expiration or termination, may without further notice, enter upon the Demised Premises and possess itself thereof, by self help (to the extent permitted by law), summary process, ejectment or otherwise it being understood and agreed that no demand for the Base Rent or Additional Rent and no re-entry for conditions broken as at common law may be necessary to enable the Landlord to recover such possession and that no demand for the Base Rent to Additional Rent and no re-entry for conditions broken pursuant to any statutes now or hereafter existing relating to summary process, ejectment, or any other action for the possession of the Demised Premises shall be necessary, the right to the same being hereby waived by the Tenant (to the extent permitted by applicable law), and the Landlord shall not be deemed guilty of any manner of trespass, nor shall Landlord be liable to indictment, prosecution or damages therefor, and Landlord may dispose Tenant and remove Tenant and all other persons or entities and property from the Demised Premises.

(d) Waiver of Notice to Quit. Tenant hereby expressly waives the right of service of any notice to quit provided for in any statute, or of Landlord's intention to institute legal

proceedings to that end, and Tenant, for and on behalf of itself and all persons claiming through or under Tenant, also waives any and all legal and equitable or other rights of redemption or re-entry or re-possession or to restore the operation of this Lease in case Tenant shall be dispossessed by summary process, ejectment or by warrant of any court or judge or in case of re-entry or repossession by Landlord or in the case of any other expiration or termination of this Lease.

(e) Liability for Rent. In the event of a cancellation or termination of this Lease pursuant to this Section, or otherwise (except a termination of this Lease pursuant to Section 13(a) hereof), and notwithstanding the re-entry by Landlord, Tenant shall, nevertheless, remain liable to Landlord for the payments of the Base Rent and Additional Rent at the times and in the manner as such payments would otherwise have been due and payable but for such termination, without abatement, deduction or offset, for the remainder of the Lease Term. Landlord may, without notice, repair or alter the Demised Premises in such manner as Landlord may deem necessary or advisable, and/or let or relet the Demised Premises, and any and all parts thereof, for the whole or any part of the remainder of the then remaining Lease Term, in Landlord's name, or as the agent of Tenant and out of the rent so collected or received, Landlord shall first pay to itself the expense and cost of retaking, repossessing, repairing and altering the Demised Premises and the expense of moving persons and property therefrom, and second, pay to itself any cost or expense sustained in securing any new tenant or tenants, and third, pay to itself any balance remaining on account of the liability of Tenant to Landlord for the sum equal to the Base Rent, Additional Rent and any additional charges due hereunder and unpaid by the Tenant for the remainder of the Lease Term. There shall be included in any such costs, as aforesaid, attorneys' fees incurred therewith.

Should any rent so collected by Landlord, after payments aforesaid, be insufficient to fully pay to Landlord a sum equal to the Base Rent and Additional Rent and any additional charges due hereunder, the balance or deficiency shall be paid by Tenant on the days above specified, that is, upon each of such due date, Tenant shall pay to Landlord the amount of the deficiency then existing and Tenant hereby agrees to be and remain liable for any such deficiency; and the right of Landlord to recover from Tenant the amount thereof, or a sum equal to the amount of the Base Rent and Additional Rent and any additional charges due hereunder, whether or not there shall be a reletting, shall survive any summary process, ejectment, other action or other termination of this Lease; and Tenant hereby expressly waives any defense that might be predicated upon any such action of summary process, ejectment or other action or other termination or cancellation of this Lease. Should any rent so collected by Landlord after the payments aforesaid be in excess of the Base Rent and Additional

Rent and any additional charges due hereunder, such excess shall be applied by Landlord against any Base Rent and Additional Rent and any additional charges due hereunder thereafter coming due and payable.

Suit or suits for the recovery of such deficiency or damages, or for a sum equal to any installment or installments of Base Rent or Additional Rent hereunder, may be brought by Landlord from time to time, at its election, and nothing herein contained shall be deemed to require Landlord to wait until the date whereon this Lease or the Lease Term would have expired by limitation had there been no such default by Lessee and no such termination or cancellation.

Section 21. (a) LANDLORD'S DEFAULT: (a) Events of Default. If Landlord shall neglect or fail to perform or observe any of the covenants on the part of the Landlord herein, contained and such default shall continue more than thirty (30) days following written notice thereof, as required herein, to Landlord and Trustee or any other holder of an assignment of this Lease, without the Landlord or such other secured party having commenced remedy of such default, or if Landlord or such other secured party shall fail to continue to conclusion the action reasonably necessary to remedy such default with diligence and dispatch, then the Tenant may cause such default to be cured, and require the Landlord to reimburse it, subject to the provisions of subsection (b) hereof, for all of the Tenant's reasonable costs of curing such default within a reasonable time of demand therefor. Notwithstanding anything to the contrary contained herein, Tenant has no rights whatsoever to terminate this Lease nor, should this Lease be terminated by action of the Landlord, shall Tenant be relieved of any of its obligations to pay Base Rent and Additional Rent, as and when the same are due.

(b) Limitation of Liability. Notwithstanding anything to the contrary contained in this Lease, Tenant shall look solely to the estate of Landlord in the Demised Premises and the rentals therefrom for the collection of any judgment (or other judicial process) requiring the payment of money by Landlord in the event of any default or breach by Landlord with respect to any of the terms, covenants and conditions of this Lease to be observed and performed by Landlord, and no other assets of Landlord shall be subject to levy, execution or other judicial process for the satisfaction of Tenant's claims. In the event Landlord conveys or transfers its interest in the Demised Premises or in this Lease, except as collateral security for a loan, upon such conveyance or transfer, Landlord (and in the case of any subsequent conveyances or transfers, the then grantor or transferor) shall be entirely released and relieved from all liability with respect to the performance of any terms, covenants and conditions on the part of Landlord to be performed hereunder from and after the date of such conveyance or transfer, provided

that any amounts then due and payable to Tenant by Landlord (or by the then grantor or transferor) or any other obligations then to be performed by Landlord (or by the then grantor or transferor) for Tenant under any provisions of this Lease, shall either be paid or performed by Landlord (or by the then grantor or transferor) or such payment or performance assumed by the grantee or transferee; it being intended hereby that the covenants and obligations on the part of Landlord to be performed hereunder shall be binding on Landlord, its successors and assigns only during and in respect of their respective periods of ownership of an interest in the Demised Premises or in this Lease.

Section 22. NON-LIABILITY AND INDEMNIFICATION OF LANDLORD: Tenant hereby agrees to indemnify and hold Landlord and Trustee and any other holders of any assignment of this Lease, and their respective agents, servants and employees, harmless from and against any and all liabilities, damages, expenses, fees (including, without limitation, attorneys' fees), penalties, actions, causes of action, suits, costs, claims or judgments arising from injury to any persons or property in or about or traceable to the Demised Premises from any cause whatsoever or, by whomsoever caused, except to the extent such is due to the gross negligence or willful misconduct on the part of Landlord or Trustee or any other holders of any assignment of this Lease, or any of their respective agents, servants or employees (unless damage or injury is to Tenant's property, whereupon said parties shall have no liability to Tenant under any circumstances) and Tenant is not insured against such loss, damage, injury or other casualty by insurance then carried pursuant to the terms of Section 5 hereof.

Section 23. TENANT'S OBLIGATION TO DISCHARGE MECHANIC'S LIENS: If, as a result of Tenant performing its obligations hereunder or in the making of any repairs, replacements, alterations, installations and/or changes in or upon the Demised Premises as permitted hereunder, any mechanic's or other lien or order for the payment of money shall be filed against the Demised Premises by reason of, or arising out of any labor or material furnished or alleged to have been furnished or to be furnished to, or for, Tenant at the Demised Premises or for or by reason of any change, alteration or addition by Tenant, or the cost or expense thereof, or any contract relating thereto, or against Landlord as fee owner thereof by reason of such work or contract of Tenant, Tenant shall cause the same to be canceled and discharged of record, by bond or otherwise, or establish a reasonable escrow, all at the sole expense of Tenant, within thirty (30) days after the filing of said lien or order, and shall also defend, on behalf of Landlord, at Tenant's sole cost and expense, any action, suit or proceeding that may be brought thereon or for the enforcement of such lien or order, and Tenant will pay any damages and discharge any judgment entered therein

and save harmless Landlord from and indemnify it against any claim, damage or costs, including attorneys' fees, resulting therefrom.

Section 24. CERTIFICATES BY TENANT: Tenant shall, at any time and from time to time, upon not less than ten (10) days prior notice by Landlord, execute, acknowledge and deliver to Landlord a statement in writing certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating such modifications or, if not in full force and effect, stating the reasons therefor and the status of the Lease), and the dates to which the Base Rent, Additional Rent and other charges have been paid, and stating, to the best of its knowledge, whether or not Landlord or Tenant are in default in performance of the terms of this Lease and, if so, specifying each such default of which Tenant may have knowledge, it being intended that any such statement delivered pursuant to this Section may be relied upon by any prospective purchaser of the Demised Premises or any lenders. Tenant shall have the same rights to certificates, upon the same notice to Landlord.

Section 25. HOLDING OVER: In the event Tenant shall continue in occupancy of the Demised Premises after the expiration of the Lease Term, such occupancy shall not be deemed to extend or renew the Lease Term, but such occupancy shall continue as a tenancy from month to month upon the same terms, covenants, conditions and provisions herein contained.

Section 26. REAL ESTATE TAXES: Tenant shall pay as Additional Rent directly to the authority charged with the receipt thereof all Real Estate Taxes. Either Landlord or Tenant may contest any Real Estate Taxes with the appropriate authority, provided that, during any contest, Tenant shall continue to make all required Real Estate Tax payments. All refunds shall be applied to the Base Rent or Additional Rent next due and payable or, if none, shall be refunded to Tenant. This provision shall survive termination of this Lease.

Section 27. TIME OF THE ESSENCE: Time and punctuality shall be of the essence of this Lease, but no delay or failure of Landlord to enforce any of the provisions herein and no conduct, statement or agreement of Landlord which might otherwise alter, change or waive any of the provisions herein, shall waive or change any of Landlord's rights hereunder or prevent Landlord from enforcing such rights, unless and until to the extent such waiver, change or agreement shall be clearly expressed in a writing signed by Landlord.

Section 28. ENTIRE AGREEMENT: This instrument contains the entire and only agreement between the parties regarding the demising of the Demised Premises and no oral statements or

representations or prior written matter not contained in this instrument shall have any force and effect. This Lease may only be changed, modified or discharged by an agreement in writing executed by the parties hereto.

Section 29. PARTIAL INVALIDITY: If any term, covenant, condition or provision of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term, covenant, condition and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

Section 30. NOTICE OF LEASE: Each party shall at any time, at the request of the other, promptly execute duplicate originals of an instrument, in recordable form, that will constitute a notice of lease under C.G.S. Section 47-19 or any successor statute thereof.

Section 31. HEADINGS: The headings for the various Sections and subsections covered in this Lease are used only as matter of convenience as an aid to finding the subject matters and are not to be construed as part of this Lease and shall not in any way limit or amplify the terms or provisions of this Lease.

Section 32. NOTICES: All notices and requests herein provided for shall be considered given or made when mailed, by registered mail, postage prepaid, as follows:

To Landlord:

The Rocky River Realty Company
P.O. Box 270
Hartford, Connecticut 06141-0270
Attn: Assistant Treasurer
(For U.S. Mail or Hand Delivery)

To Tenant:

Northeast Utilities Service Company
P.O. Box 270
Hartford, Connecticut 06141-0270
Attn: Assistant Treasurer
(For U.S. Mail or Hand Delivery)

To Trustee:

The Connecticut National Bank
777 Main Street (MSN 238)
Hartford, Connecticut 06115
Attn: Elizabeth Hammer, Trust Officer
(For U.S. Mail or Hand Delivery)

or to such other address as the addressee may, from time to time, designate in writing.

Section 33. CONSTRUCTION: This Lease is made and executed in and is to be construed under the laws of the State of Connecticut.

Section 34. SUCCESSORS AND ASSIGNS: Except as otherwise provided herein, the agreements, conditions, covenants and terms herein contained shall, in every case, apply to, be binding, and inure to the benefit of the parties hereto and their respective successors and assigns, with the same force and effect as if specifically mentioned in each instance where a party hereto is named; provided, however, that no assignment or transfer of this Lease by Tenant, in violation of the provisions of this Lease, shall vest in any such assignee or transferee any right or title in or to the leasehold estate hereby created.

Section 35. COUNTERPARTS: This Lease shall be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 36. DUE AUTHORIZATION: (a) Landlord. The person executing this Lease on behalf of the Landlord hereby covenants, represents and warrants that (i) the Landlord is an existing corporation in good standing under the laws of the State of Connecticut (a Certificate of Good Standing evidencing such status shall be provided upon request of the other party hereto); (ii) the Landlord has all the requisite power and authority to undertake the obligations hereunder; (iii) the person executing this Lease on behalf of the Landlord is an officer of the Landlord and that he as such officer has been duly authorized to execute, acknowledge and deliver this Lease, and this Lease is a valid, binding and enforceable obligation of the Landlord (corporate resolutions evidencing subsections (ii) and (iii) hereof shall be provided upon request of any party hereto).

(b) Tenant. The person executing this Lease on behalf of the Tenant hereby covenants, represents and warrants that (i) the Tenant is an existing corporation in good standing under the laws of the State of Connecticut (a Certificate of Good Standing evidencing such status shall be provided upon request of the

other party hereto); (ii) the Tenant has all the requisite power and authority to undertake the obligations hereunder; (iii) the person executing this Lease on behalf of the Tenant is an officer of the Tenant and that he as such officer has been duly authorized to execute, acknowledge and deliver this Lease, and this Lease is a valid, binding and enforceable obligation of the Tenant (corporate resolutions evidencing subsections (ii) and (iii) hereof shall be provided upon request of any party hereto).

IN WITNESS WHEREOF, the parties hereto have hereunto set or caused to be set their hands as of the day and year above written.

Signed, sealed and delivered by
in the presence of:

/s/ Bruce F. Garelick

/s/ Scott B. Jazynka

THE ROCKY RIVER REALTY COMPANY

By /s/ Eugene G. Vertefeuille

Its Assistant Treasurer

Signed, sealed and delivered by
in the presence of:

/s/ Bruce F. Garelick

/s/ Scott B. Jazynka

NORTHEAST UTILITIES SERVICE COMPANY

By /s/ Eugene G. Vertefeuille

Its Assistant Treasurer

STATE OF CONNECTICUT)
) ss: Berlin
COUNTY OF HARTFORD)

On this the 14th of April, 1992, before me, the undersigned officer, personally appeared Eugene G. Vertefeuille, Assistant Treasurer of THE ROCKY RIVER REALTY COMPANY, a corporation, and acknowledged himself to be such officer and that in his capacity aforesaid, and being authorized so to do, he executed the foregoing instrument for the purposes therein contained by signing the name of the corporation by himself as such officer.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

/s/ Christa M. Semple
~~Commissioner of the Superior Court~~
Notary Public
My Commission Expires: 3-31-95
CHRISTA M. SEMPLE
NOTARY PUBLIC
MY COMM. EXPIRES MARCH 31, 1995

STATE OF CONNECTICUT)
) ss: Berlin
COUNTY OF HARTFORD)

On this the 14th of April, 1992, before me, the undersigned officer, personally appeared Eugene G. Vertefeuille Assistant Treasurer of NORTHEAST UTILITIES SERVICE COMPANY, a corporation, and acknowledged himself to be such officer and that in his capacity aforesaid, and being authorized so to do, he executed the foregoing instrument for the purposes therein contained by signing the name of the corporation by himself as such officer.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

/s/ Christa M. Semple

~~Commissioner of the Superior Court~~
Notary Public
My Commission Expires: 3-31-95

CHRISTA M. SEMPLE
NOTARY PUBLIC
MY COMM EXPIRES MARCH 31, 1995

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APPENDIX A

"Additional Rent" has the meaning given in Section 4(b) of the Lease.

"Architect" has the meaning given in Section 12(d) of the Lease.

"Assignment Documents" has the meaning given in Section 20(a)(i) of the Lease.

"Bankruptcy Laws" has the meaning given in Section 20(a)(i) of the Lease.

"Base Rent" has the meaning given in Section 4(a) of the Lease.

"Default Interest" has the meaning given in Section 4(c) of the Lease.

"Demised Premises" has the meaning given in Section 1 of the Lease.

"Landlord" means The Rocky River Realty Company.

"Lease" means the lease to which this Appendix A is attached.

"Lease Term" has the meaning given in Section 2 of the Lease.

"Mortgage" has the meaning given in Section 12(a) of the Lease.

"Note Agreement" means collectively the Note Agreements of the Landlord, dated April 14, 1992.

"Notes" mean the Series B Notes of the Landlord issued pursuant to the Note Agreement.

"Permitted Encumbrances" has the meaning given in Section 8 of the Lease.

"Permitted Subleases" has the meaning given in Section 10(b)(i) of the Lease.

"Real Estate Taxes" means the real estate taxes and assessments imposed upon the Demised Premises, and any and all other taxes, levies, betterments, assessments and charges arising from the ownership and/or operation of the

Demised Premises that are or shall be imposed by national, state, municipal, or other authorities, which are or may become a lien on the Demised Premises. If due to a future change in the method of taxation any franchise, income or profit tax shall be levied against Landlord in substitution for or in lieu of any tax that would otherwise constitute a real estate tax, such franchise, income, or profit tax shall be deemed to constitute Real Estate Taxes for the purpose hereof.

"Series B Notes" as used in Schedule B of this Lease means the Notes.

"Tenant" means Northeast Utilities Service Company.

"Trade Fixtures" has the meaning given in Section 18(b) of the Lease.

"Trustee" has the meaning given to it in the Note Agreement.

"Work" has the meaning given in Section 12(d) of the Lease.

Schedule A

Real Estate

All that certain piece or parcel of land shown as "LEASE AREA B" on a certain map entitled "NUSCO BERLIN CONSOLIDATION Berlin, Connecticut dated 8/30/90, last revised to 11/25/91" (the "Plan"), a copy of which is on file in the respective offices of Lessor and Lessee.

Said Parcel also being the same premises shown as "LEASE AREA B" on a certain map entitled "Survey Plan of Berlin General Office Site Berlin and Newington, Connecticut date 3/26/90 Scale 1"= 100', last revised 2/21/92" (the "Survey Plan"), a copy of which is also on file in the respective offices of Lessor and Lessee, said parcel being more particularly described as shown on the Survey Plan as follows:

Commencing at a point which is N 68-58 W 595 feet from a point in the easterly street line of Selden Street, said point being 80.63 feet from a northwest corner of LEASE AREA A as shown on the Survey Plan; thence along LEASE AREA A the following courses and distances, N 17-46 E 786 feet to a point; N 72-14 W 300 feet± to a point; N 17-26 E 165 feet ± to a point; N 11-47 E 429 feet± to a point; S 72-13 E 344 feet to a point; S 17-47 W 320 feet to a point; and S 72-13 E 370 feet to a point; thence along other land of the Rocky River Realty Company S 17-47 W 1080 feet to a point and N 68-58 W 369 feet to the point and place of beginning.

Schedule A-1

Appurtenances

The following rights, in common with others, on, over, across and under certain portions of other lands owned by the Lessor and adjoining the Demised Premises:

1. Rights of access, on foot or by vehicle, on, over and across all exterior walkways and roads now existing within Lease Area A, as shown on the Plan or as hereinafter constructed within Lease Area A, to and from the Demised Premises.

2. Right of access, on foot or by vehicle, on, over and across the "new access road" to and from the Demised Premises and Deming Road.

3. The right to park in all parking areas now existing within Lease Area A, as shown on the Plan, or as hereinafter constructed within Lease Area A.

4. The right of pedestrian access, by way of the "Connector" shown on the Plan, to and from the Demised Premises and Lease Area A.

5. The right to retain and to use the walls, support beams, floors of that portion of the "Connector" located on Lease Parcel A, for purposes of structural support for that portion of the "Connector" located on Lease Area B all as shown on the Plan.

6. The right to use the existing cafeteria areas in the Main Building, and interior access to and from said areas, including without limitation the stairways and halls to and from the entrances to the cafeteria and the entrances to the Main Building.

7. The right to use that portion of the Main Building that is currently dedicated as the community area, and interior access to and from said area, including without limitation the stairways and halls to and from said area and the entrances to the Main Building.

8. Right to use the existing gas lines, and all appurtenances thereto, all in their current locations (not shown on the Plan), which service extends from Webster Street, over portions of said other lands of the Lessor (including Lease Area A), to the Demised Premises.

9. Right to use the existing water and fire water lines, and all appurtenances thereto, all in their current locations (not shown on the Plan), which services extend from Selden Street, over portions of said other lands of the Lessor (including Lease Area A), to the Demised Premises.

10. Right to use the existing storm sewer lines, and all appurtenances thereto, all in their current locations (not shown on the Plan), which service extends to Selden Street, over portions of said other lands of the Lessor (including Lease Area A), from the Demised Premises.

11. Right to use the existing electrical lines, and all appurtenances thereto, all in their current locations (not shown on the Plan), which services extend from the substation and main electrical easement areas located on portions of said other lands of the Lessor (including Lease Area A), to the Demised Premises.

12. Right to use the existing sanitary sewer lines, and all appurtenances thereto, all in their current locations (not shown on the Plan), which services extend to Selden Street and to Deming Road, over portions of said other lands of the Lessor (including Lease Area A), from the Demised Premises.

13. Right to use the existing surface and subsurface drainage systems servicing the Demised Premises, in their current locations (not shown on the Plans), over portions of said other lands of the Lessor (including Lease Area A), from the Demised Premises.

Schedule A-2

Personal Property

The right to use, in common with others, the following Personal Property:

All apparatus, fixtures, and equipment now or hereafter attached to or used or procured for use in connection with the operation or maintenance of any buildings, structures or other improvements on the Demised Premises, including, but without limiting the generality of the foregoing, all engines, furnaces, boilers, pumps, heaters, tanks, antennae, motors, generators, switchboards, electrical equipment, heating, plumbing, lifting and ventilating apparatus, air-cooling and air-conditioning apparatus, gas and electric fixtures, refrigerating equipment, stoves, elevators, escalators, fittings and machinery, awnings, storm and screen windows and doors, window shades and blinds, together with any and all substitutions therefor, replacements thereof and additions thereto, to the extent that each of the above classes of Personal Property are owned by Landlord.

Schedule A-3

Reservations

A. The following rights, in common with others, on, over, across and under certain portions of the Demised Premises:

1. Rights of access, on foot or by vehicle, on, over and across all exterior walkways and roads now existing within the Demised Premises, as shown on the Plan, or as hereinafter constructed within the Demised Premises.

2. The right to park in all parking areas now existing within the Demised Premises, including without limitation the "New Parking Deck", as shown on the Plan, or as hereinafter constructed within the Demised Premises.

3. The right to use all existing gas, water and fire water, storm sewer, electrical, sanitary sewer and drainage lines, and all appurtenances thereto, all in their current locations on the Demised Premises, whether or not shown on the Plan.

B. The right to relocate any and all easement areas, service lines and appurtenances described in Schedule A-1 hereto, at Lessor's sole cost and expense, on portions of other lands of the Lessor, including the right to relocate portions of easement areas, service lines and appurtenances located on the Demised Premises, provided that such relocations shall not unreasonably interfere with the business of Lessee at the Demised Premises, and shall not result in a material change to the services to the Demised Premises.

C. Use of the easement areas, service lines and appurtenances described in Schedule A-1 are further subject to such reasonable rules and regulations as the Lessor may from time to time adopt.

Schedule A-4

Permitted Encumbrances

1. Real Estate Taxes of the Towns of Berlin and Newington on the Grand List of October 1, 1991, not yet due and payable.

2. Sewer and water charges of the Town of Berlin, not yet due and payable.

3. Rights of Way, 30 feet, as set forth in Warranty Deed from Claire L. White to The Connecticut Light and Power Company dated 9/11/62 and recorded in Volume 132, Page 511 of the Berlin Land Records.

4. Easement, The Rocky River Realty Company to The Connecticut Light and Power Company dated 6/16/70 and recorded in Volume 159, Page 619 of the Berlin Land Records.

5. Caveat, The Rocky River Realty Company to Water Bureau of The Metropolitan District dated 1/21/71 and recorded in Volume 162, Page 282 of the Berlin Land Records.

6. Tax Assessment Agreement by and between The Rocky River Company and Town of Berlin dated 1/9/91 and recorded in Volume 311, Page 787 of the Berlin Land Records.

SCHEDULE B

Base Rent. (A) Amount. Base Rent shall mean an amount equal to the greater of (1) the total of (a) depreciation for each six (6) month period preceding July 1 and January 1 of the Lease Term, as recorded in accordance with generally accepted accounting principles on the corporate records of the Landlord with respect to the Demised Premises, but in no event less than the principal payments on the Series B Notes for each subsequent six (6) month period, and (b) the interest expenses on all indebtedness of the Landlord, including interest with respect to the Series B Notes, as may be outstanding from time to time during the Lease Term with respect to the Demised Premises (said indebtedness hereinafter "Indebtedness"); or (2) total debt service for all such Indebtedness. Notwithstanding the foregoing, Base Rent for each month shall not be less than the monthly installments of combined principal, premium, if any, and interest on the Series B Notes ("Series B Debt Service").

(B) Payment Dates. A portion of Base Rent equal to the Series B Debt Service shall be payable on or before the 13th day of each month beginning May 13, 1992. All other amounts of Base Rent shall be payable in such increments and at such times as are necessary to pay all such other Indebtedness, as and when payments thereunder are due and payable, and the balance of the

Base Rent, if any, shall be payable as semi-annual rental payments on each June 30 and December 31.

(C) Manner of Payment. Each payment of Base Rent shall be made, in immediately available funds, to the address of the Landlord stated in the Lease or to such other person or to such other place as the Landlord (or an assignee of the Landlord's interest herein) may direct by written notice from time to time.

SCHEDULE C

Permitted Subleases

The following subleases have been consented to by Landlord:

1. Sublease, to be entered into with Dutch Point Credit Union, Inc.

2. Sublease, to be entered into with U.S. Travel.

SCHEDULE D

That certain piece or parcel of land located easterly of and adjoining the Berlin Turnpike - Route 5 & 15 (aka Wilbur Cross Parkway), southerly of and adjoining Webster Street, northerly of and adjoining Deming Road - Route 160 and easterly of and adjoining Selden Street in the Towns of Berlin and Newington, County of Hartford, State of Connecticut. Said parcel containing 137.55 acres, more or less, consisting of 133.75 acres, more or less, in the Town of Berlin and 3.8 acres, more or less in the Town of Newington is bounded and described as follows:

Commencing at a point marking the intersection of the easterly line of the Berlin Turnpike and the southerly line of Webster Street and the northwesterly corner of the herein described parcel; thence the following six (6) courses and distances along said southerly line of Webster Street: N 85°04'28"E 477.63 feet to a point; N 7°10'32"W 8.22 feet to a point; N 83°56'28"E 709.60 feet to a point; N 89°07'28"E 1.31 feet to a point marked by a monument on the Berlin-Newington Town Line; N 89°07'28"E 387.34 feet to a point; and easterly following a curve to the right having a radius of 1333.07 feet and an arc length of 59.83 to a point marking the northeasterly corner of the herein described parcel and the northwesterly corner of land now or formerly of Judson J. Meigs, et al; thence the following thirteen (13) courses and distances along said land now or formerly of Judson J. Meigs, et al; S 6°28'46"W 323.45 feet to a point marked by a monument; S 6°28'46"W 8.15 feet to a point; S 89°45'56"E 4.40

feet to a point marked by a monument; S 89°45′56"E 421.52 feet to a point marked by a monument; S 89°45′56"E 3.78 feet to a point; S 1°27′11"E 101.13 feet to a point; S 5°48′04"E 201.82 feet to a point marked by a monument; S 5°48′04"E 8.11 feet to a point; N 86°35′24"E 9.78 feet to a point marked by a monument; N 86°35′24" E 165.54 feet to a point marked by a monument; N 86°35′24"E 9.11 feet to a point; S 3°57′57"E 85.39 feet to a point marked by a monument; and S 4°44′33"E 477.68 feet to a point marking a corner of said land now or formerly of Judson J. Meigs, et al and land now or formerly of Thomas W. Neilson et al; thence the following eight (8) courses and distances along said land now or formerly of Thomas W. Neilson et al: S 86°47′28"W 201.80 feet to a point marked by a monument; S 2°06′35"W 384.61 feet to a point; S 4°16′18"W 107.15 feet to a point; S 86°26′25"W 382.43 feet to a point; S 87°33′09"W 151.32 feet to a point; S 13°53′20"W 221.26 feet to a point; S 12°32′08"W 139.48 feet to a point; and S 74°57′02"E 568.92 feet to a point marking a corner of land now or formerly of Claire L. White; thence S 17°29′33"W 703.76 feet along said land now or formerly of Claire L. White to an iron pipe marking a corner of said land now of formerly of Claire L. White and the northwesterly corner of land now or formerly of John Pipkin, Jr. and others; thence S 18°29′58"W 335.17 feet along said land now or formerly of John Pipkin, Jr. and others to a point on the northerly line of Deming Road marking the southeasterly corner of the herein described parcel and the southwesterly corner of said land now or formerly of John

Pipkin, Jr. and others; thence S 79°13'24"W 204.26 feet along said northerly line of Deming Road to a point marking the southeasterly corner of land now or formerly of John Stankiewicz, said point being N 79°13'24"E 31.00 feet from a Connecticut Highway Department (CHD) monument; thence the following five (5) courses and distances along said land now or formerly of John Stankiewicz: N 18°31'24"E 245.35 feet to a point marking the northeasterly corner of said land now or formerly of John Stankiewicz; S 87°46'39"W 123.05 feet to a point marking the northwesterly corner of said land now or formerly of John Stankiewicz; S 23°00'19"W 198.00 feet to a point; S 21°42'51"E 49.05 feet to a point; and S 64°06'51"E 34.81 feet to a point on said northerly line of Deming Road marking the southwesterly corner of said land now or formerly of John Stankiewicz; said point being southwesterly following a curve to the left having a radius of 756.78 feet and an arc length of 43.50 feet from a point marked by a CHD monument; thence southwesterly along said northerly line of Deming Road following a curve to the left having a radius of 756.78 feet and an arc length of 220.46 feet to a point marked by a CHD monument; thence S 59°14'51"W 15.00 feet again along said northerly line of Deming Road to a point marking the southwesterly corner of the herein described parcel and a corner of other land now or formerly of John Stankiewicz; thence N 0°41'02"E 195.10 feet along said land now or formerly of John Stankiewicz and along Elm Street, partly by each, to a point on the northerly line of said Elm Street; thence the following

ten (10) courses and distances along said northerly line of Elm Street: N 67°04'57"W 250.37 feet to a point; N 68°51'24"W 340.00 feet to a point; N 69°12'18"W 230.36 feet to a point; N 65°32'45"W 49.05 feet to a point; N 70°12'39"W 115.84 feet to a point; N 68°16'50"W 93.84 feet to a point; N 70°06'46"W 40.55 feet to a point; N 56°11'31"W 52.18 feet to a point; N 30°57'59"W 31.91 feet to a point; and N 23°33'45"W 51.76 feet to a point on the easterly line of Selden Street; thence the following nine (9) courses and distances along said easterly line of Selden Street: N 2°39'10"W 395.11 feet to a point northwesterly following a curve to the left having a radius of 230.00 feet and an arc length of 31.06 feet to a point; thence N 10°23'24"W 235.36 feet to a monument; N 10°42'51"W 56.63 feet to a point; N 10°19'17"W 34.00 feet to a point; northwesterly following a curve to the left having a radius of 540.00 feet and an arc length of 161.48 feet to a point; N 27°27'17"W 399.40 feet to a point marked by a monument; northwesterly following a curve to the left having a radius of 330.00 feet and an arc length of 231.73 feet to a point; and N 67°41'17"W 19.50 feet to a point on said easterly line of the Berlin Turnpike; thence the following four (4) courses and distances along said easterly line of the Berlin Turnpike: N 22°18'43"E 70.00 to a point marked by a CHD monument on the Berlin-Newington Town Line; S 80°43'28"W 5.87 along said Town Line to a point marked by a CHD monument;

N 22°17'46"E 711.20 feet to a point marked by a CHD monument; and

N 22°17'28"E 414.00 feet to the point and place of commencement.

The above bearings are referenced to the Connecticut Grid System.

The above property being a combination of portions of the properties acquired by The Rocky River Realty Company by the following deeds:

1. Warranty Deed from Arthur E. Webster to The Rocky River Realty Company dated October 18, 1949 and recorded in Volume 95, Page 608 of the Berlin Land Records.

2. Deed from The Connecticut Light and Power Company to The Rocky River Realty Company dated December 22, 1969 and recorded in Volume 158, Page 265 of the Berlin Land Records.

3. Quit Claim Deed from Town of Berlin to The Rocky River Realty Company dated March 9, 1970 and recorded in Volume 159, Page 617 of the Berlin Land Records.

4. Warranty Deed from Helen Dzagan Dubois to The Rocky River Realty Company dated March 23, 1989 and recorded in Volume 291, Page 638 of the Berlin Land Records.

EX-99 2 u5saexhd4txallagmt.htm EXHIBIT TAX ALLOCATION AGREEMENT 092105
Exhibit D.4

SECOND AMENDED AND RESTATED TAX ALLOCATION AGREEMENT

This Second Amended and Restated Tax Allocation Agreement, dated as of the 21st of September 2005, is made by and among Northeast Utilities (the "Parent Company") and The Connecticut Light and Power Company, Western Massachusetts Electric Company, Holyoke Water Power Company, Northeast Utilities Service Company, Northeast Nuclear Energy Company, Holyoke Power and Electric Company, The Rocky River Realty Company, The Quinnehtuk Company, Charter Oak Energy, Inc., Public Service Company of New Hampshire, Properties, Inc., North Atlantic Energy Corporation, North Atlantic Energy Service Corporation, Select Energy Contracting, Inc., CL&P Receivables Corporation, Select Energy Services, Inc., Reeds Ferry Supply Co., Inc., HEC/Tobyhanna Energy Project, Inc., NU Enterprises, Inc., Northeast Generation Services Company, Northeast Generation Company, E.S. Boulos Company, NGS Mechanical, Inc., Woods Network Services, Inc., Woods Electrical Co., Inc., Mode 1 Communications, Inc., Select Energy, Inc., Select Energy New York, Inc., Yankee Energy System, Inc., Yankee Gas Services Company, Yankee Energy Financial Services Company, Yankee Energy Services Company and NorConn Properties, Inc., and any other corporations that become a member of the Parent Company's affiliated group and execute a duplicate copy of this Agreement or consent to be included in the Parent Company's consolidated federal income tax return (hereinafter collectively "subsidiaries" and singly "subsidiary") in accordance with rule 45(c).(1) The subsidiaries join in the annual filing of a consolidated federal income tax return with the Parent Company. References to rule 45 are to rule 45 of the Public Utility Holding Company Act of 1935.

For purposes of this Agreement, the following terms shall have the meanings specified below:

"Acquisition indebtedness" means indebtedness incurred by NU to finance the acquisition (including related costs) by NU of all of the issued and outstanding stock of the Yankee Energy System, Inc. and any renewals or extensions thereof. Acquisition Indebtedness also includes indebtedness incurred by NU for the purpose of refinancing the indebtedness relating to the acquisition (including related costs) of all of the issued and outstanding stock of Yankee Energy System.

"Consolidated tax" means the aggregate tax liability for a tax year, being the tax shown on the consolidated return and any adjustments thereto thereafter determined. The consolidated tax will be the refund if the consolidated return shows a negative tax.

"Corporate tax credit" is a negative separate return tax of an associate company for a tax year, equal to the amount by which the consolidated tax is reduced by including a net corporate taxable loss or other net tax benefit of such associate company in the consolidated tax return.

"Corporate taxable income" is the income or loss of an associate company for a tax year, computed as though such company had filed a separate return on the same basis as used in the consolidated return, except that dividend income from associate companies shall be disregarded, and other intercompany transactions eliminated in the consolidated return shall be given appropriate effect. It shall be further adjusted to allow for applicable rights accrued to the associate company under paragraphs (c) (4) and (5) of Rule 45 or under prior rules or orders, on the basis of other tax years, but carryovers or carrybacks shall not be taken into account if the associate company has been paid a corporate tax credit therefor. If an associate company is a member of the registered system's consolidated tax group for only part of a tax year, that period will be deemed to be its tax year for all purposes under paragraph (c) of Rule 45.

"Separate return tax" is the tax on the corporate taxable income of an associate company computed as though such company were not a member of a consolidated group.

In consideration of the mutual benefits and obligations provided for herein, the Parties to this Agreement hereby agree that the consolidated tax, of the Parent Company and the subsidiaries shall be allocated as follows:

1. APPORTIONMENT OF PARENT COMPANY LOSS. The taxable income or loss of the Parent Company

shall be computed on a separate return basis. The Parent Company may not avail itself of net operating losses since Rule 45(c)(4) and (5) are applicable to only subsidiaries. In apportioning the Parent Company taxable income or loss, it will exclude the interest associated with Acquisition indebtedness. If the net effect remaining is a loss, such loss will be apportioned to the profitable subsidiaries based on paragraph 2. If the net effect remaining is taxable income, the Parent Company will pay its own tax liability without regard for any prior or future net operating losses.

2. ALLOCATION OF CONSOLIDATED TAX. The consolidated tax, exclusive of capital gains taxes (see paragraph (3)), and the alternative minimum tax (see paragraph (7)), and before the application or recapture of any credits (see paragraph (4)) and the results of any special benefits (see paragraph (5)), shall be allocated among the subsidiaries based on their corporate taxable income or loss, computed without regard to net capital gains or losses, and after the application of paragraph (1). Subject to the limitation provided in paragraph (10), such consolidated tax allocated to a subsidiary, which may be either positive or negative, shall be equal to the corporate taxable income of the subsidiary (after elimination of capital gains and losses) multiplied times the highest effective corporate federal income tax rate set forth in Section 11 of the Code. However, no company shall receive a negative allocation greater (in absolute value) than the amount by which its loss has reduced the consolidated tax liability. Conversely, a company shall receive a negative allocation for any loss or deduction it cannot use currently to the extent such loss or deduction reduces the consolidated tax liability. If the consolidated tax liability is greater than the aggregate tax on the corporate taxable income of the Parent Company and each subsidiary ("separate return tax"), then no subsidiary shall receive an allocation greater than its separate return tax, and the Parent Company shall be liable for the excess of the consolidated tax over the sum of the separate return taxes of the subsidiaries, subject to recovery in later years from subsequent consolidated tax benefits.

3. ALLOCATION OF CAPITAL GAINS TAXES. The portion of the consolidated tax attributable to net capital gains and losses shall be allocated directly to the subsidiaries giving rise to such items. The effects of netting capital gains and losses in the current year shall follow the principles of paragraph (2). The effects of capital loss carrybacks or carryforwards shall follow the principles of paragraph (6). See rules 45(c)(3) and 45(c)(5).

4. ALLOCATION OF GENERAL BUSINESS CREDITS. General business credits arising in a particular year shall be allocated among the subsidiaries giving rise to such credits by multiplying the amount of consolidated general business credits for such year utilized by a fraction, the numerator of which is the amount of general business credit of the subsidiary for such year and the denominator of which is the total amount of general business credit of all such subsidiaries for such year. If the consolidated group is in a credit carryforward situation, the utilized credit shall be allocated based on the vintages that comprise the utilized credit. For purposes of the consolidated return, the credits utilized are determined on a first-in first-out basis with all credits generated by all subsidiaries in the earliest year utilized first before credits generated in a subsequent year can be utilized. For purposes of allocating the credits pursuant to this agreement, and in accordance with the separate return limitation of paragraph (10), the credits utilized shall be determined on a first-in first-out basis with the credits generated by subsidiaries allocated positive taxes in paragraphs (2) and (3) utilized first, for all available vintages, before credits generated by subsidiaries allocated negative taxes in paragraphs (2) and (3) are utilized. If the vintages of credits utilized pursuant to this agreement differ from those utilized according to the consolidated return for a subsidiary, then the vintages of credits utilized pursuant to this agreement shall be exchanged among the affected subsidiaries. General business credits that are lost due to reductions, limitations and expirations imposed by the Code or the regulations thereunder shall be allocated in an appropriate and reasonable manner.

5. ALLOCATION OF SPECIAL BENEFITS Any special benefits, such as the effects of Section 1341 of the Code, shall be allocated directly to the subsidiaries giving rise to them. See Rule 45(c)(3).

6. ALLOCATION OF A NET OPERATING LOSS. Should the Parent Company's affiliated group generate a net operating loss for a tax year, each company shall first receive an allocation of consolidated tax, which may be either positive or negative, as provided in paragraph (2); provided, however, a negative allocation of the consolidated tax shall be made only to the extent that corporate taxable income reduces consolidated tax for such tax year. The current consolidated net operating loss shall then be apportioned to each subsidiary with a taxable loss and carried back or forward to year(s) when the consolidated net operating loss can be utilized. The consolidated reduction in tax resulting from the carryback or carryforward of the net operating loss shall be apportioned to loss subsidiaries in accordance with paragraphs (2) through (5). See rule 45(c)(5). For purposes of the consolidated return, the utilization of net operating

losses carried back or carried over is determined on a first-in first-out basis with all net operating losses generated by all subsidiaries in the earliest year utilized first before net operating losses generated in a subsequent year can be utilized. For purposes of allocating the net operating losses pursuant to this Agreement, and in accordance with the separate return limitation of Paragraph (10), the net operating losses utilized shall be determined on a first-in first-out basis with the net operating losses generated by subsidiaries allocated positive taxes in Paragraphs (2) and (3) utilized first, for all available vintages, before net operating losses generated by subsidiaries allocated negative taxes in Paragraphs (2) and (3) are utilized. If the vintages of net operating losses utilized pursuant to this Agreement differ from those utilized according to the consolidated return for a subsidiary, then the vintages of net operating losses utilized pursuant to this Agreement shall be exchanged among the affected subsidiaries. Net operating loss carryovers that are lost due to reductions, limitations and expirations imposed by the Code or the regulations thereunder shall be allocated in an appropriate and reasonable manner. See Rule 45(c)(5).

7. ALLOCATION OF ALTERNATIVE MINIMUM TAX OR CREDIT. Any portion of the consolidated tax that is attributable to alternative minimum tax ("Consolidated AMT") shall be allocated in a positive amount to each subsidiary with "tentative minimum tax," as defined in Section 55(b)(1) of the Code (determined following the principles used to compute each subsidiary's separate return tax), which for purposes of this Agreement can be positive or negative, ("Separate Return Tentative Minimum Tax"), in excess of the "regular tax," as defined in Section 55(c) of the Code (determined following the principles used to compute each subsidiary's separate return tax), allocated to such subsidiary in accordance with this Agreement (except paragraph (10)), which for purposes of this Agreement can be positive or negative ("Separate Return Regular Tax"). Consolidated AMT shall be allocated to each such subsidiary by multiplying Consolidated AMT by a fraction the numerator of which is the amount by which the subsidiary's Separate Return Tentative Minimum Tax exceeds such subsidiary's Separate Return Regular Tax and the denominator of which is the sum of the amounts by which the Separate Return Tentative Minimum Tax of the subsidiaries to which an allocation of Consolidated AMT is made exceeds the Separate Return Regular Tax allocated to such subsidiaries. If the regular tax portion of the consolidated tax is reduced by reason of a "minimum tax credit," as defined in Section 53 of the Code, the benefit of such minimum tax credit shall be allocated to the subsidiaries that (by having an alternative minimum tax liability allocated to them in a prior year) generated such minimum tax credit, with the earliest liabilities being allocated such minimum credit first. See Rules 45(c)(3) and 45(c)(5). The allocation of any "alternative tax net operating loss deduction," as defined by Section 56(d) of the Code, shall follow the principles of paragraph (6).

8. OTHER FEDERAL TAXES, BENEFITS AND CREDITS. Taxes, tax benefits and credits against consolidated tax that are not specifically addressed herein and for which allocation under paragraph (2) is not appropriate shall be allocated following the principles set forth in paragraphs (3) through (7) in order to allocate the material effects of such tax, tax benefit or credit to the subsidiary to which it is applicable. See Rule 45(c)(3).

9. PAYMENTS FOR ALLOCATIONS. A subsidiary with a net positive allocation shall pay the Parent Company the net amount allocated in the amounts and on the dates indicated by the Parent Company, while a subsidiary with a net negative allocation shall receive payment from the Parent Company in the amount of its negative allocation on the same dates indicated by the Parent Company. The payment made to a subsidiary with a negative allocation should equal the amount by which the consolidated tax is reduced by including the subsidiary's net corporate tax loss in the consolidated tax return. The Parent Company shall pay to the Internal Revenue Service the consolidated group's net current federal income tax liability from the net of the receipts and payments. See rule 45(c)(5).

10. SEPARATE RETURN LIMITATION. No subsidiary shall be allocated a federal income tax which is greater than the federal income tax computed as if such subsidiary had always filed a separate return. See rule 45(c)(2). If the federal income tax otherwise allocated to a subsidiary under this Agreement is greater than the federal income tax computed as if such subsidiary had always filed a separate return, the Parent Company shall be liable for such excess, subject to recovery in later years from subsequent consolidated tax benefits.

11. STATE TAX LIABILITIES. (a) Generally and New Hampshire Business Profits Tax for Tax Years Ending on or Before December 31, 1997. Any current state income tax liability or benefit associated with a state income tax return involving more than one subsidiary shall be allocated to such subsidiaries doing business in such state following the principles set forth herein for current federal income taxes, except that solely for purposes of allocating the New Hampshire business profits tax for any tax year ending on or before December 31, 1997, all of the New Hampshire business profits tax benefits available to a New Hampshire subsidiary (regardless of whether such benefits are used in

the computation of the actual unitary tax liability of the group) shall be used in determining the allocation of such tax among the subsidiaries according to the following priority: (a) tax credits, (b) tax losses, and (c) other benefits, provided, however, that no New Hampshire subsidiary shall be reimbursed for any credit against the New Hampshire business profits tax used by another subsidiary until such time as the New Hampshire subsidiary that generated such tax credit could have utilized such credit to offset its New Hampshire business profits tax liability and provided further that in no event shall the New Hampshire business profits tax liability allocated to any subsidiary exceed the separate return tax liability of such subsidiary. (See rule 45(c).

(b) States with Unitary Reporting for Tax Years Beginning After December 31, 1997. Notwithstanding the preceding sentence, for purposes of allocating any current state income tax liability that is determined on the basis of unitary reporting and that is associated with a state income tax return involving more than one subsidiary ("Unitary Tax Liability"), any such current Unitary Tax Liability shall be allocated, first, to subsidiaries with a positive income tax liability with respect to such state determined following the principles used to compute the subsidiary's separate return tax ("Separate Unitary Return Tax") in an amount equal to each such subsidiary's Separate Unitary Return Tax; then

(i) if the current Unitary Tax Liability is less than the aggregate Separate Unitary Return Tax of the subsidiaries with positive Separate Unitary Return Tax ("Unitary Tax Benefit"), second, in a negative amount to the Parent Company in an amount equal to the lesser of the Unitary Tax Benefit with respect to such state or the Unitary Tax Detriment (as hereinafter defined) from a prior year that has not been recovered in a prior year, third, in a negative amount to each subsidiary with a corporate tax credit from such state that was unavailable in determining such subsidiaries' Separate Unitary Return Tax ("Unavailable Credit") (provided, however, that such corporate tax credit was available in such state to the unitary group for such state) in an amount equal to the lesser of the Unitary Tax Benefit (less any amount allocated by clause second of this paragraph (11)(b)) or the sum of the Unavailable Credit of all subsidiaries with Unavailable Credit multiplied by a fraction (A) the numerator of which is the Unavailable Credit of the subsidiary and (B) the denominator of which is the sum of the Unavailable Credits for all subsidiaries with Unavailable Credit; fourth, in a negative amount to each subsidiary having negative Separate Unitary Return Tax in an amount equal to the lesser of the Unitary Tax Benefit (less any amounts allocated by clauses second and third of this paragraph (11)(b) or the sum of the Separate Unitary Return Tax of all subsidiaries with negative Separate Unitary Return Tax multiplied by a fraction (A) the numerator of which is the Separate Unitary Return Tax of the subsidiary and (B) the denominator of which is the sum of the Separate Unitary Return Tax of the subsidiaries having negative Separate Unitary Return Tax, and, fifth, in a negative amount to each subsidiary having positive Separate Unitary Return Tax in an amount equal to the Unitary Tax Benefit (less any amounts allocated by clauses second, third and fourth of this paragraph (11)(b) multiplied by a fraction (A) the numerator of which is the Separate Unitary Return Tax of the subsidiary and (B) the denominator of which is the sum of the Separate Unitary Return Tax of the subsidiaries having positive Separate Unitary Return Tax; or

(ii) if the current Unitary Tax Liability is in excess of the aggregate Separate Unitary Return Tax of the subsidiaries with positive Separate Unitary Return Tax ("Unitary Tax Detriment"), second, to the Parent Company in the amount of the Unitary Tax Detriment, subject to recovery in later years from subsequent Unitary Tax Benefits. (See Rule 45(c)).

(c) Payments for Allocations of State Tax Liabilities. Payments of positive and negative allocations of state income tax liabilities and of net current state income tax liabilities of the Parent Company and the subsidiaries shall follow the principles set forth in paragraph (9).

12. FILING TAX RETURNS. The Parent Company shall prepare and file the consolidated federal income tax return for the subsidiaries that are parties to this Agreement. The Parent Company shall act as the sole agent for each subsidiary with respect to the payment of any liability shown on the federal income tax return and for all other purposes required by Treas. Reg. ss. 1.1502-77(a). The Parent Company or designated subsidiary may act as an agent for each subsidiary doing business in a state with respect to the payment of any liability shown on the state income tax returns of such state.

13. ADJUSTMENT OF TAX LIABILITY. In the event that the consolidated federal or state income tax liability for any year is redetermined subsequent to the allocation of the consolidated tax liability reported for that tax year, the redetermined tax liability shall be allocated pursuant to this Agreement as if the adjustments and modifications related to the redetermination had been a part of the original return. In the case of a negotiated adjustment not involving an item-by-item modification of the consolidated return, the amount of the adjustment shall be distributed in an appropriate and reasonable manner. Any interest or penalties associated with the underpayment or overpayment of tax shall be allocated based on the allocation of the underlying underpayment or overpayment of tax.

14. EFFECTIVE DATE. This Agreement amends and restates the prior Amended and Restated Tax Allocation Agreement relating to the allocation of federal and state income tax liability dated January 1, 1990, as heretofore amended by the First Amendment thereto dated October 26, 1998 and the Second Amendment thereto dated March 1, 2000, by replacing in full such prior agreement. This Agreement shall be effective for allocation of the current federal and state income tax liabilities of the consolidated group for taxable year beginning January 1, 2004 and all subsequent years until this Agreement is further amended in writing by each such company which is or becomes a party to this Agreement. For any party to this Agreement that became a member of the Parent Company's affiliated group after January 1, 2004, this Agreement shall be effective as of the date such subsidiary became a member of the affiliated group. If at any time any other company becomes a member of the Parent Company's affiliated group, the parties hereto agree that such new member may become a party to this Agreement by (i) executing a duplicate copy of this Agreement or (ii) consenting to be included in a consolidated federal income tax return that includes the Parent Company. If at any time any company ceases to be a member of the Parent Company's affiliated group, such company shall no longer be a party to this Agreement, but such company shall continue to be bound by this Agreement as to the taxable year in which such company leaves the Parent Company's affiliated group and all prior taxable years in which such company was a member of the Parent Company's affiliated group.

15. FILING WITH SECURITIES AND EXCHANGE COMMISSION. In accordance with rule 45(c)(6), this Agreement shall be filed as an Exhibit to the Parent Company's Annual Report to the Securities and Exchange Commission on Form U5S.

16. GOVERNING LAW. This Agreement shall be construed and enforced in accordance with the laws of the State of Connecticut.

17. COUNTERPARTS. This Agreement may be executed in one or more counterparts all of which taken together shall constitute one and the same instrument.

18. MISCELLANEOUS. This Agreement contains the complete agreement among the parties and supersedes any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way. No term or provision of this Agreement shall be construed to confer a benefit upon, or grant a privilege or right to, any person other than the parties hereto.

[Signature Page to follow]

The above procedures for apportioning the consolidated annual net current federal and state income tax liability and expense of Northeast Utilities and its subsidiaries have been duly authorized and agreed to by each of the below listed members of the consolidated group as evidenced by the signature of a duly authorized officer of each company:

NORTHEAST UTILITIES
THE CONNECTICUT LIGHT AND POWER COMPANY
WESTERN MASSACHUSETTS ELECTRIC COMPANY
HOLYOKE WATER POWER COMPANY
NORTHEAST UTILITIES SERVICE COMPANY
NORTHEAST NUCLEAR ENERGY COMPANY
HOLYOKE POWER AND ELECTRIC COMPANY
THE ROCKY RIVER REALTY COMPANY
THE QUINNEHTUK COMPANY
CHARTER OAK ENERGY, INC.
SELECT ENERGY SERVICES, INC.
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
NORTH ATLANTIC ENERGY CORPORATION
NORTH ATLANTIC ENERGY SERVICE CORPORATION
PROPERTIES, INC.
SELECT ENERGY CONTRACTING, INC.
CL&P RECEIVABLES CORPORATION
REEDS FERRY SUPPLY CO., INC.
HEC/TOBYHANNA ENERGY PROJECT, INC.
NU ENTERPRISES, INC.
NORTHEAST GENERATION COMPANY
NORTHEAST GENERATION SERVICES COMPANY
E. S. BOULOS COMPANY
NGS MECHANICAL, INC.
WOODS NETWORK SERVICES, INC.
WOODS ELECTRICAL CO., INC.
MODE 1 COMMUNICATION, INC.
SELECT ENERGY, INC.
SELECT ENERGY NEW YORK, INC.
YANKEE ENERGY SYSTEM, INC.
YANKEE GAS SERVICES COMPANY
YANKEE ENERGY FINANCIAL SERVICES COMPANY
YANKEE ENERGY SERVICES COMPANY
NORCONN PROPERTIES, INC.

By: /s/ John P. Stack
Name: John P. Stack
Title: Vice President - Accounting and Controller
of Northeast Utilities Service Company,
as Agent for the above Companies

EX-10.29 14 exh1029transoperatagtmain.htm
Exhibit 10.29

TRANSMISSION OPERATING AGREEMENT

This Transmission Operating Agreement (this "TOA" or this "Agreement"), dated as of February 1, 2005, is made and entered into by and among Bangor Hydro-Electric Company; Town of Braintree Electric Light Department; Boston Edison Company, Cambridge Electric Light Company, Canal Electric Company, and Commonwealth Electric Company; Central Maine Power Company; Central Vermont Public Service Corporation; Connecticut Municipal Electric Energy Cooperative; The City of Holyoke Gas and Electric Department; Florida Power & Light Company; Green Mountain Power Corporation; Massachusetts Municipal Wholesale Electric Company; New England Power Company; New Hampshire Electric Cooperative, Inc.; Northeast Utilities Service Company as agent for: The Connecticut Light and Power Company, Western Massachusetts Electric Company, Holyoke Power and Electric Company; Holyoke Water Power Company; and Public Service Company of New Hampshire; Norwood Municipal Light Department; Town of Reading Municipal Light Department; Taunton Municipal Lighting Plant; The United Illuminating Company; Unitil Energy Systems, Inc. and Fitchburg Gas and Electric Light Company; Vermont Electric Cooperative, Inc; and Vermont Electric Power Company, Inc. (herein collectively referred to as the "Initial Participating Transmission Owners"), and the Initial Participating Transmission Owners along with any Additional Participating Transmission Owners (as defined in Section 11.05 of this Agreement), are collectively referred to herein as the "PTOs" and individually each is referred to as a "PTO"), and ISO New England Inc.("ISO"), a Delaware corporation (all PTOs and the ISO are collectively referred to herein as the "Parties").

WHEREAS, each of the PTOs owns and/or operates certain transmission facilities that are interconnected with the transmission facilities of certain other PTOs within the New England Transmission System or otherwise provides transmission service within the New England Transmission System;

WHEREAS, the ISO is a regional transmission organization ("RTO") authorized by the Federal Energy Regulatory Commission ("FERC") to exercise the functions required of RTOs pursuant to FERC's Order No. 2000 ("Order 2000") and FERC's RTO regulations;

WHEREAS, in accordance with the requirements of Order 2000, the ISO will be the transmission provider under the ISO Open Access Transmission Tariff (the "ISO OATT") of non-discriminatory, open access transmission services over the transmission facilities of the PTOs ("Transmission Service");

WHEREAS, the ISO OATT will be designed to provide for the payment by transmission customers for Transmission Service at rates designed to recover the revenue requirements of the PTOs in supporting the provision of such transmission service by the ISO under the ISO OATT;

WHEREAS, the ISO will be responsible for system planning within the ISO region subject to certain rights and obligations of the PTOs, all as set forth in this Agreement;

WHEREAS, the functions to be performed by the ISO and Order 2000 require that the ISO have the requisite operational authority over the PTOs' transmission facilities;

WHEREAS, in accordance with the terms set forth herein, the PTOs desire for the ISO to exercise, and the ISO desires to exercise, Operating Authority (as defined in Section 3.02 of this Agreement) over the PTOs' Transmission Facilities (as defined in this Agreement) consistent with the requirements of Order 2000;

WHEREAS, the PTOs will, among other things, continue to own, physically operate, and maintain their Transmission Facilities and Local Control Centers; and

WHEREAS, each PTO reserves the right to transfer certain rights and obligations to an Independent Transmission Company in accordance with Attachment M to the ISO OATT.

NOW, THEREFORE, in consideration of the promises, and the mutual representations, warranties, covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of

which are hereby acknowledged, and intending to be legally bound, each of the PTOs and the ISO agree as follows:

ARTICLE I
DEFINITIONS; INTERPRETATIONS

1.01 **Definitions; Interpretations.**

Each of the capitalized terms and phrases used in this Agreement (including the foregoing recitals) and not otherwise defined herein shall have the meaning specified in Schedule 1.01. In this Agreement, unless otherwise provided herein:

(a) words denoting the singular include the plural and vice versa;

(b) words denoting a gender include all genders;

(c) references to a particular part, clause, section, paragraph, article, exhibit, schedule, appendix or other attachment shall be a reference to a part, clause, section, paragraph, or article of, or an exhibit, schedule, appendix or other attachment to, this Agreement;

(d) the exhibits, schedules and appendices attached hereto are incorporated herein by reference and shall be construed with and as an integral part of this Agreement to the same extent as if they were set forth verbatim herein;

(e) a reference to any statute, regulation, proclamation, ordinance or law includes all statutes, regulations, proclamations, amendments, ordinances or laws varying, consolidating or replacing the same from time to time, and a reference to a statute includes all regulations, policies, protocols, codes, proclamations and ordinances issued or otherwise applicable under that statute unless, in any such case, otherwise expressly provided in any such statute or in this Agreement;

(f) a reference to a particular section, paragraph or other part of a particular statute shall be deemed to be a reference to any other section, paragraph or other part substituted therefor from time to time;

(g) a definition of or reference to any document, instrument or agreement includes any amendment or supplement to, or restatement, replacement, modification or novation of, any such document, instrument or agreement unless otherwise specified in such definition or in the context in which such reference is used;

(h) a reference to any Person (as hereinafter defined) includes such Person's successors and permitted assigns in that designated capacity;

(i) any reference to "days" shall mean calendar days unless "Business Days" (as hereinafter defined) are expressly specified;

(j) if the date as of which any right, option or election is exercisable, or the date upon which any amount is due and payable, is stated to be on a date or day that is not a Business Day, such right, option or election may be exercised, and such amount shall be deemed due and payable, on the next succeeding Business Day with the same effect as if the same was exercised or made on such date or day (without, in the case of any such payment, the payment or accrual of any interest or other late payment or charge, provided such payment is made on such next succeeding Business Day);

(k) words such as "hereunder", "hereto", "hereof" and "herein" and other words of similar import shall, unless the context requires otherwise, refer to this Agreement as a whole and not to any particular article, section, subsection, paragraph or clause hereof;

(l) a reference to "include" or "including" means including without limiting the generality of any description preceding such term, and for purposes hereof the rule of ejusdem generis shall not be applicable to limit a

general statement, followed by or referable to an enumeration of specific matters, to matters similar to those specifically mentioned; and

(m) neither this Agreement nor any other agreement, document or instrument referred to herein or executed and delivered in connection herewith shall be construed against any Person as the principal draftsperson hereof or thereof.

ARTICLE II

TRANSMISSION FACILITIES

2.01 **Transmission Facilities.** As to any PTO, the transmission facilities over which the ISO shall exercise Operating Authority in accordance with the terms set forth herein shall be:

(a) those facilities of such PTO listed in Schedule 2.01(a) (hereinafter "Category A Facilities"), as such list of facilities may be added to or deleted from in accordance with Sections 2.01(d) and 2.02 below;

(b) those facilities of such PTO listed in Schedule 2.01(b) (hereinafter "Category B Facilities"), as such list of facilities may be added to or deleted from, in accordance with Sections 2.01(d) and 2.02 below; and

I those transmission facilities of such PTO within the New England Transmission System with a voltage level of less than 69 kV and all transformers that have no Category A Facilities or Category B Facilities connected to the lower voltage side of the transformer that are not listed on Schedule 2.01(a) and Schedule 2.01(b) (hereinafter "Local Area Facilities"), provided that any excluded facilities of such PTO listed on Schedule 4.01(d) shall not be Local Area Facilities.

(d) As to each PTO, the transmission facilities included on any of the lists of the Category A Facilities or the Category B Facilities contained in Schedule 2.01(a) and Schedule 2.01(b), respectively, as of the Operations Date may be redesignated on another of these two lists, deleted from such list, or redesignated as a Local Area Facility without the necessity of an amendment to this Agreement, but only in the following manner:

(i) at the direction of a Governmental Authority with jurisdiction over the Transmission Facilities in question, provided that the ISO and all PTOs shall be provided prior written notice of such changes;

(ii) as agreed between the ISO and the PTO or PTOs owning the transmission facilities; or

(iii) where the operational characteristics of a transmission facility have been materially modified after the Operations Date (including a change from a radial transmission facility to a looped transmission facility that contributes to the parallel carrying capability of the New England Transmission System) in accordance with Section 2.01(e); provided that any such changes shall also be subject to ISO review consistent with Section 2.06.

(e) All transmission facilities to be redesignated as Category A Facilities, Category B Facilities, or Local Area Facilities or deleted from the lists in Schedule 2.01(a) and Schedule 2.01(b) in accordance with Section 2.01(d)(iii), and all transmission facilities to be added to the lists in Schedule 2.01(a) and Schedule 2.01(b) in accordance with Section 2.02 shall be classified in accordance with the following standards:

(i) Category A Facilities shall consist of: all transmission lines with a voltage level of 115 kV and above, except for those 115 kV transmission facilities specifically designated as Category B Facilities in accordance with Section 2.01(e)(ii); all transmission interties between Control Areas; all transformers that have Category A Facilities connected to the lower voltage side of the transformer; all transformers that require a Category A Facility to be taken out of service when the transformer is taken out of service; and all breakers and disconnects connected to, and all shunts, relays, reclosing and associated equipment, dynamic reactive resources, FACTS controllers, special protection systems, PARS, and other equipment specifically installed to support the operation of such transmission lines,

interties, and transformers.

(ii) Category B Facilities shall consist of: all 115 kV radial transmission lines and all 69 kV transmission lines that are not interties between Control Areas; all transformers that have any Category B Facilities and no Category A Facilities connected to the lower voltage side of the transformer except to the extent such transformers are designated as Category A Facilities in accordance with Section 2.01 (e)(i); and all breakers and disconnects connected to, and all shunts, relays, reclosing and associated equipment, dynamic reactive resources, FACTS controllers, special protection systems, PARS, and other equipment specifically installed to support the operation of such Category B Facilities.

(iii) Local Area Facilities shall consist of all transmission facilities with a voltage level of less than 69 kV and all transformers that have no Category A Facilities or Category B Facilities connected to the lower voltage side of the transformer.

(iv) To the extent there is any dispute between the ISO and a PTO or PTOs owning a transmission facility concerning classification of such transmission facility under these standards, such disagreement shall be subject to the dispute resolution provisions of this Agreement, provided that the ISO's classification of a transmission facility under the standards shall govern pending resolution of the dispute.

(f) Collectively, all Category A Facilities, Category B Facilities, and Local Area Facilities shall hereinafter be referred to as the "Transmission Facilities," provided that "Transmission Facilities" shall not include Excluded Assets as defined in Section 2.04 of this Agreement or Merchant Facilities. The ISO shall maintain on its OASIS a posting of the current versions of Schedule 2.01(a) and Schedule 2.01(b), in each instance, reflecting each such change promptly after such change is made.

(g) The classifications set forth in this Section 2.01 are for operational purposes. Rate treatment of Transmission Facilities shall be governed by the ISO OATT, provided that filings for rate treatment under the ISO OATT shall be subject to Section 3.04 of this Agreement.

2.02 **New and Acquired Transmission Facilities and Transmission Upgrades.**

(a) Any New Transmission Facility, any Transmission Upgrade, and any Acquired Transmission Facility shall be considered a "Transmission Facility" under this Agreement once it is placed into commercial operation by the applicable PTO(s); shall be designated as a Category A Facility, Category B Facility, or Local Area Facility in accordance with Section 2.01(e) unless otherwise agreed by the ISO and the PTO(s) owning the Transmission Facility; and shall be subject to the Operating Authority of the ISO in accordance with the terms of this Agreement.

(b) The designation of an Acquired Transmission Facility as a Category A, Category B or Local Area Facility shall not require the abrogation or modification of existing contractual arrangements for such Acquired Transmission Facility.

(c) Any Merchant Facility interconnected to or within the New England Transmission System shall not be the subject of this Agreement. Any Merchant Facility interconnected to or within the New England Transmission System constructed and placed in commercial operation after the Operations Date shall be subject to the authority of the ISO under a separate agreement in accordance with Section 2.03 and any applicable provisions of the ISO OATT.

2.03 **Merchant Facilities.** The terms and conditions under which a PTO, an Affiliate of a PTO, or any other entity grants authority over any Merchant Facilities to the ISO shall not be governed by this Agreement, it being understood that such entities shall enter into operating agreements relating to their Merchant Facilities directly with the ISO in accordance with applicable provisions of the ISO OATT. Nothing in this Agreement is intended to limit or expand the right of a PTO, the Affiliate of a PTO, or any other entity to propose, construct, or own Merchant Facilities interconnected to the New England Transmission System.

2.04 **Excluded Assets.** The "Excluded Assets" of a PTO shall consist of those assets and/or facilities of a

PTO set forth in Section 2.04(a) and (b). These Excluded Assets are expressly excluded from the definition of Transmission Facilities under this Agreement, and the ISO shall not have Operating Authority over a PTO's Excluded Assets. Nothing in this Section 2.04 is intended to address the rate treatment of a PTO's Transmission Facilities or any other asset of a PTO. Rate treatment of Transmission Facilities shall be governed by the ISO OATT, provided that filings for rate treatment under the ISO OATT shall be subject to Section 3.04 of this Agreement:

(a) Any assets, facilities, and/or portions of facilities owned by such PTO that are connected with or associated with those facilities defined as Category A Facilities, Category B Facilities or Local Area Facilities to the extent specifically excluded pursuant to the following items (i) through (vii) of this Section 2.04(a):

(i) proceeds from the use or disposition of Transmission Facilities;

(ii) any payment, refund or credit (1) relating to Taxes in respect of the Transmission Facilities of such PTO, (2) arising under any contracts or tariffs of such PTO and relating to services provided prior to the beginning of the Term, (3) arising under any contract or tariff that provides for rates that are subject to regulation by an agency other than FERC, or (4) relating to a Grandfathered Transmission Agreement;

(iii) any rights, ownership, title or interest any PTO may have with respect to telecommunications assets and equipment, provided that the ISO shall continue to have the right to use such telecommunication assets and equipment attached to or associated with Transmission Facilities solely to the extent needed for the exercise of the ISO's Operating Authority in accordance with practice prior to the Operations Date and further provided that such use right shall not be assignable by the ISO;

(iv) any existing contracts or contract rights of the PTOs related in any manner to Transmission Facilities unless such PTO agrees to assign or transfer such contracts to the ISO, provided that the PTOs shall exercise their rights and responsibilities under Grandfathered Transmission Agreements in accordance with Section 3.11 and the applicable provisions of this Agreement;

(v) any assets, property rights, licenses, permits or facilities that are used for or in (1) the distribution, generation, trading or marketing of electricity (except for facilities specifically defined as Category A Facilities, Category B Facilities or Local Area Facilities that are used for such activities), (2) gas transportation, gas, water, petroleum, chemical, real estate development, or cable business, or (3) any other activity unrelated to the transmission of electricity located on, or making use of, the Transmission Facilities;

(vi) any causes of action or claims related to Transmission Facilities, provided, that, upon the written agreement of the PTO and the ISO to the assumption by the ISO of the management of such claims under mutually agreed terms and conditions, the ISO may manage a PTO's causes of action or claims against a third party relating to such Transmission Facilities, and provided further that the ISO shall have the right to pursue causes of action or claims against third parties to the extent necessary for the ISO to fulfill its responsibilities for invoicing, collection and disbursement of customer payments in accordance with Section 3.10; and

(vii) any asset or facility for which Operating Authority may not be lawfully transferred or assigned.

(b) Any assets or facilities of such PTO that are not specifically defined as Category A Facilities, Category B Facilities or Local Area Facilities, including without limitation the facilities or portions of facilities described in items (i) through (xii) of this Section 2.04(b):

(i) all cash, cash equivalents, bank deposits, accounts receivable, and any income, sales, payroll, property or other Tax receivables;

(ii) proceeds from the use or disposition of any facilities or assets owned by the PTO;

(iii) certificates of deposit, shares of stock, securities, bonds, debentures, and evidences of indebtedness;

(iv) any rights or interest in trade names, trademarks, service marks, patents, copyrights, domain names or logos;

(v) any payment, refund or credit (1) relating to Taxes, (2) arising under any contracts or tariffs of such PTO and relating to services provided prior to the beginning of the Term, or (3) arising under any contract or tariff that provides for rates that are subject to regulation by an agency other than FERC;

(vi) any facilities, including transmission facilities, located outside the New England Transmission System;

(vii) any rights, ownership, title or interest any PTO may have with respect to telecommunications assets and equipment;

(viii) any existing contracts or contract rights of the PTOs unless such PTO agrees to assign or transfer such contracts to the ISO;

(ix) any assets, property rights, licenses, permits or facilities that are used for or in (1) the distribution, generation, trading or marketing of electricity or (2) gas transportation, gas, water, petroleum, chemical, real estate development, or cable business, or (3) any other activity unrelated to the transmission of electricity whether or not located on, or making use of, the Transmission Facilities;

(x) any causes of action or claims;

(xi) any asset or facility for which Operating Authority may not be lawfully transferred or assigned; and

(xii) any interests of any kind in each PTO's real property, provided that nothing in this Section 2.04 shall: (a) supersede the rights and obligations of the Parties as set forth in the Control Center Lease or Back-up Control Center Lease or (b) restrict the PTOs from conveying interests in real property in any future written agreement into which the ISO and any PTO or group of PTOs may, in their sole discretion, enter.

2.05 **Connection with Non-Parties.**

(a) On or after the Operations Date, each PTO shall connect its Transmission Facilities with the facilities of any entity that is not a Party, including the facilities of a current or proposed Transmission Customer, and shall install (or cause to be installed) and construct (or cause to be constructed) any transmission facilities required to connect the facilities of a non-Party to a PTO's Transmission Facilities to the extent such connection or construction is required by applicable law, including the Federal Power Act and any applicable regulations issued by FERC and provided that the construction of any such transmission facilities shall be subject to the conditions associated with the PTOs' obligation to build set forth in Schedule 3.09(a). Any such connection shall be subject further to: (1) the receipt of any necessary regulatory approvals, (2) compliance with the procedures set forth in the ISO OATT for review of the reliability and operational impacts of a proposed interconnection (including the procedures for interconnection of a Generating Unit under the Interconnection Standard); and (3) execution of an Interconnection Agreement with such entity containing provisions for the safe and reliable operation of each interconnection with respect to such entity's facilities in accordance with Good Utility Practice, applicable NERC/NPCC Requirements, and applicable Law (including the Federal Power Act); provided that

(i) Except as provided in 2.05(a)(ii) below, each PTO shall engage in good faith negotiations as to the terms and conditions of such Interconnection Agreement with any such non-Party, but, except as may be required pursuant to regulations issued by FERC, a PTO shall not be required to enter into any Interconnection Agreement containing terms and conditions unacceptable to such PTO and shall reserve

the right to resolve any disputes, and/or make any filings with FERC, with respect thereto.

(ii) With respect to the interconnection of a Large Generating Unit to any Transmission Facility of a PTO the Interconnection Agreement shall be a three-party agreement among the PTO, the ISO, and the interconnecting non-Party based on the pro forma Large Generator Interconnection Agreement in the ISO OATT. With respect to the interconnection of other Generating Units to any Transmission Facility of a PTO, the ISO shall be a party to Interconnection Agreements if and to the extent that FERC regulations require the ISO to be a party. Either the ISO or the PTOs, acting jointly in accordance with the Disbursement Agreement among them, may initiate a filing to amend the pro forma Large Generator Interconnection Agreement under Section 205 of the Federal Power Act and shall include in such filing the views of the ISO and the PTOs, as applicable, provided that the standard applicable under Section 205 of the Federal Power Act shall apply only to the PTOs' position on any financial obligations of the PTOs or the interconnecting non-Party, and any provisions related to physical impacts of the interconnection on the PTOs' Transmission Facilities or other assets. If the PTO, the ISO and the interconnecting non-Party agree to the terms and conditions of a specific Large Generator Interconnection Agreement for a Large Generating Unit, or any amendments to such an Interconnection Agreement, then the PTO and the ISO shall jointly file the executed Interconnection Agreement, or amendment thereto, with FERC under Section 205 of the Federal Power Act. To the extent the PTO, the ISO and such interconnecting non-Party cannot agree to proposed variations from the pro forma Large Generator Interconnection Agreement applicable to a specific Large Generating Unit or cannot otherwise agree to the terms and conditions of the Interconnection Agreement for such Large Generating Unit, or any amendments to such an Interconnection Agreement, then the PTO and the ISO shall jointly file an unexecuted Interconnection Agreement, or amendment thereto, with FERC under Section 205 of the Federal Power Act and shall identify the areas of disagreement in such filing, provided that, in the event of disagreement on terms and conditions of the Interconnection Agreement related to the costs of upgrades to such PTO's Transmission Facilities, the anticipated schedule for the construction of such upgrades, any financial obligations of the PTO, and any provisions related to physical impacts of the interconnection on the PTO's Transmission Facilities or other assets, then the standard applicable under Section 205 of the Federal Power Act shall apply only to the PTO's position on such terms and conditions.

The costs of interconnection facilities shall be allocated in the manner specified in the ISO OATT.

(b) Each PTO shall also connect its Transmission Facilities with the facilities of any entity that is not a Party upon satisfaction of the "Elective Transmission Upgrade" provisions of the ISO OATT, provided that the PTO shall only connect the facilities of such entity (the "Elective Transmission Upgrade Applicant") upon satisfaction of the following conditions:

(i) The Elective Transmission Upgrade Applicant shall enter into an Interconnection Agreement with the affected PTO(s) and, to the extent necessary and appropriate, enter into support agreements with the affected PTO(s), provided that the Elective Transmission Upgrade Applicant may request, upon providing the security, credit assurances, and/or deposits required by the affected PTO, the filing with the Commission by the PTO of unexecuted Interconnection Agreements and support agreements.

(ii) The Elective Transmission Upgrade Applicant shall obtain all necessary legal rights and approvals for the construction and maintenance of the upgrade and shall cooperate with the PTO(s) in obtaining all necessary legal rights and approvals for the construction and maintenance of additions or modifications, if any, required in conjunction with the upgrade.

(iii) The Elective Transmission Upgrade Applicant shall be responsible for 100% of all of the costs of said upgrade and of any additions to or modifications of the Transmission Facilities that are required to accommodate the Elective Transmission Upgrade. A request for rate treatment of an Elective Transmission Upgrade, if any, shall be determined by FERC in the appropriate proceeding.

2.06 **Review of Transmission Plans.** Each PTO shall submit to the ISO in such form, manner and detail as

the ISO may reasonably prescribe: (i) any new or materially changed plans for retirements of or changes in the capacity of such PTO's Transmission Facilities rated 69 kV or above or plans for construction of New Transmission Facilities or Transmission Upgrades rated 69 kV or above; and (ii) any new or materially changed plan for any other action to be taken by the PTO which may have a significant effect on the stability, reliability or operating characteristics of the PTO's Transmission Facilities, the facilities of any Transmission Owner, or the system of a Participant. The ISO shall provide notification of any such PTO submissions to the appropriate Technical Committee (s). Unless prior to the expiration of ninety (90) days, the ISO notifies the PTO in writing that it has determined that implementation of the plan will have a significant adverse effect upon the reliability or operating characteristics of the PTO's Transmission Facilities, the facilities of any Transmission Owner, or the system of a Participant, the PTO shall be free to proceed. If the ISO notifies the PTO that implementation of such plan has been determined to have a significant adverse effect upon the reliability or operating characteristics of the PTO's Transmission Facilities, the facilities of any Transmission Owner, or the system of a Participant, the PTO shall not proceed to implement such plan unless the PTO takes such action or constructs such facilities as the ISO determines to be reasonably necessary to avoid such adverse effect.

2.07 **Condemnation.** If, at any time, any Governmental Authority commences any process to acquire any Transmission Facilities or any other interest in Transmission Facilities then held by a PTO through condemnation or otherwise through the power of eminent domain, (i) such PTO shall provide the ISO with written notice of such process, (ii) such PTO shall, at its cost, direct any litigation or proceeding regarding such condemnation or eminent domain matter, (iii) such PTO shall have the right to settle any such proceeding without the consent of the ISO, and (iv) any award in condemnation or eminent domain shall be paid to such PTO without any claim to such award by the ISO.

ARTICLE III
OPERATING AUTHORITY

3.01 **Grant of Operating Authority.**

(a) Subject to the terms set forth in this Agreement, including Article III and Article X hereof, effective as of the Operations Date, and with respect to Publicly-Owned PTOs, to the extent permitted by, or in a manner consistent with the laws of any State governing the organization or operation of such Publicly-Owned PTOs, each PTO hereby authorizes the ISO, through its officers, employees, consultants, independent contractors and other personnel, to exercise Operating Authority over the Transmission Facilities, including provision of Transmission Service over the Transmission Facilities under the ISO OATT, and the ISO hereby agrees to assume and exercise Operating Authority over such PTOs' Transmission Facilities in accordance with this Agreement.

(b) The grant by the PTOs to the ISO and the assumption by the ISO of Operating Authority over the Transmission Facilities are solely for the purposes of allowing the ISO to fulfill the functions of an RTO as specified herein (including provision of Transmission Service under the ISO OATT) and do not constitute an assumption by the ISO of any liabilities with respect to the Transmission Facilities except as otherwise specifically provided herein (including as provided in Article IX of the Agreement).

(c) Nothing herein or elsewhere contained shall be construed as requiring or effecting a transfer of any PTO's responsibility (or the assumption thereof by the ISO) for the physical control of the Transmission Facilities, including the physical operation, repair, maintenance and replacement of such Transmission Facilities, or as conveying to the ISO: (x) any right, ownership, title or interest in or to a PTO's Transmission Facilities; (y) any right of access to any PTO's real property, except as specified in Section 3.02(i); or (z) any rights or authority with respect to a PTO's Excluded Assets, except as specifically provided herein.

3.02 **Definition of ISO Operating Authority.** Consistent with the provisions of this Agreement, including Section 3.02(a) below, "Operating Authority" shall mean those functions set forth in Sections 3.02, 3.03, and 3.08 and those responsibilities set forth in Section 3.05, and shall not include those rights, responsibilities and functions set forth in Sections 3.06 and 3.07. Subject to the first sentence of this Section 3.02, the ISO shall exercise such Operating Authority in accordance with applicable Operating Procedures as specified in Section 3.02(d) below.

(a) The ISO shall perform the following functions with respect to each PTO's Transmission

Facilities, consistent with applicable NERC/NPCC Requirements and other applicable regulatory standards, including (as needed) issuing instructions to, or coordinating with, each PTO's Local Control Center(s):

(i) centrally dispatch generation (and dispatchable and interruptible load) and implement real-time balancing, including meeting NERC control performance criteria;

(ii) determine Operating Limits based on forecasted or real-time system conditions and in accordance with the facility ratings established by the PTOs in collaboration with the ISO pursuant to Section 3.06;

(iii) take such actions as may be necessary to plan and maintain short-term (including real-time) reliability and system security (including curtailment of external transactions in accordance with FERC-accepted or -approved Market Rules and the applicable transmission tariff or transmission agreement);

(iv) consistent with the ISO Information Policy, exchange security information with applicable PTOs, non-PTO transmission operators and other neighboring systems and regional entities; and

(v) provide for an ISO Control Center and an independent Back-up Control Center, as the ISO deems necessary to comply with applicable NERC/NPCC Requirements and any applicable regulatory requirement.

(b) The ISO shall receive, confirm and schedule External Transactions for the New England Transmission System; enter into Coordination Agreements and operating arrangements with the operators of neighboring Control Areas; coordinate system operation and emergency procedures with neighboring Control Areas; and administer each PTO's Interconnection Agreements with neighboring Control Areas and scheduling provisions of the tariff(s) applicable to External Transactions, in accordance with the terms of those agreements and tariffs; provided that as of the Operations Date, the applicable agreements and tariffs shall be set forth in Schedule 3.02(b).

(c) The ISO shall act as the Reliability Authority for the New England Transmission System. The ISO may intercede and direct appropriate near-term operational actions in order to protect reliability, provided that nothing in this Section 3.02(c) shall require any PTO to undertake an action contrary to applicable Law or shall limit the right of each PTO pursuant to Section 3.07 to take any action(s) that it deems necessary to prevent loss of human life, injury to persons and/or damage to property.

(d) The ISO shall utilize the Operating Procedures relating to the exercise of Operating Authority over the Transmission Facilities. The Operating Procedures shall initially consist of the Operating Procedures in existence on the Operations Date (hereinafter "Existing Operating Procedures"). Such Existing Operating Procedures shall consist of those Operating Procedures listed in Schedule 3.02(d). The ISO shall develop any modifications to Operating Procedures (including Existing Operating Procedures) and any new Operating Procedures that it may deem necessary or appropriate: (i) in coordination with those PTOs (or their Local Control Centers, as applicable) whose Transmission Facilities will be operated in accordance with such Operating Procedures so as to ensure that that the PTO's (or Local Control Center's) knowledge of their Transmission Facilities is given due consideration in the development or modification of the transmission-related portions of such Operating Procedures and (ii) in consultation with other stakeholders. The ISO shall have the authority to modify Operating Procedures or develop new Operating Procedures without such coordination or consultation when the ISO does not have sufficient time to undertake such coordination or consultation due to emergent and unanticipated circumstances. In the event that the ISO and the applicable PTO(s) disagree about modifications to the transmission-related portions of Operating Procedures or any new Operating Procedures related to the operation of such PTOs' Transmission Facilities, the affected PTO(s) will have the opportunity to submit the dispute for resolution in accordance with the dispute resolution provisions set forth in Section 11.14 herein. Pending such resolution, the ISO shall have the authority, as the system operator with ultimate authority for the real-time operation of the New England Transmission System, to implement any such new Operating Procedures or modified Operating Procedures. Notwithstanding anything in the foregoing, Operating Procedures related to the establishment of ratings for a PTO's New Transmission Facilities and Acquired Transmission Facilities or

related to changes to existing ratings of a PTO's Transmission Facilities (collectively "Rating Procedures") shall be developed and placed into effect pursuant to Section 3.06(a)(v).

To the extent the PTOs will be required to physically operate their Transmission Facilities in accordance with any operational documents in effect as of the Operations Date or as subsequently developed or amended by the ISO (other than the Operating Procedures), the ISO shall develop such operational documents and amendments thereto in coordination with those PTOs (or their Local Control Centers, as applicable) whose Transmission Facilities will be operated in accordance with such documents, provided that stakeholders shall have the right to consult in the development of such documents, subject to any limitations associated with the confidential nature of such documents consistent with confidentiality, that the ISO will have the right to place such operating documents into effect in the event of a dispute concerning such documents, and that the affected PTO(s) shall have the right to submit any such dispute for resolution in accordance with the dispute resolution provisions set forth in Section 11.14 herein. Any such coordination between any PTO and the ISO pursuant to this Section 3.04(d) shall be subject to applicable standards of conduct consistent with FERC Order No. 889.

(e) The ISO shall seek agreement with the PTOs, where time limitations do not make it impracticable to do so, on real-time operational decisions affecting the Transmission Facilities not otherwise specified in the Operating Procedures developed in accordance with Section 3.02(d). In the absence of such agreement, or if time limitations do not permit reaching agreement, the ISO shall implement its operational decision. If such ISO decision is disputed, the ISO's position shall control pending resolution of the dispute.

(f) The ISO shall develop, maintain, and, if needed, implement the System Restoration Plan for the New England Transmission System, which shall include the existing PTO Local Restoration Plans. The ISO shall develop any modifications to the System Restoration Plan in consultation with the PTOs and shall incorporate into the System Restoration Plan any modifications developed by each PTO to their PTO Local Restoration Plans, provided that any modifications to the PTO Local Restoration Plans are subject to the ISO's approval in order to coordinate and promote the reliability of the Restoration Plans.

(g) The ISO shall coordinate voltage and reactive dispatch of facilities to the extent normal schedules are unable to be maintained by Local Control Centers.

(h) The ISO shall direct the implementation of emergency procedures, including Load Shedding and voltage reduction, in coordination with the PTO Local Control Centers.

(i) The ISO shall have the authority to perform the following tasks in relation to compliance with current or future PTO responsibilities:

(i) perform all compliance and monitoring responsibilities of the ISO, including the issuance of sanction letters, with respect to existing or successor NERC or NPCC compliance programs associated with standards, criteria and measurements for which the PTOs are responsible and accountable to the ISO. To the extent that the ISO receives a sanction letter from NERC or NPCC that is substantially related to the actions of a PTO, the ISO may issue a sanction letter to such PTO;

(ii) perform all compliance and monitoring responsibilities of the ISO associated with Operating Procedures relating to standards, criteria and measurements that the PTOs are responsible for and accountable to the ISO. Such responsibilities shall include audits of PTOs for compliance with Operating Procedures to the extent the ISO determines such audits are necessary, and the issuance of sanction letters;

(iii) perform periodic audits of each Local Control Center's and PTO's performance of the functions listed in Sections 3.06 (a)(i), (ii), (iv), (vi), (vii), (viii), (ix) and (x) in accordance with applicable Operating Procedures and applicable reliability standards, including audits to monitor compliance of the Local Control Center (and PTO employees interacting with the Local Control Centers) with the ISO Information Policy and applicable standards of conduct consistent with FERC Order No. 889 in performing these functions. Such Local Control Center audits shall

generally be conducted no more frequently than once every three years, provided that the ISO shall have the authority to conduct an audit more frequently if it determines that circumstances so require.

All audits conducted pursuant to this Section 3.02(i) shall be conducted by the ISO or by an independent third party, with expenses of the ISO (or the third-party auditor) borne by the ISO and recovered through its administrative tariff. The PTO shall bear its own expenses in complying with the audit. Such audits shall be conducted during normal business or operational hours and with reasonable notice. The general scope of each audit and the general process for conducting the audit will be discussed with the affected PTO in advance. Nothing in this Section 3.02(i) shall imply that a sanction letter shall include any financial or other penalties. Nothing in this Section 3.02(i) shall limit the right of the ISO to separately file proposals at FERC to assess financial or other penalties against any entity or shall limit the right of the PTOs to comment on or protest any such proposals.

(j) In addition to the functions set forth in Sections 3.02(a) - (i), Operating Authority shall also consist of the following functions that the ISO shall perform with respect to each PTO's Category A Facilities; provided, however, that the ISO (in the absence of the PTO's consent) is not authorized to perform such functions with respect to any PTO's Category B Facilities or Local Area Facilities, unless the outages of such facilities reasonably could be expected to result in a violation of reliability criteria:

(i) monitor and control, in accordance with the facility ratings established by the PTOs in collaboration with the ISO pursuant to Section 3.06, on a real-time basis, power flows on the system, voltage and system frequency; and

(ii) coordinate with the Local Control Centers on the settings for dynamic reactive resources, FACTS controllers, special protection systems, PARS, and other similar dynamic equipment that affects power flows, and approve or direct changes to such settings.

(k) If at any time, any Party provides notice to all of the other Parties that it believes NERC and NPCC documents that are not NERC/NPCC Requirements have been modified so as to expand the scope of the functions to be performed by the ISO or the PTOs, the Parties shall consider in good faith changes to this Agreement that will allow the Parties to follow such guidelines; provided, however, that, the Parties shall have no obligation to agree to such changes. If the Parties cannot agree to such changes, the dispute resolution procedures of Section 11.14 shall be utilized. Nothing in this Section 3.02(k) shall be construed to excuse any Party from complying with applicable NERC/NPCC Requirements.

3.03 **Transmission Services and OATT Administration.**

(a) The ISO shall administer the ISO OATT in the manner specified in this Section 3.03. The ISO's OATT administration responsibilities shall include those enumerated below:

(i) The ISO shall receive, post on OASIS as required by Commission regulations, and respond to all Transmission Service requests and requests to be interconnected to the New England Transmission System under the ISO OATT, including the Local Service Schedules. Except as provided in Section 3.03(a)(ii), the ISO shall perform the system impact studies and facilities studies (and execute and administer agreements for such studies) in connection with such requests; provided, however, that: (A) the ISO shall consult with a PTO prior to completion of system impact studies and facilities studies in connection with requests that affect such PTO's Transmission Facilities and shall include in any such studies the PTO's reasonable estimates of the costs of upgrades to such PTO's Transmission Facilities needed to implement the conclusions of such studies and the PTO's reasonable anticipated schedule for the construction of such upgrades; (B) nothing in this Agreement shall preclude the ISO from entering into an agreement(s) with a PTO for such studies, pursuant to the ISO's supervision and the ISO's authority to require modifications to such studies, to perform system impact studies and facilities studies in connection with requests that affect such PTO's Transmission Facilities; (C) except as provided in Section 3.03(a)(ii) with respect to interconnection of Generating Units that would not have an impact on facilities used for the provision of regional transmission service, nothing in this Agreement shall

preclude the performance of studies related to the interconnection of Generating Units by a third party consultant to the extent permitted by applicable procedures in the ISO OATT (including procedures governing the treatment of confidential information) and provided that such studies performed by any third party consultant must include the PTO's reasonable estimates of the costs of upgrades to such PTO's Transmission Facilities needed to implement the conclusions of such studies and the PTO's reasonable anticipated schedule for the construction of such upgrades; and (D) each PTO shall, upon request by the ISO, conduct any necessary studies related to such PTO's Transmission Facilities, including system impact studies and facilities studies, and shall assist in the performance of any such studies, including the provision of information and data in accordance with Section 11.09 of this Agreement.

(ii) The ISO shall forward to the appropriate PTO(s) applications for Local Service. The ISO shall review applications for Local Service or requests to be interconnected to the New England Transmission System to determine whether the service or interconnection would have an impact on facilities used for the provision of regional transmission service. If so, the ISO will perform a system impact study and facilities study, as necessary to address the impacts on facilities used for the provision of regional transmission service. The PTO shall be responsible for reviewing and responding to requests for Local Service not having an impact on facilities used for the provision of regional transmission service and for interconnections not having an impact on facilities used for the provision of regional transmission service, and shall perform all system impact studies and facilities studies regarding such requests; provided, however, that the PTO shall consult with the ISO prior to completion of such system impact studies and facilities studies and further provided that the ISO will use reasonable efforts to assist the PTO and interconnecting party in resolving disputes arising regarding the performance of such studies. The PTOs shall provide the ISO with information necessary to evaluate any such dispute in accordance with Section 11.09 of this Agreement, and shall include provisions in each of their study agreements providing for reimbursement of the ISO's costs incurred in these efforts.

(iii) The ISO shall calculate the TTC and ATC for all interties on the New England Transmission System and determine the TTC and ATC calculation methodologies for interties on the New England Transmission System (consistent with applicable NERC/NPCC Requirements and applicable regulatory standards), provided that modifications to calculation methodologies as they exist on the Operations Date shall be developed by the ISO in consultation with the PTOs and other interested stakeholders. To the extent that TTC and ATC on a PTO's Local Network must be calculated in connection with the provision of Local Service, then the PTO shall calculate such TTC and ATC.

(iv) The ISO shall operate and maintain the OASIS (or a successor system) as required by FERC, including posting of TTC/ATC for interties on the New England Transmission System; provided, however, that such system shall conform to the requirements for such systems as specified by FERC. The PTOs shall provide updates to PTO-specific Local Service pages on the OASIS site, subject to the ISO's review of such updates. The ISO shall have the authority to direct any changes to such PTO-specific Local Service pages that it deems appropriate to conform to FERC requirements and the terms and conditions of the ISO OATT.

(v) The ISO shall procure and act as supplier of last resort of Ancillary Services (including arranging for the sale and purchase of emergency capacity and energy with neighboring Control Areas), in accordance with the ISO OATT and FERC-accepted or -approved Market Rules.

(vi) The ISO shall provide regional Transmission Service to Transmission Customers over the Transmission Facilities in accordance with the rates, terms and conditions of the ISO OATT, subject to Section 3.03(c) with respect to Local Service.

(vii) The ISO shall track inadvertent energy and administer inadvertent energy payback/accounting with neighboring Control Areas in accordance with the terms and conditions of the Interconnection Agreements or Coordination Agreements with neighboring Control Areas and applicable tariff provisions.

(viii) The ISO shall make informational filings with the Commission that are required of an RTO, provided that the relevant PTOs shall provide the ISO with all necessary information to make such filings, in such manner as the ISO shall reasonably prescribe and in accordance with Section 11.09 of this Agreement.

(b) Notwithstanding Section 3.03(a), generators requesting to interconnect with the distribution facilities of a PTO or a PTO's distribution company Affiliate and retail load customers shall submit service requests to the applicable distribution company or the PTO, where applicable. The distribution company or, where applicable, the PTO shall execute and administer the agreements, and shall be responsible for billing, collections, dispute resolution and the performance of system impact studies and facilities studies, in coordination with the ISO as necessary, in connection with such requests.

(c) Local Service. Each PTO authorizes the ISO to act as its agent in the performance of its Transmission Service and OATT administration duties with regard to Local Service, including all ISO responsibilities with respect to Local Service and Local Area Facilities as set forth in Section 3.03(a) above. Each PTO agrees to perform all tasks and undertake all responsibilities necessary and appropriate to facilitate the provision of Local Service in accordance with its Local Service Schedule. Each PTO shall, in accordance with Section 11.09 of this Agreement, provide the ISO with information and data requested by the ISO to perform its Transmission Service and OATT administration duties with regard to Local Service, Each PTO shall maintain its Local Service Schedules in accordance with FERC regulations governing filed rate schedules, shall provide the ISO with copies of proposed changes to its Local Service Schedules when filed with the FERC, and shall notify the ISO when FERC approves or accepts changes to such Local Service Schedules. Each PTO shall be responsible for sending all invoices for Local Service to Transmission Customers and pursuing collections for outstanding payments due for Local Service. The ISO, by the execution of this Agreement, shall not assume any liability in connection with the provision of Local Service other than the liability which may result from an act or omission of the ISO related to the ISO's rights and responsibilities under this Agreement, including an ISO directive and/or instruction to a Party. Nothing in this Section 3.03(c) shall affect the relative rights and responsibilities of the Parties pursuant to Article IX of this Agreement.

(d) Transmission Service Agreements. The ISO and the applicable PTOs shall enter into all agreements for Transmission Service over the Transmission Facilities that commence on or after the Operations Date; provided that:

(i) A pro forma service agreement (or service agreements) shall be attached to the ISO OATT and such pro forma service agreement(s) shall set forth the respective rights and responsibilities of the Transmission Customer, the ISO, and the PTOs. After the Operations Date, the ISO shall have the authority, pursuant to Section 205 of the Federal Power Act, to amend the pro forma service agreement(s) or the Market Participant Service Agreement ("MPSA") or executed service agreements related to the terms and conditions of regional Transmission Service. After the Operations Date, the PTOs, acting jointly in accordance with the Disbursement Agreement among them, shall have the authority, pursuant to Section 205 of the Federal Power Act, to amend the pro forma service agreement(s) related to the terms and conditions of Local Service. and each PTO shall have the authority, pursuant to Section 205 of the Federal Power Act, to amend executed service agreements related to the terms and conditions of Local Service.

(ii) On or after the Operations Date, the ISO shall be responsible for filing with the FERC, or electronically reporting to the FERC as applicable, all new agreements for Transmission Service over the Transmission Facilities. Such filings with respect to Local Service will be made by the ISO as agent for the applicable PTO. In the event of any dispute between the ISO or a PTO and a Transmission Customer concerning the terms and conditions of such service agreements, the ISO shall file an unexecuted copy of the pro forma service agreement set forth in the ISO OATT and shall include in such filing any statement provided by the affected PTO(s) and the Transmission Customers concerning their respective positions on any proposed changes or additions to the pro forma service agreement.

(iii) Notwithstanding the foregoing, the PTOs (or their affiliated distribution companies) shall be solely authorized to enter into service agreements for retail service and service to generators connected at the distribution facility level.

Nothing in this Section 3.03(d) shall limit the ISO's obligations with respect to Grandfathered Transmission Agreements in accordance with Section 3.11 of this Agreement. The PTOs shall submit all required electronic reports with respect to such Grandfathered Transmission Agreements. If and to the extent that FERC regulations require the ISO to submit such electronic reports for the Grandfathered Transmission Agreements, the PTOs shall provide the ISO with assistance in developing and submitting such required reports.

(e) Local Networks. A "Local Network" shall consist of those networks of Transmission Facilities identified on Attachment E of the ISO OATT as of the Operations Date. The Local Networks shall only be changed to reflect the effectuation of a merger, acquisition, or consolidation and reorganization, to add a new PTO from outside of the New England Control Area, or to reflect the withdrawal from the ISO of a PTO.

3.04 **Application Authority.**

(a) Each PTO other than a Publicly-Owned PTO shall have the authority to submit filings under Section 205 of the Federal Power Act, and each Publicly-Owned PTO shall have the authority to the extent permitted by, or in a manner consistent with state law applicable to Publicly-Owned PTOs, to establish and to revise:

(i) the revenue requirements for all Transmission Facilities of such PTO used for the provision of Transmission Service (including Transmission Facilities leased to the PTO or to which the PTO has contractual entitlements);

(ii) any rates or charges for transmission services that are based solely on the revenue requirements of the Transmission Facilities of a single PTO (including Transmission Facilities leased to the PTO or to which the PTO has contractual entitlements) under such PTO's FERC-accepted or -approved Local Service Schedule to the ISO OATT;

(iii) any terms and conditions for Local Network Service or Local Point-to-Point Transmission Service under such PTO's Local Service Schedule to the ISO OATT;

(iv) any rates or charges for the recovery of such PTO's investment in a New Transmission Facility or Transmission Upgrade that enters commercial service after the effective date of the ISO OATT and the construction of which was not required by, or approved in, an ISO System Plan; provided, however, that if the ISO OATT utilizes a formula-type transmission rate, the revenue requirement for such Transmission Facility shall not be rolled into such rate without a FERC order expressly permitting such roll-in;

(v) any terms and conditions for such PTO's or such PTO's affiliated distribution company's retail access plans, whether such terms and conditions are included in the ISO OATT or in any other tariff applicable to that PTO filed with FERC, and including any such terms and conditions in the ISO OATT or in any other tariff applicable to that PTO that protect against bypass of any provision of that PTO's retail access plan;

(vi) any rates or charges for the recovery of such PTO's wholesale or retail stranded costs and any terms and conditions in the ISO OATT or in any other tariff applicable to that PTO filed with FERC that protect against bypass of rates or charges for the recovery of that PTO's wholesale or retail stranded costs;

(vii) any rates or charges, and terms and conditions related thereto, that implement an incentive or performance-based rate proposal made by one or more (but fewer than all) PTOs, applicable only to service provided by such PTO(s) under their Local Service Schedules; and

(viii) subject to the provisions of Section 2.05, any terms and conditions of Interconnection

Agreements with any entities connecting with such PTO's Transmission Facilities, provided that such Interconnection Agreements shall not include any operating arrangements and Coordination Agreements that the ISO may enter into with operators of neighboring Control Areas in accordance with Section 3.02(b).

A PTO shall not have the authority to revise such rates, terms and conditions in a manner that would abridge the rights granted to the ISO in Section 3.04(c). The PTO shall provide written notification to the ISO and stakeholders of any filing described in sub-paragraph (ii) through (viii), above, which notification shall include a detailed description of the filing, at least 30 days in advance of a filing. The PTO shall consult with interested stakeholders upon request. The PTO shall retain the right to modify aspects of any filing authorized by this Section 3.04(a) after it provides written notification to the ISO and stakeholders, and shall provide notification to the ISO and stakeholders of any material modification to such filings.

With respect to any filing described in sub-paragraph (ii) through (viii), above, the PTO shall include in any filing a statement that, in the good faith judgment of the PTO, the proposal will not be inconsistent with the design of the New England Markets, as accepted or approved by FERC. In the event the ISO believes that a proposed filing described in sub-paragraph (ii) through (viii), above, would have such an inconsistency, it shall so advise the PTO and such PTO and the ISO shall consult in good faith to resolve any ISO concerns, but, if such disagreement cannot be resolved, the PTO may submit a filing under Section 205, provided that the PTO's filing (including the transmittal letter for such filing) to FERC shall include any written statement provided by the ISO setting forth the basis for the ISO's concerns. With respect to any PTO whose transmission rates and revenue requirements are not subject to FERC jurisdiction under Section 205 or otherwise, such PTO shall have the right to establish its revenue requirements, and, where applicable, its rates and charges, in accordance with applicable law and submit such revenue requirements, rates and charges to FERC for a determination that inclusion of such revenue requirements, rates and charges in the ISO OATT will yield rates and charges for Transmission Service that satisfy the applicable standard under Section 205.

A PTO shall consult with the ISO to determine whether the ISO will need to make any software modifications in order to implement any filing authorized by this Section 3.04(a) and when any needed software modifications could reasonably be expected to be implemented. The PTO's filing to FERC (and the transmittal letter for such a filing) shall include any written statement provided by the ISO setting forth the basis for any software-related implementation concerns raised by the ISO. The ISO shall make Commercially Reasonable Efforts to implement any needed software modifications by the effective date accepted by the FERC for a filing authorized by this Section 3.04(a), provided that, if the ISO has exercised such Commercially Reasonable Efforts, a failure to implement needed software modifications by the FERC-accepted effective date shall not constitute an event of default by the ISO under this Agreement or subject the ISO to financial damages, and further provided that the ISO shall run retroactive settlements consistent with the FERC-accepted effective date for a filing authorized by this Section 3.04(a) once such software modifications have been implemented.

(b) The PTOs, acting jointly in accordance with the Disbursement Agreement among them, shall have the authority to submit filings under Section 205 of the Federal Power Act to establish and to revise:

(i) the rates and charges for Transmission Service pursuant to which the revenue requirements for all Transmission Facilities of the PTOs used for the provision of Transmission Service are recovered; including the design of any rates or charges for: (A) regional Transmission Service on the New England Transmission System involving the use of more than one PTO's Transmission Facilities; (B) Transmission Service between the New England Transmission System and any other transmission system; (C) Transmission Service through the New England Transmission System between other transmission systems; (D) the recovery of any portion of the revenue requirements of the PTOs attributable to the elimination of any rates or charges (e.g., border charges) for any such Transmission Service; (E) the methodology by which the costs of Transmission Upgrades related to generator interconnections are allocated under the ISO OATT and (F) the methodology by which the costs of New Transmission Facilities and Transmission Upgrades are allocated under the ISO OATT.

(ii) the methodology for the recovery and allocation of the line losses on the New England Transmission System, if and to the extent that the calculation of locational marginal prices for energy is

not designed to recover such losses; and

(iii) any rates or charges, and terms and conditions related thereto, that implement an incentive or performance-based rate proposal, applicable to the entire New England Transmission System.

The PTOs shall not have the authority to revise such rates, terms and conditions in a manner that would abridge the rights granted to the ISO in Section 3.04(c). The PTOs shall provide written notification of any proposed filing under this Section 3.04(b) to the ISO and stakeholders, which notification shall include a detailed description of the proposed filing, at least 30 days prior to the filing. The PTOs shall retain the right to modify aspects of any filing authorized by this Section 3.04(b) after they provide written notification to the ISO and stakeholders, and shall provide notification to the ISO and stakeholders of any material modification to such filings. If less than all of the PTOs support the filing, the PTOs will advise the ISO and stakeholders of that fact and the dissenting PTOs shall advise the ISO and stakeholders of their concerns.

The PTOs and the ISO shall make every reasonable effort to agree upon the PTOs' proposed filing under this Section. In the event the PTOs and the ISO are unable to agree on the PTOs' filing under this Section, and the ISO in its good faith judgment concludes that the PTOs' filing will:

(A) be inconsistent with the design of the New England Markets, including the congestion pricing methodology for the ISO region, as accepted or approved by FERC;

(B) have a material adverse effect on the efficiency or competitiveness of the New England Markets, or on the ability of the ISO to provide transmission access on a not unduly discriminatory or preferential basis; or

(C) have a material adverse effect on the reliability of the ISO bulk power system;

then, except as provided in the next sentence, the PTOs' filing will not become effective until such time as FERC issues an order determining the proposal set forth in the filing to be consistent with the standard applicable under Section 205 of the Federal Power Act, and such a filing (including the transmittal letter for such a filing) shall include any written statement provided by the ISO setting forth the basis for the ISO's concerns. In the case of a filing described in sub-paragraph (iii), above, the PTOs may request that FERC permit the filing to go into effect on an interim basis, notwithstanding the conclusion of the ISO. If FERC grants the PTOs' request to permit the filing to go into effect on an interim basis, the filing will become effective, subject to refund, on the date specified in FERC's order.

The PTOs shall consult with the ISO to determine whether the ISO will need to make any software modifications in order to implement any filing authorized by this Section 3.04(b) and when any needed software modifications could reasonably be expected to be implemented. The PTOs' filing to FERC (and the transmittal letter for such a filing) shall include any written statement provided by the ISO setting forth the basis for any software-related implementation concerns raised by the ISO. The ISO shall make Commercially Reasonable Efforts to implement any needed software modifications by the effective date accepted by the FERC for a filing authorized by this Section 3.04(b), provided that, if the ISO has exercised such Commercially Reasonable Efforts, a failure to implement needed software modifications by the FERC-accepted effective date shall not constitute an event of default by the ISO under this Agreement or subject the ISO to financial damages, and further provided that the ISO shall run retroactive settlements consistent with the FERC-accepted effective date for a filing authorized by this Section 3.04(b) once such software modifications have been implemented.

(c) The ISO shall have the authority to submit filings under Section 205 of the Federal Power Act to establish and to revise:

(i) any terms and conditions of the ISO Tariff, and any separate ISO tariffs, relating to Transmission Service and/or the New England Markets , provided that: (A) the ISO shall not have the authority to revise such terms and conditions in a manner that would abridge the rights granted to the PTOs in Section 3.04(a) or Section 3.04(b); (B) the ISO shall not have the authority to eliminate Local Network Service or Local Point-to-Point Transmission Service provided under the Local Service

Schedules; (C) the ISO shall not file to change the state or federally-accepted or -approved terms and conditions of any PTO's retail access plan or the terms and conditions of any retail access plans of a PTO's affiliated distribution company's (including any such terms and conditions that protect against bypass of any provision of a PTO's retail access plan) or the state or federally-accepted or -approved rates and other mechanisms for the recovery of a PTO's wholesale or retail stranded costs in effect as of the Operations Date; and (D) the ISO shall not have the authority to transfer to any third party the ISO's Section 205 rights to revise the terms and conditions of Transmission Service or the authority to enter into agreements with any group of stakeholders to submit filings under Section 205 of the Federal Power Act to change the terms and conditions of Transmission Service where such proposed changes are not supported by the ISO but are approved by a vote of the stakeholder group.

The ISO shall provide written notification of any proposed filing under this Section 3.04(c) to the PTOs and stakeholders, which notification shall include a detailed description of the proposed filing, at least 30 days prior to the filing. The ISO shall consult with the PTOs and stakeholders and will consider any comments any PTO or stakeholder provides in developing its filing. The ISO shall retain the right to modify aspects of any filing authorized by this Section 3.04(c) after it provides written notification to the PTOs and stakeholders and shall provide notification to the PTOs and stakeholders of any material modification to such filings. In addition, the ISO shall consult with the PTOs to determine whether the filing will have any adverse impact on any PTO's revenue requirements, or on the ability of any PTO to recover its revenue requirements, or have a material adverse impact on the ability of any PTO to implement an incentive rate plan then in effect. If the affected PTOs conclude in their good faith judgment that the filing will have any of such effects, the ISO and the affected PTOs will make every reasonable effort to resolve the concerns of the affected PTOs. In the event that the affected PTOs' concerns cannot be resolved, the ISO may, nevertheless, make a filing under Section 205 provided that, except as provided in the next sentence, such a filing will not become effective until such time as the Commission issues an order determining the proposal set forth in the filing to be consistent with the standard applicable under Section 205 of the Federal Power Act. The ISO may request that FERC permit a filing authorized by this Section 3.04(c) to go into effect on an interim basis, notwithstanding the conclusion of the affected PTOs, provided that the ISO shall include in such a filing (and the transmittal letter for such a filing) any written statement provided by the affected PTOs setting forth the basis for the affected PTOs' concerns. If FERC grants the ISO's request to permit the filing to go into effect on an interim basis, the filing will become effective, subject to refund, on the date specified in FERC's order. Notwithstanding the foregoing, in Exigent Circumstances , the ISO shall have the unilateral authority, upon written notice to the PTOs, the Participants Committee, and the individual Participants, to submit any filing under Section 205 of the Federal Power Act to modify any provision of the ISO Tariff as authorized in this Section 3.04(c), provided that such filing shall be subject to all conditions set forth in this Section 3.04(c) except for those conditions that would limit the ISO from submitting or implementing such an ISO unilateral filing on an expedited basis or that would require the consultation otherwise specified herein.

(d) Except as explicitly set forth in Section 3.04(e), with respect to certain items listed in Sections 3.04(a) and 3.04(b), the ISO shall have no authority to submit a filing under Section 205 of the Federal Power Act to modify any provision of the ISO OATT that implements any of the items listed in Section 3.04(a) or Section 3.04(b). The PTOs shall have no authority to submit a filing under Section 205 of the Federal Power Act to modify any provision of the ISO OATT that implements any of the items listed in Section 3.04(c). The ISO reserves its rights to intervene in, comment on or protest any filing made by the PTOs, and to submit proposals for the consideration of the PTOs and the PTOs reserve their rights to intervene in, comment on or protest any filing made by the ISO, and to submit proposals for the consideration of the ISO.

(e) In the event the ISO determines that a change in the design of any provision of the ISO OATT described in Section 3.04(a)(ii), (iii), (iv) or (vii) or 3.04(b) is required because the existing design of any rates or charges for Transmission Service is inconsistent with the design of the New England Markets, and such inconsistency will, if not remedied before relief would be available in a proceeding under Section 206 of the Federal Power Act, either: (i) substantially and adversely affect the efficiency or competitiveness of the New England Markets, or (ii) substantially and adversely affect the reliability of the ISO bulk power system, a senior officer of the ISO shall notify the affected PTO(s) of its determination. Upon receipt of such notification, the affected PTO(s) and the ISO shall diligently work together to arrive at appropriate changes in the rates to alleviate the conditions that led to this notification being given, while protecting the rights of the affected PTO(s) to fully recover their revenue requirements and the amount of incentive payments associated with FERC-accepted or -approved incentive arrangements for the

PTO(s). If the affected PTO(s) and the ISO agree on a solution to this issue, the affected PTO(s) shall make a filing at FERC under Section 205 consistent with such agreement.

If the affected PTO(s) and the ISO cannot agree on a mutually acceptable Section 205 filing to address this issue within a period of thirty (30) days, and the affected PTO(s) do not make a Section 205 filing within the thirty (30) day period, then the ISO shall have the authority to submit a filing under Section 205 of the Federal Power Act as permitted herein. provided that such a Section 205 filing shall not be submitted until the PTOs have an opportunity to meet with representatives of the ISO Board of Directors if requested by any PTO with reasonable notice, and the ISO may, with the approval of FERC, place a replacement for such rate design into effect, while the proceeding on the ISO's filing is pending before FERC, for a period no longer than fifteen (15) months, provided that such filing shall not propose a modification that adversely affects the rights of the affected PTO(s) to fully recover their FERC-allowed revenue requirements and the amount of incentive payments associated with FERC-allowed incentive arrangements for the PTO (s) or that would result in any costs previously approved or accepted for recovery under either a federal or state-jurisdictional rate thereafter becoming unrecoverable under either a federal or state-jurisdictional rate, and the replacement rate design proposal of the ISO is subject to refund and surcharge, as necessary to restore the status quo ante if FERC does not ultimately approve that proposal. To place its replacement rate design proposal into effect, the ISO shall bear the burden of persuading FERC that: (i) the ISO's replacement proposal is consistent with the standard applicable under Section 205 of the Federal Power Act; (ii) the ISO's determination regarding the inconsistency of the existing rate design with the design of the New England Markets and the impact of that inconsistency, as set forth in the first sentence of this subsection, is correct; and (iii) the ISO's proposal will not adversely affect the rights of the affected PTO(s) to fully recover their FERC-allowed revenue requirements or the amount of incentive payments associated with FERC-allowed incentive arrangements for the PTO(s) or to fully recover costs previously approved or accepted for recovery under either a federal or state-jurisdictional rate. Notwithstanding the foregoing, in Exigent Circumstances , the ISO shall have the unilateral authority, upon written notice to the PTOs, the Participants Committee and the individual Participants, to submit a filing under Section 205 of the Federal Power Act to modify any provision of the ISO Tariff described in this Section 3.04(e), provided that such filing shall be subject to all conditions set forth in this Section 3.04(e) except for those conditions that would limit the ISO from submitting or implementing such an ISO unilateral filing on an expedited basis or that would require the consultation otherwise specified herein.

(f) In the event the ISO concludes that a filing to establish or to revise the terms and conditions listed in Section 3.04(c) is required and that providing the notification or consultation required under Section 3.04(c) for such filing would result in an unanticipated material adverse effect on the efficiency or competitiveness of the New England Markets or the reliability of the ISO bulk power system in the circumstances, the ISO: (i) shall provide such notification to the PTOs and stakeholders or undertake such consultation with the PTOs and stakeholders as is possible under the circumstances; and (ii) may submit a filing under Section 205 to establish or to revise the terms and conditions listed in Section 3.04(c) upon issuance of a written statement setting forth the circumstances that do not permit such notification or consultation.

(g) In the event the PTO(s) conclude that a filing to establish or to revise the rates, terms and conditions listed in Section 3.04(a) or 3.04(b) is required and that providing the notification or consultation required under Section 3.04(a) or Section 3.04(b) for such filing would result in an unanticipated material under-recovery of the PTO(s)' revenue requirements or other material adverse financial effect on the PTO(s), the PTO(s): (i) shall provide such notification to the ISO and stakeholders or undertake such consultation with the ISO as is possible under the circumstances; and (ii) may make a Section 205 filing to establish or to revise the rates, terms and conditions listed in Section 3.04(a) or 3.04(b) upon issuance of a written statement setting forth the circumstances that do not permit such notification or consultation.

(h) Cost Allocation Moratorium

(i) During the five (5) year period commencing on the Operations Date (the "Moratorium Period"), neither the PTOs, pursuant to Section 3.04(b), nor the ISO, pursuant to Section 3.04(e), shall submit filings under Section 205 of the Federal Power Act to modify:

(A) the provisions and schedules of the ISO OATT governing the split between PTF and Non-PTF transmission facilities in effect prior to the Operations Date for purposes of

allocating costs to Transmission Customers;

(B) the provisions and schedules of the ISO OATT establishing the methodology by which the costs of Transmission Upgrades and New Transmission Facilities related to generator interconnections are allocated under the ISO OATT; and

(C) the provisions and schedules of the ISO OATT establishing the methodology by which the costs of New Transmission Facilities and Transmission Upgrades are allocated under the ISO OATT;

(ii) The Parties' agreement to forego submission of Section 205 filings during the Moratorium Period with respect to the items listed in Section 3.04(h)(i) (A) through (C) above shall not restrict in any way the rights of the PTOs, pursuant to and in accordance with Sections 3.04(b) or 3.04(a), to submit Section 205 filings to modify any elements of the rates applicable to Transmission Service other than those items listed in Section 3.04(h)(i) (A) through (C). Nothing in this Section 3.04(h) shall restrict in any way the rights of the PTOs to submit Section 205 filings to establish incentive or performance-based rates in accordance with Section 3.04(b)(iii) or to submit Section 205 filings to establish formula or stated rates in accordance with Section 3.04(b)(i), provided that such filings do not propose to modify the items listed in Section 3.04(h)(i) (A) through (C). Nothing in this Section 3.04(h) shall restrict in any way the rights of the ISO, pursuant to and in accordance with Section 3.04(e), to submit Section 205 filings to modify any elements of the rates applicable to Transmission Service other than, provided that such filings do not propose to modify the items listed in Section 3.04(h)(i) (A) through (C).

(iii) Notwithstanding Section 3.04(h)(i)(B) above, to the extent that the requirements for any New Transmission Facilities or Transmission Upgrades associated with new or existing generation set forth in the ISO OATT are modified during the Moratorium Period in a manner that creates a new or modified category of generator-related transmission costs, the PTOs shall have the authority, in accordance with Section 3.04(b), to submit Section 205 filings during the Moratorium Period to establish the methodology by which such new or modified generator-related transmission costs are allocated.

(iv) Nothing in this Section 3.04(h) shall supersede or alter the effect of any FERC orders concerning the allocation of costs for specific transmission facilities in the New England region.

(v) Nothing in this Section 3.04(h) shall restrict in any way the rights of the ISO or of any PTO during the Moratorium Period to submit a filing under Section 206 of the Federal Power Act to modify the provisions and schedules described in Section 3.04(h)(i) (A) through (C).

(vi) After the end of the Moratorium Period, the PTOs may exercise their rights in accordance with Section 3.04(b)to submit Section 205 filings to modify the provisions and schedules described in Section 3.04(h)(i) (A) through (C); provided that:

(A) The PTOs must provide the ISO, the Regional State Committee established by the states in the ISO region (the "Regional State Committee"), and stakeholders no less than 90 days advance notification of the proposed filing, including a detailed description of any proposed change to the cost allocation provisions set forth in Schedules 11 or 12 of the ISO OATT as of the Operations Date (or the successors thereto). The PTOs, the ISO and the Regional State Committee shall engage in a process of consultation and negotiation in order to attempt to reach consensus on such filing.

(B) At least 30 days prior to the proposed filing date the Regional State Committee may inform the PTOs that the Committee opposes the PTOs' proposal to change the cost allocation provisions set forth in Schedules 11 or 12 of the ISO OATT as of the Operations Date (or the successors thereto).

(C) If the Regional State Committee opposes the PTOs' proposal to change the cost allocation provisions set forth in Schedules 11 or 12 of the ISO OATT as of the Operations Date (or the successors thereto), the PTOs may make the Section 205 filing to modify the cost allocation provisions set forth in Schedules 11 or 12 of the ISO OATT as of the Operations Date (or the successors thereto); provided that: (1) such filing may not go into effect until FERC has approved the filing; (2) the Regional State Committee will have the right to provide the PTOs with an alternative proposal to change the cost allocation provisions set forth in Schedules 11 or 12 of the ISO OATT as of the Operations Date (or the successors thereto) which the PTOs will include in their Section 205 filing and which will be considered on an equal footing with the PTOs' proposal in the FERC proceeding, and (3) such alternative proposal shall not adversely affect the rights of the affected PTO(s) to fully recover their FERC-allowed revenue requirements and the amount of incentive payments associated with FERC-allowed incentive arrangements for the PTO(s) or result in any costs previously approved or accepted for recovery under either a federal or state-jurisdictional rate thereafter becoming unrecoverable under either a federal or state-jurisdictional rate.

(D) If, notwithstanding the requirements of Section 3.04(h)(vi)(C), the Regional State Committee submits an alternative proposal to change the cost allocation provisions set forth in Schedules 11 or 12 of the ISO OATT as of the Operations Date (or the successors thereto) that any PTO believes causes an under-recovery of costs when used in conjunction with the other elements of the rate design for transmission rates filed by the PTOs (or the one already in effect if the PTOs' filing does not propose to change the rate design), the PTO(s) will have the right: (1) to include in such filing an explanation of why the PTO or PTOs believe the Regional State Committee proposal causes an under-recovery of costs contrary to the requirements of Section 3.04(h)(vi)(C); and (2) to file a modified rate design that eliminates such under-recovery (or a rate mechanism filed by one or more PTOs individually for that purpose, when the under-recovery affects them uniquely) in the event that the alternative proposal to change the cost allocation provisions set forth in Schedules 11 or 12 of the ISO OATT as of the Operations Date (or the successors thereto) is approved by the FERC placed into effect coincident with the effective date of such proposal.

(E) Any requirements established by this Section 3.04(h)(vi) with respect to the Regional State Committee shall not subject any PTO or ISO-NE to the jurisdiction or authority of any agent or agency of any state participating in the Regional State Committee.

(vii) After the end of the Moratorium Period, the ISO may exercise its rights in accordance with Section 3.04(e) to submit Section 205 filings to modify the provisions and schedules described in Section 3.04(h)(i) (A) through (C) if the PTOs fail to alleviate the conditions specified in Section 3.04 (e).

(i) The ISO shall have sole authority to submit Section 205 filings to recover its administrative, capital and other costs (including the collection of funds from Transmission Customers to support payment of FERC annual charges with respect to transmission service for which the ISO is the Transmission Provider as defined in FERC rules and orders) including the design of any charges therefore (the "ISO Administrative Charge").

(j) Nothing in this Agreement shall restrict in any way the rights of the ISO or of any PTO to submit an application under Section 206 of the Federal Power Act for revisions to the rates, terms and conditions of service under the ISO OATT. Nothing in this Agreement shall subject any Publicly-Owned PTO to regulation of rates and charges applicable to its transmission facilities under Sections 205 or 206 of the Federal Power Act; provided, however, that the justness and reasonableness of regional transmission rates or charges may be evaluated in light of the levels of, and manner in which, the costs of Publicly-Owned PTOs' transmission facilities are recovered under regional transmission rates.

(k) Nothing in this Agreement shall restrict in any way the rights of any PTO to submit a proposal under Section 205 of the Federal Power Act to participate in, join, or become an ITC pursuant to Attachment M to the

ISO OATT and, upon approval of such proposal, to withdraw from this Agreement in accordance with Section 10.01 of this Agreement.

(l) Stakeholder Process for Regional Rate Filings.

(i) Absent unanticipated circumstances, every PTO proposal to modify regional rates in accordance with Section 3.04(b) shall be presented by the PTOs to the appropriate stakeholder Technical Committee(s) for consideration and an advisory vote. The Technical Committee, at its next meeting following the one at which the intial presentation is made (which shall be no later than 30 days after any proposal is made), shall: (i) vote on the merits of the proposal as presented or with changes accepted by the PTOs; or (ii) by motion and vote of 66-2/3%, defer action on any proposal presented if it reasonably determines that additional information should and could be provided to more adequately inform the members of such Technical Committee before a vote on the merits is taken. Any deferral shall be for no more than 30 days**,** after which the PTOs may move for an advisory vote upon their proposal at the next meeting of the Technical Committee (which shall be held within 30 days of the start of the deferral). At that time, the Technical Committee may vote on the merits of the proposal as presented or with changes approved by the Committee, or may vote to oppose the proposal on the grounds that sufficient information has still not been provided, but may not defer consideration of the proposal for any further period without the consent of the PTOs. Failure of the Technical Committee to vote within the time frames set forth in this paragraph shall advance the process to the next step, and in no event shall a period of longer than 60 days be required for the PTOs to submit a proposal to modify regional rate design in accordance with Section 3.04(b) to the Participants Committee.

(ii) Absent unanticipated circumstances and after the fulfillment of the procedures outlined in Section 3.04(l)(i), every PTO proposal to modify regional rates in accordance with Section 3.04(b) shall be presented by the PTOs to the stakeholder Participants Committee for an advisory vote, along with a report of any action, failure to act or advisory vote taken by any Technical Committee(s). Such report shall be considered by the Participants Committee no later than the first regularly scheduled meeting following notification of that presentation. The Participants Committee shall: (i) vote on the merits of the proposal as presented or with changes accepted by the PTOs; or (ii) by motion and vote defer action on any proposal if it reasonably determines that the proposal presented is materially different from the proposal presented to the Technical Committee, and was not voted on by the Technical Committee. Any deferral shall result in a repeat of the processes outlined above. Notwithstanding the foregoing, the Participants Committee may, at its discretion, consider and vote upon any proposal submitted to it and such a vote shall have the same effect as if the proposal had first been voted upon by a Technical Committee. The Participants Committee may not defer action on any item that has been voted on by a Technical Committee and presented to the Participants Committee for an advisory vote unless the PTOs consent to such deferral. If the Participant Committee has not scheduled a meeting to vote on the merits of a PTO proposal to modify regional rates in accordance with Section 3.04(b) prior to date that the PTOs intend to submit such a proposal to the FERC, then the PTOs shall request that the Participants Committee schedule a special meeting to conduct an advisory vote on the merits of such proposal. In no event shall the PTOs be required to wait for a Participant Committee advisory vote for a period of longer than 90 days after initial notification of such proposal to stakeholders prior to submitting a proposal to modify regional rate design in accordance with Section 3.04(b) to the FERC.

(iii) An advisory vote by the Participants Committee on the merits of any proposal, whether in favor of or in opposition, terminates the stakeholder proceedings absent voluntary resubmission of the same or a modified proposal by the PTOs, at a future time. The PTOs shall report the results of such advisory vote in any relevant filing made by the PTOs with the FERC. A failure by the Participants Committee to vote within the time frames outlined above terminates the Participant proceedings absent voluntary resubmission of the same or a modified proposal by the PTOs at a future time.

(iv) Nothing in this Section 3.04(l) shall limit the ability of the PTOs to submit a filing pursuant to Section 3.04(g) to modify regional rates in the event the PTOs conclude that a filing to modify regional rates is required due to unanticipated circumstances, provided that the PTOs shall

provide such notification to the stakeholder Participant Committee or undertake such consultation with the stakeholder Technical Committee(s) and Participant Committee as is possible under the circumstances and shall provide the Participants Committee with a written statement setting forth the circumstances that do not permit the notification or consultation otherwise required by this Section 3.04(l).

(v) The process set forth in this Section 3.04(l) shall not apply to filings related to regional rates submitted to the FERC on an informational basis. The applicable process for review of such informational filings shall be set forth in the ISO OATT.

(m) Highgate Transmission Facilities (HTF).

(i) The costs of the HTF shall be included in the transmission rates for Regional Network Service on a phased-in basis, in accordance with Appendix B to the Attachment F Implementation Rule of the ISO OATT, provided that:

(A) the costs of the HTF shall be fully phased into the transmission rates for Regional Network Service in year 5 as defined in Appendix B to the Attachment F Implementation Rule of the ISO OATT;

(B) the HTF shall not be classified as PTF for rate purposes under the ISO OATT; and

(C) the rate treatment of the HTF shall establish no precedent or presumption concerning rate treatment of any other HVDC transmission facilities.

(ii) the HTF shall be classified as Category A Facilities, provided, however, that the classification of the HTF as Category A facilities under this Agreement shall establish no binding precedent or presumption concerning the operational and other terms and conditions for other HVDC facilities over which the ISO may obtain operational and other authority under this TOA or other ISO operating agreements in the future.

3.05 **The ISO's Responsibilities.**

(a) In addition to its other obligations under this Agreement, in performing its obligations and responsibilities hereunder, and in accordance with Good Utility Practice, the ISO shall:

(i) maintain system reliability;

(ii) in all material respects, act in accordance with applicable Laws and conform to, and implement, all applicable reliability criteria, policies, standards, rules, regulations, orders, license requirements and all other applicable NERC/NPCC Requirements, and other applicable reliability organizations' reliability rules, and all applicable requirements of federal or state laws or regulatory authorities; and

(iii) act without undue preference to any Party.

(b) The ISO shall obtain and retain all necessary authorizations of FERC and other regulatory authorities to function as the New England RTO and shall possess the characteristics and perform the functions required for that purpose.

3.06 **Each PTO's Responsibilities.**

(a) From and after the Operations Date, each PTO shall, in accordance with Good Utility Practice:

(i) direct, physically operate, repair, and maintain its Transmission Facilities and Local Control Centers in accordance with this Agreement, applicable Law, and applicable Operating Procedures;

(ii) operate and maintain, or arrange for a third party, approved by such PTO, in its sole discretion, to operate and maintain, one or more suitable Local Control Centers (including any Local Control Centers maintained as back-up for a PTO's primary Local Control Centers). Each PTO shall provide the ISO with reasonable notice of any change to its Local Control Center(s) and shall coordinate with the ISO to ensure that such a change will not adversely affect the reliable operation of the New England Transmission System. Each PTO shall have the responsibility to ensure that its Local Control Center(s) will: operate PTO Transmission Facilities on a 24 hour basis, implement the instructions, orders and directions received from the ISO in the exercise of its Operating Authority in accordance with Section 3.02, and perform the following functions in accordance with applicable Operating Procedures:

(A) switching and tagging;

(B) on-line monitoring;

(C) security analysis;

(D) dispatch voltage and reactive power, provided that the ISO shall dispatch voltage and reactive power to the extent the Local Control Centers are unable to maintain normal voltage schedules;

(E) coordinate the development of settings for dynamic reactive resources, FACTS controllers, special protection systems, PARS, and other similar dynamic equipment that affects power flows;

(F) implementation of the PTO Local Restoration Plan and development of modifications to such PTO Local Restoration Plans, subject to the approval of the ISO in order to coordinate and promote the reliability of the Restoration Plans;

(G) operation and maintenance of communication systems and software;

(H) implementation of voltage reduction measures;

(I) implementation of Load Shedding;

(J) coordinate with the ISO and the other PTOs with respect to congestion management efforts and, to the extent applicable, demand-side management and distributed generation efforts, provided that a PTO employee who is engaged in such coordination and who is not a Local Control Center employee shall be subject to the same standards of conduct and applicable provisions of the ISO Information Policy as a Local Control Center employee; and

(K) coordinate with other entities interconnected with the New England Transmission System.

(iii) cooperate with the ISO's performance of the monitoring and audits in connection with all monitoring and compliance provisions detailed in Section 3.02(i) of this Agreement;

(iv) consistent with practice prior to the Operations Date, designate its Local Control Centers to serve as back up to the ISO reliability functions until the ISO re-establishes operational control at its own Back-up Control Center; provided that, in such situations, necessary information will be made available to such Local Control Centers to facilitate the continued operation of the New England Transmission System and that each PTO will comply with Section 11.09 and the ISO Information Policy on file with FERC to prevent such information from reaching any unauthorized person or entity;

(v) collaborate with the ISO with respect to:

(A) the development of Rating Procedures,

(B) the establishment of ratings for each PTO's New Transmission Facilities;

(C) the establishment of ratings for each PTO's Acquired Transmission Facilities that do not have an existing rating as of the Operations Date, and

(D) the establishment of any changes to existing ratings for Transmission Facilities in effect as of the Operations Date.

To the extent there is any disagreement between the ISO and any PTO or PTOs concerning Rating Procedures or the rating of a Transmission Facility owned by such PTO or PTOs, such disagreement shall be the subject of good faith negotiations between the applicable PTO or PTOs and the ISO, provided that; (x) the applicable PTOs' position concerning such Rating Procedures or Transmission Facility ratings shall govern until the applicable PTOs and the ISO agree on a resolution to such disagreement; and (y) nothing in this Section 3.06(a)(v) shall limit the rights of the ISO or of any PTO to submit a filing under Section 206 of the Federal Power Act with respect to Transmission Facility ratings or Rating Procedures. During any collaboration or discussions concerning Transmission Facility ratings, the PTOs shall continue to provide the ISO with up-to-date ratings information in accordance with the applicable Rating Procedures.

(vi) undertake operating actions in accordance with any tariffs or rate schedules approved or accepted by FERC;

(vii) provide the ISO with the right to use a level of communications capacity (and maintain the equipment associated with this capacity in accordance with Good Utility Practice) on its telecommunication assets and equipment attached to or associated with Transmission Facilities consistent with practice prior to the Operations Date in order to supply reliability-related data including meter, voice and data communications; continue to receive and send (for Regulation purposes) telemetry to and from existing generators and transmission substations; provide for the receipt of such information from generators and substations, and provide metering data and/or telemetry to the ISO (including providing the infrastructure for Regulation and Frequency Response Service), as reasonably necessary for the ISO to perform its obligations under this Agreement and the ISO OATT; provided that a PTO shall have the unfettered right to use communications capacity on its telecommunication assets and equipment attached to or associated with Transmission Facilities for other business purposes to the extent such capacity is not being used by the ISO as of the Operations Date; and provided further that: (1) as required by the pro forma Large Generator Interconnection Agreement in the ISO OATT, each PTO shall include provisions in its Interconnection Agreements with generators after the Operations Date providing for the installation and maintenance of sufficient communications capability to allow the ISO to exercise its Operating Authority with respect to such generators, and (2) the ISO may include the installation of additional communications capacity as an identified need in the regional transmission expansion plan, in which case such installation may be included within the PTO obligation to build set forth in, and subject to the terms and conditions in, Section 7 of Schedule 3.09(a).

(viii) notify the ISO prior to making changes to the operational status of such PTO's Category B Facilities and provide information on the operational status of Category B Facilities consistent with practice prior to the Operations Date;

(ix) operate or cause to be operated its Local Area Facilities in a manner that does not result in the violation of reliability standards applicable to the New England Transmission System;

(x) provide the ISO with revenue metering data or cause the ISO to be provided with such revenue metering data;

(xi) in all material respects, comply with all applicable laws, regulations, orders and license requirements, and with all applicable requirements, and with all applicable NERC/NPCC Requirements,

other applicable reliability organizations' local reliability rules, and all applicable requirements of federal or state laws or regulatory authorities.

(b) Operation of Transmission Facilities During A System Failure. Existing Operating Procedures for use during a System Failure shall be utilized by the ISO and the PTOs. Any modifications to the Existing Operating Procedures for use during a System Failure or new Operating Procedures for use during a System Failure shall be developed by the ISO in the manner specified in Section 3.02(d). The procedures for use during a System Failure shall provide that, in situations where immediate action is required, each PTO's Local Control Center(s) shall have the authority to take the following reliability actions at a minimum, provided that each PTO shall coordinate with the ISO as soon as practicable upon taking such action:

(i) Undertake those operational functions with respect to Transmission Facilities undertaken by the ISO under non-System Failure conditions;

(ii) Re-energize transmission facilities following breaker trips;

(iii) Implement emergency Load Shedding and voltage reduction measures and subsequent restoration;

(iv) Implement Voltage/VAR control;

(v) Adjust PARS settings;

(vi) Dispatch generation as necessary to preserve system reliability; in accordance with applicable NERC/NPCC Requirements and ISO directives; and

(vii) Take such other measures necessary, consistent with Good Utility Practice, to respond to a System Failure.

Nothing in this Section 3.06(b) shall limit the right of each PTO pursuant to Section 3.07 to take any action(s) that it deems necessary to prevent loss of human life, injury to persons and/or damage to property.

3.07 **Reserved Rights of the PTOs**.

(a) Notwithstanding any other provision of this Agreement to the contrary, each PTO shall retain all of the rights set forth in this Section 3.07; provided, however, that such rights shall be exercised in a manner consistent with applicable NERC/NPCC Requirements and applicable regulatory standards. This Section 3.07 is not intended to reduce or limit any other rights of a PTO as a signatory to this Agreement or under the ISO OATT.

(i) Nothing in this Agreement shall restrict any rights: (A) of each PTO that is a party to a merger, acquisition or other restructuring transaction to make filings under Section 205 of the Federal Power Act with respect to such PTO's reallocation or redistribution of revenues or the assignment of such PTO's rights or obligations, to the extent the Federal Power Act requires such filings; or (B) of any PTO to terminate its participation in this Agreement pursuant to Article X of this Agreement, notwithstanding any effect its termination from the ISO may have on the distribution of transmission revenues among other PTOs.

(ii) Except as expressly provided in the grant of Operating Authority to the ISO, each PTO retains all rights that it otherwise has incident to its ownership of, and legal and equitable title to, its assets, including its Transmission Facilities and all land and land rights, including the right to build, acquire, sell, lease, merge, dispose of, retire, use as security, or otherwise transfer or convey all or any part of its assets, subject to the PTO's compliance with Section 2.06 of this Agreement. Subject to Article X, a PTO may, directly or indirectly, by merger, sale, conveyance, consolidation, recapitalization, operation of law, or otherwise, transfer all or any portion of such PTO's Transmission Facilities subject to this Agreement but only if such transferee or successors shall agree in writing to be bound by terms of this Agreement.

(iii) Any expansion or modification by a PTO of its Transmission Facilities, any facilities constructed by a PTO to connect the facilities of a current or proposed Transmission Customer to such Transmission Facilities, and/or any new transmission facilities constructed by a PTO pursuant to the ISO Planning Process shall be subject to such PTO's right to recover, pursuant to appropriate financial arrangements and tariffs or contracts, all costs prudently incurred or prudently committed to be incurred, plus a return on invested equity and other capital, associated with constructing and owning or financing such facilities, expansions or modifications to its Transmission Facilities, in accordance with Schedule 3.09(a) hereof.

(iv) The responsibilities granted to the ISO under this Agreement shall not affect the rights of a PTO to modify or expand its Transmission Facilities, nor confer upon the ISO any authority to direct a PTO to modify or expand its Transmission Facilities except as provided in Schedule 3.09(a), and each PTO shall retain all rights and responsibilities specifically assigned to PTOs pursuant to Schedule 3.09 (a).

(v) Each PTO shall have the right to adopt and implement, consistent with Good Utility Practice, procedures and to take such actions it deems necessary to protect its facilities from physical damage or to prevent injury or damage to persons or property.

(vi) Each PTO retains the right to take whatever actions, consistent with Good Utility Practice, it deems necessary to fulfill its obligations under applicable Law.

(vii) Nothing in this Agreement shall be construed as limiting in any way the rights of a PTO to make any filing with any applicable state or local regulatory authority.

(viii) Each PTO may request that the ISO commit additional generators (including specific output levels), or each PTO may take other actions permitted under the ISO OATT and Market Rules (including self-scheduling), if the PTO determines that additional generation is needed to ensure local area reliability, provided that the ISO shall make the final determination whether to commit additional generation in accordance with applicable provisions of the ISO OATT and Market Rules

(ix) Subject to Section 2.05, each PTO shall retain the right to enter into Interconnection Agreements with transmission owners, generators and other entities connecting with such PTO's transmission facilities (including Transmission Facilities) and to file such agreements for approval or acceptance by FERC.

(x) Each PTO shall have the right to retain one or more subcontractors to perform any or all of its obligations under this Agreement. The retention of a subcontractor pursuant to the terms of this Section 3.07 shall not relieve the PTO of its primary liability for the performance of any of its obligations under this Agreement.

(b) Any and all other rights and responsibilities of a PTO related to the ownership or operation of its Transmission Facilities not expressly assigned to the ISO under this Agreement will remain with such PTO.

(c) Nothing in this Agreement shall be deemed to impair or infringe on any rights or obligations of the PTOs under the Federal Power Act and FERC's rules and regulations thereunder, provided that any such rights are not inconsistent with the express terms of this Agreement. Nothing contained in this Agreement shall be construed to limit in any way the right of any PTO to take any position, including opposing positions, in any administrative or judicial proceeding or filing by other PTOs or the ISO, notwithstanding that such proceeding or filing may be undertaken or made, explicitly or implicitly, pursuant to this Agreement.

(d) Nothing in this Agreement shall be deemed to impair or infringe on the exemption of Publicly-Owned PTOs, under Section 201(f) of the Federal Power Act, from the obligations and requirements of the Federal Power Act. Notwithstanding anything to the contrary in this Agreement, nothing contained herein shall subject any Publicly-Owned PTO to any requirement or obligation imposed by the Federal Power Act that would not apply to such Publicly-Owned PTO in the absence of this Agreement.

3.08 **Repair and Maintenance of Transmission Facilities.**

(a) Planning, Scheduling, and Approval of Transmission Facility Outages.

(i) Each PTO shall submit to the ISO long-term plans for Transmission Facility outages, shall submit to the ISO schedules for Transmission Facility outages, and shall obtain ISO approval for Transmission Facility outages in accordance with, and to the extent required by, Market Rule 1.

(ii) Notwithstanding any of the foregoing, nothing in this Section 3.08 shall be construed to require a PTO to reschedule an outage of a Transmission Facility or to require a PTO to refrain from initiating switching and tagging procedures to take a Transmission Facility out of service or place it back into service to the extent a PTO determines that such outage or actions are necessary to prevent injury or damage to persons or property or to protect its facilities from physical damage, in accordance with Section 3.07(a)(v) of this Agreement.

(b) Recovery of Transmission Outage Rescheduling Costs. The PTO(s) shall have the right, either collectively pursuant to and in accordance with Section 3.04(b), or individually pursuant to and in accordance with Section 3.04(a), to file a schedule to the ISO OATT that will provide for reimbursement to the affected PTO(s) for any direct costs incurred by the PTO(s) due to the ISO's rescheduling or revocation of a previously scheduled or approved Transmission Facility outage to the extent the ISO reschedules or revokes a previously scheduled or approved Transmission Facility outage in accordance with Market Rule 1.

(c) Annual Assessment of Outage Coordination Efforts. The ISO shall prepare and issue annual public reports on the scheduling and coordination of transmission outages. Each such annual report shall: (i) assess the accuracy of the ISO's estimation of congestion and RMR cost impacts and the accuracy of PTO and other inputs used in such estimation; (ii) assess any long term impacts of the ISO's exercise of its authority to require the rescheduling of transmission maintenance outages and. (iii) include analyses and data which could allow a PTO to identify potential opportunities for incentives based on efficient coordination of outages and other operational measures that will reduce congestion costs or increase operational flexibility. The ISO shall provide a draft of each such annual report to the PTOs and interested stakeholders prior to issuing a final report and shall consider the input of the PTOs and interested stakeholders in preparing such reports, subject to any applicable restrictions set forth in the ISO Information Policy on file with FERC.

(d) Development of Incentive Proposals. Notwithstanding any other provision in this Agreement, the ISO will apply reasonable efforts to work actively with any interested PTO(s) to analyze alternatives including incentives adopted in other markets and to provide input for use by the interested PTO(s) in developing the design of incentive rates or mechanisms for regional congestion cost reduction. The ISO will work with other stakeholders in a similar fashion if so requested. Any such incentive proposal shall be filed by a PTO or PTOs with FERC in accordance with Section 3.04(a) or Section 3.04(b) as applicable. Such incentive mechanisms shall be designed to further improve coordination of outages or operational measures in a manner that will reduce overall congestion or RMR costs. Any PTO incentive must be approved or accepted by FERC. Each PTO developing an incentive proposal shall attempt to reach agreement with the ISO before filing an incentive proposal with FERC. The ISO may submit filings to the FERC (including a protest or a complaint under Section 206 of the Federal Power Act) raising any questions or concerns that it may have concerning a specific incentive proposal, provided that the ISO shall not contend that an incentive proposal is inappropriate or oppose the proposal on the ground that the PTOs have agreed to the provisions of Section 3.08 of this Agreement.

(e) Market Monitoring of Outage Scheduling. The Market Monitoring Unit of the ISO shall monitor the outage scheduling activities of the PTOs. The Market Monitoring Unit of the ISO shall have the right to request that each PTO provide information to the Market Monitoring Unit concerning the PTO's scheduling of Transmission Facility outages, including the rescheduling or cancellation of any Planned, Scheduled or Approved Outage, and the PTO shall provide such information to the Market Monitoring

Unit in accordance with Section 11.09(c) of this Agreement.

(f) Damage or Destruction of Transmission Facilities.

(i) If, at any time during the Term, any of a PTO's Transmission Facilities are damaged or destroyed, then, such PTO shall determine, in its sole discretion, consistent with Good Utility Practice and applicable Law, whether or not (and if so, in what manner) to restore or cause the restoration of such damaged or destroyed Transmission Facilities to substantially the same condition, character or use as existed before the damage or destruction, if at all, provided that such PTO shall consult with the ISO prior to making such determination and shall comply with the requirements specified in Section 2.06.

(ii) Nothing in this Section 3.08(f) shall limit the authority of the ISO to direct a PTO to modify or expand its Transmission Facilities in accordance with the ISO Planning Process, subject to the terms and conditions of Schedule 3.09(a) hereof.

3.09 **Planning and Expansion.**

(a) Each PTO shall perform all of its responsibilities, and exercise each of its rights, with respect to the planning and expansion of the New England Transmission System in accordance with the ISO OATT and Schedule 3.09(a) hereto. The ISO shall perform all of its responsibilities pursuant to the ISO Planning Process set forth in the ISO OATT. Each PTO shall engage in planning for its Local Area Facilities in a manner that is consistent with applicable NERC/NPCC Requirements, Good Utility Practice and the ISO OATT. The ISO and each PTO shall perform all such responsibilities in accordance with applicable Laws and Good Utility Practice. Nothing in this Agreement shall be construed to impose on any PTO an obligation to build transmission facilities except as provided in Schedule 3.09(a) hereto.

(b) The ISO shall utilize the Planning Procedures relating to the planning and expansion of the New England Transmission System. The Planning Procedures shall initially consist of the Planning Procedures in existence on the Operations Date (hereinafter "Existing Planning Procedures"). Such Existing Planning Procedures shall consist of those Planning Procedures listed in Schedule 3.09(b). The ISO shall develop any modifications to Planning Procedures (including Existing Planning Procedures) and any new Planning Procedures that it may deem necessary or appropriate in coordination with the PTOs and other stakeholders. In the event that the ISO and the applicable PTO(s) disagree about modifications to the portions of the Planning Procedures related to the planning and expansion of Transmission Facilities or any new Planning Procedures related to the planning and expansion of Transmission Facilities, the affected PTO(s) will have the opportunity to submit the dispute for resolution in accordance with the dispute resolution provisions set forth in Section 11.14 herein. Pending such resolution, the ISO shall have the authority to implement any such new Planning Procedures or modified Planning Procedures.

3.10 **Invoicing, Collection and Disbursement of Customer Payments.**

(a) Invoicing as of Operations Date. Except as provided in Section 3.10(a)(ii) and beginning on the Operations Date, the ISO will administer its current net settlement system, including invoicing of charges to Transmission Customers for Transmission Services on the Transmission Facilities as follows:

(i) The charges invoiced by the ISO shall include the following (each, an "Invoiced Amount"):

(A) any and all revenue requirements, rates, charges, fees and/or penalties for Transmission Service under the ISO OATT and related service agreements which the PTOs have filed with FERC pursuant to Section 3.04(b) and which have been accepted by FERC, including without limitation recovery of wholesale or retail stranded costs, other than amounts billed directly by PTOs pursuant to Section 3.10(a)(ii) below; and

(B) any and all rates, charges, fees and/or penalties under interconnection agreements which have been filed with and accepted by FERC, other than amounts billed directly by PTOs pursuant to Section 3.10(a)(ii) below.

(ii) Payments relating to Grandfathered Transmission Agreements, all services provided by a PTO pursuant to its Local Service Schedule on or after the Operations Date, interconnection agreements that provide for payment to PTOs, and any other payments made directly to the PTOs prior to the Operations Date shall continue to be invoiced by the PTOs and shall not be invoiced by the ISO; provided that, notwithstanding the foregoing, each PTO and the ISO may enter into separate agreements such that the ISO provides invoicing services for such payments

(iii) The ISO shall remit or credit to the PTOs, consistent with the ISO Tariff and the net settlement system, any and all payments received or collected from Transmission Customers for Invoiced Amounts in accordance with this Agreement and directions provided to the ISO by the PTO Administrative Committee. The PTO Administrative Committee shall provide such directions to the ISO in accordance with the Disbursement Agreement among the PTOs. The PTO Administrative Committee (or such subcommittee as the PTO Administrative Committee shall designate for such purpose) shall also respond to any ISO questions or requests for clarification concerning such directions; provided that the ISO shall be able to rely upon the decision of the PTO Administrative Committee unless and until it receives notification from the PTO Administrative Committee or from a Governmental Authority of reversal of such direction by any Governmental Authority with jurisdiction over this Agreement.

(b) Changes to the ISO OATT After Operations Date. After the Operations Date, the ISO may file with FERC proposed amendments to the ISO OATT in accordance with Section 3.04 to effect changes in the invoicing and collection of the charges specified in Section 3.10(a)(i), provided that the proposed amendments to the ISO OATT will not, without the consent of the PTOs:

(i) effect any changes relating to the ISO OATT requirements of letters of credit, deposits, and/or other financial assurances (collectively, the "Financial Assurances") to be provided by any party providing payments to the ISO in connection with the purchase of any goods or services provided by PTOs or any Market Participants (such parties, collectively, "ISO Customers") or the ISO that would in any way, individually or in the aggregate, materially reduce the level of collateral protection provided by Financial Assurances for Invoiced Amounts from that on the date of execution of this Agreement;

(ii) change the reallocation provisions under the ISO Tariff (including the ISO's billing policy thereunder) for payment defaults for Transmission Service;

(iii) change any reallocation provisions under the ISO Tariff (including the ISO's billing policy thereunder) for payment defaults for any services or products under the ISO Tariff other than Transmission Service in any way that imposes any obligation on the PTOs, in their capacity as owners of Transmission Facilities, to bear any costs of that reallocation of payment defaults;

(iv) lower the PTO's priority in payments for amounts collected by the ISO; or

(v) be inconsistent with any provision of this Agreement.

(c) The ISO's Collection Obligations and Application of Financial Assurances Policies.

(i) If a Transmission Customer defaults on any payment of any PTO Invoiced Amount (the "Owed Amounts"), the ISO shall take all necessary actions to execute or call upon any Financial Assurances held by the ISO attributable to such Transmission Customer.

(ii) In connection with a default on payment of an Invoiced Amount by a Transmission Customer, the ISO shall, upon the request of the PTO AC, take those actions necessary to suspend Transmission Services to such defaulting Transmission Customer, including making a filing under Section 205 of the Federal Power Act to seek consent to suspend such Transmission Services; provided that the ISO need not suspend Transmission Services until FERC approval is first obtained. This provision shall not preclude the ISO from suspending service or making a filing under Section 205 of the FPA to seek to suspend Transmission Services or other services under the Tariff in any other

circumstances.

(d) No Pledge of Invoiced Amounts. The ISO shall not create, incur, assume or suffer to exist any lien, pledge, security interest or other change or encumbrance, or any other type of preferential arrangement (including a banker's right of set off) against any Invoiced Amounts, any accounts receivables representing Invoiced Amounts, the settlement account maintained by the ISO into which payments on Invoiced Amounts are made and from which remittances are made to the PTOs or any Financial Assurances.

3.11 **Grandfathered Transmission Agreements.**

(a) Notwithstanding any other provision of this Agreement, Excepted Transactions will remain in effect for the terms of such agreements. Consistent with practice prior to the Operations Date, the ISO shall exercise its Operating Authority and otherwise fulfill its responsibilities under this Agreement in a manner that is consistent with and does not modify or abrogate the terms and conditions of such Excepted Transactions.

(b) Notwithstanding any other provision of this Agreement, Grandfathered Intertie Agreements, as set forth in Schedule 3.11(b), will remain in effect for the terms of such agreements. Consistent with practice prior to the Operations Date, the ISO shall exercise its Operating Authority and otherwise fulfill its responsibilities under this Agreement in a manner that is consistent with and that does not modify or abrogate the terms and conditions of such Grandfathered Intertie Agreements.

(c) Nothing in this Agreement shall require the modification or abrogation of Grandfathered Interconnection Agreements, as set forth in Schedule 3.11(c). Consistent with practice prior to the Operations Date, the PTOs agree to exercise their rights under Grandfathered Interconnection Agreements with generators to direct or request that generators take certain actions as needed to facilitate the exercise of Operating Authority by the ISO and the reliable operation of the New England Transmission System**.**

(d) All payments due to the PTOs under Grandfathered Transmission Agreements shall continue to be invoiced and collected by the PTOs in accordance with the terms of those agreements and shall not be invoiced or collected by the ISO. Notwithstanding the foregoing, each PTO and the ISO may enter into separate agreements such that the ISO provides invoicing services for such payments.

(e) Nothing in this Agreement shall alter the standards, procedures or requirements applicable to the modification of any Grandfathered Transmission Agreement.

3.12 **Subcontractors.** Each PTO acknowledges and agrees that, subject to the terms set forth herein, including Section 6.07, the ISO has the right to retain one or more subcontractors to perform any or all of its obligations under this Agreement. The retention of a subcontractor pursuant to the terms of this Section 3.12 shall not relieve the ISO of its primary liability for the performance of any of its obligations under this Agreement.

3.13 **Municipal/Tax-Exempt Utilities.**

(a) The Parties to this Agreement hereby recognize the tax-exempt status of any tax-exempt bonds or other evidence of indebtedness of Publicly-Owned PTOs used to finance any Publicly-Owned PTO's Transmission Facilities. Nothing in this Agreement is intended to, and nothing in this Agreement should be construed in a manner that would, jeopardize the tax-exempt status of any tax-exempt bonds or other debt used to finance any Publicly Owned PTO's Transmission Facilities. The Parties to this Agreement contemplate that, as to Publicly-Owned PTOs, this Agreement will be deemed to be a "contract for the operation of an electric transmission facility by an independent entity" which "does not constitute private business use" of their Transmission Facilities under regulations of the Internal Revenue Service appearing, *inter alia*, in 26 C.F.R. § 1.141-7(g)(1)(ii) and subsequently adopted regulations of similar intent and coverage.

(b) In the event of a change in the nature of this Agreement that would jeopardize the tax-exempt status of any tax-exempt bonds or other debt used to finance Publicly-Owned PTO's Transmission Facilities, or a change in the state or federal income tax treatment of the arrangements contemplated by this Agreement, or any other set of

circumstances, the effect of which would be to render the participation of Publicly-Owned PTOs in the arrangements established by this Agreement inconsistent with the maintenance of the tax-exempt status of bonds or other debt used to finance any Publicly-Owned PTO's Transmission Facilities, the Parties agree, if so requested, to undertake Commercially Reasonable Efforts to develop revised or replacement arrangements that will enable the Publicly-Owned PTOs to authorize the ISO to exercise Operating Authority over the Publicly-Owned PTOs' Transmission Facilities without incurring adverse state or federal income tax treatment of their outstanding bonds or other debt used to finance any Publicly-Owned PTO's Transmission Facilities, and will otherwise maintain the tax-exempt status of Publicly-Owned PTOs' outstanding bonds or other debt used to finance any Publicly-Owned PTO's Transmission Facilities. If, and to the extent that, the Parties to this Agreement are not able to accommodate the changes described in this subparagraph (b), the Parties will undertake Commercially Reasonable Efforts to develop an alternative means for Publicly-Owned PTOs to (i) transfer Operating Authority as to its Transmission Facilities to ISO-NE, and (ii) recover the costs of its PTF facilities in the same manner and by the same means as PTOs under this Agreement.

(c) In the event that an electric cooperative or membership corporation that owns PTF and has debt financed or guaranteed by the Rural Utilities Service ("RUS") of the United States Department of Agriculture (a "Cooperative TO") becomes a signatory to this Agreement, this Agreement shall become effective as to that Cooperative TO only upon approval of such participation by the RUS, to the extent required by RUS regulations, including those regulations currently codified at 7 C.F.R. § 1717.608 and subsequently adopted regulations of similar intent and coverage. Should such approval be denied or conditioned by the RUS in a manner unacceptable to the Cooperative TO, the other PTOs or the ISO, the other PTOs and the ISO will consult with the affected Cooperative TO and, if so requested, will undertake Commercially Reasonable Efforts to resolve to the extent practicable the objections articulated (and/or conditions imposed) by the RUS to the participation of the Cooperative TO in the arrangements contemplated by this Agreement. If, and to the extent that, the Parties to this Agreement are not able to accommodate the concerns expressed by the RUS as to the participation of such Cooperative TO, the Parties will undertake Commercially Reasonable Efforts to develop an alternative means for such Cooperative TO to (i) transfer Operating Authority as to its Transmission Facilities to ISO-NE, and (ii) recover the costs of its PTF facilities in the same manner and by the same means as PTOs under this Agreement.

(d) Nothing in this TOA or any other ISO agreement shall require any PTO on whose behalf Tax-Exempt Debt has been or will be issued, or which will issue Tax-Exempt Debt, to refund prior Tax-Exempt Debt or to violate restrictions applicable to facilities financed with Tax-Exempt Debt including contractual restrictions and covenants regarding use of such facilities.

(e) Nothing contained in this Agreement shall be construed to require any Publicly-Owned PTO: (i) to act in contravention of, or (ii) to refrain from acting where failure to act would be in contravention of, or (iii) to constitute consent or acquiescence by any Publicly-Owned PTO to any action or failure to act of any other Party in contravention of the laws of any State governing the organization or operation of the Publicly-Owned PTO.

3.14 **<u>No Impairment of the ISO's Other Legal Rights and Obligations.</u>**

Nothing in this Agreement shall be deemed to impair or infringe on any rights or obligations of the ISO under the Federal Power Act and FERC's rules and regulations thereunder, including the ISO's rights and obligations to submit filings to recover its administrative, capital, and other costs, provided that any such rights are not inconsistent with the express terms of this Agreement. During the Term of this Agreement, the ISO shall:

(a) have the rights and obligations to design, develop, operate, maintain and administer the New England Markets and congestion pricing mechanisms (including the exclusive right to make Section 205 filings relating to the Market Rules in accordance with Section 3.04),

(b) have the rights to undertake actions relating to congestion pricing and management in accordance with this Agreement, ISO Market Rules, and applicable FERC orders.

Nothing in this Agreement shall be deemed to impair or infringe on such rights and obligations.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE PARTIES

4.01 **Representations and Warranties of Each PTO.** As of the time of execution of this Agreement, each PTO, severally, represents and warrants to the ISO and each other PTO as follows:

(a) Organization. It is duly organized, validly existing and in good standing under the laws of the state of its organization.

(b) Authorization. It has all requisite power and authority to execute, deliver and perform this Agreement; the execution, delivery and performance by such PTO of this Agreement have been duly authorized by all necessary and appropriate action on the part of such PTO; and this Agreement has been duly and validly executed and delivered by such PTO and constitutes the legal, valid and binding obligations of such PTO, enforceable against such PTO in accordance with its terms; provided, however, that as to Massachusetts Publicly-Owned PTOs, this representation and warranty shall not be binding unless and until they shall have first obtained a finally adjudicated declaratory ruling from the Massachusetts courts that the transfer of Operating Authority over their Transmission Facilities is lawful and permissible under the Massachusetts General Laws.

(c) No Breach. The execution, delivery and performance by such PTO of this Agreement will not result in a breach of any terms, provisions or conditions of any agreement to which such PTO is a party which breach has a reasonable likelihood of materially and adversely affecting such PTO's performance under this Agreement.

(d) Transmission Facilities. Except as set forth on Schedule 4.01(d), such PTO has listed on one of Schedule 2.01(a) or Schedule 2.01(b), all of the transmission facilities with a voltage level of 69 kV or greater that it owns in the New England Control Area as of the Operations Date and all of the transmission facilities leased to it with a voltage level of 69 kV or greater in the New England Control Area as of the Operations Date.

(e) **NO WARRANTY REGARDING EACH PTO'S TRANSMISSION FACILITIES**. IN CONNECTION WITH EACH PTO'S GRANT OF OPERATING AUTHORITY TO THE ISO OVER SUCH PTO'S TRANSMISSION FACILITIES PURSUANT TO THE TERMS OF THIS AGREEMENT, SUCH PTO'S TRANSMISSION FACILITIES ARE BEING MADE AVAILABLE PURSUANT TO THIS AGREEMENT TO THE ISO "AS IS, WHERE IS," AND SUCH PTO IS NOT MAKING ANY REPRESENTATIONS OR WARRANTIES, WRITTEN OR ORAL, STATUTORY, EXPRESS OR IMPLIED, CONCERNING SUCH TRANSMISSION FACILITIES, INCLUDING, IN PARTICULAR, ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, ALL OF WHICH ARE HEREBY EXPRESSLY EXCLUDED AND DISCLAIMED. THE FOREGOING PROVISION IS NOT INTENDED TO LIMIT OR CONDITION ANY OBLIGATIONS OF THE PTOS EXPRESSLY PROVIDED FOR ELSEWHERE IN THIS AGREEMENT.

4.02 **Representations and Warranties of the ISO.**

As of the time of execution of this Agreement, the ISO represents and warrants to each PTO as follows:

(a) Organization. It is duly organized, validly existing and in good standing under the laws of the state of its organization.

(b) Authorization. It has all requisite power and authority to execute, deliver and perform this Agreement; the execution, delivery and performance by the ISO of this Agreement have been duly authorized by all necessary and appropriate action on the part of the ISO; and this Agreement has been duly and validly executed and delivered by the ISO and constitutes the legal, valid and binding obligation of the ISO, enforceable against the ISO in accordance with its terms.

(c) No Breach. The execution, delivery and performance by the ISO of this Agreement will not result in a breach of any of the terms, provisions or conditions of any agreement to which the ISO is a party which breach has a reasonable likelihood of materially and adversely affecting the ISO's performance under this Agreement.

ARTICLE V

COVENANTS OF THE PTOS

5.01 **Covenants of Each PTO.** Each PTO covenants and agrees that during (i) the Term, or (ii) the period expressly specified herein, as applicable, such PTO shall comply with all covenants and provisions of this Article V, except to the extent the ISO and the number of PTOs necessary to amend this Agreement pursuant to Section 11.04(a) consent in writing to waive such covenants or performance is excused pursuant to Section 11.13(b).

5.02 **Financial Statements and Filings.** If a PTO's financial statements, permit applications or any other filing with any Governmental Authority are publicly available, such PTO shall, upon request by the ISO, provide the ISO information sufficient to allow the ISO to locate such financial statements, permit applications or other filings, including the date and place of the filing of the relevant documents.

5.03 **Expenses.** Except to the extent specifically provided herein, all costs and expenses incurred by a PTO in connection with the negotiation of this Agreement shall be borne by such PTO; provided that nothing herein shall prevent such PTO from recovering such expenses in accordance with applicable law.

5.04 **Consents and Approvals.**

(a) Each PTO shall exercise Commercially Reasonable Efforts to promptly prepare and file all necessary documentation to effect all necessary applications, notices, petitions, filings and other documents, and shall exercise Commercially Reasonable Efforts to obtain (and will cooperate with each other in obtaining) any consent, acquiescence, authorization, order or approval of, or any exemption or nonopposition by, any Governmental Authority required to be obtained or made by such PTO in connection with this Agreement or the taking of any action contemplated by this Agreement.

(b) Each PTO shall exercise Commercially Reasonable Efforts to obtain consents of all other third parties necessary to the performance of this Agreement by such PTO. Each PTO shall promptly notify the ISO of any failure to obtain any such consents and, if requested by the ISO, shall provide copies of all such consents obtained by such PTO.

(c) Nothing in this Section 5.04 shall require any PTO to pay any sums to a third party, including any Governmental Authority, excluding filing fees paid to any Governmental Authority in connection with a filing necessary or appropriate to further action.

5.05 **Notice and Cure.** Each PTO shall notify the ISO and each other PTO in writing of, and contemporaneously provide the ISO and each other PTO with true and complete copies of any and all information or documents relating to, any event, transaction or circumstance, as soon as practicable after it becomes Known to such PTO, that causes or shall cause any covenant or agreement of such PTO under this Agreement to be breached or that renders or shall render untrue any representation or warranty of such PTO contained in this Agreement as if the same were made on or as of the date of such event, transaction or circumstance. The PTO shall use all Commercially Reasonable Efforts to cure such event, transaction or circumstance as soon as practicable after it becomes Known to such PTO. No notice given pursuant to this Section 5.05 shall have any effect on the representations, warranties, covenants or agreements contained in this Agreement for purposes of determining satisfaction of any condition contained herein or shall in any way limit the ISO's or any other PTO's right to seek indemnity under Article IX.

ARTICLE VI

COVENANTS OF THE ISO

6.01 **Covenants of the ISO.** The ISO covenants and agrees that during (i) the Term, or (ii) the period

expressly specified herein, as applicable, the ISO shall comply with all covenants and provisions of this Article VI, except to the extent the Parties consent in writing to a waiver of such covenants or performance is excused pursuant to Section 11.13(b).

6.02 **Financial Statements and Filings.**

(a) To the extent not provided to stakeholders generally or made publicly available by the ISO, the ISO shall make available to each PTO: (i) quarterly unaudited financial statements within sixty (60) days after each quarter end and (ii) annual audited financial statements within one hundred twenty (120) days after each fiscal year end. In each instance, the financial statements made available by the ISO pursuant to (i) and (ii) above shall be prepared in accordance with Generally Accepted Accounting Principles and shall be true and correct in all material respects.

(b) If financial statements, permit applications or any other filing with any Governmental Authority are publicly available, the ISO shall, upon request by a PTO, provide such PTO information sufficient to allow such PTO to locate such financial statements, permit applications or other filings including the date and place of the filing of the relevant documents.

6.03 **Expenses.** Except to the extent specifically provided herein, all costs and expenses incurred by the ISO in connection with the negotiation of this Agreement shall be borne by the ISO; provided that nothing herein shall prevent the ISO from recovering such expenses in accordance with applicable law.

6.04 **Consents and Approvals.**

(a) The ISO shall exercise Commercially Reasonable Efforts to promptly prepare and file all necessary documentation to effect all necessary applications, notices, petitions, filings and other documents, and shall exercise Commercially Reasonable Efforts to obtain (and will cooperate with each PTO in obtaining) any consent, acquiescence, authorization, order or approval of, or any exemption or nonopposition by, any Governmental Authority required to be obtained or made by the ISO in connection with this Agreement or the taking of any action contemplated by this Agreement.

(b) The ISO shall exercise Commercially Reasonable Efforts to obtain consents of all other third parties necessary to performance of this Agreement by the ISO. The ISO shall promptly notify each PTO of any failure or anticipated failure to obtain any such consents and, if requested by such PTO, shall provide copies of all such consents obtained by the ISO.

(c) Nothing in this Section 6.04 shall require the ISO to pay any sums to a third party, including any Governmental Authority, excluding filing fees paid to any Governmental Authority in connection with a filing necessary or appropriate to discharge its obligations hereunder.

6.05 **Notice and Cure.** The ISO shall notify each PTO in writing of, and contemporaneously shall provide each PTO with true and complete copies of any and all information or documents relating to, any event, transaction or circumstance, as soon as practicable after it becomes Known to the ISO, that causes or shall cause any covenant or agreement of the ISO under this Agreement to be breached or that renders or shall render untrue any representation or warranty of the ISO contained in this Agreement as if the same were made on or as of the date of such event, transaction or circumstance. The ISO shall use all Commercially Reasonable Efforts to cure such event, transaction or circumstance as soon as practicable after it becomes Known to the ISO. No notice given pursuant to this Section 6.05 shall have any effect on the representations, warranties, covenants or agreements contained in this Agreement for purposes of determining satisfaction of any condition contained herein or shall in any way limit any right of a PTO to seek indemnity under Article IX.

6.06 **Other PTOs.**

(a) The ISO shall not perform, or enter into an agreement to perform, any Operating Authority or other RTO functions set forth in Section 3.02 or any other portion of this Agreement for any transmission utility in the New England Control Area subject to the jurisdiction of FERC unless such transmission utility enters into and becomes a Party to this Agreement pursuant to Section 11.05; provided, however, that this Section 6.06 shall not apply to

agreements with owners of ties to other Control Areas, agreements with owners of Merchant Facilities, agreements with generators (to the extent the ISO obtains operating authority over transmission tie lines owned by generators through such agreements), or agreements with Independent Transmission Companies.

(b) The ISO may enter into agreements to perform Operating Authority or other RTO functions for one or more transmission utilities in a Control Area outside of New England. If the ISO enters into an agreement to perform Operating Authority or other RTO functions for one or more transmission utilities in an area contiguous to the New England Control Area, such agreement shall not: (i) materially and adversely affect the ISO's ability to perform Operating Authority for any PTO, or (ii) be unduly preferential to any transmission utility similarly situated to any PTO; provided that, if a PTO believes that a proposed agreement to perform Operating Authority or other RTO functions for one or more transmission utilities in a Control Area contiguous to the New England Control Area violates the immediately foregoing proviso, such PTO may notify the ISO, within thirty (30) days after the receipt of the proposed agreement, of its desire to negotiate the additional or modified terms and conditions of this Agreement necessary to relieve said adverse effect or undue preference and if such negotiation is not concluded within thirty (30) days after said notice, either Party may seek to resolve the dispute in accordance with Section 11.14 of this Agreement and may file the additional or modified terms and conditions of this Agreement necessary to relieve said adverse effect or undue preference for approval by the FERC. Notwithstanding anything else in this agreement, including Section 11.04, the PTO proposing any additional or modified terms and conditions of this Agreement shall not be required to demonstrate that the existing terms and conditions of this Agreement are unjust and unreasonable if the ISO has agreed to or the FERC approves the proposed additional or modified terms and conditions in an agreement with transmission utilities in a Control Area contiguous to the New England Control Area. The limitations and procedures in this Section 6.06(b) shall not apply to the ISO's execution and performance of Coordination Agreements (or amendments thereto) with the operators of neighboring Control Areas, to the administration of Interconnection Agreements with neighboring Control Areas, or to the ISO's provision of reliability services to New Brunswick Power Corporation.

(c) Nothing in this Agreement shall be construed as granting any FERC-jurisdictional Initial PTO or Additional PTO the right to recover the costs of its Transmission Facilities pursuant to the ISO OATT or any other regulated tariff absent approval or acceptance by the FERC for such cost recovery. The Parties hereto expressly reserve their rights to oppose a request for such cost recovery for any potential PTO that is not recovering its transmission costs pursuant to FERC regulated transmission tariffs prior to the Operations Date.

6.07 **Management Agreements.** The ISO shall not enter into any management agreement relating to the provision of transmission services with any Person, including a transmission-owning utility, unless such agreement: (a) has been approved by FERC; (b) does not violate the ISO's Code of Conduct and is on an arms-length basis; or (c) if for an aggregate amount of $1,000,000 or more for a contract with any Participant in the New England Markets, including PTOs, is the result of a competitive solicitation process, the outcome of which is based on factors that include, among others, skill, qualifications, costs, reputation, and associated risks.

6.08 **ISO Line of Business; Non-Profit-Status.** The ISO shall not be operated on a for-profit basis. This provision is not intended to require the ISO to maintain its status as an entity not subject to federal or state taxes, to require the ISO to remain a Delaware not-for-profit corporation or to assure that in any particular year that the ISO's revenues do not exceed its expenses. The ISO shall not pay dividends or use its net earnings other than to offset ISO operating and capital expenses and maintain reasonable reserves.

ARTICLE VII

TAX MATTERS

7.01 **Responsibility for PTO Taxes.** Each PTO shall prepare and file all Tax Returns and other filings related to its Transmission Business and Transmission Facilities and pay any Tax liabilities related to its Transmission Business and Transmission Facilities. The ISO shall not be responsible for, or required to file, any Tax Returns or other reports for any PTO and shall have no liability for any Taxes related to any PTO's Transmission Business or Transmission Facilities. No PTO shall be responsible for, or required to file, any Tax Returns or other reports for any other PTO and shall have no liability for any Taxes related to any other PTO's Transmission Business or Transmission Facilities. The ISO and each PTO hereby agree that, for tax purposes, a PTO's Transmission Facilities shall be deemed

to be owned by such PTO.

7.02 **Responsibility for ISO Taxes.** The ISO shall prepare and file all Tax Returns and other filings related to its operations and pay any Tax liabilities related to its operations. No PTO shall be responsible for, or required to, file any Tax Returns or other reports for the ISO and shall have no liability for any Taxes related to the ISO's operations.

ARTICLE VIII

RELIANCE; SURVIVAL OF AGREEMENTS

8.01 **Reliance; Survival of Agreements.** Notwithstanding any right of any Party (whether or not exercised) to investigate the accuracy of any of the matters subject to indemnification by any other Party contained in this Agreement, each of the Parties has the right to rely fully upon the representations, warranties, covenants and agreements of each other Party contained in this Agreement. The provisions of Sections 11.01, 11.09, 11.13 and 11.17 and Articles VII and IX shall survive the termination of this Agreement. With respect to Section 3.10 of this Agreement, the ISO will perform final billing consistent with Section 3.10 of this Agreement for all services provided until the Termination Date.

ARTICLE IX

INDEMNIFICATION; INSURANCE; LIMITATION OF LIABILITIES

9.01 **Indemnification.**

(a) Subject to Section 9.06(b) through 9.06(e), (i) each PTO shall severally release, indemnify, and hold harmless the ISO from and against any and all damages, losses, liabilities, obligations, claims, demands, suits, proceedings, recoveries, judgments, settlements, costs and expenses, court costs, attorney fees, and all other obligations (each, an "Indemnifiable Loss") asserted against the ISO by a Person that is not a Party to this Agreement (a "Third Party") including but not limited to any action by a PTO employee, to the extent alleged to result from, arise out of or be related to such PTO's acts or omissions that give rise to such Indemnifiable Loss; and (ii) the ISO shall release, indemnify, and hold harmless each PTO from and against any Indemnifiable Loss asserted against such PTO by a Third Party, including but not limited to any action by an ISO employee, to the extent alleged to result from, arise out of or be related to the ISO's acts or omissions that give rise to such Indemnifiable Loss, including an ISO directive and/or instructions to a Party.

(b) The indemnification by the ISO set forth in Section 9.01(a)(ii) above shall be limited to the extent that the liability of a PTO seeking indemnification would be limited by any applicable Law and arises from a claim by (i) such PTO in such PTO's role as a Transmission Customer or (ii) a customer of such PTO.

(c) Each PTO shall severally release, indemnify, and hold harmless the ISO from and against any Environmental Damages that the ISO becomes subject to as a result of its exercise of Operational Authority over such PTO's Transmission Facilities, to the extent such Environmental Damages arose prior to the Operations Date or did not result from the ISO's acts or omissions.

(d) Each PTO and/or the ISO each hereby (i) waives any defense or immunity it might otherwise have under applicable workers' compensation laws or any other statute, or judicial decision, disallowing or limiting such indemnification and (ii) consents to a cause of action for indemnity and/or contribution in connection with such indemnification.

9.02 **Notice of Proceedings.** Each party entitled to receive indemnification under this Agreement (each, an "Indemnitee") shall promptly notify the party who holds an indemnification obligation hereunder (in each case, the "Indemnifying Party") of any Indemnifiable Loss in respect of which such Indemnitee is or may be entitled to indemnification pursuant to Section 9.01. Such notice shall be given as soon as reasonably practicable after the Indemnitee becomes aware of the Indemnifiable Loss and that any such claim or proceeding may give rise to an indemnification obligation hereunder. Such notice shall describe the nature of the loss or proceeding in reasonable

detail and shall indicate, if practicable, the estimated amount of the Indemnifiable Loss that has been or may be sustained by the Indemnitee. The delay or failure of such Indemnitee to provide the notice required pursuant to this Section 9.02 shall not release the Indemnifying Party from any indemnification obligation which it may have to such Indemnitee except (a) to the extent that such failure or delay materially and adversely affects the Indemnifying Party's ability to defend such action or increases the amount of the Indemnifiable Loss, and (b) that the Indemnifying Party shall not be liable for any costs or expenses of the Indemnitee in the defense of the claim, suit, action or proceeding during such period of failure or delay.

9.03 **Defense of Claims**.

(a) Unless and until the Indemnifying Party (i) acknowledges in writing its obligation within ten (10) calendar days of the Indemnitee's notice of a claim, suit, action or proceeding, and (ii) assumes control of the defense of such claim, suit, action or proceeding in accordance with Section 9.03(b), the Indemnitee shall have the right, but not the obligation, to contest, defend and litigate, with counsel of its own selection, any claim, action, suit or proceeding by any third party alleged or asserted against such Indemnitee in respect of, resulting from, related to or arising out of any matter for which it is entitled to be indemnified hereunder, and the reasonable costs and expenses thereof shall be subject to the indemnification obligations of the Indemnifying Party hereunder.

(b) Upon acknowledging in writing its obligation to indemnify an Indemnitee to the extent required pursuant to this Article IX and paying all reasonable costs incurred by such Indemnitee in its defense, including reasonable attorney's fees, the Indemnifying Party shall be entitled, at its option (subject to Section 9.03(d)), to assume and control the defense of such claim, action, suit or proceeding at its expense with counsel of its selection, subject to the prior reasonable approval of the Indemnitee.

(c) Neither the Indemnifying Party nor the Indemnitee shall be entitled to settle or compromise any such claim, action, suit or proceeding without the prior written consent of the other; provided, however, that such consent shall not be unreasonably withheld.

(d) Following the acknowledgment of the indemnification and the assumption of the defense by the Indemnifying Party pursuant to Section 9.03(b), the Indemnitee shall have the right to employ its own counsel and such counsel may participate in such action, but the fees and expenses of such counsel shall be at the expense of such Indemnitee, when and as incurred, unless: (i) the employment of counsel by such Indemnitee has been authorized in writing by the Indemnifying Party; (ii) the Indemnitee shall have reasonably concluded and specifically notified the Indemnifying Party that there may be a conflict of interest between the Indemnifying Party and the Indemnitee in the conduct of the defense of such action; (iii) the Indemnifying Party shall not in fact have employed independent counsel reasonably satisfactory to the Indemnitee to assume the defense of such action and shall have been so notified by the Indemnitee; (iv) the Indemnitee shall have reasonably concluded and specifically notified the Indemnifying Party that there may be specific defenses available to it which are different from or additional to those available to the Indemnifying Party or that such claim, action, suit or proceeding involves or could have a material adverse effect upon the Indemnitee beyond the scope of this Agreement; or (v) the Indemnifying Party shall not have taken reasonable steps necessary to defend diligently such action within twenty (20) calendar days after receiving notice from the Indemnitee that the Indemnitee believes the Indemnifying Party has failed to take such steps. If clause (ii), (iii), (iv) or (v) of the preceding sentence shall be applicable, then counsel for the Indemnitee shall have the right to direct the defense of such claim, action, suit or proceeding on behalf of the Indemnitee and the reasonable fees and disbursements of such counsel shall constitute indemnifiable legal or other expenses hereunder.

(e) If the amount of any Indemnifiable Loss incurred by an Indemnitee, at any time subsequent to the making of an indemnity payment by an Indemnifying Party in respect thereof, is reduced by recovery, settlement or otherwise under or pursuant to any insurance coverage, or pursuant to any claim, recovery, settlement or payment by or against any other entity, the amount of such reduction, less any costs, expenses or premiums incurred in connection therewith (together with interest thereon from the date of payment thereof at the Prime Rate) shall promptly be repaid by the Indemnitee to the Indemnifying Party. In the event that the claim, demand or suit giving rise to an Indemnifiable Loss is ultimately adjudicated, if a Final Order confirms that the Indemnitee was not entitled to indemnification hereunder, then the amount advanced by the Indemnifying Party in respect of such Indemnifiable Loss (together with interest thereon from the date of payment thereof at the Prime Rate) shall promptly be paid by the Indemnitee to the

Indemnifying Party.

9.04 **Subrogation.** Upon payment of any indemnification by a party pursuant to this Article IX, the Indemnifying Party, without any further action, shall be subrogated to any and all claims that the Indemnitee may have relating thereto, and such Indemnitee shall at the request and expense of the Indemnifying Party cooperate with the Indemnifying Party and give at the request and expense of the Indemnifying Party such further assurances as are necessary or advisable to enable the Indemnifying Party vigorously to pursue such claims.

9.05 **Insurance.**

(a) The ISO shall at all times, at its own cost and expense, carry and maintain or cause to be carried and maintained throughout the Term: (i) liability and errors and omissions insurance (including blanket coverage for contractual liability), insuring the ISO against liability for injury or death to persons, damage to property and environmental restoration, (ii) worker's compensation insurance, (iii) property insurance and (iv) directors' and officers' insurance. The amount of the insurance coverages and deductibles shall generally be comparable to other independent system operators or RTOs, taking into consideration the relative size of the ISO and its contractual and tariff liabilities as compared to the other system operators or RTOs administering similar market structures. In assessing the comparable coverages and deductibles, the ISO may rely on the advice of its insurance consultants.

(b) Each PTO will maintain property insurance on its Transmission Facilities and liability insurance in accordance with good utility practice. Each PTO may self insure such amount to the extent it currently self insures similar policies and amounts.

I All insurance required under this Section 9.05 by outside insurers shall be maintained with insurers qualified to insure the obligations or liabilities under this Agreement and having a Best's rating of at least B+ VIII (or an equivalent Best's rating from time to time of B+ VIII), or in the event that from time to time Best's ratings are no longer issued with respect to insurers, a comparable rating by a nationally recognized rating service or such other insurers as may be agreed upon by the PTOs and the ISO.

(d) The PTOs shall be listed as additional insured parties on the liability and errors and omissions insurance required to be maintained by the ISO and the ISO shall be listed as an additional insured party on the liability insurance maintained by each PTO. Upon execution of this Agreement, and when requested thereafter, each Party shall furnish each other Party with certificates of all such insurance policies setting forth the amounts of coverage, policy numbers, and date of expiration for such insurance in conformity with the requirements of this Agreement.

(e) The insurance policies maintained by the ISO hereunder shall not be canceled, terminated or the terms thereof modified or amended without at least thirty (30) days' prior notice to the PTOs.

(f) If any insurance policy required to be maintained by the ISO hereunder shall not be available to the ISO on a commercially reasonable basis (taking into account both terms and premiums), the ISO shall obtain a written report of an independent insurance advisor of recognized national standing, chosen by the PTOs and reasonably acceptable to the ISO, confirming in reasonable detail that such insurance policy, in respect of amount or scope of coverage, is not available on a commercially reasonable basis from insurers of recognized standing. During any period with respect to which any insurance policy required by this Agreement is not commercially available, the ISO shall nevertheless maintain insurance that approximates such required insurance policy as closely as commercially practical, to the extent it is available on a commercially reasonable basis from insurers of recognized standing. If any insurance policy which was previously not held or discontinued because of its commercial unavailability later becomes available on a commercially reasonable basis, the ISO shall obtain or reinstate such insurance.

9.06 **Assumption of Liability.**

(a) (i) Each PTO shall be severally liable to the ISO, and the ISO shall be liable to each PTO, for losses, liabilities, damages, diminution in value, obligations, claims, proceedings, fines, deficiencies and expenses (collectively, "Losses") caused by such Party's grossly negligent acts or omissions or willful misconduct (including the grossly negligent acts or omissions or willful misconduct of such Party's directors, Affiliates, members, officers, employees, agents, and contractors) in connection with the performance of such Party of its obligations under this

Agreement; and (ii) no Party shall be liable to another Party for any incidental, indirect, special, exemplary, punitive or consequential damages, including lost revenues or profits, even if such damages are foreseeable or the damaged Party has advised such Party of the possibility of such damages and regardless of whether any such damages are deemed to result from the failure or inadequacy of any exclusive or other remedy. The foregoing limitations shall not apply to the right of the Parties to seek indemnification under this Agreement in accordance with Section 9.01.

(b) Nothing in this Agreement shall be deemed to affect the right of the ISO to recover its costs due to liability under this Article IX through the ISO Participants Agreement or the ISO Administrative Tariff.

I The ISO shall not be liable to any PTO with respect to any damages incurred by such PTO that are directly attributable to the ISO's reliance on facility ratings established by such PTO.

(d) No PTO shall be liable to any other PTO and/or the ISO by reason of this Agreement (whether based on contract, indemnification, warranty, tort, strict liability or otherwise) for: (i) any acts or omissions taken or done in compliance with, or good faith attempts to comply with, the directives and/or instructions of the ISO, except in cases of the gross negligence or willful misconduct of such PTO; and/or (ii) any costs and expenses relating to the operation, repair, maintenance or improvement of any Transmission Facility of the ISO or any other PTO.

(e) Notwithstanding any of the foregoing, the ISO shall be liable in actual damages for failure to make payments or transfer sums under Section 3.10 of this Agreement if the ISO fails to discharge its obligation to prepare and send bills or to perform its obligations pursuant to Section 3.10 of this Agreement.

ARTICLE X

TERM; DEFAULT AND TERMINATION

10.01 **Term; Termination Date.**

(a) Term and Operations Date.

(i) Term. Subject to the terms set forth in this Section 10.01, the initial term of this Agreement (the "Initial Term") shall commence on the Operations Date and shall continue for a period of five years. Subject to the terms set forth in this Section 10.01, the Initial Term shall be extended automatically for additional two-year periods (each, an "Additional Term"). Any one or more PTOs may withdraw from this Agreement effective at the end of the Initial Term or the end of any Additional Term by providing no less than 180 days' prior notice of such withdrawal to the other Parties. Together, the Initial Term and the Additional Term(s), if any, shall constitute the term (the "Term") of this Agreement.

(ii) Operations Date. The "Operations Date" shall be the date on which the ISO and the Initial Participating Transmission Owners unanimously agree to place this Agreement, the ISO OATT, and related agreements and documents into effect. The ISO and the Initial Participating Transmission Owners shall jointly issue a written notice (the "Notice of Operations Date") at least thirty (30) calendar days in advance of the Operations Date. The Notice of Operations Date shall be posted on the ISO website and filed with FERC on an informational basis.

(b) PTO Withdrawal During The Term. Subject to Section 10.01(e), any one or more PTOs may withdraw from this Agreement at any time during the Term if any of the following shall have occurred:

(i) upon an ISO event of default in accordance with Section 10.03(a), provided that the PTOs shall exercise this right in accordance with Section 10.03(b)(i).

(ii) if a Final Order of FERC, a Final Order of a Federal court or a Federal law sets forth a change in policy stating that: (A) the federal government no longer encourages the participation of transmission owners in RTOs and such Final Order or law affirmatively states that transmission owners

participating in an RTO may withdraw therefrom, or (B) that the recovery of costs for existing Transmission Facilities will be subject to any change in policy which would prevent a PTO from recovering the costs of existing Transmission Facilities on a regulated cost-of-service basis; provided that withdrawal pursuant to (A) or (B) of this provision shall require notice to the other Parties not less than 180 days prior to the Termination Date established pursuant to Section 10.01(e).

(iv) FERC issues an order putting into effect changes to the relative rights and responsibilities of the PTOs and the ISO under this Agreement, including changing the scope and definition of Operating Authority, so as to materially adversely affect the interests of one or more PTOs, unless the PTOs have agreed to such changes in accordance with Section 11.04; provided that: (A) only the PTO (s) affected by such FERC order shall have the right to withdraw pursuant to this provision; (B) withdrawal pursuant to this provision shall require notice to the other Parties not less than 180 days prior to the Termination Date established pursuant to Section 10.01(e); and (C) a PTO providing a notice of withdrawal pursuant to this provision shall be required to rescind such notice if FERC issues a subsequent order prior to the Termination Date so as to eliminate the changes to the relative rights and responsibilities of the PTOs and the ISO under this Agreement.

(v) the withdrawing PTO has entered into an agreement to form an ITC in accordance with Attachment M to the ISO OATT which has been accepted for filing by the FERC, provided that withdrawal pursuant to this provision shall be effective concurrent with the effective date of such agreement.

(vi) the withdrawing PTO has obtained authorization from the FERC to join another RTO or other similar organization (such as an Independent System Operator) in connection with a merger with or acquisition by another entity other than another PTO.

I Remaining PTOs. In the event that one or more, but less than all, PTOs withdraw from this Agreement in accordance with Section 10.01(a) or (b), this Agreement shall remain in full force and effect with respect to all other PTOs; provided that in the event of a withdrawal under Section 10.01(a), the remaining PTOs shall have a period of twenty days from the date of the notice provided in accordance with Section 10.01 (a) to notify the other Parties that it intends to withdraw from this Agreement at the end of the Initial Term or any Additional Term, as applicable. The "Termination Date" shall mean the date of termination established in accordance with Section 10.01(e).

(d) Termination By the ISO. The ISO may terminate its obligations under this Agreement and surrender its Operating Authority over the Transmission Facilities if any of the following shall have occurred:

(i) the withdrawal of one or more PTOs from this Agreement and as a result of such withdrawal the ISO cannot maintain system reliability or administer efficient and competitive markets.

(ii) FERC issues an order putting into effect material changes in the liability and indemnification protections afforded to the ISO under this Agreement or the ISO OATT, provided that: (A) withdrawal pursuant to this provision shall require notice to the other Parties not less than 180 days prior to the Termination Date established pursuant to Section 10.01(e); and (B) the ISO shall be required to rescind such notice if FERC issues a subsequent order prior to the Termination Date so as to eliminate the material changes to such liability and indemnification protections.

(iii) FERC issues an order putting into effect an amendment or modification of this Agreement that materially adversely affects the ISO's ability to carry out its responsibilities under this Agreement, unless the ISO has agreed to such changes in accordance with Section 11.04, provided that: (A) withdrawal pursuant to this provision shall require notice to the other Parties not less than 180 days prior to the Termination Date established pursuant to Section 10.01(e); and (B) the ISO shall be required to rescind such notice if FERC issues a subsequent order prior to the Termination Date so as to eliminate the material adverse effect to the ISO's ability to carry out its responsibilities under this Agreement.

(iv) upon a PTO event of default in accordance with Section 10.04(a), provided that

the ISO shall exercise this right in accordance with Section 10.04(b)(i).

(e) Actions Prior To Withdrawal or Termination. Upon submission of a written notice of termination or withdrawal by a Party or Parties, the Party or Parties submitting such notice shall commence the development of a plan under which Operating Authority shall be transferred from the ISO to another entity. The Termination Date with respect to any PTO or the ISO shall not occur until both: (a) the ISO and all affected PTOs have agreed upon a plan addressing the technical, operational and market issues associated with the transfer of Operating Authority in connection with such termination or withdrawal and such plan has been implemented, provided that: (i) if the Parties are unable to reach agreement on such plan, any affected Party shall have the right to submit the matter to FERC for resolution without additional negotiation under Section 11.14; (ii) with respect to a withdrawal pursuant to Section 10.01(a), no PTO shall be required to remain a Party to this Agreement for longer than one year after providing notice of withdrawal; and (iii) in the event of a default by the ISO, the affected PTOs may require that the ISO immediately make arrangements for the orderly transfer of the ISO's invoicing and collection functions with respect to such PTOs prior to the Termination Date in accordance with Section 10.03(b); and (b) all required regulatory approvals, if any, have been obtained for such withdrawal or termination, including any approvals required pursuant to Section 10.01(f).

(f) Approvals. Notwithstanding any other provision contained herein or in any other document to the contrary, any termination or withdrawal requested under this Section 10.01 shall be effective: (1) unless a party to this Agreement seeking to challenge the request demonstrates that the requested termination or withdrawal is contrary to the public interest under the Mobile-Sierra Doctrine and (ii) subject to the FERC's determination under Section 205 of the Federal Power Act that the termination or withdrawal is just, reasonable and not unduly discriminatory or preferential. Each PTO exercising its right to withdraw or terminate in accordance with this Section 10.01 shall file with the FERC, pursuant to Section 205 of the FPA, the tariffs and rate schedules applicable to transmission service over such PTO's Transmission Facilities to become effective upon such termination or withdrawal.

(g) Continuing Obligations. Each withdrawing or terminating Party shall have the following continuing obligations following withdrawal from this Agreement

(i) All financial obligations incurred and payments applicable to the time period prior to the Termination Date shall be honored by the terminating or withdrawing Party and each other Party in accordance with the terms of this Agreement, and each Party shall remain liable for all obligations arising hereunder prior to the Termination Date.

(ii) Any withdrawing PTO that is not a Publicly-Owned PTO shall file a replacement transmission tariff to replace the ISO OATT, unless FERC rules no longer require the filing of such a tariff. Any withdrawing Publicly-Owned PTO shall adopt the Order No. 888 pro forma tariff.

10.02 **Release of Operating Authority**.

(a) Upon the Termination Date, the ISO's right and obligation to exercise Operating Authority over the Transmission Facilities of a PTO with whom this Agreement has terminated shall promptly cease, and, in accordance with Section 10.01, the ISO shall be deemed to have released and returned, and such PTO (or its designee) shall have assumed, Operating Authority over such Transmission Facilities on the Termination Date.

(b) After the Termination Date, the ISO shall take Commercially Reasonable Efforts to assist the terminating PTO or such PTO's designee in resuming performance of the functions comprising Operating Authority.

(c) The expenses associated with any termination under Section 10.01 shall be at the PTO's expense unless (1) the termination is by the ISO pursuant to Section 10.01(d)(ii) or (iii), or (2) pursuant to Section 10.03 in the event of an ISO default.

10.03 **Events of Default of the ISO.**

(a) Events of Default of the ISO. Subject to the terms and conditions of this Section 10.03, the

occurrence of any of the following events shall constitute an event of default of the ISO under this Agreement:

(i) Failure by the ISO to perform any material obligation set forth in this Agreement and continuation of such failure for longer than thirty (30) days after the receipt by the ISO of written notice of such failure from a PTO; provided, however, that if the ISO is diligently pursuing a remedy during such thirty (30) day period, said cure period shall be extended for an additional thirty (30) days or as otherwise agreed by all affected Parties

(ii) If there is a dispute between the ISO and a PTO as to whether the ISO has failed to perform a material obligation, the cure period(s) provided in Section 10.03(a)(i) above shall run from the point at which a finding of failure to perform has been made by a Governmental Authority;

(iii) Any attempt (not including consideration of strategic options or entering into exploratory discussions) by the ISO to transfer an interest in, or assign its obligations under, this Agreement, except as otherwise permitted hereunder;

(iv) Failure of the ISO (if it has received the necessary corresponding funds from ISO customers) to pay when due any and all amounts payable to any PTO by the ISO as part of the settlement process pursuant to Section 3.10 within three (3) Business Days;

(v) Failure of the ISO to pay when due any other amounts payable to any PTO by the ISO pursuant to this Agreement within thirty (30) days of the due date;

(vi) The exercise of Operating Authority or other responsibilities under this Agreement in a manner that results in a material amount of damage to or the destruction of a PTO's Transmission Facilities due to the willful misconduct or gross negligence of the ISO or the repeated and persistent exercise by the ISO of its Operating Authority in a manner that subjects Transmission Facilities to the significant risk of a material amount of damage, provided that exercise by the ISO of its Operating Authority over any Transmission Facility both in accordance with the Operating Procedures and within the ratings established by a PTO for such Transmission Facility shall not be considered to subject such Transmission Facility to risk of damage and further provided that nothing in this Section 10.03(a)(v) shall be deemed to excuse the ISO from complying with its obligations under this Agreement or to limit the other events of default specified in this Section 10.03(a).

(vii) With respect to the ISO, (A) the filing of any petition in bankruptcy or insolvency, or for reorganization or arrangement under any bankruptcy or insolvency laws, or voluntarily taking advantage of any such laws by answer or otherwise or the commencement of involuntary proceedings under any such laws, (B) assignment by the ISO for the benefit of creditors; or (C) allowance by the ISO of the appointment of a receiver or trustee of all or a material part of its property if such receiver or trustee is not discharged within thirty (30) days after such appointment.

(b) Remedies for Default. If an event of default by the ISO occurs, each affected PTO shall have the right to avail itself of any or all of the following remedies, all of which shall be cumulative and not exclusive:

(i) To terminate its participation in this Agreement with respect to such PTO in accordance with Section 10.01(e); provided that if the ISO contests such allegation of an ISO event of default, this Agreement shall remain in effect pending resolution of the dispute, but any applicable notice period shall run during the pendency of the dispute;

(ii) To demand that the ISO shall immediately make arrangements for the orderly transfer of Operating Authority over such PTO's Transmission Facilities and assist such PTO or such PTO's designee in resuming performance of the functions comprising Operating Authority, provided that: (A) such PTO shall not be liable for the reimbursement of the ISO for any costs and expenses incurred by the ISO in connection therewith; (B) the ISO and all affected PTOs shall agree upon a plan addressing the technical and operational issues associated with such transfer of Operating Authority, and such plan

has been implemented; and (C) if the Parties are unable to reach agreement on such plan, any affected Party shall have the right to submit the matter to FERC for resolution without additional negotiation under Section 11.14;

(iii) To demand that the ISO shall terminate any right of the ISO, immediately make arrangements for the orderly transfer of the ISO's invoicing and collection functions with respect to such PTO and assist such PTO or such PTO's designee in resuming performance of the functions the later of 20 days from the date of making such demand or the start of the next billing cycle. Without limiting the generality of the foregoing, the ISO agrees to deliver all information and files necessary to perform billing for regional transmission service (the "Regional Billing"), including but not limited to transferring all files then used by the ISO to prepare rate calculations and billing to a billing representative designated by the PTOs. The PTOs will provide the ISO, within 30 days of the Operations Date, with a list of the specific information and files necessary if the PTOs were to perform the Regional Billing;

(iv) To make any payment or perform or comply with any agreement that the ISO shall be obligated to pay, perform or comply with under this Agreement and the amount of reasonable expenses (including attorneys' fees and any other reasonable professionals' fees and expenses) of such PTO incurred in connection with such payment or the performance of or compliance with any such agreement shall be payable by the ISO upon demand;

(v) To obtain such specific performance and/or an injunction to prevent breaches of this Agreement and to enforce specifically the terms and conditions hereof; and/or

(vi) To obtain damages pursuant to the indemnity provisions of Sections 9.01 and 9.06 and for non-performance of invoicing/payment obligations under Section 3.10 of this Agreement.

10.04 **Events of Default of a PTO.**

(a) Events of Default of a PTO. Subject to the terms and conditions of this Section 10.04, the occurrence of any of the events listed below shall constitute an event of default of such PTO under this Agreement (in each instance, a "PTO Default"):

(i) Failure by such PTO to perform any material obligation set forth in this Agreement and continuation of such failure for longer than thirty (30) days after the receipt by such PTO of written notice of such failure from the ISO, provided, however, that if such PTO is diligently pursuing a remedy during such thirty (30) day period, said cure period shall be extended for an additional thirty (30) days or as otherwise agreed by all affected Parties;

(ii) If there is a dispute between a PTO and the ISO as to whether the PTO has failed to perform a material obligation, the cure period(s) provided in Section 10.04(a)(i) above shall run from the point at which a finding of failure to perform has been made by a Governmental Authority;

(iii) With respect to such PTO, (A) the filing of any petition in bankruptcy or insolvency, or for reorganization or arrangement under any bankruptcy or insolvency laws, or voluntarily taking advantage of any such laws by answer or otherwise or the commencement of involuntary proceedings under any such laws, (B) assignment by such PTO for the benefit of creditors; or (C) allowance by such PTO of the appointment of a receiver or trustee of all or a material part of its property if such receiver or trustee is not discharged within thirty (30) days after such appointment; or

(iv) Failure of the PTO to pay when due any amounts payable to the ISO by such PTO pursuant to this Agreement within thirty (30) days of the due date.

(b) Remedies for Default. If an event of default by a PTO occurs , the ISO shall have the following remedies, all of which shall be cumulative and not exclusive:

(i) terminate this Agreement with respect to such PTO in accordance with Section 10.01(e); provided that if such PTO contests such allegation of a PTO event of default, this Agreement shall remain in effect pending resolution of the dispute, but any applicable notice period shall run during the pendency of the dispute;

(ii) such specific performance and/or an injunction to prevent breaches of this Agreement and to enforce specifically the terms and conditions hereof; or

(iii) obtain damages pursuant to the indemnity provisions of Sections 9.01 and 9.06.

(c) Notwithstanding anything to the contrary herein, nothing in this Section 10.04 shall be deemed to give the ISO or any ISO agent or designee the right to exercise any functions other than those enumerated as Operating Authority in Section 3.02 or the right to take physical control of any PTO facilities.

ARTICLE XI

MISCELLANEOUS

11.01 **Notices.** Unless otherwise expressly specified or permitted by the terms hereof, all communications and notices provided for herein shall be in writing and any such communication or notice shall become effective (a) upon personal delivery thereof, including by overnight mail or courier service, (b) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (c) in the case of notice by facsimile, upon receipt thereof; provided that such transmission is promptly confirmed by either of the methods set forth in clauses (a) or (b) above, in each case addressed to each party and copy party hereto at its address set forth in Schedule 11.01 or, in the case of any such party or copy party hereto, at such other address as such party or copy party may from time to time designate by written notice to the other parties hereto; further provided that a notice given in connection with this Section 11.01 but received on a day other than a Business Day, or after business hours in the situs of receipt, will be deemed to be received on the next Business Day.

11.02 **Supersession of Prior Agreements.** With respect to the subject matter hereof, this Agreement (together with all schedules and exhibits attached hereto) constitutes the entire agreement and understanding among the Parties with respect to all subjects covered by this Agreement and supersedes all prior discussions, agreements and understandings among the Parties with respect to such matters, including those agreements set forth on Schedule 11.02 attached hereto. To the extent that such other agreements address subjects addressed in this Agreement, this Agreement shall govern.

11.03 **Waiver.** Any term or condition of this Agreement may be waived at any time by the Party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the Party waiving such term or condition. No waiver by any Party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. All remedies, either under this Agreement or by Law or otherwise afforded, shall be cumulative and not alternative.

11.04 **Amendment; Limitations on Modifications of Agreement.**

(a) Except as otherwise specifically provided herein, this Agreement shall only be subject to modification or amendment as follows:

(i) Establishment of Committee. The PTOs shall form a PTO Administrative Committee ("PTO AC") which shall meet periodically (1) to consider recommendations to the ISO regarding actions, policies and rules of the ISO affecting the PTOs' Transmission Facilities; (2) to consider and vote upon proposed amendments to this Agreement; (3) to consult with the ISO as may be provided for under this Agreement; and (4) to consider any other matters relating to the administration of this Agreement by the PTOs. The PTO AC shall be organized in the manner described in Schedule 11.04.

(ii) Amendments to Section 11.04(a)(iii) and Schedule 11.04. Notwithstanding anything in

this Agreement which may be construed to the contrary, the PTOs may unilaterally amend or revise Sections 11.04(a)(iii)(B) and 11.04(a)(iii)(C) of this Agreement and Schedule 11.04 to this Agreement through a vote of the PTO AC as set forth in Section 12 of Schedule 11.04, without the consent of the ISO, and may submit such amended Agreement under Section 205 of the Federal Power Act. Notwithstanding anything in this Agreement which may be construed to the contrary, the ISO may unilaterally amend or revise section 11.04(a)(iii)(A) of this Agreement through the process set forth in that subsection, without the consent of the PTOs, and may submit such amended Agreement under Section 205 of the Federal Power Act.

(iii) Amendments to this Agreement. Except as set forth in section 11.04(a)(ii), this Agreement may be amended by mutual agreement of the PTOs and the ISO and the acceptance of any such amendment by FERC.

(A) ISO Agreement to Amendments. The ISO shall be deemed to have agreed to such amendment upon execution of the amendment.

(B) PTO Agreement to General Amendments. Except as otherwise provided in sections 11.04(a)(iii)(C) and 11.04(a)(iii)(D), the PTOs will be deemed to have agreed to such amendment upon a vote of the PTOs meeting all of the following criteria:

(1) Weighted Voting. A vote to approve an amendment to this Agreement under this Section 11.04(a)(iii)(B) shall be cast by a number of the Individual Votes of the PTOs equal to or greater than sixty-five (65) percent of the aggregate Individual Votes of all the PTOs;

(2) Support of Non-Affiliated PTOs. In addition to the Individual Votes satisfying Section 11.04(a)(iii)(B)(i), a vote of the PTOs to approve an amendment to this Agreement under this Section 11.04(a)(iii)(B) shall be cast by a number of Non-Affiliated PTOs that have Supporting Votes that are equal to or greater than (x) fifty (50) percent of such Non-Affiliated PTOs or (y) four (4), whichever is less; and;

(3) Limits on a Single PTO Veto. The negative vote of a single PTO with Individual Votes equal to thirty-five (35) but not more than fifty (50) percent of the aggregate Individual Votes of the PTOs shall not cause the amendment to fail if the combined Individual Votes of the PTOs voting in favor of the amendment are equal to or greater than ninety-five (95) percent of the Individual Votes of all the remaining PTOs. The negative vote of a single PTO with Individual Votes greater than fifty (50) percent of the aggregate Individual Votes of the PTOs voting shall cause the amendment to fail.

(C) PTO Agreement Requiring a Super Majority Vote. The PTOs will be deemed to have agreed to an amendment to Section 3.04(b) of this Agreement upon a vote of the PTOs meeting both of the following criteria:

(1) Weighted Voting. A vote to approve an amendment to section 3.04(b) of this Agreement shall be cast by a number of the Individual Votes of the PTOs equal to or greater than ninety-five (95) percent of the aggregate Individual Votes of all the PTOs; and

(2) Support of Non-Affiliated PTOs. In addition to the Individual Votes satisfying Section 11.04(a)(iii)(C)(i), a vote of the PTOs to approve an amendment to section 3.04(b) of this Agreement shall be cast by a number of Non-Affiliated PTOs that have Supporting Votes that are equal to or

greater than (x) seventy (70) percent of such Non-Affiliated PTOs or (y) five (5),whichever is less.

(D) PTO Agreement Requiring Consent of Affected Party. Notwithstanding anything in this Agreement which may be construed to the contrary, the PTO rights and privileges contained in sections 2.01, 3.04(a), 3.04(j), 3.04(k), 3.07, 3.13, 10.01 (a), 10.01(b), and 11.04 of this Agreement and sections 12 and 13 of Schedule 11.04 to this Agreement shall not be modified or diminished by amendment to this Agreement or in any other way without the prior written consent of each PTO that may be affected thereby.

(E) Amendments to PTO Voting Provisions to Reflect Additional Participating Transmission Owners. If an unaffiliated transmission utility from outside the New England Control Area becomes or is about to become an Additional Participating Transmission Owner pursuant to Section 11.05 of this Agreement, and if any initial PTO's Individual Vote will change by more than 20 percent as a result, the PTOs shall enter into good faith negotiations to consider appropriate modifications to Sections 11.04(a)(iii)(B) and 11.04(a)(iii)(C) of this Agreement and Schedule 11.04 to this Agreement. The PTOs may unilaterally amend or revise Sections 11.04(a)(iii)(B) and 11.04(a)(iii)(C) of this Agreement and Schedule 11.04 to this Agreement through a vote of the PTO AC as set forth in Section 11.04(a)(iii)(D), without the consent of the ISO, and may submit such amended Agreement to the FERC under Section 205 of the Federal Power Act.

(F) Supporting Votes. Each PTO that has a minimum of one (1) percent of the aggregate Individual Votes of all the PTOs at the time of the applicable PTO AC meeting shall have a single "Supporting Vote." The Individual Votes of any group of two or more PTOs that each have an Individual Vote of less than one (1) percent may be combined and voted so that if the combined Individual Votes of such PTOs are equal to or greater than one (1) percent of the aggregate Individual Votes of all the PTOs at the time of the applicable PTO AC meeting, such combined Individual Votes shall be counted as a single Supporting Vote. Subject to a sufficient number of Publicly-Owned PTOs executing this Agreement, as of the Operations Date the combined Individual Votes of all of the Publicly-Owned PTOs is expected to be greater than one (1) percent of the aggregate Individual Votes of all the PTOs. In the event that the combined Individual Votes of all of the Publicly-Owned PTOs as of the Operations Date is greater than one (1) percent of the aggregate Individual Votes of all the PTOs, if at any time after the Operations Date, all of the Publicly-Owned PTOs have Individual Votes of less than one (1) percent of the aggregate Individual Votes of all of the PTOs due to the addition of new transmission assets and the depreciation of existing transmission assets, then the combined Individual Votes of all of the Publicly Owned PTOs shall nonetheless be counted as a single Supporting Vote.

(b) In light of the foregoing, the Parties agree that they shall not rely to their detriment on any purported amendment, waiver or other modification of any rights under this Agreement unless the requirements of this Section 11.04 are satisfied and further agree not to assert equitable estoppel or any other equitable theory to prevent enforcement of this provision in any court of law or equity, arbitration or other proceeding.

(c) Absent the agreement of the Parties to any proposed change hereof or an amendment hereof pursuant to Section 11.04(a), the standard of review for changes to the following sections of this Agreement (or changes to any schedules associated with such sections) proposed by a Party, a non-party or the Federal Energy Regulatory Commission acting sua sponte shall be the "public interest" standard of review under the Mobile-Sierra Doctrine: 2.01, 2.04, 3.01, 3.02, 3.03, 3.04, 3.05, 3.06, 3.07, 3.09, 3.10, 3.11, 3.13, 3.14, 4.01(e), 6.06, 6.07, 6.08, 9.01, 9.06, 10.02, 10.03, 10.04, 11.04(a) - (d), 11.05, 11.06, 11.08, 11.17, 11.19(d), and Article I, as it applies to the

foregoing sections. Absent the agreement of the Parties to any proposed change hereof or an amendment hereof pursuant to Section 11.04(a), with respect to changes to the remaining provisions of this Agreement proposed by a Party, a non-party or the Federal Energy Regulatory Commission acting sua sponte, the standard of review shall be that provided under Section 206 of the Federal Power Act.

(d) Notwithstanding the Parties' rights under Section 3.04 hereof, neither the ISO nor any PTO shall propose to modify or amend the ISO OATT nor any other tariff, rate schedule, procedure, protocol, or agreement applicable to the ISO or the PTOs in any manner that would limit, alter, or adversely affect the rights and responsibilities of the non-proposing Parties under this Agreement or that would otherwise be inconsistent with the provisions of this Agreement unless: (i) the PTOs and the ISO have entered into a prior written agreement to make corresponding modifications to this Agreement in accordance with this Section 11.04, or (ii) if corresponding modifications to the provisions of this Agreement enumerated in Section 11.04(c) above are required, the proposing Party also requests FERC to find (or FERC has already so found) that the corresponding modifications are required under the "public interest" standard of review under the Mobile-Sierra Doctrine or (iii) if corresponding modifications to the remainder of the Agreement are required, the proposing Party also requests FERC to find (or FERC has already so found) that the corresponding modifications are required under the standard of review under Section 206 of the Federal Power Act.

(e) The Parties shall notify stakeholders of proposed amendments to this Agreement by posting such amendments on the ISO website prior to the filing of such amendments with FERC and shall consider stakeholder input concerning such proposed amendments.

11.05 **Additional Participating Transmission Owners.** After the Operations Date, subject to the terms set forth herein, including Section 6.06, any owner of transmission facilities may become a PTO under this Agreement and a Party to this Agreement by executing and delivering a counterpart to this Agreement with the consent or approval of the ISO, such consent or approval not to be unreasonably withheld. Owners of transmission facilities that become PTOs pursuant to the terms of this Section 11.05 shall be referred to herein as "Additional Participating Transmission Owners"; provided, however, that, notwithstanding any other provision contained herein to the contrary, Independent Transmission Companies shall not be deemed to be Additional Participating Transmission Owners hereunder. Notwithstanding Section 11.04 or any other provision contained herein to the contrary, Additional Participating Transmission Owners may become parties to this Agreement without any consent or approval of the other PTOs and without any amendment to this Agreement, except that this Agreement may be amended pursuant to Section 11.04(a)(iii)(E) if an unaffiliated transmission utility from outside the Control Area becomes or is about to become an Additional Participating Transmission Owner.

11.06 **Integration Charges.** Each Additional Participating Transmission Owner that enters into this Agreement after the Operations Date shall pay upon joining or shall promptly reimburse the ISO and each affected PTO for (a) all incremental costs, expenses and charges (including those incurred by the ISO or other PTOs) that, as determined by the ISO, result from the integration of such PTO's transmission system into the Transmission Facilities over which the ISO exercises Operating Authority and produce an increase in ISO Administrative Charges assessed against users of the New England Transmission System; and (b) such PTO's Pro Rata Share of the aggregate start-up costs recovered up to that date by the ISO. The ISO shall not implement any integration until it has received from the Additional Participating Transmission Owner payment in full for all such payments or secured a binding agreement that obligates the Additional Participating Transmission Owner to pay all such costs, expenses and other charges as they come due.

11.07 **No Third Party Beneficiaries.** Except as provided in Article IX, it is not the intention of this Agreement or of the Parties to confer a third party beneficiary status or rights of action upon any Person or entity whatsoever other than the Parties and nothing contained herein, either express or implied, shall be construed to confer upon any Person or entity other than the Parties any rights of action or remedies either under this Agreement or in any manner whatsoever.

11.08 **No Assignment; Binding Effect.** Neither this Agreement nor any right, interest or obligation hereunder may be assigned by a Party (including by operation of law) without the prior written consent of each other Party in its sole discretion and any attempt at assignment in contravention of this Section 11.08 shall be void. Any

PTO may assign or transfer any or all of its rights, interests and obligations hereunder upon the transfer of its assets through sale, reorganization, or other transfer, provided that:

(a) the PTO's successors and assigns shall agree to be bound by the terms of this Agreement except that PTO's successors and assigns shall not be required to be bound by any obligations hereunder to the extent that the PTO has agreed to retain such obligations; and

(b) notwithstanding (a), the PTO shall assign or transfer to any new owner of Transmission Facilities subject to this Agreement all of the rights, responsibilities and obligations associated with the physical operation of such Transmission Facilities as well as all of the rights, responsibilities and obligations associated with the ISO's Operating Authority with respect to such Transmission Facilities, further provided that the new owner shall have the right to retain one or more subcontractors to perform any or all of its responsibilities or obligations under this Agreement.

Subject to the foregoing, this Agreement is binding upon, inures to the benefit of and is enforceable by the Parties and their respective permitted successors and assigns. No assignment shall be effective until the PTO receives all required regulatory approvals for such assignment.

11.09 **Further Assurances; Information Policy; Access to Records**.

(a) Each Party agrees, upon another Party's request, to make Commercially Reasonable Efforts to execute and deliver such additional documents and instruments, provide information, and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all of the terms, provisions, and conditions of this Agreement and of the transactions contemplated hereby.

(b) The ISO shall, upon a PTO's request, make available to such PTO any and all information within the ISO's custody or control that is necessary for such PTO to perform its responsibilities and obligations or enforce its rights under this Agreement, provided that such information shall be made available to such PTO only to the extent permitted under the ISO Information Policy and subject to any applicable restrictions in the ISO Information Policy, including provisions of the ISO Information Policy governing the confidential treatment of non-public information, and provided further that any PTO employee or employee of a PTO's Local Control Center shall comply with such ISO Information Policy and any applicable standards of conduct to prevent the disclosure of such information to any unauthorized Person. Any dispute concerning what information is necessary for a PTO to perform its responsibilities and obligations or enforce its right under this Agreement shall be subject to dispute resolution under Section 11.14 of this Agreement.

(c) Each PTO shall, upon the ISO's request, make available to the ISO any and all information within the PTO's custody or control that is necessary for the ISO to perform its responsibilities and obligations or enforce its rights under this Agreement, provided that such information shall be shall be made available to the ISO only to the extent permitted under the ISO Information Policy and subject to any applicable restrictions in the ISO Information Policy, including provisions of the ISO Information Policy governing the confidential treatment of non-public information, and provided further that any ISO employee shall comply with such ISO Information Policy and any applicable standards of conduct to prevent the disclosure of such information to any unauthorized Person. Any dispute concerning what information is necessary for the ISO to perform its responsibilities and obligations or enforce its right under this Agreement shall be subject to dispute resolution under Section 11.14 of this Agreement.

(d) If, in order to properly prepare its Tax Returns, other documents or reports required to be filed with Governmental Authorities or its financial statements or to fulfill its obligations hereunder, it is necessary that the ISO or any PTO be furnished with additional information, documents or records not referred to specifically in this Agreement, and such information, documents or records are in the possession or control of the ISO or a PTO, the ISO or such PTO shall use its best efforts to furnish or make available such information, documents or records (or copies thereof) at the ISO's or such PTO's request, cost and expense. Any information obtained by the ISO or a PTO in accordance with this paragraph shall be subject to any applicable provisions of the ISO Information Policy

(e) Notwithstanding anything to the contrary contained in this Section 11.09:

(i) no Party shall be obligated by this Section 11.09 to undertake studies or analyses that such Party would not otherwise be required to undertake or to incur costs outside the normal course of business to obtain information that is not in such Party's custody or control at the time a request for information is made pursuant to this Section 11.09;

(ii) if any PTO and the ISO are in an adversarial relationship in litigation or arbitration (other than with respect to litigation or arbitration to enforce this Section 11.09), the furnishing of information, documents or records by the ISO or such PTO in accordance with this Section 11.09 shall be subject to applicable rules relating to discovery;

(iii) no Party shall be compelled to provide any privileged and/or confidential documents or information that are attorney work product or subject to the attorney/client privilege; and

(iv) no Party shall be required to take any action that impairs or diminishes its rights under this Agreement, diminishes any other Party's obligations under this Agreement or otherwise lessens the value of this Agreement to such Party.

11.10 **Business Day.** Notwithstanding anything herein to the contrary, if the date on which any payment is to be made pursuant to this Agreement is not a Business Day, the payment otherwise payable on such date shall be payable on the next succeeding Business Day with the same force and effect as if made on such scheduled date and, provided such payment is made on such succeeding Business Day, no interest shall accrue on the amount of such payment from and after such scheduled date to the time of such payment on such next succeeding Business Day.

11.11 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware including all matters of construction, validity and performance without regard to the conflicts-of-laws provisions thereof.

11.12 **Consent to Service of Process.** Each of the Parties hereby consents to service of process by registered mail, Federal Express or similar courier at the address to which notices to it are to be given, it being agreed that service in such manner shall constitute valid service upon such party or its respective successors or assigns in connection with any such action or proceeding; provided, however, that nothing in this Section 11.12 shall affect the right of any such Parties or their respective successors and permitted assigns to serve legal process in any other manner permitted by applicable Law or affect the right of any such Parties or their respective successors and assigns to bring any action or proceeding against any other one of such Parties or its respective property in the courts of other jurisdictions.

11.13 **Specific Performance; Force Majeure.**

(a) Specific Performance. The Parties specifically acknowledge that a breach of this Agreement, whether or not an Event of Default, and notwithstanding any cure period in Section 10.03(b), would cause each of the non-breaching Parties to suffer immediate and irreparable harm due to the unique relationship among the Parties. The Parties hereto shall be entitled to seek specific performance and/or an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically the terms and conditions hereof in any court of competent jurisdiction, such remedy being in addition to any other remedy to which any Party may be entitled at law or in equity.

(b) Force Majeure. A Party shall not be considered to be in default or breach under this Agreement, and shall be excused from performance or liability for damages to any other party, if and to the extent it shall be delayed in or prevented from performing or carrying out any of the provisions of this Agreement, except the obligation to pay any amount when due, in consequence of any act of God, labor disturbance, failure of contractors or suppliers of materials (not including as a result of non-payment), act of the public enemy or terrorists, war, invasion, insurrection, riot, fire, storm, flood, ice, explosion, breakage or accident to machinery or equipment or by any other cause or causes (not including a lack of funds or other financial causes) beyond such Party's reasonable control, including any order, regulation, or restriction imposed by governmental, military or lawfully established civilian authorities. Any Party claiming a force majeure event shall use reasonable diligence to remove the condition that prevents performance, except that the settlement of any labor disturbance shall be in the sole judgement of the affected Party.

11.14 **Dispute Resolution.** The Parties agree that any dispute arising under this Agreement shall be the

subject of good-faith negotiations among the affected Parties and affected market participants, if any. Each affected Party and each affected market participant shall designate one or more representatives with the authority to negotiate the matter in dispute to participate in such negotiations. The affected Parties and affected market participants shall engage in such good-faith negotiations for a period of not less than 60 calendar days, unless: (a) a Party or market participant identifies exigent circumstances reasonably requiring expedited resolution of the dispute by FERC or a court or agency with jurisdiction over the dispute; or (b) the provisions of this Agreement otherwise provide a Party the right to submit a dispute directly to FERC for resolution. Any other dispute that is not resolved through good-faith negotiations may, by any Party or any market participant, be submitted for resolution by FERC or a court or agency with jurisdiction over the dispute upon the conclusion of such negotiations. Any Party or market participant may request that any dispute submitted to FERC for resolution be subject to FERC settlement procedures. Notwithstanding the foregoing, any dispute arising under this Agreement may be submitted to arbitration or any other form of alternative dispute resolution upon the agreement of all affected Parties and all affected market participants to participate in such an alternative dispute resolution process.

11.15 **Invalid Provisions.** If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future Law, and if the rights or obligations of any Party under this Agreement shall not be materially and adversely affected thereby, (a) such provision shall be fully severable, (b) this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (c) the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom, and (d) the court holding such provision to be illegal, invalid or unenforceable may in lieu of such provision add as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as it deems appropriate; provided that nothing in this Section 11.15 shall limit a Party's right to appeal conditions to regulatory approval in accordance with Section 11.20(d).

11.16 **Headings and Table of Contents.** The headings of the sections of this Agreement and the Table of Contents are inserted for purposes of convenience only and shall not be construed to affect the meaning or construction of any of the provisions hereof.

11.17 **Liabilities; No Joint Venture.**

(a) The obligations and liabilities of the ISO and each PTO arising out of or in connection with this Agreement shall be several, and not joint, and each Party shall be responsible for its own debts, including Taxes. No Party shall have the right or power to bind any other Party to any agreement without the prior written consent of such other Party. The Parties do not intend by this Agreement to create nor does this Agreement constitute a joint venture, association, partnership, corporation or an entity taxable as a corporation or otherwise. No express or implied term, provision or condition of this Agreement shall be deemed to constitute the parties as partners or joint venturers.

(b) To the extent any Party has claims against any other Party, such Party may only look to the assets of the other Party for the enforcement of such claims and may not seek to enforce any claims against the directors, members, officers, employees, affiliates, or agents of such other Party who, each Party acknowledges and agrees, have no liability, personal or otherwise, by reason of their status as directors, members, officers, employees, affiliates, or agents of that Party, with the exception of fraud or willful misconduct.

11.18 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument. The parties hereto agree that any document or signature delivered by facsimile transmission shall be deemed an original executed document for all purposes hereof.

11.19 **Conditions Precedent.** Notwithstanding anything to the contrary in this Agreement, this Agreement shall not be effective with respect to any Party unless all of the conditions precedent set forth in this Section 11.19 shall have been satisfied or waived.

(a) Required Regulatory Approvals. All final required regulatory approvals shall have been obtained and be in full force and effect and shall not be subject to the satisfaction of any condition or conditions that, if accepted,

would: (i) in the case of a PTO, in the reasonable judgment of such PTO, in the aggregate have a material adverse effect on the value of the PTO's Transmission Facilities, its expected level of transmission revenues, or its electric utility business, revenues, or financial condition, unless such PTO waives said condition, provided however, that with respect to any required regulatory approval obtained from a Governmental Authority of a State, the condition set forth in this clause shall apply only if such PTO operates its Transmission Business within such State; and (ii) in the case of the ISO, in its reasonable judgment, have a material adverse effect on the ISO's ability to perform its obligations under this or any other agreement to which it is subject, unless the ISO waives such condition.

(b) Board Consent. The board of directors of each Party, in its sole discretion, shall have authorized and approved such Party's executing, delivering and performing this Agreement.

(c) Additional Conditions Precedent. Additional conditions precedent are listed on Schedule 11.19(c).

(d) PTOs That Own Facilities Financed by Local Furnishing Bonds or Other Tax-Exempt Debt. As indicated in Section 3.13, each PTO that owns Transmission Facilities financed through Local Furnishing Bond(s) or other Tax-Exempt Debt shall have adequate assurance, in the opinion of each such PTO, that execution and performance of its obligations under this Agreement will not jeopardize the tax-exempt status of their respective Tax-Exempt Debt or the ability of such PTOs to secure future tax-exempt financing.

(e) Right to Appeal Conditions to Regulatory Approval. In the event that a Governmental Authority conditions its regulatory approval of this Agreement on acceptance of a contractual provision, contractual modification, or any other condition or ruling related to formation of the New England RTO that is not acceptable to any Party, such Party shall have the option of agreeing to permit this Agreement to become effective with the condition or ruling to which it objects and appeal the propriety of the condition or ruling to courts of competent jurisdiction; provided that, in the event a Final Order requires a vacation or modification of such objectionable condition or ruling, this Agreement shall thereupon be modified consistent with that Final Order; provided, however, that other Parties may exercise their rights to withdraw from or terminate this Agreement pursuant to Section 10.01(b) or Section 10.01(d), as applicable.

11.20 **Preserved Rights.** No Party, by executing this Agreement, shall waive any rights to seek rehearing of a Commission order or to appeal a Commission order, including Commission orders concerning the terms and conditions of the NEPOOL tariff and market rules in effect prior to the Operations Date to the extent such terms and conditions have been incorporated into the ISO Tariff. The Parties expressly reserve the rights to pursue all pending requests for rehearing or appeals of such orders, and to file pleadings relating to such requests for rehearing or appeals, to the same extent as if the NEPOOL tariff were still in effect. Changes to the ISO Tariff shall be made to the extent necessary to comply with the results of a Commission rehearing order or judicial appeal concerning the terms and conditions of the NEPOOL tariff and market rules in effect prior to the Operations Date to the extent such terms and conditions have been incorporated into the ISO Tariff. The foregoing sentence shall not be deemed to prevent a Party from expressing its views to the Commission or a court regarding the foregoing compliance filing.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officer of each party as of the date first above written.

_____ Signature	_____ Party
_____ Title of Signatory	

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Exhibit 10.61

TRANSITION PROPERTY PURCHASE AND SALE AGREEMENT

between

WMECO FUNDING LLC

Note Issuer

and

WESTERN MASSACHUSETTS ELECTRIC COMPANY

Seller

Dated as of May 17, 2001

This TRANSITION PROPERTY PURCHASE AND SALE AGREEMENT, dated as of May 17, 2001, is between WMECO Funding LLC, a Delaware limited liability company (the "Note Issuer"), and Western Massachusetts Electric Company, a Massachusetts corporation (together with its successors in interest to the extent permitted hereunder, the "Seller").

RECITALS

WHEREAS, the Note Issuer desires to purchase the Transition Property (as defined herein) created pursuant to the Statute and the Financing Order (each as defined herein); and

WHEREAS, the Seller is willing to sell the Transition Property to the Note 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. Whenever used in this Agreement, the following words and phrases shall have the following meanings:

"Administration Agreement" means the Administration Agreement dated as of May 17, 2001 between Western Massachusetts Electric Company, as Administrator, and the Note Issuer, as amended and supplemented from
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time to time.

"Agencies" means, collectively, the Massachusetts Development Finance Agency and the Massachusetts Health and Educational Facilities Authority.

"Agreement" means this Transition Property Purchase and Sale Agreement, as amended and supplemented from time to time.

"Authorized Officer" means an officer of the Seller listed on the list of Authorized Officers delivered by the Seller to the Note Trustee and the Certificate Trustee on the date of issuance of the Certificates (as such list may be modified or supplemented by the Seller from time to time).

"Back-Up Security Interest" has the meaning specified in Section 2.01.

"Basic Documents" means, collectively, this Agreement, the Note Indenture, the Declaration of Trust, the Certificate Indenture, the Servicing Agreement, the Administration Agreement, the Note Purchase Agreement, the Underwriting Agreement and the Fee and Indemnity Agreement.

"Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions or trust companies in New York, New York, Boston, Massachusetts, Hartford, Connecticut or Wilmington, Delaware are authorized or obligated by law, regulation or executive order to remain closed.

"Capital Subaccount" has the meaning specified in Section 8.02(a) of the Note Indenture.

"Certificate Indenture" means the Certificate Indenture dated as of May 17, 2001, between the Certificate Issuer and the Certificate Trustee, as amended and supplemented from time to time.

"Certificate Trustee" means the Person acting as trustee under the Certificate Indenture.

"Certificateholders" has the meaning specified in Section 1.01(a) of the Certificate Indenture.

"Certificates" means the Massachusetts RRB Special Purpose Trust WMECO-1 Rate Reduction Certificates issued under the Certificate Indenture.

"Closing Date" means May 17, 2001.

"Collection Account" has the meaning specified in Section 8.02(a)
PAGE>

of the Note Indenture.

"Corporate Trust Office" has the meaning specified in Section 1.01(a) of the Note Indenture.

"Customers" means all of Seller's customers or ratepayers taking the delivery, transmission, distribution, back-up, maintenance, emergency and any other delivery or energy service provided by Seller to customers within the territory in which it serves customers, regardless of any such customer's source of electric power.

"Date of Breach" means, with respect to the repurchase obligation specified in Section 5.01(b), the date of a breach of a representation or warranty that triggers such repurchase obligation.

"Declaration of Trust" means the Declaration of Trust dated as of May 15, 2001, among the Agencies and the Delaware Trustee, as amended and supplemented from time to time.

"Delaware Trustee" means the Person acting as trustee under the Declaration of Trust.

"DTE" means the Massachusetts Department of Telecommunications and Energy and any successor thereto.

"DTE Regulations" has the meaning specified in Section 1.01 of the Servicing Agreement.

"Fee and Indemnity Agreement" means the Fee and Indemnity Agreement dated as of May 17, 2001 among the Note Issuer, the Delaware Trustee, the Certificate Trustee, the Trust and the Agencies, as amended and supplemented from time to time.

"Financing Order" means the order of the DTE, DTE-00-40 , issued on February 7, 2001.

"Fitch" means Fitch, Inc. or its successor.

"Grant" means mortgage, pledge, collaterally assign and grant a lien upon and a security interest in. A Grant of any agreement or instrument shall include all rights, powers and options (but none of the obligations) of the Granting Person thereunder, the immediate and continuing right to claim for, collect, receive and give receipts for payments in respect of and all other monies payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring proceedings in the name of the Granting Person or
<PAGE>
otherwise, and generally to do and receive anything that the Granting Person is or may be entitled to do or receive thereunder with respect thereto.

"Indemnified Person" has the meaning specified in Section 5.01(c), Section 5.01(d), Section 5.01(e) or in Section 5.01(h), for the purposes set forth therein.

"Independent" has the meaning specified in Section 1.01(a) of the Note Indenture.

"Issuance Advice Letter" means the initial Issuance Advice Letter, dated May 16, 2001, filed with the DTE by the Seller pursuant to the Financing Order.

"Issuance Date" has the meaning specified in Section 2.01(c)(i) of the Note Indenture.

"Lien" means a security interest, lien, charge, pledge or encumbrance of ny kind.

"Losses" has the meaning specified in Section 5.01(e).

"Moody's" means Moody's Investors Service, Inc. or its successor.

"Note Indenture" means the Note Indenture dated as of May 17, 2001, between the Note Issuer and the Note Trustee, as amended and supplemented from time to time.

"Note Issuer" has the meaning set forth in the preamble of this Agreement.

"Note Purchase Agreement" means the Note Purchase Agreement dated as of May 17, 2001 between the Note Issuer and the Trust, as amended and supplemented from time to time.

"Note Register" has the meaning specified in Section 2.05 of the Note Indenture.

"Note Trustee" means the Person acting as trustee under the Note Indenture.

"Noteholder" or "Holder" means the Person in whose name a Note is registered on the Note Register.

"Notes" means the WMECO Funding LLC Notes issued under the Note Indenture.

"Officer's Certificate" means a certificate signed by the chairman of the board, the chief executive officer, the president, the vice chairman of the board, any vice president, the treasurer, any assistant treasurer,
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the clerk, any assistant clerk, the controller or the finance manager of the Seller.

"Operating Expense" has the meaning specified in Section 1.01(a) of the

Note Indenture.

"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 of counsel, which counsel shall be reasonably acceptable to the party receiving such opinion of counsel.

"Outstanding Amount" has the meaning specified in Section 1.01(a) of the Note Indenture.

"Overcollateralization Subaccount" has the meaning specified in Section 8.02(a) of the Note Indenture.

"Person" means any individual, corporation, limited liability company, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization or government or any agency or political subdivision thereof.

"Rating Agencies" means, collectively, S&P, Moody's and Fitch.

"Repurchase Date" means the date that is five Business Days after the date that is (i) if the terms of Section 5.01(b)(i)(A) and Section 5.01(b)(i)(B)(2) are applicable, two Business Days after the Date of Breach if the Seller fails to make the deposit required by Section 5.01(b)(i)(B)(2) or 90 days after the Date of Breach if the Seller makes the deposit required by Section 5.01(b)(i)(B)(2); (ii) if the terms of Section 5.01(b)(ii) are applicable, 90 days after the Date of Breach; and (iii) if the terms of Section 5.01(b)(i)(A) and Section 5.01(b)(i)(B)(1) are applicable, 90 days after the Date of Breach.

"Repurchase Price" has the meaning specified in Section 5.01(b)(i).

"Required Overcollateralization Level" has the meaning specified in Section 1.01(a) of the Note Indenture.

"RTC Charge" means the portion (which may become all) of the Transition Charge designated pursuant to the Financing Order as the RTC Charge, as the same may be adjusted from time to time as provided in the Financing Order, and may in the future include a pro rata component of any exit fee collected
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pursuant to Section 1G(g) of Chapter 164 of the Massachusetts General Laws.

"RTC Charge Collections" has the meaning specified in Section 1.01 of the Servicing Agreement.

"Seller" has the meaning set forth in the preamble of this Agreement.

"Servicer Default" means an event specified in Section 7.01 of the Servicing Agreement.

"Servicing Agreement" means the Transition Property Servicing Agreement dated as of May 17, 2001 between Western Massachusetts Electric Company, as Servicer, and the Note Issuer, as amended and supplemented from time to time.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. or its successor.

"Statute" means Chapter 164 of the Massachusetts Acts of 1997, entitled An Act Relative to Restructuring the Electric Utility Industry in the Commonwealth, Regulating the Provision of Electricity and Other Services, and Promoting Enhanced Consumer Protections Therein.

"Transition Charge" means the "Transition Charge" as defined in the Statute and referred to as the Seller's "Transition Charge" in Western Massachusetts Electric Company's Restructuring Order, DTE Docket No. 97-120 and subsequent filings with the DTE pursuant thereto.

"Transition Property" means the transition property that exists under Order 7 of the Financing Order.

"Trust" or "Certificate Issuer" means Massachusetts RRB Special Purpose Trust WMECO-1, a Delaware business trust.

"UCC" means, unless the context otherwise requires, the Uniform Commercial Code, as in effect in the relevant jurisdiction, as amended from time to time.

"Underwriting Agreement" means the Underwriting Agreement dated as of May 14, 2001 among Western Massachusetts Electric Company, the Note Issuer and the underwriters named therein.

Section 1.02. Other Definitional Provisions.

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

(b) 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 and Exhibit references contained in this Agreement are references to Sections, Schedules and Exhibits in or to this Agreement unless otherwise specified; and the term "including" shall mean "including without limitation".

(c) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms.

ARTICLE 2

CONVEYANCE OF TRANSITION PROPERTY

Section 2.01. Conveyance of Transition Property. In consideration of the Note Issuer's delivery to or upon the order of the Seller of $153,964,509.50, the Seller does hereby irrevocably sell, transfer, assign, set over and otherwise convey to the Note Issuer, WITHOUT RECOURSE OR WARRANTY, except as specifically set forth herein, all right, title and interest of the Seller in and to the Transition Property (such sale, transfer, assignment, setting over and conveyance of the Transition Property includes, to the fullest extent permitted by the Statute, the assignment of all revenues, collections, claims, payments, money or proceeds of or arising from the RTC Charge pursuant to the Financing Order) and copies of all books and records related thereto. Such sale, transfer, assignment, setting over and conveyance is hereby expressly stated to be a sale and, pursuant to Section 1H(f)(1) of Chapter 164 of the Massachusetts General Laws, shall be treated as an absolute transfer of all of the Seller's right, title and interest in (as in a true sale), and not as a pledge or other financing of, the Transition Property. If such sale, transfer, assignment, setting over and conveyance is held by any court of competent jurisdiction not to be a true sale as provided in Section 1H(f)(1) of Chapter 164 of the Massachusetts General Laws, then such sale, transfer, assignment, setting over and conveyance shall be treated as the creation of a security interest in the Transition Property and, without prejudice to its position that it has absolutely transferred all of its rights in the Transition Property to the Note Issuer, the Seller hereby Grants to the Note Issuer a security interest
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in the Transition Property (including, to the fullest extent permitted by the Statute, the assignment of all revenues, collections, claims, payments, money or proceeds of or arising from the RTC Charge pursuant to the Financing Order) to secure a payment obligation incurred by the Seller in respect of the amount paid by the Note Issuer to the Seller pursuant to this Agreement (the "Back-Up Security Interest"). Such sale, transfer, assignment, setting over and conveyance of the Transition Property includes the right to use the Seller's computer software system to access and create copies of all books and records related to the Transition Property.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF SELLER

Subject to Section 3.09 hereof, the Seller makes the following representations and warranties, as of the Closing Date, on which the Note Issuer has relied in acquiring the Transition Property.

Section 3.01. Organization and Good Standing. The Seller is duly organized and validly existing as a corporation in good standing under the laws of The Commonwealth of Massachusetts, 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 now conducted by it, and has the requisite corporate power and authority to own the Transition Property.

Section 3.02. Due Qualification. The Seller 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 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 Seller's business, operations, assets, revenues or properties).

Section 3.03. Power and Authority. The Seller 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 Seller.

Section 3.04. Binding Obligation. This Agreement constitutes a
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legal, valid and binding obligation of the Seller enforceable against it in accordance with its terms, subject to applicable insolvency, reorganization, moratorium, fraudulent transfer and other laws relating to or affecting creditors' or secured parties' 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.

Section 3.05. 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 Seller, or any material indenture, agreement or other instrument to which the Seller is a party or by which it is bound; (ii) result in the creation or imposition of any Lien upon any of the Seller's properties pursuant to the terms of any such indenture, agreement or other instrument (other than any Lien that may be granted under the Basic Documents or any Lien created pursuant to Section 1H(e) of Chapter 164 of the Massachusetts General Laws); or (iii) violate any existing law or any existing order, rule or regulation applicable to the Seller of any court or of any federal or state regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Seller or its properties.

Section 3.06. No Proceedings. There are no proceedings pending and, to the Seller's knowledge, there are no proceedings threatened and, to the Seller'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 Seller or its properties involving or relating to the Seller or the Note Issuer or, to the Seller's knowledge, any other Person: (i) asserting the invalidity of this Agreement, any of the other Basic Documents, the Notes, the Certificates, the Statute or the Financing Order, (ii) seeking to prevent the issuance of the Notes or the Certificates or the consummation of any of the transactions contemplated by this Agreement or

any of the other Basic Documents, (iii) seeking any determination or ruling that might materially and adversely affect the performance by the Seller of its obligations under, or the validity or enforceability of, this Agreement, any of the other Basic Documents, the Notes or the Certificates or (iv) seeking to adversely affect the federal or state income tax classification of the Notes or the
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Certificates as debt.

Section 3.07. 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 Seller of this Agreement, the performance by the Seller of the transactions contemplated hereby or the fulfillment by the Seller of the terms hereof, except those that have been obtained or made and those that the Seller, in its capacity as Servicer under the Servicing Agreement, is required to make in the future pursuant to the Servicing Agreement and post closing filings required under federal securities law in connection therewith.

Section 3.08. The Transition Property.

(a) Title. It is the intention of the parties hereto that the transfer and assignment herein contemplated constitute a sale of the Transition Property from the Seller to the Note Issuer and that no interest in, or title to, the Transition Property shall be part of the Seller's estate in the event of the filing of a bankruptcy petition by or against the Seller under any bankruptcy law. No portion of the Transition Property has been sold, transferred, assigned or pledged by the Seller to any Person other than the Note Issuer. On the Closing Date, immediately upon the sale hereunder, the Seller has transferred, sold and conveyed the Transition Property to the Note Issuer, free and clear of all Liens (except for any Liens created pursuant to Section 1H(e) of Chapter 164 of the Massachusetts General Laws and any Liens that may be granted under the Basic Documents), and pursuant to Section 1H(f)(1) of Chapter 164 of the Massachusetts General Laws such transfer shall be treated as an absolute transfer of all of the Seller's right, title and interest (as in a true sale), and not as a pledge or other financing of, the Transition Property.

(b) Transfer Filings. On the Closing Date, immediately upon the sale hereunder, the Transition Property has been validly transferred and sold to the Note Issuer, the Note Issuer shall own all such Transition Property free and clear of all Liens (excluding any Lien created pursuant to Section 1H(e) of Chapter 164 of the Massachusetts General Laws and any Lien that may
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be Granted under the Basic Documents) and all filings to be made by the Seller (including filings with the DTE under the Statute) necessary in any jurisdiction to Grant the Note Issuer a valid first priority perfected ownership interest (subject to any Lien created pursuant to Section 1H(e) of Chapter 164 of the Massachusetts General Laws and any Lien that may be Granted under the Basic Documents) in, and to Grant the Note Trustee a valid first priority perfected security interest (subject to any Lien created pursuant to Section 1H(e) of Chapter 164 of the Massachusetts General Laws and any Lien that may be granted under the Basic Documents) in, the Transition Property have been made. No further action is required to maintain the Note Issuer's first priority perfected ownership interest or the Note Trustee's first priority perfected security interest (in each case, subject to any Lien created pursuant to Section 1H(e) of Chapter 164 of the Massachusetts General Laws and any Lien that may be Granted under the Basic Documents). Filings have also been made to the extent required in any jurisdiction to perfect the Back-Up Security Interest granted by the Seller to the Note Issuer (subject to any Lien created pursuant to Section 1H(e) of Chapter 164 of the Massachusetts General Laws and any Lien that may be Granted under the Basic Documents).

(c) Financing Order and Issuance Advice Letter; Other Approvals. On the Closing Date, under the laws of The Commonwealth of Massachusetts and the United

States in effect on the Closing Date, (i) the Financing Order pursuant to which the Transition Property has been created is in full force and effect; (ii) the Certificateholders are entitled to the protections of the Statute and, accordingly, the Financing Order is not revocable by the DTE; (iii) The Commonwealth of Massachusetts may not alter the provisions of the Statute that make the RTC Charge irrevocable and binding, limit or alter the Transition Charge, the Transition Property, or the Financing Order and all rights thereunder, in a manner that would substantially impair the rights of the Certificateholders, absent a demonstration by The Commonwealth of Massachusetts that an impairment is narrowly-tailored and is necessary to advance an important public interest, such as responding to a "great public calamity" until the Certificates, together with interest thereon, are fully met and discharged; (iv) except for periodic adjustments to the RTC Charge required under the Statute, the DTE does not have authority, either by rescinding, altering or amending the Financing Order or otherwise, to revalue or revised for ratemaking purposes the Transition Costs, determine that
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the reimbursable transition costs amounts or Transition Charges are unjust or unreasonable or in any way to reduce or impair the value of Transition Property either directly or indirectly by taking the reimbursable transition costs amounts into account when setting other rates for the Seller; nor are the amount of revenues arising with respect thereto subject to reduction, impairment, postponement or termination; (v) the process by which the Financing Order was adopted and approved, and the Financing Order and Issuance Advice Letter themselves, comply with all applicable laws, rules and regulations; (vi) the Issuance Advice Letter has been filed in accordance with the Financing Order; (vii) no other 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 creation or sale of the Transition Property, except those that have been obtained or made and post closing filings required in connection therewith and those that the Seller, in its capacity as Servicer under the Servicing Agreement, is required to make in the future pursuant to the Servicing Agreement; and (viii) The Commonwealth of Massachusetts, in the exercise of its executive or legislative powers, may not repeal or amend the Statute or the Financing Order, or take any action in contravention of the pledge by The Commonwealth of Massachusetts in Section 1H(b)(3) of Chapter 164 of the Massachusetts General Laws, without paying just compensation to the Certificateholders, as determined by a court of competent jurisdiction, if this action would constitute a permanent appropriation of a substantial property interest of Certificateholders in the Transition Property and deprive the Certifcateholders of their reasonable expectations arising from their investments in the Certificates.

(d) Assumptions. On the Closing Date, based upon the information available to the Seller on the Closing Date, the assumptions used in calculating the initial RTC Charge are reasonable and are made in good faith. Notwithstanding the foregoing, the Seller makes no representation or warranty that the assumptions used in calculating such RTC Charge will in fact be realized.

(e) Creation of Transition Property. Upon the effectiveness of the Financing Order and the Issuance Advice Letter: (i) all of the Transition Property constitutes an existing property right; (ii) the Transition Property
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includes the right, title and interest in and to all revenues, collections, claims, payments, money, or proceeds of or arising from the RTC Charge, as adjusted from time to time pursuant to the Financing Order, and all rights to obtain adjustments to the RTC Charge pursuant to the Financing Order; and (iii) subject to the cap on the Seller's Transition Charge set forth in the Financing Order, the owner of the Transition Property is legally entitled to collect payments in respect of the RTC Charge in the aggregate sufficient to pay the interest on and principal of the Notes, to pay the fees and expenses of servicing the Notes and the Certificates, to replenish the Capital Subaccount to the Required Capital Level and to fund the Overcollateralization Subaccount to the Required Overcollateralization Level and to enforce all other material

rights conferred in the Financing Order and the Statute until the Notes and the Certificates are paid in full. Notwithstanding the foregoing, the Seller makes no representation or warranty that any amounts actually collected in respect of the RTC Charge will in fact be sufficient to meet payment obligations with respect to the Notes and the Certificates.

(f) Prospectus. As of the date hereof, the information describing the Seller in "The Seller and Servicer" section of the prospectus dated May 14, 2001 offering the Notes and the Certificates is correct in all material respects.

Section 3.09. Limitations on Representations and Warranties. Notwithstanding any other provisions of this Agreement, the Seller will not be in breach of any representation or warranty as a result of a change in law by means of a legislative enactment, constitutional amendment or voter initiative. Notwithstanding anything to the contrary in this Agreement, the Seller makes no representation or warranty that any amounts actually collected in respect of the RTC Charge will in fact be sufficient to meet payment obligations with respect to the Notes and the Certificates or that the assumptions used in calculating the RTC Charge will in fact be realized nor shall the Seller be obligated to reduce, or accept a reduction of, any rates or charges to which it would otherwise be entitled in respect of services rendered or to be rendered to Customers in order to permit the payment of the RTC Charge.

ARTICLE 4

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COVENANTS OF THE SELLER

Section 4.01. Corporate Existence. So long as any of the Notes are outstanding, the Seller (a) will keep in full force and effect its existence, rights and franchises as a corporation under the laws of the jurisdiction of its organization and (b) will obtain and preserve its qualification to do business, in each case to the extent that in each such jurisdiction such existence or qualification is or shall be necessary to protect the validity and enforceability of this Agreement, the other Basic Documents to which the Seller is a party and each other instrument or agreement necessary or appropriate to the proper administration of this Agreement and the transactions contemplated hereby.

Section 4.02. No Liens. Except for the conveyances hereunder, any Lien under Section 1H(e) of Chapter 164 of the Massachusetts General Laws or the Back-Up Security Interest, the Seller will not sell, pledge, assign or transfer, or grant, create, or incur any Lien on, any of the Transition Property, or any interest therein, and the Seller shall defend the right, title and interest of the Note Issuer and the Note Trustee in, to and under the Transition Property against all claims of third parties claiming through or under the Seller. Western Massachusetts Electric Company, in its capacity as Seller, will not at any time assert any Lien against, or with respect to, any of the Transition Property.

Section 4.03. Delivery of Collections. If the Seller receives any payments in respect of the RTC Charge or the proceeds thereof when it is not acting as the Servicer, the Seller agrees to pay to the Servicer all payments received by it in respect thereof as soon as practicable after receipt thereof by it.

Section 4.04. Notice of Liens. The Seller shall notify the Note Issuer and the Note Trustee promptly after becoming aware of any Lien on any of the Transition Property, other than the conveyances hereunder, any Lien Granted by the Issuer under the Basic Documents or any Lien under Section 1H(e) of Chapter 164 of the Massachusetts General Laws or the Back-Up Security Interest.

Section 4.05. Compliance with Law. The Seller hereby agrees to comply with its organizational and governing documents and all laws, treaties, rules, regulations and determinations of any governmental

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instrumentality applicable to it, except to the extent that failure to so comply would not adversely affect the Note Issuer's or the Note Trustee's interests in the Transition Property or under any of the other Basic Documents to which the Seller is party or the Seller's performance of its obligations hereunder or under any of the other Basic Documents to which it is party.

Section 4.06. Covenants Related to Notes and Transition Property.

(a) So long as any of the Notes are outstanding, the Seller shall treat the Notes as debt of the Note Issuer and not of the Seller, except for financial accounting or tax reporting purposes.

(b) So long as any of the Notes are outstanding, the Seller shall indicate in its financial statements that it is not the owner of the Transition Property and that the assets of the Note Issuer are not available to pay creditors of the Seller or any of its Affiliates (other than the Note Issuer).

(c) So long as any of the Notes are outstanding, the Seller shall disclose the effects of all transactions between the Seller and the Note Issuer in accordance with generally accepted accounting principles.

(d) So long as any of the Notes or Certificates are outstanding, the Seller shall not own or purchase any Notes or Certificates.

(e) The Seller agrees that, upon the sale by the Seller of the Transition Property to the Note Issuer pursuant to this Agreement, (i) to the fullest extent permitted by law, including the Statute and applicable DTE Regulations, the Note Issuer shall have all of the rights originally held by the Seller with respect to the Transition Property, including the right (subject to the terms of the Servicing Agreement) to exercise any and all rights and remedies to collect any amounts payable by any Customer or third party supplier in respect of the Transition Property, notwithstanding any objection or direction to the contrary by the Seller and (ii) any payment by any Customer or third party supplier to the Note Issuer shall discharge such Customer's or third party supplier's obligations in respect of the Transition Property to the extent of such payment, notwithstanding any objection or direction to the contrary by the Seller.

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(f) So long as any of the Notes are outstanding, (i) (A) the Seller shall affirmatively certify and confirm that it has sold the Transition Property to the Note Issuer (other than for financial accounting or tax reporting purposes), and (B) the Seller shall not make any statement or reference in respect of the Transition Property that is inconsistent with the ownership thereof by the Note Issuer (other than for financial accounting or tax reporting purposes), and (ii) the Seller shall not take any action in respect of the Transition Property except solely in its capacity as the Servicer thereof pursuant to the Servicing Agreement or as otherwise contemplated by the Basic Documents.

Section 4.07. Protection of Title. The Seller shall execute and file such filings, including filings with the DTE pursuant to the Statute and UCC filings, and cause to be executed and filed such filings, all in such manner and in such places as may be required by law fully to preserve, maintain and protect the ownership or security interest of the Note Issuer in and the Note Trustee in the Transition Property and the Back-Up Security Interest, including all filings required under the Statute and the applicable UCC relating to the transfer of the ownership or security interest in the Transition Property by the Seller to the Note Issuer, the granting of a security interest in the Transition Property by the Note Issuer to the Note Trustee and the Back-Up Security Interest and the continued perfection of such ownership or security interest. The Seller shall deliver (or cause to be delivered) to the Note Trustee (with a copy of the Note Issuer) file-stamped copies of, or filing receipts for, any document filed as provided above, as soon as available following such filing. The Seller shall institute any action or proceeding necessary to compel performance by the DTE or The Commonwealth of Massachusetts of any of their obligations or duties under

the Statute or the Financing Order, and the Seller 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 (i) to protect the Note Issuer, the Noteholders, the Certificateholders, the Note Trustee, the Delaware Trustee, the Certificate Trustee, the Certificate Issuer, the Commonwealth of Massachusetts, the Executive Office for Administration and Finance of The Commonwealth of Massachusetts and the Agencies and any of their respective affiliates, officials, officers, directors, employees, consultants, counsel and agents from claims, state actions or other actions or proceedings of
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third parties which, if successfully pursued, would result in a breach of any representation set forth in Article III or (ii) to block or overturn any attempts to cause a repeal of, modification of or supplement to the Statute, the Financing Order, any Advice Letter (as defined in the Note Indenture), the Restructuring Order (as defined in the Financing Order) (to the extent it adversely affects the rights of Noteholders or the validity or value of the Transition Property) or the rights of Noteholders by executive action, legislative enactment or constitutional amendment that would be adverse to the Note Issuer, the Note Trustee or the Noteholders. If the Servicer performs its obligations under Section 5.02(d) of the Servicing Agreement in all respects, such performance shall be deemed to constitute performance of the Seller's obligations pursuant to clause (ii) of the immediately preceding sentence. In such event, the Seller agrees to assist the Servicer as reasonably necessary to perform its obligations under Section 5.02(d) of the Servicing Agreement in all respects. The costs of any such actions or proceedings shall be payable from RTC Charge Collections as an Operating Expense in accordance with the priorities set forth in Section 8.02(d) of the Note Indenture. The Seller's obligations pursuant to this Section 4.07 shall survive and continue notwithstanding the fact that the payment of Operating Expenses pursuant to Section 8.02(d) of the Note Indenture may be delayed (it being understood that the Seller may be required to advance its own funds to satisfy its obligations hereunder).

Section 4.08. Nonpetition Covenants. Notwithstanding any prior termination of this Agreement or the Note Indenture, but subject to the DTE's right to order the sequestration and payment of revenues arising with respect to the Transition Property notwithstanding any bankruptcy, reorganization or other insolvency proceedings with respect to the Seller pursuant to Section 1H(d)(5) of Chapter 164 of the Massachusetts General Laws, the Seller shall not, prior to the date which is one year and one day after the termination of the Note Indenture, petition or otherwise invoke or cause the Note Issuer to invoke the process of any court or government authority for the purpose of commencing or sustaining a case against the Note Issuer under any Federal or state bankruptcy, insolvency or similar law, appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Note Issuer or any substantial part of the property of the

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Note Issuer, or ordering the winding up or liquidation of the affairs of the Note Issuer.

Section 4.09. Taxes. So long as any of the Notes are outstanding, the Seller shall, and shall cause each of its subsidiaries to, pay all material taxes, assessments and governmental charges imposed upon it or any of its properties or assets or with respect to any of its franchises, business, income or property before any penalty accrues thereon if the failure to pay any such taxes, assessments and governmental charges would, after any applicable grace periods, notices or other similar requirements, result in a lien on the Transition Property; provided that no such tax need be paid if the Seller or one of its subsidiaries is contesting the same in good faith by appropriate proceedings promptly instituted and diligently conducted and if the Seller or such subsidiary has established appropriate reserves as shall be required in conformity with generally accepted accounting principles.

Section 4.10. Additional Sales of Transition Property. So long as any of the Notes are outstanding, the Seller shall not sell any transition property (as

defined in the Statute) to secure another issuance of electric rate reduction bonds (as defined in the Statute) if it would cause the then existing ratings on any Class of Certificates from the Rating Agencies to be withdrawn or downgraded and in that regard, the Seller shall not consummate any such sale unless the Rating Agency Condition (as defined in the Note Indenture) shall have been satisfied and Moody's shall have provided written confirmation that such sale will not result in the withdrawal or downgrade of Moody's then existing ratings on any Class of Certificates.

Section 4.11. Issuance Advice Letter. The Seller hereby agrees not to withdraw the filing of the Issuance Advice Letter with the DTE.

Section 4.12. Maintenance of Working Papers. So long as any of the Notes are outstanding, the Seller shall keep and maintain any and all working papers, reports and other documents used by the firm of Independent certified public accountants in the preparation of its letters delivered on the Issuance Date pursuant to Section 2.10(g) of the Note Indenture and [Section 6(k)] of the Underwriting Agreement.

ARTICLE 5

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THE SELLER

Section 5.01. Liability of Seller; Indemnities.

(a) The Seller shall be liable in accordance herewith only to the extent of the obligations specifically undertaken by the Seller under this Agreement.

(b) In the event of a breach by the Seller of any representation and warranty specified in Sections 3.08(c) or 3.08(e) that has a material adverse effect on the Certificateholders, the Seller shall repurchase the Transition Property from the Note Issuer at a purchase price equal to the then outstanding principal amount of the Notes and all accrued and unpaid interest thereon, excluding any premium or penalty of any kind (the "Repurchase Price"), as of the Repurchase Date; provided, however, that the Seller shall not be obligated to repurchase the Transition Property if (A) within 90 days after the Date of Breach such breach is cured or the Seller takes remedial action such that there is not and will not be a material adverse effect on the Certificateholders as a result of such breach and (B) either (1) if the Seller had, immediately prior to the Date of Breach, a long term debt rating of at least "A3" by Moody's and "BBB" or the equivalent by S&P or Fitch, and the Seller enters into a binding agreement with the Note Issuer to pay any amounts necessary so that all interest payments due on the Notes during such 90-day period will be paid in full, or (2) if the Seller does not have such long term debt ratings, the Seller deposits, within two Business Days after the Date of Breach, an amount in escrow with the Note Trustee sufficient, taking into account amounts on deposit in the Collection Account which will be available for such purpose, to pay all interest payments which will become due on the Notes during such 90-day period.

(i) In the event of a breach by the Seller of any representation and warranty specified in Sections 3.01, 3.03, 3.04, 3.05, 3.06, 3.08(a) or 3.08(b) that has a material adverse effect on the Certificateholders, if within 90 days after the Date of Breach such breach has not been cured or the Seller has not taken remedial action such that there is not and will not be a material adverse effect on the Certificateholders as a result of such breach, then the Seller shall repurchase the Transition Property from the Note Issuer for the Repurchase

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Price on the Repurchase Date.

(ii) Notwithstanding any other provision of this Agreement, upon the payment by the Seller of the Repurchase Price pursuant to this Section 5.01(b), neither the Note Issuer nor any other Person shall have any other claims, rights or remedies against the Seller under, arising from or with respect to this Agreement, except as set forth in Section 5.01(b), 5.01(c), 5.01(d) and 5.01(h).

(c) Subject to Section 5.01(i), the Seller shall indemnify the Note Issuer, the Note Trustee, the Certificate Trustee, the Delaware Trustee, the Commonwealth of Massachusetts, the Executive Office for Administration and Finance of The Commonwealth of Massachusetts, the Agencies, the Certificate Issuer, the Noteholders and the Certificateholders (each an "Indemnified Person" for purposes of this Section 5.01(c) and Section 5.01(i)) for, and defend and hold harmless each such Indemnified Person from and against, any and all taxes (other than taxes imposed on Noteholders or Certificateholders solely as a result of their ownership of Notes or Certificates, respectively) that may at any time be imposed on or asserted against any such Person under existing law as of the Closing Date as a result of the sale of the Transition Property to the Note Issuer, including any sales, gross receipts, general corporation, tangible personal property, privilege or license taxes; provided, however, that the Noteholders and the Certificateholders shall be entitled to enforce their rights against the Seller under this Section 5.01(c) solely through a cause of action brought for their benefit by the Note Trustee or the Certificate Trustee, as the case may be.

(d) Subject to Section 5.01(i), the Seller shall indemnify the Note Issuer, the Note Trustee, the Certificate Trustee, the Delaware Trustee, The Commonwealth of Massachusetts, the Executive Office for Administration and Finance of The Commonwealth of Massachusetts, the Agencies, the Certificate Issuer, the Noteholders and the Certificateholders (each an "Indemnified Person" for purposes of this Section 5.01(d) and Section 5.01(i)) for, and defend and hold harmless each such Indemnified Person from and against, any and all taxes that may be imposed on or asserted against any such Indemnified Person under existing law as of the Closing Date as a result of the issuance and sale by the Note Issuer of the Notes, the issuance and sale by the Trust of the Certificates or the other transactions contemplated herein, including any sales, gross receipts, general corporation,

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tangible personal property, privilege or license taxes; provided, however, that the Noteholders and the Certificateholders shall be entitled to enforce their rights against the Seller under this Section 5.01(d) solely through a cause of action brought for their benefit by the Note Trustee or the Certificate Trustee, as the case may be. The Seller shall be reimbursed for any payments under this Section 5.01(d) from RTC Charge Collections as an Operating Expense in accordance with the priorities set forth in Section 8.02(d) of the Note Indenture.

(e) Subject to Section 5.01(i), the Seller shall indemnify the Note Issuer, the Noteholders and the Certificateholders (each an "Indemnified Person" for purposes of this Section 5.01(e) and Section 5.01(i)) for, and defend and hold harmless each such Person from and against, any and all liabilities, obligations, losses, actions, suits, claims, damages, payments, costs or expenses of any kind whatsoever (collectively, "Losses") that may be imposed on, incurred by or asserted against each such Indemnified Person as a result of (i) the Seller's willful misconduct or negligence in the performance of its duties or observance of its covenants under this Agreement, or (ii) the Seller's breach in any material respect of any of its representations and warranties contained in this Agreement (other than the representations and warranties specified in Sections 3.01, 3.03, 3.04, 3.05, 3.06, 3.08(a), 3.08(b), 3.08(c) or 3.08(e), the breach of which are subject to the repurchase obligation set forth in Section 5.01(b)), except in the case of both clauses (i) and (ii) to the extent of losses either resulting from the willful misconduct or gross negligence of such Indemnified Person or resulting from a breach of a representation and warranty made by such Indemnified Person in any of the Basic Documents that gives rise to the Seller's breach; provided, however, that the Noteholders and the Certificateholders shall be entitled to enforce their rights against the Seller under this indemnification solely through a cause of action brought for their benefit by the Note Trustee or the Certificate Trustee, as the case may be; provided, further, that the Seller may, at its election and in full satisfaction

of its obligations under this Section 5.01(e), repurchase the Transition Property at the Repurchase Price, in which case neither the Note Issuer nor any other Person shall have any other claims, rights or remedies

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against the Seller under, arising from or with respect to this Agreement, except as set forth in Sections 5.01(b), 5.01(c), 5.01(d) and 5.01(h).

(f) Indemnification under Sections 5.01(c), 5.01(d), 5.01(e) and 5.01(h) shall include reasonable fees and out-of-pocket expenses of investigation and litigation (including reasonable attorneys' fees and expenses), except as otherwise provided in this Agreement.

(g) Without prejudice to any of the other rights of the parties, the Seller will not be in breach of any representation or warranty as a result of a change in law by means of a legislative enactment, constitutional amendment or voter initiative. Notwithstanding anything to the contrary in this Agreement, the Seller makes no representation or warranty that any amounts actually collected in respect of the RTC Charge will in fact be sufficient to meet payment obligations with respect to the Notes and the Certificates or that the assumptions used in calculating the RTC Charge will in fact be realized nor shall the Seller be obligated to reduce, or accept a reduction of, any rates or charges to which it would otherwise be entitled in respect of services rendered or to be rendered to customers in order to permit the payment of the RTC Charge (other than deferrals for future recovery).

(h) Subject to Section 5.01(i), the Seller shall indemnify and hold harmless the Note Trustee, the Delaware Trustee, the Certificate Trustee, the Certificate Issuer, The Commonwealth of Massachusetts, the Executive Office for Administration and Finance of The Commonwealth of Massachusetts, the Agencies and any of their respective affiliates, officials, officers, directors, employees, consultants, counsel and agents (each an "Indemnified Person" for purposes of this Section 5.01(h) and Section 5.01(i)) against any and all Losses incurred by any of such Indemnified Persons as a result of (i) the Seller's willful misconduct or negligence in the performance of its duties or observance of its covenants under this Agreement or (ii) the Seller's breach in any material respect of any of its representations and warranties contained in this Agreement, except in the case of both clauses (i) and (ii) to the extent of Losses either 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 Seller's breach. The indemnities contained in this Section 5.01(h) shall survive the resignation or termination of the Note Trustee, the Certificate Trustee or the Delaware Trustee or the termination of this Agreement.
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(i) The Seller shall not be required to indemnify any Indemnified Person under Sections 5.01(c), 5.01(d), 5.01(e) or 5.01(h) 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 Seller, 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 Seller under this Section 5.01, notify the Seller in writing of such involvement. Failure by an Indemnified Person to so notify the Seller shall relieve the Seller from the obligation to indemnify and hold harmless such Indemnified Person under this Section 5.01 only to the extent that the Seller 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 5.01, the Seller shall be entitled to assume the defense of any such action, proceeding or investigation. Upon assumption by the Seller 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

Seller shall be entitled to appoint counsel of the Seller's choice at the Seller's expense to represent the Indemnified Person in any action, proceeding or investigation for which a claim of indemnification is made against the Seller under this Section 5.01 (in which case the Seller 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 Seller'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 local counsel), and the Seller shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the Seller 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 Seller and the Indemnified Person shall have reasonably concluded that there may be legal defenses available to it

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that are different from or additional to those available to the Seller, (iii) the Seller 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 Seller shall authorize the Indemnified Person to employ separate counsel at the expense of the Seller. Notwithstanding the foregoing, the Seller 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 local counsel). The Seller 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 5.01 (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.

(j) The remedies of the Note Issuer, the Noteholders and the Certificateholders provided in this Agreement are each such Person's sole and exclusive remedies against the Seller for breach of its representations and warranties in this Agreement.

Section 5.02. Merger or Consolidation of, or Assumption of the Obligations of, Seller. Any Person (a) into which the Seller may be merged or consolidated, (b) that may result from any merger or consolidation to which the Seller shall be a party or (c) that may succeed to the properties and assets of the Seller substantially as a whole, which Person in any case described in the foregoing clause (c) executes an agreement of assumption to perform every obligation of the Seller hereunder, shall be the successor to the Seller under this Agreement without further act on the part of any of the parties to this Agreement; provided, however, that (i) if the Seller is the Servicer, 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 Seller shall have delivered to the Note Issuer and the Note Trustee an Officer's Certificate stating that such consolidation, merger or succession and such agreement of assumption comply with this Section and

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that all conditions precedent, if any, provided for in this Agreement relating to such transaction have been complied with, (iii) the Seller shall have delivered to the Note Issuer and the Note Trustee an Opinion of Counsel stating that, in the opinion of such counsel (A) 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 and (B) either (1) all filings to be made by the Seller, including filings with the DTE pursuant to the Statute and under the

applicable UCC, have been executed and filed that are necessary to preserve and protect fully the interests of the Note Issuer and the Note Trustee in the Transition Property and reciting the details of such filings, or (2) no such action shall be necessary to preserve and protect such interests and (iv) the Rating Agencies shall have received prior written notice of such transaction. When any Person acquires the properties and assets of the Seller substantially as a whole and becomes the successor to the Seller in accordance with the terms of this Section 5.02 and execution by such successor of an agreement of assumption to perform every obligation of the Seller hereunder, then upon satisfaction of all of the other conditions of this Section 5.02, the Seller shall automatically and without further notice be released from all of its obligations hereunder, except with respect to any acts or omissions of the Seller that occurred prior to such assumption.

Section 5.03. Limitation on Liability of Seller and Others. The Seller and any director, officer, employee or agent of the Seller may rely in good faith on the advice of counsel or on any document of any kind, prima facie properly executed and submitted by any Person, respecting any matters arising hereunder.

ARTICLE 6

MISCELLANEOUS PROVISIONS

Section 6.01. Amendment. This Agreement may be amended by the Seller and the Note Issuer, with ten Business Days' prior written notice given to the Rating Agencies and the prior written consent of the Note Trustee, but without the consent of any of the Noteholders, 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

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the provisions in this Agreement or of modifying in any manner the rights of the Noteholders; provided, however, that such action shall not, as evidenced by an Officer's Certificate delivered to the Note Issuer and the Note Trustee, adversely affect in any material respect the interests of any Noteholder.

This Agreement may also be amended from time to time by the Seller and the Note Issuer, with ten Business Days' prior written notice given to the Rating Agencies and the prior written consent of the Note Trustee and the prior written consent of the Holders of Notes evidencing not less than a majority of the Outstanding Amount of the Notes affected thereby, 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 Noteholders.

It shall not be necessary for the consent of Noteholders 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.

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

The Note Issuer shall provide a copy of any amendment to this Agreement to the Rating Agencies and the Note Trustee promptly after the execution thereof.

Section 6.02. 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 (confirmed by telephone, United States mail or courier service in the case of notice by 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

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nited States mail with proper postage for ordinary mail prepaid:

(a) if to the Seller, to

Western Massachusetts Electric Company
174 Brush Hill Avenue
West Springfield, MA 01089
Attention: Assistant Treasurer-Finance
Facsimile: (860) 665-5457
Telephone: (860) 665-3258
Email: rshoopra@nu.com

With a copy to:
Western Massachusetts Electric Company
c/o Northeast Utilities Service Company
if by U.S. Mail:
P.O. Box 270
Hartford, CT 02141-0270
if by courier:
107 Selden Street
Berlin, CT 06037
Attention: Assistant Treasurer-Finance
Facsimile: (860) 665-5457
Telephone: (860) 665-3258
Email: shoopra@nu.com

(b) if to the Note Issuer, to

WMECO Funding LLC
c/o Western Massachusetts Electric Company
174 Brush Hill Avenue
West Springfield, MA 01089
Attention: Assistant Treasurer-Finance
Facsimile: (860) 665-5457
Telephone: (860) 665-3258
Email: shoopra@nu.com

with a copy to:

Western Massachusetts Electric Company
c/o Northeast Utilities Service Company
107 Selden Street
Berlin, CT 06037
Attention: Assistant Treasurer-Finance
Facsimile: (860) 665-5457
Telephone: (860) 665-3258
Email: shoopra@nu.com

(c) if to the Note Trustee, to

The Bank of New York, as trustee
101 Barclay Street
Floor 12 East
New York, NY 10286
Attention: ABS Unit
Facsimile: (212) 815-5563
Telephone: (212) 815-5368

(d) if to Moody's, to

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Moody's Investors Service, Inc.
99 Church Street
New York, NY 10007
Attention: ABS Monitoring Department
Facsimile: (212) 553-0573
Telephone: (212) 553-3686

(e) if to S&P, to

Standard & Poor's
55 Water Street, 41st Floor
New York, NY 10041
Attention: Asset Backed Surveillance Department
Facsimile: (212) 438-2664
Telephone: (212) 438-2000

(f) if to Fitch, to

Fitch, Inc.
One State Street Plaza
New York, NY 10004
Attention: ABS Surveillance
Facsimile: (212) 514-9879
Telephone: (212) 908-0500
Email: surv@fitchratings.com

(g) if to the Agencies, to:

Massachusetts Development Finance Agency
75 Federal Street
Boston, MA 02110
Attention: General Counsel
Facsimile: (617) 727-8741
Telephone: (617) 451-2477

and

Massachusetts Health and Educational Facilities Authority
99 Summer Street, 10th Floor
Boston, MA 02110
Attention: General Counsel
Facsimile: (617) 737-8366
Telephone: (617) 737-8377

(h) if to the Certificate Issuer, to:

The Bank of New York (Delaware), as Delaware Trustee for
Massachusetts RRB Special Purpose Trust WMECO-1
700 White Clay Center
Route 273
Newark, Delaware 19711
Attention: Compliance
Facsimile: (302) 283-8298
Telephone: (302) 451-2500

with a copy to:

The Bank of New York
101 Barclay Street
Floor 12 East
New York, NY 10286

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Attention: ABS Unit
Facsimile: (212) 815-5563
Telephone: (212) 815-5368

(with copies to the Agencies at the addresses listed herein)

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

Section 6.03. Assignment. Notwithstanding anything to the contrary contained herein, except as provided in Section 5.02, this Agreement may not be assigned by the Seller.

Section 6.04. Limitations on Rights of Third Parties. The provisions of this Agreement are solely for the benefit of the Seller, the Note Issuer, the Noteholders, the Certificateholders, the Note Trustee, the Certificate Trustee, the Delaware Trustee, The Commonwealth of Massachusetts, the Executive Office for Administration and Finance of The Commonwealth of Massachusetts, the Agencies, the Certificate Issuer 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 Noteholders and the Certificateholders shall be entitled to enforce their rights against the Seller under this Agreement solely through a cause of action brought for their benefit by the Note Trustee or the Certificate Trustee, as the case may be. 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 Transition Property or under or in respect of this Agreement or any covenants, conditions or provisions contained herein.

Section 6.05. 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 6.06. 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.

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Section 6.07. 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 6.08. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of The Commonwealth of Massachusetts, without reference to its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

Section 6.09. Assignment to Note Trustee. The Seller hereby acknowledges and consents to any Grant of a Lien by the Note Issuer to the Note Trustee pursuant to the Note Indenture for the benefit of the Noteholders and the Note Trustee of all right, title and interest of the Note Issuer in, to and under the Transition Property and the proceeds thereof and the assignment of any or all of the Note Issuer's rights and obligations hereunder to the Note Trustee.

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

WMECO FUNDING LLC,

Note Issuer

By: /s/ Randy A. Shoop

Name: Randy A. Shoop
Title: President

WESTERN MASSACHUSETTS ELECTRIC COMPANY,
Seller

By: /s/ Randy A. Shoop

Name: Randy A. Shoop
Title: Assistant Treasurer - Finance

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Exhibit 10.62

WMECO FUNDING LLC,

as Note Issuer

and

WESTERN MASSACHUSETTS ELECTRIC COMPANY,

as Servicer

TRANSITION PROPERTY SERVICING AGREEMENT

Dated as of May 17, 2001

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This TRANSITION PROPERTY SERVICING AGREEMENT, dated as of May 17, 2001, is between WMECO Funding LLC, a Delaware limited liability company (together with any successor thereto permitted under the Note Indenture, as hereinafter defined, the "Note Issuer"), and Western Massachusetts Electric Company, a Massachusetts corporation.

RECITALS

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

WHEREAS, in connection with its ownership of the Transition Property and in order to collect the RTC Charge, the Note 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 to its customers and for others. In addition, the Note Issuer desires to engage the Servicer to act on its behalf in obtaining Periodic Adjustments from the DTE. The Servicer desires to perform all of these activities on behalf of the Note Issuer.

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

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ARTICLE 1

DEFINITIONS

Section 1.01. Definitions. Whenever used in this Agreement, the following words and phrases shall have the following meanings:

"Advice Letter" means any filing made with the DTE by the Servicer on behalf of the Note Issuer to set or adjust the RTC Charge, including the Issuance Advice Letter, a Routine Anniversary True-Up Letter, a Routine True-Up Letter or a Non-Routine True-Up Letter.

"Agreement" means this Transition Property 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.

"Applicable TPS" means, with respect to each Customer, the TPS, if any, billing the RTC Charge to that Customer.

"Bills" means each of the regular monthly bills, summary bills and other bills issued to Customers or TPSs by Western Massachusetts Electric Company on its own behalf and in its capacity as Servicer.

"Certificate of Compliance" has the meaning set forth in Section 3.03.

"Closing Date" means May 17, 2001.

"Customers" means Seller's customers and ratepayers taking the delivery, transmission, distribution, back-up, maintenance, emergency and any other delivery or energy service provided by Seller to such customer within the territory in which Seller serves customers, regardless of that customer's source of electric power whether or not energy is purchased from WMECO or any TPS and whether or not such distribution system is being operated by Seller or a successor distribution company.

"Declaration of Trust" means the Declaration of Trust dated as of May 15, 2001 by The Bank of New York (Delaware), a Delaware banking corporation, as Delaware Trustee, the Massachusetts Development Finance Agency and the Massachusetts Health and Educational Facilities Authority, as the same may be amended and supplemented from time to time.
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"DTE" means the Massachusetts Department of Telecommunications and Energy and any successor thereto.

"DTE 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 DTE.

"Expected Amortization Schedule" means Schedule 4.01(a) hereto.

"Financing Order" means the order of the DTE, DTE-00-40, issued on February 7, 2001.

"Financing Order Anniversary Date" means February 7 of each year.

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

"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.

"Issuance Advice Letter" means the initial Issuance Advice Letter, dated

May 16, 2001, filed with the DTE pursuant to the Financing Order.

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

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"Losses" has the meaning assigned to that term in Section 6.02(b).

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

"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 DTE in accordance with the Financing Order with respect to any Non-Routine Periodic Adjustment, pursuant to which the related Non-Routine Periodic Adjustment will become effective within 60 days after filing of the Non-Routine True-Up Letter, subject to the review and approval of the DTE.

"Note Indenture" means the Note Indenture dated as of May 17, 2001, between the Note Issuer and the Note Trustee, as the same may be amended and supplemented from time to time.

"Note Issuer" has the meaning set forth in the preamble to this Agreement.

"Officer's Certificate" means a certificate of the Servicer signed by a Responsible Officer.

"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 RTC Charge made pursuant to the terms of the Financing Order and in accordance with Section 4.01 hereof.

"Principal Balance" means, as of any Payment Date, the sum of the outstanding principal amount of the Notes.

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

"Quarterly Servicer Certificate" has the meaning assigned to that term in Section 4.01(d)(3).

"Remittance" means each remittance pursuant to Section 4.03 of RTC Charge Payments by the Servicer to the Note Trustee.

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

"Remittance Period" means the twelve-month period commencing on March 1 of each year and ending on the last day of February of the succeeding year; provided, however, that the initial Remittance Period shall commence on the Closing Date and end on February 28, 2002.

"Required Debt Service" means, for any Remittance Period, the total dollar amount calculated by the Servicer in accordance with Section 4.01(b)(1) 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 Reserve Subaccount at the time of calculation and which are

available for payments on the Notes, (b) any shortfalls in Required Debt Service for any prior Remittance Period and (c) any Remittances based upon the RTC 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 period, (i) all accrued and unpaid interest on the Notes then due shall have been paid in full, (ii) the Principal Balance of the Notes is equal to the Projected Principal Balance of the Notes for that Payment Date, (iii) the balance on deposit in the Capital Subaccount equals the aggregate Required Capital Level, (iv) the balance on deposit in the Overcollateralization Subaccount equals the aggregate Required Overcollateralization Level and (v) all other fees, expenses and indemnities due and owing and required or allowed to be paid under Section 8.02 of the Note Indenture as of such date shall have been paid in full; provided, however, that, with respect to any Periodic Adjustment occurring after the last Scheduled Maturity Date for any Notes, the Required Debt Service shall be calculated to ensure that sufficient amounts will be collected to retire such Notes in full as of the earlier of (x) the next Payment Date and (y) the Final Maturity Date for such Notes.

"Responsible Officer" means the chief executive officer, the president, the chairman or vice chairman of the board, any vice president, the treasurer, any assistant treasurer, the clerk, any assistant clerk, the secretary, any assistant secretary, the controller or the finance manager of the Servicer.

"Retirement of the Notes" means the day on which the final payment is

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made to the Note Trustee in respect of the last outstanding Note.

"Routine Anniversary True-Up Letter" means a letter substantially in the form of Exhibit B hereto filed with the DTE prior to the Financing Order Anniversary Date in respect of an annual Periodic Adjustment. The Routine Anniversary True-Up Letter will become effective on the first calendar day of the next succeeding calendar month after filing, or such date as may be specified in such Routine Anniversary True-Up Letter, so long as such effective date is at least 15 days after the filing of such Routine Anniversary True-Up Letter.

"Routine True-Up Letter" means letter filed with the DTE in respect of a Periodic Adjustment, substantially in the form of Exhibit B hereto. The Routine True-Up Letter will become effective on the first calendar day of the next succeeding calendar month after filing, or such date as may be specified in such Routine True-Up Letter, so long as such effective date is at least 15 days after the filing of such Routine True-Up Letter.

"RTC Charge" means the portion (which may become all) of the Transition Charge designated pursuant to the Financing Order as the RTC Charge, as the same may be adjusted from time to time as provided in the Financing Order, and may in the future include a pro rata component of any exit fee collected pursuant to Section 1G(g) of Chapter 164 of the Massachusetts General Laws.

"RTC Charge Collections" means the RTC Charge Payments remitted to the Collection Account.

"RTC Charge Payments" means the actual payments received by the Servicer, directly or indirectly (including through a TPS), from or on behalf of Customers, multiplied by the percentage of such collections which is calculated in accordance with Annex II hereto to have been received in respect of the RTC Charge.

"Sale Agreement" means the Transition Property Purchase and Sale Agreement dated as of May 17, 2001, between Western Massachusetts Electric Company, as Seller, and the Note Issuer, as the same may be amended and supplemented from time to time.

"Seller" means Western Massachusetts Electric Company, a Massachusetts corporation, and its permitted successors and assigns under the Sale Agreement.

"Servicer" means Western Massachusetts Electric Company, as the servicer of the Transition Property, or each successor (in the same capacity)
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pursuant to Sections 6.04 or 7.02.

"Servicer Business Day" means any Business Day on which the Servicer's offices in The Commonwealth of Massachusetts and in the State of Connecticut 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).

"Statute" means Chapter 164 of the Massachusetts Acts of 1997, entitled an Act Relative to Restructuring the Electric Utility Industry in the Commonwealth, Regulating the Provision of Electricity and Other Services, and Promoting Enhanced Consumer Protections Therein.

"Termination Notice" has the meaning assigned to that term in Section 7.01(e).

"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 RTC Charge to and from Customers in accordance with DTE Regulations, the Financing Order and the guidelines described in Schedule A to Annex I.

"Transition Charge" means the "Transition Charge" as defined in the Statute and referred to as the Seller's "Transition Charge" in Western Massachusetts Electric Company's, DTE Docket No. 97-120 and subsequent filings with the DTE pursuant thereto.

"Transition Property" means the transition property that exists under Order 7 of the Financing Order and is sold by the Seller to the Note Issuer under the Sale Agreement.

"Transition Property Records" has the meaning assigned to that term in Section 5.01.

Section 1.02. Other Definitional Provisions.

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

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(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 6.05 and Article 7, the Note 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 Note 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 Transition Property, the Servicer shall be, and hereby is, authorized and empowered by the Note Issuer to (a) execute and deliver, on behalf of itself and/or the Note Issuer, as the case may be, any and all instruments, documents or notices, and (b) on behalf of itself and/or the Note Issuer, as the case may be, make any filing and participate in proceedings of any kind with any governmental authorities, including with the DTE. The Note Issuer shall execute and/or furnish the Servicer with such documents as have been prepared by the Servicer for execution by the Note Issuer, and with such other documents as may be in the Note 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 Note Issuer shall furnish the Servicer with any powers of
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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 Transition Property. Notwithstanding any other provision herein, the Note Issuer shall have dominion and control over the Transition Property, and the Servicer, in accordance with the terms hereof, is acting solely as the servicing agent and custodian for the Note Issuer with respect to the Transition Property and the Transition Property Records. The Servicer shall not take any action that is not authorized by this Agreement or that shall impair the rights of the Note Issuer or the Note Trustee in the Transition Property, in each case unless such action is required by applicable law.

ARTICLE 3

BILLING SERVICES

Section 3.01. Duties of Servicer. The Servicer, as agent for the Note 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 Transition 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 Transition Property; responding to inquiries by Customers, the DTE, or any federal, local or other state governmental authorities with respect to the Transition Property; delivering Bills to Customers and TPSs, investigating and handling delinquencies, processing and depositing collections and making periodic remittances; furnishing periodic reports to the Note Issuer, the Note Trustee, the Certificate Trustee and the Rating Agencies; and taking all necessary action in connection with Periodic Adjustments as set forth herein. 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) DTE Regulations Control. Notwithstanding anything
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to the contrary in this Agreement, the duties of the Servicer set forth in this Agreement shall be qualified in their entirety by any DTE Regulations as in effect at the time such duties are to be performed.

(b) Reporting Functions.

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

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

(3) 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 Note Issuer or the Certificate Issuer under the securities laws, including a copy of each Quarterly Servicer Certificate described in Section 4.01(d)(3), the annual Certificate of Compliance described in Section 3.03 and the Annual Accountant's Report described in Section 3.04.

Section 3.02. Servicing and Maintenance Standards. On behalf of the Note Issuer, the Servicer shall (a) manage, service, administer and make collections in respect of the Transition Property with reasonable care and in accordance with applicable law, including all applicable DTE 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 RTC Charge; (d) file all filings under the applicable Uniform Commercial Code or the Statute necessary or desirable to maintain the
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perfected ownership interest and security interest of the Note Issuer and the Note Trustee in the Transition Property, (e) comply in all material respects with all laws and regulations applicable to and binding on it relating to the Transition Property, and (f) submit at least annually the Periodic Adjustments pursuant to Section 4.01. 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 Transition Property, which, in the Servicer's judgment, may include the taking of legal action, at the Note Issuer's expense.

Section 3.03. Certificate of Compliance. The Servicer shall deliver to the Note Issuer, the Note Trustee, the Certificate Trustee and the Rating Agencies on or before March 31 of each year, commencing March 31, 2002 to and including the March 31 succeeding the Retirement of the Notes, 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, 2002, the period of time from the date of this Agreement until December 31, 2001) and of its performance

under this Agreement has been made under such Responsible Officer's supervision, and (ii) to such Responsible Officer's knowledge, based on such review, the Servicer has fulfilled all of its obligations in all material respects under this Agreement throughout such twelve months (or, in the case of the Certificate of Compliance to be delivered on or before March 31, 2002, the period of time from the date of this Agreement until December 31, 2001), or, if there has been a default in the fulfillment of any such material obligation, specifying each such material default known to such Responsible Officer and the nature and status thereof.

Section 3.04. Annual Report by Independent Public Accountants.

(a) The Servicer, at the Note 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 Note Issuer, the Note Trustee, the Certificate Trustee and the Rating Agencies, a report addressed to the Servicer (the "Annual Accountant's Report"),
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which may be included as part of the Servicer's customary auditing activities, for the information and use of the Note Issuer, the Note Trustee, the Certificate Trustee and the Rating Agencies, on or before March 31 each year, beginning March 31, 2002 to and including the March 31 succeeding the Retirement of the Notes, 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, 2002, the period of time from the date of this Agreement until December 31, 2001), identifying the results of such procedures and including any exceptions noted.

(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 Ethics of the American Institute of Certified Public Accountants.

ARTICLE 4

SERVICES RELATED TO PERIODIC ADJUSTMENTS;
REMITTANCES

Section 4.01. Periodic Adjustments. From time to time, until the Retirement of the Notes, 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).

(b) Routine Periodic Adjustments and Yearly Filings.

(1) Routine Anniversary Periodic Adjustments and Filings. For the purpose of preparing a Routine Anniversary True-Up Letter, the Servicer shall: (A) update the assumptions underlying the calculation of the RTC Charge, including energy usage volume, the rate of charge-offs and estimated expenses and fees of the Note Issuer and the Certificate Issuer to the extent not fixed, in each case for the Remittance Period beginning on March 1 of each year; (B) determine the Required Debt Service for such Remittance Period based upon such updated assumptions; and (C) determine
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the RTC Charge to be charged during such Remittance Period based upon such Required Debt Service. The Servicer shall file a Routine Anniversary True-Up Letter with the DTE prior to February 7 of each year and such Routine Anniversary True-Up Letter shall reflect information updated in all respects as of a date no earlier than December 31 of the calendar year preceding the calendar year in which such Routine Anniversary True-Up Letter is filed.

(2) Routine Periodic Adjustments. Beginning in the last year the Notes are scheduled to be outstanding, the Servicer shall file a Routine True-Up Letter at least 15 days before the end of each calendar quarter. In addition, the Servicer shall file a Routine True-Up Letter at least 15 days before the end of any calendar quarter or, beginning in the last year the Notes are scheduled to be outstanding, at least 15 days before the end of any calendar month, at each such time as the Servicer may reasonably determine is necessary to meet the Required Debt Service for the then current Remittance Period.

(3) Servicer's Efforts. The Servicer shall take all reasonable actions and make all reasonable efforts to secure any Periodic Adjustments.

(c) Non-Routine Periodic Adjustments.

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

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

(3) Implementation. The Servicer shall implement any resulting adjustments to the model and any resulting revised RTC Charge as of the effective date of the Non-Routine True-Up Letter.

(d) Reports.

(1) Notification of Advice Letter Filings and Periodic Adjustments. Whenever the Servicer files an Advice Letter with the DTE, the Servicer shall send a copy of such filing to the Note Issuer, the Note
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Trustee, the Certificate 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 Financing Order, the Servicer shall notify the Note Issuer, the Note Trustee, the Certificate 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 Notes are outstanding, not later than fifteen (15) days after the end of each month after the Certificates are issued (excluding May, 2001), 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 Note Issuer, the Note Trustee, the Certificate Trustee and the Rating Agencies.

(3) Quarterly Servicer Certificate. So long as any Notes are outstanding, not later than 11:00 a.m. (New York City time) on 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 "Quarterly Servicer Certificate") to the Note Issuer, the Note Trustee, the Certificate 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 DTE (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) Specific Limitations. The Note Issuer and the Servicer expressly agree and acknowledge that:

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

(2) No Liability for Failure to File. Neither the Servicer nor the Note 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
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or other material breach by the Servicer of its duties under this Agreement that materially and adversely affects any Periodic Adjustments or Non-Routine Periodic Adjustments), by the DTE (or, in connection with any Non-Routine Periodic Adjustment, by the Rating Agencies) in any way related to the Transition 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 RTC Charge and the adjustments thereto.

(3) No Liability for Calculation. The Servicer shall have no liability whatsoever relating to the calculation of the RTC 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 energy usage volume, the rate of charge-offs, estimated expenses and fees of the Note Issuer and the Certificate Issuer, so long as the Servicer has not acted in a negligent manner in connection therewith, nor shall the Servicer have any liability whatsoever as a result of any Person, including the Noteholders or the Certificateholders, not receiving any payment, amount or return anticipated or expected in respect of any Note or Certificate generally, except only to the extent that the Servicer is liable under Section 6.02 of this Agreement.

(b) Liability for Misrepresentation and Breach. 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) Remittance to General Subaccount. Pursuant to the remittance methodology more fully described in Annex II hereto, starting with collections that are received on the first Servicer Business Day that is at least 45 days after the first day on which Western Massachusetts Electric Company imposes the RRB Charge, the Servicer will remit to the Note Trustee, within two Servicer Business Days after receipt, by wire transfer of immediately available funds to the General Subaccount of the Collection Account, an amount equal to the RTC Charge Payments (as calculated in accordance with Annex II hereto) received on such day and on any prior day that was not a Servicer Business Day for which a Remittance has not previously been made. Prior to or simultaneous with each Remittance to the
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General Subaccount of the Collection Account pursuant to this Section, the Servicer shall provide written notice to the Note Trustee of each such Remittance (including the exact dollar amount to be remitted).

(b) Frequency of Remittances. The Servicer may elect to make Remittances less frequently than on a daily basis, and shall be permitted to do so, but in any event shall make Remittances within one calendar month of collection thereof, provided that the Servicer shall send written notice of such election to the Note Issuer, the Note Trustee and the Certificate Trustee, together with (i) an Officer's Certificate stating that no Servicer Default has

occurred and is continuing under this Servicing Agreement, (ii) evidence that the Rating Agency Condition has been satisfied, (iii) either the Servicer's commercial paper is rated P-1 by Moody's or the Servicer's long term unsecured debt is rated A2 or better by Moody's, (iv) evidence of the delivery by the Servicer to the Note Issuer or the Note Trustee, as applicable, of any credit enhancement which may be required by the Rating Agencies in connection therewith in form and substance satisfactory or to the Note Issuer and the Note Trustee, as applicable, the cost of which credit enhancement shall be borne solely by the Servicer, and (v) an executed copy of any appropriate amendment hereto or to the Note Indenture or any other Basic Agreement as reasonably requested by the Servicer, the Note Issuer or the Note Trustee in connection therewith.

(c) No Deduction. The Servicer agrees and acknowledges that it will remit RTC Charge Payments in accordance with this Section 4.03 without any surcharge, fee, offset, charge or other deduction except for late fees permitted by Section 6.06.

ARTICLE 5

THE TRANSITION PROPERTY

Section 5.01. Custody of Transition Property Records. To assure uniform quality in servicing the Transition Property and to reduce administrative costs, the Note Issuer hereby revocably appoints the Servicer, and the Servicer hereby accepts such appointment, to act as the agent of the Note Issuer and the Note Trustee 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 Transition Property, including copies

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of the Financing Order and Advice Letters relating thereto and all documents filed with the DTE in connection with any Periodic Adjustment or Non-Routine Periodic Adjustment and computational records relating thereto (collectively, the "Transition Property Records"), which are hereby constructively delivered to the Note Trustee, as pledgee of the Note Issuer with respect to all Transition Property.

Section 5.02. Duties of Servicer as Custodian.

(a) Safekeeping. The Servicer shall hold the Transition Property Records on behalf of the Note Issuer and the Note Trustee and maintain such accurate and complete accounts, records and computer systems pertaining to the Transition Property Records on behalf of the Note Issuer and the Note Trustee as shall enable the Note Issuer to comply with this Agreement and the Note 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 Note Issuer and the Note Trustee any failure on its part to hold the Transition 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 Note Issuer or the Note Trustee of the Transition Property Records. The Servicer's duties to hold the Transition Property Records on behalf of the Note Issuer set forth in this Section 5.02, to the extent such Transition 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 Notes 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 RTC Charges billed. The Servicer shall maintain the Transition Property Records in West Springfield, Massachusetts or at such other office in the United States of America as shall be specified to the Note Issuer and the Note Trustee by written notice at least 30 days prior to any change in location. The Servicer

shall make available for inspection to the Note Issuer and the Note Trustee or their respective duly authorized representatives, attorneys or auditors the Transition Property Records
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at such times during normal business hours as the Note Issuer or the Note Trustee shall reasonably request and which do not unreasonably interfere with the Servicer's normal operations. Nothing in this Section 5.02(b) shall affect the obligation of the Servicer to observe any applicable law (including any DTE 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(b).

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

(d) Defending Transition Property Against Claims. The Servicer, shall institute any action or proceeding necessary to compel performance by the DTE or The Commonwealth of Massachusetts of any of their obligations or duties under the Statute, the Financing 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 Financing Order or the rights of holders of Transition Property by executive action, legislative enactment, voter initiative or constitutional amendment that would be adverse to Certificateholders, Noteholders, the Note Issuer, the Note Trustee, the Delaware Trustee or the Certificate Trustee. The costs of any such action shall be payable from RTC Charge Collections as an Operating Expense in accordance with the priorities set forth in Section 8.02(d) of the Note 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 Note Indenture may be delayed (it being understood that the Servicer may be required to advance its own funds to satisfy its obligations hereunder).

Section 5.03. Instructions; Authority to Act. For so long as any Notes remain outstanding, the Servicer shall be deemed to have received proper instructions with respect to the Transition Property Records upon its receipt
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of written instructions signed by a Responsible Officer (as defined in the Note Indenture) of the Note 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 DTE, 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 Notes, 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 RTC Charges, in accordance with the terms and provisions of the Financing Order, the TPS Service Agreement and Schedule A to Annex I hereto.

Section 5.06. Monitoring and Collecting Exit Charges. 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, bill and collect any exit

charges to which it may be entitled pursuant to Section 1G(g) of Chapter 164 of the Massachusetts General Laws, and shall remit that portion of the exit charges representing (or allocable to) the RTC Charge together with the RTC Charge Payments for a particular billing date.

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, on which the Note Issuer is deemed to have relied in entering into this Agreement relating to the servicing of the Transition Property.

(a) Organization and Good Standing. The Servicer is duly organized and validly existing as a corporation in good standing under the laws of The Commonwealth of Massachusetts, with the requisite corporate

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power and authority to own its properties as such properties are currently owned and to conduct its business as such business is now conducted by it, and has the requisite corporate power and authority to service the Transition Property and to hold the Transition 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 Transition 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 Transition 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
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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 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 Noteholders or the Certificateholders.

(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 Note Issuer or, to the Servicer's knowledge, any other Person: (i) asserting the invalidity of this Agreement; (ii) seeking to prevent the consummation of any of the transactions contemplated by this Agreement; or (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.

(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 4 and post-closing filings in connection therewith.

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 Note Issuer, the Noteholders
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and the Certificateholders (each an "Indemnified Person" for purposes of Section 6.02 (b) and (d)) for, and defend and hold harmless each such Person from and against, any and all liabilities, obligations, losses, 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 negligence in the performance of its duties or observance of its covenants under this Agreement (including the Servicer's willful misconduct or negligence relating to the maintenance and custody by the Servicer, as custodian, of the Transition 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 Noteholders and the Certificateholders 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 Note Trustee or the Certificate Trustee, as the case may be; and, provided, further, that the Servicer shall not be liable for any Losses, regardless of when incurred, after the Notes and the Certificates have been paid in full, except as provided in Section 6.02(c).

(c) The Servicer shall indemnify and hold harmless the Note Trustee, the Delaware Trustee, the Certificate Trustee, the Certificate Issuer, The Commonwealth of Massachusetts, the Executive Office for Administration and Finance of The Commonwealth of Massachusetts and the Agencies and any of their 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 negligence in the performance of its duties or observance of its covenants under this Agreement (including the Servicer's willful misconduct or negligence relating to the maintenance and custody by the Servicer, as custodian, of the Transition 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
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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 pursuant to Section 6.02(b) or (c) 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 Section 6.02 (b) or (c), 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 Section 6.02(b) or (c), as applicable, 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 Section 6.02(b) or (c), 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 Section 6.02(b) or (c) (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 local counsel), and the Servicer shall bear the reasonable 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
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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 local counsel). 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 Section 6.02(b) or (c), as applicable (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) Indemnification under Section 6.02(b) and 6.02(c) shall include reasonable fees and out-of-pocket expenses of investigation and litigation (including reasonable attorneys' fees and expenses), except as otherwise provided in this Agreement.

(f) For purposes of Section 6.02(b) and 6.02(c), in the event of the termination of the rights and obligations of Western Massachusetts Electric Company (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.

(g) The indemnities contained in this Section 6.02 survive the

resignation or termination of the Note Trustee, the Certificate Trustee or the Delaware Trustee or the termination of this Agreement.

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 Note Issuer or any other Person for any action taken or for
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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 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 Note 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 Transition Property.

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 Note Issuer and the Note 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 Note Issuer and the Note Trustee an Opinion of Counsel stating that, in the opinion of such counsel (A) 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 and (B) either (1) all statutory filings to be made by the Servicer, including filings
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with the DTE pursuant to the Statute and filings under the applicable UCC, have been executed and filed that are necessary to preserve and protect fully the interests of the Note Issuer and the Note Trustee in the Transition Property and reciting the details of such filings or (2) no such action shall be necessary to preserve and protect such interests and (iv) 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. Western Massachusetts Electric Company Not to Resign as Servicer. Subject to the provisions of Section 6.04, Western Massachusetts Electric Company shall not resign from the obligations and duties hereby imposed on it as Servicer under this Agreement except upon either (a) a determination 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 (except that with respect to Moody's it shall be sufficient to provide ten days prior notice) and (ii) the DTE shall have approved such resignation. Notice of any such determination

permitting the resignation of Western Massachusetts Electric Company shall be communicated to the Note Issuer, the Note Trustee, the Certificate 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 Western Massachusetts Electric Company'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 Western Massachusetts Electric Company to the Note Issuer, the Note Trustee and the Certificate 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 Western Massachusetts Electric Company in accordance with Section 7.02.

Section 6.06. Servicing Compensation.

(a) In consideration for its services hereunder, until the Retirement of the Notes, the Servicer shall receive an annual fee (the
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"Servicing Fee") in an amount equal to (i) five one-hundredth of one percent (0.05%) of the initial principal balance of the Notes for so long as the Servicer is Western Massachusetts Electric Company or any successor Servicer that bills the RTC Charge concurrently with other charges for services or (ii) up to one and one-quarter percent (1.25%) of the initial principal balance of the Notes for so long as the Servicer is a successor Servicer that bills the RTC Charge separately to Customers (which amount shall be determined by a separate agreement between the Note Issuer and the Servicer). The Servicing Fee shall be payable in quarterly installments on each Payment Date. The Servicer also shall be entitled to retain as additional compensation (i) any interest earnings on RTC Charge Payments 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.

(b) The Servicing Fee set forth in Section 6.06(a) and expenses provided for in Section 6.06(c) shall be paid to the Servicer by the Note Trustee, on each Payment Date in accordance with the priorities set forth in Section 8.02(d) of the Note 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 Note Issuer shall pay all expenses incurred by the Servicer in connection with its activities hereunder (including any reasonable 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 Noteholders and Certificateholders, subject to the priorities set forth in Section 8.02(d) of the Note Indenture).

Section 6.07. Compliance with Applicable Law. The Servicer covenants and agrees, in servicing the Transition Property, to comply in all material respects with all laws applicable to, and binding upon, the Servicer and relating to such Transition Property the noncompliance with which would have a material adverse effect on the value of the Transition 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
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procedures.

Section 6.08. Access to Certain Records and Information Regarding Transition Property. The Servicer shall provide to the Noteholders, the Note Issuer, the Note Trustee and the Certificate Trustee access to the Transition Property Records in such cases where the Noteholders, the Note Issuer, the Note Trustee and the Certificate 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 DTE 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 (except that with respect to Moody's it shall be sufficient to provide ten days prior notice); and, provided, further, that the Servicer shall remain obligated and be liable under this Agreement for the servicing and administering of the Transition 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 Transition Property; and, provided, further, however, that nothing herein (including the Rating Agency Condition) shall preclude the execution by the Servicer of a TPS Service Agreement with any TPS pursuant to applicable DTE Regulations. 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 Note Issuer, the Note Trustee, the Noteholders 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 has no employees. Therefore, in carrying out the
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foregoing duties or any of its other obligations under this Agreement, the Servicer may enter into transactions with or otherwise deal with any of its Affiliates to obtain the services of employees 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 Note 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. The Servicer shall not make any advances of interest on or principal of the Notes or the Certificates.

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 Note Issuer any required Remittance that shall continue unremedied for a period of five (5) Business Days after written notice of such failure is received by the Servicer from the Note Issuer or the Note Trustee; or

(b) any failure on the part of the Servicer duly to observe or to perform in any material respect any other covenants or agreements of the Servicer set forth in this Agreement, which failure shall (a) materially and adversely affect the rights of the Noteholders or Certificateholders and (ii) continue unremedied for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given (A) to the Servicer by the Note Issuer or (B) to the Servicer by the Note Trustee or by the Holders of Notes evidencing not less than 25 percent

of the Outstanding Amount of the Notes; or

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

(d) 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 Note Trustee, or the Holders of Notes evidencing not less than 25 percent of the Outstanding Amount of the Notes, by notice then given in writing to the Servicer (and to the Note Trustee if given by the Noteholders) (a "Termination Notice") may terminate all the rights and obligations (other than the obligations set forth in Section 6.02) 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 DTE for sequestration and payment of revenues arising with respect to the Transition Property: (1) the Note Trustee or the Noteholders; (2) the Certificate Trustee or the Certificateholders; (3) the Delaware Trustee; (4) the Note Issuer or its assignees; or (5) pledgees or transferees of the Transition Property, including transferees under Section 1H(f) of Chapter 164 of the Massachusetts General Laws and beneficiaries of the statutory lien pursuant to Section 1H(e) of Chapter 164 of the Massachusetts General Laws. On or after the receipt by the Servicer of a Termination Notice, and subject to the approval of the DTE, all authority and power of the Servicer under this Agreement, whether with respect to the Notes, the Transition Property, the RTC 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 Note 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 Transition Property Records and related documents, or otherwise. The predecessor Servicer shall cooperate with the successor Servicer, the Note Issuer and the Note 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 Transition Property or the RTC 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
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the Transition 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. All other reasonable costs and expenses incurred in transferring servicing responsibilities to a successor servicer shall constitute Operating Expenses of the Note 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 Note Issuer shall appoint, subject to the approval of the DTE, a successor Servicer with the Note 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 Note Issuer and the Note Trustee. If within 30 days after the

delivery of the Termination Notice, the Note Issuer shall not have obtained such a new Servicer, the Note Trustee may appoint (subject to the approval of the DTE) or petition the DTE 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 DTE 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 Note 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 Notes
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evidencing not less than a majority of the Outstanding Amount of the Notes may, on behalf of all Noteholders, 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 Note Issuer, the Note Trustee, the Certificate Trustee, the Certificate Issuer, the Agencies and the Rating Agencies, promptly after any of its Responsible Officers having obtained actual knowledge thereof, but in no event later than five 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(a) or (b).

ARTICLE 8

MISCELLANEOUS PROVISIONS

Section 8.01. Amendment.

(a) This Agreement may be amended in writing by the Servicer and the Note Issuer with ten Business Days' prior written notice given to the Rating Agencies and the prior written consent of the Note Trustee (which consent shall not be unreasonably withheld), but without the consent of any of the Noteholders or any of the Certificateholders (notwithstanding any provision of any other document that would otherwise require such consent as a precondition of Note Trustee consent), 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 Noteholders; provided, however, that such action shall not, as evidenced by an Officer's Certificate delivered to the Note Issuer and the Note
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Trustee, adversely affect in any material respect the interests of any Noteholder or any Certificateholder.

(b) This Agreement may also be amended in writing from time to time by the Servicer and the Note Issuer with ten Business Days' prior written notice given to the Rating Agencies and the prior written consent of the Note Trustee (which consent shall not be unreasonably withheld) and the prior written consent of the Holders of Notes evidencing not less than a majority of the Outstanding Amount of the Notes, 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 Noteholders; provided, however, that any amendment of the provisions of Sections 4.01 or 4.03 shall satisfy the Rating Agency Condition.

(c) If the written consent of Noteholders is required in connection with an amendment hereof, approval by Noteholders of the substance of any proposed amendment or consent shall constitute sufficient consent of the Noteholders pursuant to this Section, and it shall not be necessary that Noteholders approve of the particular form of any amendment or consent.

(d) Promptly after the execution thereof, the Note 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 Note 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 Note Trustee may, but shall not be obligated to, enter into any such amendment which affects the Note 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 Transition Property accurately and in accordance with its standard accounting procedures.

(b) The Servicer shall permit the Note Issuer and the Note 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 Transition Property and the RTC Charge. Nothing in this Section 8.02(b) shall affect the obligation of the Servicer to observe any applicable law (including any DTE
<PAGE>
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 (confirmed by telephone, United States mail or courier service in the case of notice by 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

Western Massachusetts Electric Company
174 Brush Hill Avenue
West Springfield, MA 01089
Facsimile: (860) 665-5457
Telephone: (860) 665-3258
Email: shoopra@nu.com

with a copy to:
Western Massachusetts Electric Company
c/o Northeast Utilities Service Company
if by U.S. Mail:
P.O. Box 270

Hartford, CT 06141-0270
if by courier:
107 Selden Street
Berlin, CT 06037
Attention: Assistant Treasurer-Finance
Facsimile: (860) 665-5457
Telephone: (860) 665-3258
Email: shoopra@nu.com

(b) if to the Note Issuer, to

WMECO Funding LLC
c/o Western Massachusetts Electric Company
174 Brush Hill Avenue
West Springfield, MA 01089
Facsimile: (860) 665-5457
Telephone: (860) 665-3258
Email: shoopra@nu.com

with a copy to:
Western Massachusetts Electric Company
c/o Northeast Utilities Service Company
107 Selden Street

<PAGE>

Berlin, CT 06037
Attention: Assistant Treasurer-Finance
Facsimile: 860-665-5457
Telephone: 860-665-3258
Email: shoopra@nu.com

(c) if to the Note Trustee or the Certificate Trustee, to

The Bank of New York, as trustee
101 Barclay Street
Floor 12 East
New York, NY 10286
Attention: ABS Unit
Facsimile: (212) 815-5563
Telephone: (212) 815-5368

(d) if to Moody's, to

Moody's Investors Service, Inc.
99 Church Street
New York, NY 10007
Attention: ABS Monitoring Department
Facsimile: (212) 553-0573
Telephone: (212) 553-3686

(e) if to S&P, to

Standard & Poor's
55 Water Street, 41st Floor
New York, NY 10041
Attention: Asset Backed Surveillance Department
Facsimile: (212) 438-2664
Telephone: (212) 438-2000

(f) if to Fitch, to

Fitch, Inc.
One State Street Plaza
New York, NY 10004
Attention: ABS Surveillance
Facsimile: (212) 514-9879
Telephone: (212) 908-0500

Email: surv@fitchratings.com

(g) if to the Agencies, to

Massachusetts Development Finance Agency
75 Federal Street
Boston, MA 02110
Attention: General Counsel
Facsimile: (617) 727-8741
Telephone: (617) 451-2477

and

Massachusetts Health and Educational Facilities Authority
99 Summer Street, 10th Floor
Boston, MA 02110
Attention: General Counsel

<PAGE>

Facsimile: (617) 737-8366
Telephone: (617) 737-8377

(h) if to the Certificate Issuer, to:

The Bank of New York (Delaware), as Delaware Trustee for
Massachusetts RRB Special Purpose Trust WMECO-1
700 White Clay Center
Route 273
Newark, Delaware 19711
Attention: Compliance
Facsimile: (302) 283-8298
Telephone: (302) 451-2500

with a copy to:
The Bank of New York
101 Barclay Street
Floor 12 East
New York, NY 10286
Attention: ABS Unit
Facsimile: (212) 815-5563
Telephone: (212) 815-5368

(with copies to the Agencies at the addresses listed herein)

(i) 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 Note Issuer, the Noteholders, the Certificateholders, the Note Trustee, the Certificate Trustee, the Delaware Trustee, the Agencies, the Certificate Issuer 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 Noteholders and the Certificateholders 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 Note Trustee or the Certificate Trustee, as the case may be. 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 Transition Property or under or in respect of this Agreement or any covenants, conditions or provisions

<PAGE>
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 Commonwealth of Massachusetts, 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 Note 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 Note Issuer's rights and obligations hereunder to the Note Trustee for the benefit of the holders of the Notes and to the further assignment of the Note Trustee's rights and obligations under the Note Indenture to the Certificate Trustee for the benefit of the holders of the Certificates.

Section 8.11. Nonpetition Covenants. Notwithstanding any prior termination of this Agreement or the Note Indenture, but subject to the DTE's right to order the sequestration and payment of revenues arising with respect to the Transition Property notwithstanding any bankruptcy, reorganization or other insolvency proceedings with respect to the debtor, pledgor or transferor of the Transition Property pursuant to Sections 1H(d)(5) and 1H(e) of Chapter 164 of the Massachusetts General Laws, the Servicer shall not, prior to the date which is one year and one day after the termination of the Note Indenture with respect to the Note Issuer, petition or otherwise invoke
<PAGE>
or cause the Note Issuer or the Trust to invoke the process of any court or governmental authority for the purpose of commencing or sustaining a case against the Note Issuer or the Trust 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 Note Issuer or the Trust or any substantial part of the property of the Note Issuer or the Trust, or ordering the winding up or liquidation of the affairs of the Note Issuer or the Trust.

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

WMECO FUNDING LLC,
Note Issuer

By: /s/ Randy A. Shoop

Name: Randy A. Shoop

Title: President

WESTERN MASSACHUSETTS ELECTRIC COMPANY,
Servicer

By: /s/ Randy A. Shoop

Name: Randy A. Shoop
Title: Assistant Treasurer-Finance

EXHIBIT A

CERTIFICATE OF COMPLIANCE

The undersigned hereby certifies that he/she is the duly elected and acting [_____] of Western Massachusetts Electric Company, as servicer (the "Servicer") under the Transition Property Servicing Agreement, dated as of May 17, 2001 (the "Servicing Agreement"), between the Servicer and WMECO Funding LLC (the "Note Issuer"), and further certifies on behalf of the Servicer that:

1. 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 Section 3.03 of the Servicing Agreement; and

<PAGE>

2. 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.

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

WESTERN MASSACHUSETTS ELECTRIC COMPANY,
Servicer

By:

Name:
Title:

ANNEX A TO EXHIBIT A

LIST OF SERVICER DEFAULTS

Nature of Default Status

EXHIBIT B

FORM OF ROUTINE TRUE-UP ADVICE LETTER

[Date]

ADVICE

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY (THE "DEPARTMENT") OF THE COMMONWEALTH OF MASSACHUSETTS

SUBJECT: Periodic RTC Charge True-Up Mechanism Advice Filing

Pursuant to D.T.E. Docket No. 00-40 (the "Financing Order"), Western Massachusetts Electric Company ("WMECO"), as servicer of the RRBs or any successor Servicer and on behalf of the trustee for the SPE Debt Securities as assignee of the special purpose entity (the "SPE"), shall apply for adjustment to the RTC Charge no later than 15 days prior to each anniversary of the date of the Financing Order and at such additional intervals as may be provided for in the Financing Order. Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Financing Order.

PURPOSE

This filing establishes the revised RTC Charge to be assessed and collected from all Seller customers and ratepayers taking the delivery, transmission, distribution, back-up, maintenance, emergency and any other delivery or
<PAGE>
energy service provided by Seller to such customer within the territory in which Seller serves customers, regardless of that customer's source of electric power, whether or not energy is purchased from WMECO or any TPS, and whether or not such distribution system is being operated by WMECO or a successor distribution company ("Retail Customers"). The RTC Charge is a usage-based component of the transition charge on each Retail Customer's monthly bill and may include in the future a component of any exit fee collected pursuant to M.G.L. c. 164, Section 1G(g), until the Total RRB Payment Requirements are discharged in full. In the Financing Order, the Department authorized WMECO to file Routine True-Up Letters prior to each anniversary of the date of the Financing Order and at such additional intervals, if necessary, as provided for in the Financing Order. WMECO, or a successor Servicer, is authorized to file periodic RTC Charge adjustments to the extent necessary to ensure the timely recovery of revenues sufficient to provide for the payment of an amount equal to the sum of the Periodic RRB Payment Requirements (as defined in the Financing Order) for the upcoming year, which may include indemnity obligations of the SPE in the RRB transaction documents for SPE officers and directors, trustee fees, liabilities of the special purpose trust and liabilities to the underwriters related to the underwriting of the RRBs. Routine True-Up Letter filings are those in which WMECO uses the methodology approved by the Department in the Financing Order to adjust upward or downward the existing RTC Charge.

Using the methodology approved by the Department in the Financing Order, this filing modifies the variables used in the RTC Charge calculation and provides the resulting modified RTC Charge. Table I shows the revised assumptions for each of the variables used in calculating the RTC Charge for Retail Customers. The assumptions underlying the current RTC Charges were filed in an [Issuance] Advice Letter, dated _____ __, 200_.

Table I below shows the current assumptions for each of the variables used in the RTC Charge calculation.

TABLE I
INPUT VALUES FOR RTC CHARGE

Period from _____ to _____

Forecasted retail kWh sales for the period:
Forecasted percent of Retail Customers' billed amounts charged-off:
Percent of Retail Customers' billed amounts charged-off:

<PAGE>
Weighted average days sales outstanding:
(calculated as follows)
Percent of billed amounts collected in current month:
Percent of billed amounts collected in second month after billing:
Percent of billed amounts collected in third month after billing:
Percent of billed amounts collected in fourth month after billing:
Percent of billed amounts collected in fifth month after billing:
Forecasted ongoing interest and transaction expenses (including any already accrued but unpaid for the period):
Current Overcollateralization Subaccount balance:
Scheduled Overcollateralization Subaccount balance at the end of the period:
Current Capital Subaccount balance:
Initial Capital Subaccount balance:
Current RRB outstanding balance:
Scheduled RRB outstanding balance at the end of the period:
Current Reserve Subaccount balance:
The adjusted RTC Charge calculated for Retail _____cents/kWh Customers is as follows:

EFFECTIVE DATE

In accordance with the Financing Order, Routine True-Up Letters for annual RTC Charge adjustments shall be filed prior to the anniversary of the Financing Order, or more frequently if necessary, with the resulting changes to be effective on the first day of the succeeding calendar month, or such date as may be specified in the Routine True-Up Letter, as long as such effective date is at least 15 days after the filing of such Routine True-Up Letter. No approval by the Department is required. Therefore, these RTC Charges shall be effective as of _____.

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 WMECO's corporate headquarters.

EXHIBIT C
FORM OF MONTHLY SERVICER CERTIFICATE

Pursuant to Section 4.01(d)(2) of the Transition Property Servicing Agreement, dated as of May 17, 2001 (the "Agreement"), between Western Massachusetts Electric Company, as servicer (the "Servicer") and WMECO Funding LLC, 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:_____
<PAGE>
1. Billings:

a) Monthly kWh Consumption:
b) Applicable RTC Charge:
c) Total RTC Charge Amount Billed this Month:
d) Cumulative RTC Charge Amount Billed this Remittance Period:

2. Remittances:

a) Total Amount Remitted this Month:
b) Cumulative Amount Remitted this Remittance Period:
c) "RTC %" (calculated in accordance with Annex II to the Agreement) for this Monthly Period:

3. Draws on Subaccounts:

a) Reserve Subaccount Draw Amount this Month:
b) Cumulative Reserve Subaccount Draw Amount this Remittance Period (net of funding):
) Overcollateralization Subaccount Draw Amount this Month:
d) Cumulative Overcollateralization Subaccount Draw Amount this Remittance Period (net of funding):
e) Capital Subaccount Draw Amount this Month:
f) Cumulative Capital Subaccount Draw Amount this Remittance Period (net of funding):
4. Balances in Collection Account and Subaccounts:
a) Balance in Collection Account
b) Balance in Overcollateralization Subaccount
c) Required Overcollateralization Level
d) Balance in Reserve Subaccount
e) Balance in Capital Subaccount
f) Required Capital Level

Executed as of this _____ day of _____.

WESTERN MASSACHUSETTS ELECTRIC COMPANY,
Servicer

By:

Name:
Title:

EXHIBIT D

FORM OF QUARTERLY SERVICER CERTIFICATE

Pursuant to Section 4.01(d)(3) of the Transition Property Servicing Agreement, dated as of May __, 2001 (the "Agreement"), between Western Massachusetts Electric Company, as Servicer and WMECO Funding LLC, the Servicer does hereby certify, for 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. RTC Charge Collections and Aggregate Amounts Available for
<PAGE>
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 Amount Remitted [Month] [Year]
viii Amount Remitted [Month] [Year]
ix. Total Amount Remitted for this Period (sum of i. through viii. above):
x. Net Earnings on Collection Account:
xi. Expenses Paid to Date:
xii. General Subaccount Balance (sum of ix. and x. above minus xi.):
xiii. Reserve Subaccount Balance
xiv. Overcollateralization Subaccount Balance
xv. Capital Subaccount Balance
xvi. Collection Account Balance (sum of xii. through xv. above):

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

   i. Class A-1 Principal Balance Outstanding Note/Certificate:
   ii. Total Note/Certificate Principal Balance:

3. Required Funding/Payments as of Current Payment Date

   a) Projected Principal Balances and Payments

	Projected Principal Balance	Quarterly Principal Due
i. Class A-1 Note/Certificate		
ii. Total Projected Principal Amount:		

   b) Required Interest Payments

	Note/Cert Interest Rate	Days in Applicable Period	Interest Due
i. Class A-1 Note/Certificate			
ii. Total Required Interest Amount:			

   c) Projected Subaccount Payments and Levels

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

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

   a) Quarterly Expenses

   Net Expense Amount (Payable on Current Payment Date)

   i. Note, Delaware and Certificate Trustee Fees and Expenses:
   ii. Quarterly Servicing Fee:

   iii. Quarterly Administration Fee:

   iv. Operating Expenses (subject to $100,000 cap):
   v. Total Expenses:

   b) Quarterly Interest

	Per $1000 of	Aggregate

	Original	Principal Amount
i. Class A-1 Note/Certificate		
ii. Total Quarterly Interest:		

c) Quarterly Principal

	Per $1000 of Original	Aggregate Principal Amount
i. Class A-1 Note/Certificate		
ii. Total Quarterly Principal:		

d) Other Payments

i. Operating Expenses (in excess of $100,000):
ii. Funding of Capital Subaccount (to required amount):
iii. Funding of Overcollateralization Subaccount (to required level):
<PAGE>
iv. Deposits to Reserve Subaccount:
v. Interest earnings on Capital Account Released to Note Issuer:

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

i. To Note Trustee, Certificate Trustee and Delaware Trustee:

ii To Agencies and Certificate Issuer:

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 Principal Balance Outstanding Note/Certificate:
ii. Total Note/Certificate Principal Balance:

b) Collection Account Balances Outstanding:

i. Capital Subaccount:
ii. Overcollateralization Subaccount:
iii. Reserve Subaccount:
iv. Total Subaccount Amount:

6. Subaccount Draws as of Current Payment Date (if applicable, pursuant to

Section 8.02(e) of Note Indenture):

i. Capital Subaccount:
ii. Overcollateralization Subaccount:
iii. Reserve Subaccount:
iv. Total Subaccount Draws:

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

a) Quarterly Interest Shortfall

i. Class A-1 Note/Certificate
ii. Total Quarterly Interest Shortfall:

b) Quarterly Principal Shortfall
<PAGE>
i. Class A-1 Note/Certificate
ii. Total Quarterly Principal Shortfall:

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

i. Capital Subaccount
ii. Overcollateralization Subaccount:
iii. Total Subaccount Shortfalls:

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Quarterly Servicer Certificate under seal this _____ day of _____, 20__.

WESTERN MASSACHUSETTS ELECTRIC COMPANY,
Servicer

By:

Name:
Title:

SCHEDULE 4.01(a)

Expected Amortization Schedule

<TABLE>
<CAPTION>

Payment Date	Outstanding Principal Amount	Payment Date	Outstanding Principal Amount
<S>	<C>	<C>	<C>
Closing	155,000,000	9/1/2007	89,888,002
12/1/2001	152,317,336	12/1/2007	86,731,394
3/1/2002	149,568,944	3/1/2008	83,261,952
6/1/2002	147,184,844	6/1/2008	79,875,484
9/1/2002	144,980,067	9/1/2008	76,552,625
12/1/2002	142,742,170	12/1/2008	73,176,352
3/1/2003	140,219,779	3/1/2009	69,496,635
6/1/2003	137,769,289	6/1/2009	65,893,553
9/1/2003	135,383,097	9/1/2009	62,343,137
12/1/2003	132,959,538	12/1/2009	58,735,305
3/1/2004	130,247,945	3/1/2010	54,814,526
6/1/2004	127,628,222	6/1/2010	50,970,210
9/1/2004	125,078,425	9/1/2010	47,178,396

12/1/2004	122,488,629	12/1/2010	43,325,013
3/1/2005	119,611,970	3/1/2011	39,154,564
6/1/2005	116,822,982	6/1/2011	35,056,795
9/1/2005	114,098,464	9/1/2011	31,007,335
12/1/2005	111,330,951	12/1/2011	26,891,856
/1/2006	108,267,623	3/1/2012	22,451,624
6/1/2006	105,293,016	6/1/2012	18,078,675
9/1/2006	102,383,760	9/1/2012	13,750,638

</TABLE>
<PAGE>
<TABLE>

<S>	<C>	<C>	<C>
12/1/2006	99,428,304	12/1/2012	9,351,812
3/1/2007	96,167,724	3/1/2013	4,636,241
6/1/2007	92,994,977	6/1/2013	0

</TABLE>

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 RTC Charges" means the dollar amounts billed to Customers or the Applicable TPS in respect of the RTC Charge, whether billed to Customers or the Applicable TPS by the Servicer or to Customers by a TPS pursuant to a TPS Service Agreement.

"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 DTE 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 Noteholders or Certificateholders.

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 DTE Regulations; and, provided, further, that the Servicer may obtain usage measurements from the Applicable TPS for Customers receiving meter reading services from such
<PAGE>
TPS if the applicable TPS Service Agreement so provides.

(c) Cost of Metering. The Note 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 Note 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 DTE Regulations) in accordance with the Servicer Policies and Practices and shall determine therefrom Billed RTC 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 RTC Charges.

SECTION 4. BILLING

(a) The Servicer shall implement the RTC Charge as of the Closing Date and shall thereafter bill each Customer or the Applicable TPS for each Customer's Billed RTC 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 RTC Charges. In the event that the Servicer makes any material modification to the Servicer Policies and Practices, it shall notify the Note Issuer, the Note Trustee, the Certificate 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 Certificateholders.

(c) Format.

(i) Each Bill to a Customer shall contain a Transition Charge that shall include the RTC Charge owed by such Customer for the applicable
<PAGE>
billing period.

(ii) Each Bill in which the Transition Charge is listed as a line item shall contain a statement (as a footnote) to the effect that all or a portion of the Transition Charge is owned by the Note 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 DTE 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 DTE 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 DTE 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 RTC 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
<PAGE>
for itself or others, including the following:

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

(B) The Servicer shall deliver past-due and shut-off notices in accordance with applicable DTE 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 Massachusetts General Laws Chapter 164, 116, 124-124I or successor provisions, applicable DTE Regulations and the Servicer Policies and Practices.

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

(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, (B) would not materially adversely affect the Certificateholders and (C) would comply in all material respects with applicable law.

(iii) The Servicer shall accept payment from Customers in respect of Billed RTC 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 RTC 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 DTE 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
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later than one Servicer Business Day after receipt.

(c) Investment of RTC Charge Payments Received. Prior to remittance on the applicable Remittance Date, the Servicer may invest RTC Charge Payments 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 RTC Charge Payments invested by it.

(d) Calculation of RTC Charge Payments; Remittances. In accordance ith Section 4.03(a) of the Agreement, the Servicer shall remit to the Note Trustee for deposit in the Collection Account an amount equal to the RTC Charge Payments calculated in accordance with the methodology described in Annex II attached to the Agreement.

(e) Remittances.

(i) The Note Issuer shall cause to be established the Collection Account in the name of the Note Trustee in accordance with Section 8.02 of the Note 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 Note 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 DTE or by applicable law, for each TPS that is responsible for collecting Billed RTC Charges, the Servicer shall take the following steps:
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(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 DTE that each TPS is licensed to supply electricity in Massachusetts;

(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 RTC 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 Financing 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 RTC 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 DTE and the Financing Order in the event of a default in payment.

3. Enforcing TPS Obligations

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

ANNEX II
REMITTANCE METHODOLOGY

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