



**Public Service
of New Hampshire**

DE07-070

PSNH Energy Park
780 North Commercial Street, Manchester, NH 03101

Public Service Company of New Hampshire
P.O. Box 330
Manchester, NH 03105-0330
(603) 669-4000
www.psnh.com

The Northeast Utilities System

NHPUC JUN04'07 PM 3:32

June 4, 2007

Ms. Debra A. Howland
Executive Director and Secretary
New Hampshire Public Utilities Commission
8 Old Suncook Road, Bldg. 1
Concord, NH 03301-7319

Re: Docket No. DE 07-____
Petition of Public Service Company of New Hampshire
for Approval of (1) the Issuance of up to \$200 Million Aggregate
Principal Amount of Long Term Debt Securities Through December 31, 2008;
(2) Amendment and Restatement of the Company's First Mortgage
Indenture; (3) the Mortgaging of Property, (4) the Utilization of Interest Rate
Locks; and (5) a Permanent Increase in the Company's Short Term Debt
Limit to 10% of Net Fixed Plant Plus a Fixed Amount of \$35 Million

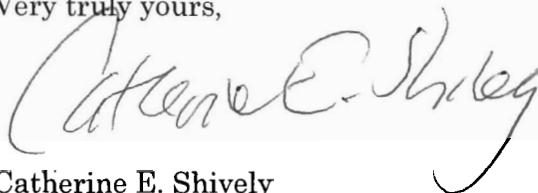
Dear Secretary Howland:

Enclosed for filing with the Commission please find an original and eight (8) copies of Public Service Company of New Hampshire's ("PSNH") "Petition for Approval of (1) the Issuance of up to \$200 Million Aggregate Principal Amount of Long Term Debt Securities Through December 31, 2008; (2) Amendment and Restatement of the Company's First Mortgage Indenture, (3) the Mortgaging of Property, (4) the Utilization of Interest Rate Locks, and (5) a Permanent Increase in the Company's Short Term Debt Limit to 10% of Net Fixed Plant Plus a Fixed Amount of \$35 Million, the information required by Puc 308.12(b) and the supporting testimony of Patricia C. Cosgel.

PSNH respectfully requests that the Commission set a date for hearing on this Petition promptly, but in any event, in time for the Commission to hold a hearing and issue its initial opinion on or before July 31, 2007. Issuance of a Commission Order by July 31, 2007 and Order on Rehearing, if applicable, within a reasonable period of time will enable PSNH to close the proposed transaction on or before September 30, 2007. The proposed schedule allows PSNH a reasonable amount of time to complete the proposed transaction after the Commission order is final and no longer subject to rehearing.

If you have any questions regarding the above, or need any additional information regarding the proposed transaction, please let me know. I can be reached directly at (603) 634-2326.

Very truly yours,

A handwritten signature in black ink, appearing to read "Catherine E. Shively". The signature is written in a cursive style and is contained within a light gray rectangular box.

Catherine E. Shively
Senior Counsel
Northeast Utilities Service Company
c/o Public Service Company of New Hampshire
780 North Commercial Street, PO Box 330
Manchester, NH 03105

Enclosures

cc: Meredith A. Hatfield, OCA
Kenneth Traum, OCA

STATE OF NEW HAMPSHIRE
before the
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DE 07-____

PETITION OF PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
FOR APPROVAL OF

(1) THE ISSUANCE OF UP TO \$200 MILLION AGGREGATE PRINCIPAL AMOUNT OF
LONG TERM DEBT SECURITIES THROUGH DECEMBER 31, 2008, (2) AMENDMENT AND
RESTATEMENT OF THE COMPANY'S FIRST MORTGAGE INDENTURE, (3) THE
MORTGAGING OF PROPERTY, (4) THE UTILIZATION OF INTEREST RATE LOCKS AND
(5) PERMANENT INCREASE IN THE COMPANY'S SHORT TERM DEBT LIMIT TO 10% OF
NET FIXED PLANT PLUS A FIXED AMOUNT OF \$35 MILLION

Public Service Company of New Hampshire ("PSNH" or the "Company"), a public utility corporation duly organized and existing under the laws of the State of New Hampshire and engaged in the generation, transmission and sale of electric energy within the State of New Hampshire, with its principal place of business at 780 North Commercial Street, Manchester, New Hampshire, respectfully represents that it proposes to (i) issue up to \$200 million aggregate principal amount of long term debt securities (the "Long-term Debt") through December 31, 2008 (the "Financing Period"); (ii) amend and restate the Company's First Mortgage Indenture as described herein and in testimony; (iii) mortgage substantially all of its property under its First Mortgage Indenture; (iv) utilize interest rate locks in connection with such financings; and (v) increase its short term debt limit to ten percent (10%) of net fixed plant plus a fixed amount of \$35 million. Certain aspects of the proposed financing activities require the Company to obtain approval from the Commission.

Accordingly, the Company petitions as follows:

1. In accordance with Rule Puc 308.12(b)(2)b and c a description of PSNH's authorized and outstanding long term debt, capital stock and short term debt is attached hereto as Attachment 1.
2. As of March 31, 2007, PSNH had outstanding approximately \$28 million of short term debt, which was incurred to fund working capital requirements and capital expenditures. Short term debt has been incurred to finance the Company's Northern Wood Power Project, as well as distribution and transmission system expenditures. The Company's temporary short term debt

limit, established by the Commission in Docket No. DE 07-025, by Order No. 24,737, dated March 30, 2007 is ten percent (10%) of net fixed plant, plus an additional three percent (3%) of net fixed plant until December 31, 2007, or until refinancing of short term debt with long term debt, whichever occurs first.

3. Total company construction expenditures, which include transmission and distribution, are projected at \$430 million in the aggregate for 2007 and 2008. Although PSNH's current cash flows from operations and interest coverages are relatively healthy and stable, substantial short term borrowings will be necessary and critical to fund the planned capital expenditures.
4. PSNH anticipates issuing up to \$200 million of Long-term Debt during the Financing Period. The exact amount of Long-term Debt issued will depend on Company expenditures, cash generation, cost and availability of short term debt and current and anticipated market conditions. PSNH will use the proceeds from the issuance of the \$200 million of Long-term Debt to refinance its short term debt, to finance anticipated capital expenditures and to pay for issuance costs.
5. To provide PSNH with the most financing flexibility, PSNH proposes to issue and sell up to \$200 million in aggregate principal amount of Long-term Debt in one or more series with a maturity ranging from one to forty years. This Long-term Debt may be in the form of first mortgage bonds, debt secured by first mortgage bonds, or debt secured by bond insurance and first mortgage bonds; may carry either a fixed or floating interest rate; may be either insured or uninsured; and may be sold to either retail or institutional investors. The Long-term Debt may also be issued to PSNH's parent, Northeast Utilities or issued under the Company's unsecured Revolving Credit Agreement, under which the Company is currently authorized to borrow on a short term basis only.
6. The exact financing structure, terms and conditions, amount, documentation and coupon rate of the Long-term Debt will be determined at the time of issuance depending on market conditions. The coupon will be consistent with market rates for an instrument of similar maturity and risk, but the credit spread above the Treasury Rate will not exceed 200 basis points (2.00%).

7. If the Long-term Debt is secured by first mortgage bonds, new first mortgage bonds, identical or substantially similar in principal, premium, if any, and interest payment terms to the Long-term Debt would be issued by PSNH under its First Mortgage Indenture to evidence and secure certain of the Company's repayment obligations related to the Long-term Debt and/or any insurance policy securing the Long-term Debt. Likewise if the Long-term Debt is in the form of mortgage bonds, such bonds will be first mortgage bonds issued under the Company's First Mortgage Indenture.
8. As described in detail in the accompanying testimony of Patricia C. Cosgel, PSNH also proposes to amend and restate its First Mortgage Indenture substantially in the form set forth in Attachment 7 to this Petition. Attachment 7A to this Petition is a "Summary of Material Provisions of PSNH Mortgage Indenture and Material Changes Resulting from the Proposed Amendment and Restatement". As noted in Item 16 below, in accordance with Rule Puc 308.12(b)(8), a draft Supplemental Mortgage Indenture in substantially the form proposed, reflecting both the proposed amendment of the Company's First Mortgage Indenture and an initial issuance of \$70 million of First Mortgage Bonds is included as Attachment 8. Additional bond issuances prior to December 31, 2008 would be issued under substantially similar terms and conditions. PSNH's existing First Mortgage Indenture is on file with the Commission.
9. Additionally, the Company seeks authority to increase its short term debt limit above the 10% of net fixed plant limit by an additional fixed amount of \$35 million starting the earlier of January 1, 2008 or when the prior authority runs out.
10. The Company also seeks authority to utilize interest rate locks in a notional amount not exceeding the total principal amount of the Long-term Debt to be issued to manage interest rate risk.
11. In accordance with Rule Puc 308.12(c)(2), the estimated cost of financing for a \$200 million issuance is included as Attachment 2.
12. In accordance with Rule Puc 308.12(c)(3) PSNH's Pro Forma Consolidated Balance Sheet as of March 31, 2007 is included as Attachment 3.

13. In accordance with Rule Puc 308.12(c)(4) PSNH's Pro Forma Consolidated Statement of Income for the twelve months ended March 31, 2007 is included as Attachment 4.
14. In accordance with Rule Puc 308.12(c)(5) PSNH's Sources and Application of Funds and Capitalization is included as Attachment 5.
15. In accordance with Rule Puc 308.12(c)(6), draft sample PSNH Board Resolutions are included as Attachment 6.
16. PSNH's proposed amended and restated First Mortgage Indenture is included as Attachment 7. A "Summary of Material Provisions of PSNH Mortgage Indenture and Material Changes Resulting from the Proposed Amendment and Restatement" is included as Attachment 7A. In accordance with Rule Puc 308.12(b)(8), a draft Supplemental Mortgage Indenture reflecting both the proposed amendment of the Company's First Mortgage Indenture and the initial issuance of \$70 million of First Mortgage Bonds is included as Attachment 8.
17. Also in accordance with Rule Puc 308.12(b)(8) is the form of promissory note for long term borrowings from Northeast Utilities is included as Attachment 9.
18. Also in accordance with Rule Puc 308.12(b)(8), a copy of the principle terms and conditions of the Company's unsecured Revolving Credit Agreement is included as Attachment 10.
19. The Northeast Utilities System Interest Rate Risk Management Policies and Procedures dated May, 2007 is also included as Attachment 11.
20. The testimony of Patricia C. Cosgel in support of the Petition is also included.

By this Petition, PSNH seeks the following authorizations by the Commission:

- (A) Pursuant to RSA 369:1, 3 and 4, authority to arrange for the issuance and sale of not more than \$200 million in principal amount of secured or unsecured Long-term Debt of one or more types, in more or more issuances, through December 31, 2008 and to take

all actions necessary to consummate such financings, including but not limited to purchase of insurance to secure repayment of the Long-term Debt, or the issuance of a like principal amount of first mortgage bonds in one or more series to secure the repayment of long term debt or to secure the insurance obtained to secure Long-term Debt.

- (B) Pursuant to RSA 369:2, authority to mortgage its property in connection with the issuance of the Long-term Debt and the issuance of one or more series of first mortgage bonds in the manner described herein.
- (C) Pursuant to RSA 369:2, authority to amend and restate the Company's First Mortgage Indenture in substantially the form as described in this Petition and the accompanying testimony.
- (D) Pursuant to RSA 392:1, 3 and 4, authority to utilize interest rate locks in a notional amount not exceeding the total principal amount of the Long-term Debt to be issued to manage interest rate risk.
- (E) Pursuant to RSA 369:7 authority to increase the Company's short term debt limit to 10% of net fixed plant plus a fixed amount of \$35 million.

PSNH believes and therefore alleges that the securities to be issued and the other transactions contemplated by and described in this Petition will be consistent with the public good and that it is entitled to issue said securities and consummate such transactions under RSA Chapter 369 for the purposes set forth in this Petition and described herein.

WHEREFORE, PSNH prays that this Commission:

- (1) Issue an Order of Notice as soon as practicable which establishes a procedural schedule, including a date for hearing hereon with respect to this Petition, which would enable the Commission to hold a hearing and issue its initial decision on or before August 1, 2007;
- (2) Find that the transactions described in this Petition above are consistent with the public good and are authorized and approved under the provisions of RSA Chapter 369; and
- (3) Take such further action and make such other findings and orders as in its judgment may be just, reasonable and in the public good.

Respectfully submitted,
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

June 4, 2007

BY: _____

Catherine E. Shively, Its Attorney

ATTACHMENT 1
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
AUTHORIZED AND OUTSTANDING
LONG-TERM DEBT, CAPITAL STOCK, AND SHORT-TERM DEBT
as of March 31, 2007

Long-Term Debt Outstanding:

| | |
|--|-----------------------|
| Series A, Auction Rate Tax-Exempt PCRB, due 2021 | \$ 89,250,000 |
| Series B, 4.75% Fixed Tax-Exempt PCRB, due 2021 | 89,250,000 |
| Series C, 5.45% Fixed Tax-Exempt PCRB, due 2021 | 108,985,000 |
| Series D, 6.00% Fixed Tax-Exempt PCRB, due 2021 | 75,000,000 |
| Series E, 6.00% Fixed Tax-Exempt PCRB, due 2021 | 44,800,000 |
| Series L, 5.25% FMB, due 2014 | 50,000,000 |
| Series M, 5.60% FMB, due 2035 | 50,000,000 |
| | 507,285,000 |
| Less: Due within one year | - |
| Total Long-Term Debt Outstanding | \$ 507,285,000 |

Capital Stock:

| | |
|---|---------------|
| Preferred Stock | \$ - |
| Common Stock (\$1 Par (301 shares outstanding)) | 301 |
| Total Capital Stock* | \$ 301 |

Total Short-Term Debt Outstanding** \$ 27,600,000

* Excludes Retained Earnings, Capital Surplus, Paid In, and Accumulated Other Comprehensive Income

** as of March 31, 2007

ATTACHMENT 2
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
DEBT ISSUANCE COSTS

| | | |
|---|------------------|------------------------------|
| Total Issue Amount | | <u>\$ 200,000,000</u> |
| Issuance Costs: | | |
| Underwriting (0.875% of issue amount) | | \$ 1,750,000 |
| Legal | | \$ 60,000 |
| Moody's | \$114,000 | |
| Fitch | \$ 75,000 | |
| S&P | <u>\$100,000</u> | |
| Total Rating agency | | \$ 289,000 |
| External Auditor | | \$ 80,000 |
| Miscellaneous | | <u>\$ 40,000</u> |
| Total Issuance Costs | | <u>\$ 2,219,000</u> |
| Available funds after issuance costs | | <u>\$ 197,781,000</u> |

ATTACHMENT 3
Page 1 of 2
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
PRO FORMA CONSOLIDATED BALANCE SHEET - ASSETS
AS OF MARCH 31, 2007
(UNAUDITED)

(Thousands of Dollars)

| ASSETS | <u>Per Book</u> | <u>Pro Forma Adjustments</u> | <u>Pro Forma Giving Effect to Adjustments</u> |
|---|---------------------|------------------------------|---|
| Current Assets: | | | |
| Cash | \$ 541 | \$ 170,781 a,c,f | \$ 171,322 |
| Receivables, net | 85,296 | | 85,296 |
| Accounts receivable from affiliated companies | 54 | | 54 |
| Unbilled revenues | 40,641 | | 40,641 |
| Taxes receivable | 7,833 | | 7,833 |
| Fuel, materials and supplies | 68,704 | | 68,704 |
| Derivative assets - current | 2,570 | | 2,570 |
| Prepayments and other | 29,322 | | 29,322 |
| | <u>234,961</u> | <u>170,781</u> | <u>405,742</u> |
| Property, Plant and Equipment: | | | |
| Electric utility | 1,895,032 | | 1,895,032 |
| Other | 6,272 | | 6,272 |
| | <u>1,901,304</u> | | <u>1,901,304</u> |
| Less: Accumulated depreciation | 723,118 | | 723,118 |
| | <u>1,178,186</u> | - | <u>1,178,186</u> |
| Construction work in progress | 86,096 | | 86,096 |
| | <u>1,264,282</u> | - | <u>1,264,282</u> |
| Deferred Debits and Other Assets: | | | |
| Regulatory assets | 483,146 | | 483,146 |
| Other | 72,826 | 2,145 d,e | 74,971 |
| | <u>555,972</u> | <u>2,145</u> | <u>558,117</u> |
| Total Assets | <u>\$ 2,055,215</u> | <u>\$ 172,926</u> | <u>\$ 2,228,141</u> |

ATTACHMENT 3
Page 2 of 2
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
PRO FORMA CONSOLIDATED BALANCE SHEET - LIABILITIES AND CAPITALIZATION
AS OF MARCH 31, 2007
(UNAUDITED)

(Thousands of Dollars)

| LIABILITIES AND CAPITALIZATION | <u>Per Book</u> | <u>Pro Forma Adjustments</u> | <u>Pro Forma Giving Effect to Adjustments</u> |
|---|---------------------|------------------------------|---|
| Current Liabilities: | | | |
| Notes payable to affiliated companies | \$ 27,000 | \$ (27,000) f | \$ - |
| Accounts payable | 61,129 | | 61,129 |
| Accounts payable to affiliated companies | 21,165 | | 21,165 |
| Accrued taxes | 331 | (5,235) b,c,e,g | (4,904) |
| Accrued interest | 12,782 | 10,792 b,g | 23,574 |
| Derivative liabilities - current | 11,136 | | 11,136 |
| Other | 11,297 | | 11,297 |
| | <u>144,840</u> | <u>(21,443)</u> | <u>123,397</u> |
| Rate Reduction Bonds | <u>321,497</u> | <u></u> | <u>321,497</u> |
| Deferred Credits and Other Liabilities: | | | |
| Accumulated deferred income taxes | 208,186 | 888 d | 209,074 |
| Accumulated deferred investment tax credits | 803 | | 803 |
| Deferred contractual obligations | 33,856 | | 33,856 |
| Regulatory liabilities | 124,256 | | 124,256 |
| Accrued pension | 154,136 | | 154,136 |
| Accrued postretirement benefits | 35,635 | | 35,635 |
| Other | 43,893 | | 43,893 |
| | <u>600,765</u> | <u>888</u> | <u>601,653</u> |
| Capitalization: | | | |
| Long-Term Debt | <u>507,103</u> | <u>200,000 a</u> | <u>707,103</u> |
| Common Stockholder's Equity: | | | |
| Common stock, \$1 par value - authorized 100,000,000 shares; 301 shares outstanding in 2007 | - | | - |
| Capital surplus, paid in | 240,724 | | 240,724 |
| Retained earnings | 240,101 | (6,519) | 233,582 |
| Accumulated other comprehensive income | 185 | | 185 |
| Common Stockholder's Equity | <u>481,010</u> | <u>(6,519)</u> | <u>474,491</u> |
| Total Capitalization | <u>988,113</u> | <u>193,481</u> | <u>1,181,594</u> |
| Total Liabilities and Capitalization | <u>\$ 2,055,215</u> | <u>\$ 172,926</u> | <u>\$ 2,228,141</u> |

ATTACHMENT 4
Page 1 of 4
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
PRO FORMA CONSOLIDATED STATEMENT OF INCOME/(LOSS)
FOR THE TWELVE MONTHS ENDED MARCH 31, 2007
(UNAUDITED)

(Thousands of Dollars)

| | <u>Per Book</u> | <u>Pro Forma Adjustments</u> | <u>Pro Forma Giving Effect to Adjustments</u> |
|---|------------------|------------------------------|---|
| Operating Revenues | \$ 1,102,680 | \$ - | \$ 1,102,680 |
| Operating Expenses: | | | |
| Operation - | | | |
| Fuel, purchased and net interchange power | 588,318 | | 588,318 |
| Other | 184,990 | 74 c,d,e | 185,064 |
| Maintenance | 75,313 | | 75,313 |
| Depreciation | 50,680 | | 50,680 |
| Amortization of regulatory assets, net | 44,959 | | 44,959 |
| Taxes other than income taxes | 37,695 | | 37,695 |
| Total operating expenses | <u>981,955</u> | <u>74</u> | <u>982,029</u> |
| Operating Income/(Loss) | 120,725 | (74) | 120,651 |
| Interest Expense: | | | |
| Interest on long-term debt | 45,821 | 12,220 b | 58,041 |
| Other interest | (101) | (1,428) g | (1,529) |
| Interest expense, net | <u>45,720</u> | <u>10,792</u> | <u>56,512</u> |
| Other Income, Net | <u>2,969</u> | | <u>2,969</u> |
| Income/(Loss) Before Income Tax Expense/(Benefit) | 77,974 | (10,866) | 67,108 |
| Income Tax Expense/(Benefit) | <u>37,817</u> | <u>(4,347) b,c,d,e,g</u> | <u>33,470</u> |
| Net Income/(Loss) | <u>\$ 40,157</u> | <u>\$ (6,519)</u> | <u>\$ 33,638</u> |

ATTACHMENT 4
Page 2 of 4
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
PRO FORMA CONSOLIDATED STATEMENT OF RETAINED EARNINGS
AS OF MARCH 31, 2007
(UNAUDITED)

(Thousands of Dollars)

| | <u>Per Book</u> | <u>Pro Forma Adjustments</u> | <u>Pro Forma Giving Effect to Adjustments</u> |
|---------------------------------------|-------------------|------------------------------|---|
| Balance at beginning of period | \$ 224,765 | \$ - | \$ 224,765 |
| Net income/(loss) | 40,157 | (6,519) | 33,638 |
| Cash dividends on common stock | (26,421) | | (26,421) |
| Cumulative Effect Adjustment - FIN 48 | 1,600 | | 1,600 |
| Balance at end of period | <u>\$ 240,101</u> | <u>\$ (6,519)</u> | <u>\$ 233,582</u> |

ATTACHMENT 4
Page 3 of 4
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
PRO FORMA CONSOLIDATED CAPITAL STRUCTURE
AS OF MARCH 31, 2007
(UNAUDITED)

(Thousands of Dollars)

| | <u>Per Book</u> | <u>Pro Forma Adjustments</u> | <u>Pro Forma Giving Effect to Adjustments</u> |
|-----------------------------|-------------------|------------------------------|---|
| Long-term debt* | \$ 507,103 | \$ 200,000 | \$ 707,103 |
| Common stockholder's equity | 481,010 | (6,519) | 474,491 |
| Total Capitalization | <u>\$ 988,113</u> | <u>\$ 193,481</u> | <u>\$ 1,181,594</u> |

*Does not include current portion.

ATTACHMENT 4
Page 4 of 4
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
PRO FORMA ADJUSTMENTS TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2007

(Thousands of Dollars)

| | <u>Debit</u> | <u>Credit</u> |
|----------------|--------------|---------------|
| a) Cash | 200,000 | |
| Long-term debt | | 200,000 |

To record the issuance of long-term debt.

| | | |
|-------------------------------|--------|--------|
| b) Interest on long-term debt | 12,220 | |
| Accrued taxes | 4,888 | |
| Accrued interest | | 12,220 |
| Income tax expense/(benefit) | | 4,888 |

To record increase in interest expense associated with long-term debt issued and related income taxes.

| | | |
|---|-------|-------|
| c) Operating expenses -- operation -- other | 2,219 | |
| Accrued taxes | 888 | |
| Cash | | 2,219 |
| Income tax expense/(benefit) | | 888 |

To record issuance expenses associated with issuance of long-term debt and related income taxes.

| | | |
|--|-------|-------|
| d) Deferred debits and other assets -- other | 2,219 | |
| Income tax expense/(benefit) | 888 | |
| Operating expenses -- operation -- other | | 2,219 |
| Accumulated deferred income taxes | | 888 |

To record deferral of issuance expenses associated with the issuance of long-term debt and related income taxes.

| | | |
|---|----|----|
| e) Operating expenses -- operation -- other | 74 | |
| Accrued taxes | 30 | |
| Deferred debits and other assets -- other | | 74 |
| Income tax expense/(benefit) | | 30 |

To record 12 months of amortization of issuance expenses associated with the issuance of long-term debt and related income taxes.

| | | |
|--|--------|--------|
| f) Notes payable to affiliated companies | 27,000 | |
| Cash | | 27,000 |

To record the use of long-term debt issuance proceeds to reduce short-term debt.

| | | |
|------------------------------|-------|-------|
| g) Accrued interest | 1,428 | |
| Income tax expense/(benefit) | 571 | |
| Other interest | | 1,428 |
| Accrued taxes | | 571 |

To record reduction in interest expense associated with retired short-term debt and related income taxes.

ATTACHMENT 5
Page 1 of 3
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
SOURCES AND APPLICATION OF FUNDS AND CAPITALIZATION
AS OF DECEMBER 31, 2003, 2004, 2005 AND 2006
AND PROJECTED^(a) AS OF DECEMBER 31, 2007, 2008 and 2009

(Thousands of Dollars)

| | 12 Months 12/31/2003 Per Book | 12 Months 12/31/2004 Per Book | 12 Months 12/31/2005 Per Book | 12 Months 12/31/2006 Per Book | 12 Months 12/31/2006 Pro Forma | 12 Months 12/31/2007 Projected | 12 Months 12/31/2008 Projected | 12 Months 12/31/2009 Projected |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Operating Activities: | | | | | | | | |
| Net income | \$ 45,624 | \$ 46,641 | \$ 41,739 | \$ 35,323 | \$ 28,804 | 54,638 | 62,820 | 67,798 |
| Adjustments to reconcile to net cash flows provided by operating activities: | | | | | | | | |
| Bad debt expense | 1,379 | 2,742 | 3,904 | 4,208 | 4,208 | | | |
| Depreciation | 43,322 | 45,763 | 46,567 | 49,740 | 49,740 | | | |
| Deferred income taxes, net | (6,670) | (24,160) | (68,347) | (21,929) | (22,817) | | | |
| Amortization of regulatory assets, net | 37,861 | 95,436 | 144,746 | 53,156 | 53,156 | | | |
| Amortization of rate reduction bonds | 40,040 | 43,764 | 46,648 | 49,370 | 49,370 | | | |
| Pension expense | 4,882 | 8,994 | 14,338 | 15,963 | 15,963 | | | |
| Regulatory overrecoveries/(refunds) | 34,664 | 2,219 | 478 | (6,850) | (6,850) | | | |
| Deferred contractual obligations | (9,028) | (9,654) | (12,465) | (12,589) | (12,589) | | | |
| Other non-cash adjustments | (53,013) | 5,184 | (8,468) | (5,379) | (5,379) | | | |
| Other sources of cash | 9,425 | 5,668 | 342 | - | - | | | |
| Other uses of cash | (5,275) | (5,615) | (19,962) | (11,882) | (14,027) | | | |
| Changes in current assets and liabilities: | | | | | | | | |
| Receivables and unbilled revenues, net | (9,136) | (33,867) | (18,799) | 27,637 | 27,637 | | | |
| Fuel, materials and supplies | 2,114 | (5,411) | (16,300) | (12,036) | (12,036) | | | |
| Other current assets | (6,445) | (6,248) | 1,170 | 5,106 | 5,106 | | | |
| Accounts payable | 3,457 | 37,659 | (9,009) | 14,073 | 14,073 | | | |
| Taxes receivable and accrued taxes | (56,241) | (1,914) | 9,684 | (11,857) | (11,857) | | | |
| Other current liabilities | 5,921 | (4,448) | (1,013) | 1,764 | 1,764 | | | |
| Net cash flows provided by operating activities | <u>82,881</u> | <u>202,753</u> | <u>155,253</u> | <u>173,818</u> | <u>164,266</u> | <u>77,425</u> | <u>121,591</u> | <u>125,419</u> |
| Investing Activities: | | | | | | | | |
| Investments in plant | (105,088) | (153,248) | (158,832) | (126,657) | (126,657) | (188,395) | (180,640) | (147,084) |
| Net proceeds from sale of property | - | - | 1,461 | - | - | | | |
| Proceeds from sales of investment securities | 2,015 | 3,038 | 3,227 | 3,788 | 3,788 | | | |
| Purchases of investment securities | (3,544) | (3,970) | (3,415) | (4,059) | (4,059) | | | |
| CVEC acquisition special deposit | (30,105) | - | - | - | - | | | |
| Other investing activities | (5,016) | 2,958 | (2,767) | 2,564 | 2,564 | | | |
| Net cash flows used in investing activities | <u>(141,738)</u> | <u>(151,222)</u> | <u>(160,326)</u> | <u>(124,364)</u> | <u>(124,364)</u> | <u>(188,395)</u> | <u>(180,640)</u> | <u>(147,084)</u> |
| Financing Activities: | | | | | | | | |
| Issuance of long-term debt | - | 50,000 | 50,000 | - | 200,000 ^(b) | 70,000 ^(b) | 110,000 ^(b) | 65,000 |
| Retirement of rate reduction bonds | (38,619) | (43,453) | (46,077) | (48,861) | (48,861) | | | |
| Increase/(decrease) in short-term debt | 10,000 | - | (10,000) | - | - | | | |
| NU Money Pool borrowing/(lending) | 71,900 | (28,500) | (4,500) | 20,600 | (6,400) | | | |
| Capital contributions from Northeast Utilities Parent | 30,000 | - | 53,419 | 21,693 | 21,693 | | | |
| Cash dividends on common stock | (16,800) | (27,186) | (42,383) | (41,741) | (41,741) | | | |
| Other financing activities | (206) | (274) | (214) | (1,141) | (1,141) | | | |
| Net cash flows (used in)/provided by financing activities | <u>56,275</u> | <u>(49,413)</u> | <u>245</u> | <u>(49,450)</u> | <u>123,550</u> | <u>67,866</u> | <u>42,809</u> | <u>36,822</u> |
| Net increase/(decrease) in cash | (2,582) | 2,118 | (4,828) | 4 | 163,452 | (43,104) | (16,240) | 15,157 |
| Cash - beginning of year | 5,319 | 2,737 | 4,855 | 27 | 27 | (22,980) | (66,084) | (82,324) |
| Cash - end of year | <u>\$ 2,737</u> | <u>\$ 4,855</u> | <u>\$ 27</u> | <u>\$ 31</u> | <u>\$ 163,479</u> | <u>\$ (66,084)</u> | <u>\$ (82,324)</u> | <u>\$ (67,167)</u> |

(a) Projections are based on latest 5-year forecast, dated July 9, 2006

(b) Anticipated debt issuances are included in 2007 and 2008 forecasts in addition to the full amount of requested debt being pro formed into 2006 actual financials.

ATTACHMENT 5
Page 2 of 3
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
SOURCES AND APPLICATION OF FUNDS AND CAPITALIZATION
AS OF DECEMBER 31, 2003, 2004, 2005 AND 2006
AND PROJECTED^(a) AS OF DECEMBER 31, 2007, 2008 and 2009

(Thousands of Dollars)

| | 12/31/03 | | 12/31/04 | | 12/31/05 | | 12/31/06 | | Pro Forma | 12/31/06 | |
|---|------------|------------|------------|------------|------------|------------|--------------|------------|-------------|---|-----------------------|
| | Per Books | Percentage | Per Books | Percentage | Per Books | Percentage | Per Books | Percentage | Adjustments | Giving Effect to Proposed Transaction | Percentage |
| DEBT: | | | | | | | | | | | |
| Short-term debt | \$ 58,900 | | \$ 30,400 | | \$ 15,900 | | \$ 36,500 | | \$ (36,500) | \$ - | |
| Long-term debt | 407,285 | | 457,190 | | 507,086 | | 507,099 | | 200,000 | 707,099 | |
| Long-term debt - current portion | - | | - | | - | | - | | | - | |
| Total debt | 466,185 | 55.08% | 487,590 | 54.95% | 522,986 | 53.61% | 543,599 | 53.76% | 163,500 | 707,099 | 60.53% ^(b) |
| COMMON EQUITY: | | | | | | | | | | | |
| Common stock | - | | - | | - | | - | | | - | |
| Capital surplus, paid in | 156,555 | | 156,532 | | 209,788 | | 231,171 | | | 231,171 | |
| Retained earnings | 223,822 | | 243,277 | | 242,633 | | 236,215 | | (6,519) | 229,696 | |
| Accumulated other comprehensive income/(loss) | (117) | | (110) | | 83 | | 176 | | | 176 | |
| Total common equity | 380,260 | 44.92% | 399,699 | 45.05% | 452,504 | 46.39% | 467,562 | 46.24% | (6,519) | 461,043 | 39.47% |
| Total capital | \$ 846,445 | 100.00% | \$ 887,289 | 100.00% | \$ 975,490 | 100.00% | \$ 1,011,161 | 100.00% | \$ 156,981 | \$ 1,168,142 | 100.00% |

(a) Projections are based on latest 5-year forecast, dated July 9, 2006

(b) The Company plans to receive equity contributions from NU Parent as needed to maintain targeted debt to capitalization percentage of approximately 55%.

ATTACHMENT 5
Page 3 of 3
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
SOURCES AND APPLICATION OF FUNDS AND CAPITALIZATION
AS OF DECEMBER 31, 2003, 2004, 2005 AND 2006
AND PROJECTED^(a) AS OF DECEMBER 31, 2007, 2008 and 2009

(Thousands of Dollars)

| | 12-31-07 Projected | Percentage | 12-31-08 Projected | Percentage | 12-31-09 Projected | Percentage |
|----------------------------------|-----------------------|----------------|-----------------------|----------------|-----------------------|----------------|
| DEBT: | | | | | | |
| Short-term debt | \$ 66,084 | | \$ 82,324 | | \$ 67,167 | |
| Long-term debt | 557,097 | | 607,111 | | 672,125 | |
| Long-term debt - current portion | - | | - | | - | |
| Total debt | <u>623,181</u> | <u>54.06%</u> | <u>689,435</u> | <u>54.09%</u> | <u>739,291</u> | <u>54.20%</u> |
| COMMON EQUITY: | | | | | | |
| Common stock | 93,684 | | 124,184 | | 136,684 | |
| Capital surplus, paid in | 183,537 | | 183,537 | | 183,537 | |
| Retained earnings | 252,308 | | 277,438 | | 304,557 | |
| Total common equity | <u>529,529</u> | <u>45.94%</u> | <u>585,158</u> | <u>45.91%</u> | <u>624,777</u> | <u>45.80%</u> |
| Total capital | <u>\$ 1,152,710</u> | <u>100.00%</u> | <u>\$ 1,274,593</u> | <u>100.00%</u> | <u>\$ 1,364,069</u> | <u>100.00%</u> |

(a) Projections are based on latest 5-year forecast, dated July 9, 2006

Attachment 6
Draft Sample PSNH Board Resolutions

PSNH Directors Consent
_____, 2007

ISSUANCE OF FIRST MORTGAGE BONDS; EXTENSION OF AUTHORIZATION TO ENTER INTO INTEREST RATE RISK MANAGEMENT TRANSACTIONS

WHEREAS, the officers of Public Service Company of New Hampshire (“PSNH”) have recommended that PSNH issue one or more new series of first mortgage bonds, in an aggregate principal amount not to exceed \$_____, upon the terms and within the parameters set forth below, the proceeds of which issuances shall be used primarily to refinance short-term debt, to finance anticipated capital expenditures, and to pay issuance costs.

WHEREAS, the officers of PSNH have recommended that PSNH enter into interest rate locks with respect to anticipated indebtedness of the Company through December 31, 2008.

NOW, THEREFORE, BE IT

RESOLVED, that subject to the limitations set forth below, the Senior Vice President and Chief Financial Officer, the Vice President and Treasurer and the Assistant Treasurer-Finance of PSNH (collectively, the “Financial Officers”) are authorized to cause PSNH to issue, at any time or from time to time through December 31, 2008 (the “Issuance Period”), not more than \$_____ in aggregate principal amount of its first mortgage bonds, the proceeds of which shall be used to refinance PSNH’s short-term debt; to finance anticipated capital expenditures and to pay for issuance costs and such bonds shall be issued in one or more series, the first such series to be designated the “First Mortgage Bonds, Series N Due 20__” (“Series N Bonds”) and shall have a maturity of not less than one nor more than forty years.

RESOLVED, that the Financial Officers are severally authorized during the Issuance Period to approve and execute PSNH’s acceptance of a proposal for the purchase of up to \$_____ aggregate principal amount of Bonds, between PSNH and a representative of a group of underwriters (singly or collectively, the “Underwriter”) and otherwise in accordance with the following terms:

| | |
|----------------------|--|
| Interest Rate: | Not in excess of 200 basis points above the prevailing market interest rate on U.S. Treasury Securities with a comparable maturity or average life, as the case may be |
| Underwriting Spread: | Not in excess of _____% of the aggregate principal amount of the Series _ Bonds |
| Principal Amount: | Not in excess of \$_____ |
| Maturity: | Not earlier than the first nor later than the fortieth anniversary of the date of issuance |
| Sinking Fund: | None |

Redemption: The Series _ Bonds are redeemable with a “make-whole” premium or such other terms as the Financial Officers may determine

RESOLVED, that the Financial Officers are severally authorized, in the name and on behalf of PSNH, to execute, and deliver, at any time within the Issuance Period, and thereafter to perform under, an Underwriting Agreement to be dated such date within the Issuance Period (the “Underwriting Agreement”) between PSNH and the Underwriter, which Underwriting Agreement shall be in substantially the form as circulated with this consent, but with such changes therein (including the insertion, where appropriate, of the interest rate, principal amount, maturity date of the Series _ Bonds, the names of the Underwriter, the amount to be purchased by each Underwriter, the date of the Underwriting Agreement and such other material terms as the Financial Officers deem appropriate) as may be approved by the Financial Officer so acting, such approval to be conclusively evidenced by their execution and delivery of the Underwriting Agreement.

RESOLVED, that this Board confirms and ratifies the execution and filing, in the name and on behalf of PSNH, with the Public Utilities Commission of the State of New Hampshire (“NHPUC”) and the Vermont Public Service Board (“VPSB”) of applications for (i) the incurrence of up to \$_____ aggregate principal amount of the Series _ Bonds; (ii) the use of interest rate locks in a notional amount not exceeding the total principal amount of the debt issued in connection with these securities; and (iii) the mortgage of property in connection with the issuance of long-term debt.

RESOLVED, that the officers of PSNH are further severally authorized to effect such amendments to the application filed with the NHPUC and the VPSB, and to take such other actions with respect thereto, as they may severally deem necessary or desirable.

RESOLVED, that PSNH shall effect the issue, sale and delivery of the Series _ Bonds, in accordance with and upon the terms and conditions set out in the Underwriting Agreement, and that the interest rate to be borne by the Series _ Bonds, expressed as a percentage per annum, shall be such rate, the principal amount of the Series _ Bonds shall be such amount, the maturity date of the Series _ Bonds shall be such date, and the redemption provisions shall have such terms as shall be within the parameters set forth above and approved by any Financial Officer and certified by any of them to the Trustee under PSNH’s First Mortgage Indenture dated as of August 15, 1978 with U.S. Bank, National Association, as successor to Wachovia Bank, successor to First Fidelity Bank and First Union National Bank, as Trustee (“Trustee”), as heretofore amended and supplemented (the “Indenture”).

RESOLVED, the Financial Officers are hereby authorized to execute and deliver (i) a Supplemental Indenture (the “Supplemental Indenture”), to be dated as of the first of the month of the date of issuance of the Series _ Bonds, with Trustee, (ii) one or more Series _ Bonds as provided thereunder to evidence the obligation of PSNH with respect thereto, and (iii) any and all such further instruments and documents as are provided for therein, all substantially in the form circulated with this consent but with such changes thereto as may be approved by the Financial Officer so acting, such approval to be conclusively evidenced by their execution and delivery of such documents.

RESOLVED, that it is desirable and in the best interests of PSNH that its Series _ Bonds be qualified or registered for sale in various states; that this Board hereby authorizes its officers to take any and all action to determine the states in which appropriate action shall be taken to

qualify or register for sale all or such part of the Series _ Bonds as said officers may deem advisable, including, but not limited to, the execution and filing of applications, reports, surety bonds, irrevocable consents and appointments of attorneys for service of process, and the execution by such officers of any such paper or document or doing by them of any act in connection with the foregoing matters shall conclusively establish their authority therefor from PSNH.

RESOLVED, the Trustee is hereby requested to authenticate and deliver the Series _ Bonds on the order of any one of the Financial Officers.

RESOLVED, that the Series _ Bonds shall be issued in fully registered form without coupons, in denominations of \$1,000 and any multiples thereof.

RESOLVED, that the Series _ Bonds shall be substantially in the form set out in Schedule A to the form of Supplemental Indenture, but with such changes therein, not contrary to the general tenor thereof (including the insertion, where appropriate, of the maturity date, principal amount, and the interest rate to be borne by the Series _ Bonds), as may be approved by any Financial Officer, such approval to be conclusively evidenced by the initial sale of the Series _ Bonds; and that the Series _ Bonds shall be dated, shall mature, shall be payable, transferable and exchangeable, and shall contain and be subject to such other terms and provisions as are provided in said Indenture and said Supplemental Indenture.

RESOLVED, that the Financial Officers are authorized to take any action necessary to cause the Series _ Bonds to be represented by one or more global securities, which shall be registered in the name of The Depository Trust Company, New York, New York (the "Depository"), or its successor or nominee, including the execution and delivery of a Letter of Representations among the Trustee, PSNH and the Depository (the "Representation Letter").

RESOLVED, that the Financial Officers are severally authorized and empowered to take, in their discretion, any and all action necessary or convenient to provide for the authentication, issue, sale and delivery of up to \$_____ principal amount of the Series _ Bonds and all other matters necessary or convenient to effect the purposes of the foregoing resolutions which the officer acting may deem necessary or advisable or which may be required by the terms of said Indenture in connection with the execution and delivery of said Supplemental Indenture, the Underwriting Agreement or the Representation Letter, including, without limitation of the foregoing, the execution on behalf of PSNH of all documents required or appropriate in connection therewith and the payment of any taxes or fees required with respect thereto, and compliance with applicable recording and filing requirements.

RESOLVED, that the officers of PSNH are further severally authorized to effect such amendments and additional supplements to the Registration Statement on Form S-3 filed with the Securities and Exchange Commission on March 20, 2007 registering an undetermined amount of PSNH's First Mortgage Bonds, previously approved by this Board, and to the prospectus describing PSNH First Mortgage Bonds, and to take such other action with respect thereto as they may severally deem necessary or desirable.

RESOLVED, that the Financial Officers or their approved designees (consistent with the Northeast Utilities System Interest Rate Risk Management Policies and Procedures dated _____, as they may be amended from time to time ("Policies")), are each authorized at any time up to and including December 31, 2008, to enter into, for and on behalf of PSNH, interest rate hedging transactions with respect to existing and anticipated indebtedness of PSNH through the use of derivative financial instruments, including but not limited to swaps, caps, collars, floors, interest

rate locks or forward purchase arrangements, in accordance with the parameters set forth in the Policies.

RESOLVED, that the officers of PSNH are each authorized to take, in their discretion, any and all actions necessary or desirable to carry out the purposes and intent of the foregoing resolutions, including, without limitation, the execution and delivery of all necessary documents and agreements, and the preparation and filing of applications for approval of such transactions and reports with respect thereto, as required by law or any regulatory authority.

COMPOSITE (Including All Amendments to _____)

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

and

U.S. BANK, NATIONAL ASSOCIATION

Successor to WACHOVIA BANK, NATIONAL ASSOCIATION

and to

FIRST UNION NATIONAL BANK

Formerly Known as FIRST FIDELITY BANK, NATIONAL ASSOCIATION,
NEW JERSEY

Successor to BANK OF NEW ENGLAND, NATIONAL ASSOCIATION
(Formerly Known as NEW ENGLAND MERCHANTS NATIONAL BANK)

and to

NEW BANK OF NEW ENGLAND, NATIONAL ASSOCIATION, TRUSTEE

To Secure

First Mortgage Bonds

First Mortgage Indenture

Dated as of August 15, 1978,

As amended by _____ Supplemental Indentures
(to and including _____ Supplemental Indenture
dated as of _____ and effective as of _____)

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

FIRST MORTGAGE INDENTURE
DATED AS OF AUGUST 15, 1978
(as amended to _____)

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PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Reconciliation and tie between Trust Indenture Act of 1939 and Mortgage, as amended through

_____.

| Trust Indenture Act Section | Mortgage Section |
|-----------------------------|------------------|
| §§ 310 (a)(1) | 1009 |
| (a)(2) | 1009 |
| (a)(3) | 1014 |
| (a)(4) | Not Applicable |
| (b)..... | 1008, 1010 |
| §§ 311 (a)..... | 1013 |
| (b)..... | 1013 |
| (c)..... | Not Applicable |
| §§ 312 (a)..... | 1101 |
| (b)..... | 1101 |
| (c)..... | 1101 |
| §§ 313 (a)..... | 1102 |
| (b)(1) | Not Applicable |
| (b)(2) | 1102 |
| (c)..... | 1102 |
| (d)..... | 1102 |
| §§ 314 (a)..... | 1102 |
| (a)(4) | 705 |
| (b)..... | 1614 |
| (c)(1) | 103 |
| (c)(2) | 103 |
| (c)(3) | Not Applicable |
| (d)..... | 1610 |
| (e)..... | 103 |
| §§ 315 (a)..... | 1001(a) |
| (b)..... | 1002 |
| (c)..... | 1001(b) |
| (d)..... | 1001(c) |
| (d)(1)..... | 1001(a), 1001(c) |
| (d)(2)..... | 1001(c) |
| (d)(3)..... | 1001(c) |
| (e)..... | 914 |
| §§ 316 (a)..... | 912, 913 |
| (a)(1)(A)..... | 902, 912 |
| (a)(1)(B)..... | 913 |
| (a)(2)..... | Not Applicable |
| (b)..... | 908 |
| §§ 317 (a)(1) | 903 |
| (a)(2)..... | 904 |
| (b)..... | 703 |
| §§ 318 (a)..... | 108 |

THIS FIRST MORTGAGE INDENTURE dated as of August 15, 1978 (hereinafter generally referred to as the "Original Indenture" and sometimes referred to, with each and every prior indenture supplemental hereto and each and every other instrument which the Company, pursuant to the provisions hereof, may execute with the Trustee and which is therein stated to be supplemental to the Original Indenture, as the "Mortgage"), between PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE (hereinafter with its successors and assigns generally called the "Company"), a corporation duly organized and existing under the laws of the State of New Hampshire, having its principal place of business at Energy Park, 780 Commercial Street in Manchester, New Hampshire 03101, and U.S. BANK, NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America, having its principal corporate trust office at _____, and duly authorized to execute the trusts hereof, successor to Wachovia Bank, National Association, successor to First Union National Bank formerly known as First Fidelity Bank, National Association New Jersey successor to Bank of New England, National Association (formerly known as New England Merchants National Bank) and to New Bank of New England, National Association (hereinafter with its successors generally called the "Trustee").

(Recitals Omitted)

NOW, THEREFORE, THIS INDENTURE WITNESSETH that, in consideration of the premises and of the authentication, purchase and acceptance of the initial issue of the Series A Bonds described in section 2.12 of the Original Indenture, of the sum of \$10 duly paid to the Company by the Trustee, and of other good and valuable considerations, receipt whereof upon the ensembling and delivery of this Mortgage the Company hereby acknowledges, and in order to secure the equal pro rata payment (except as herein otherwise provided) of the principal of, and premium, if any, and interest on, all of the bonds at any time authenticated, issued and outstanding hereunder, according to their tenor, purport and effect and the provisions hereof, and to secure the faithful performance and observance of all the covenants, obligations, conditions and provisions therein and herein contained, and to declare the terms and conditions upon which the bonds are and are to be secured, authenticated, issued, delivered, transferred and exchanged, and upon which the trusts hereof are to be administered by the Trustee, and upon which the property hereby mortgaged and pledged is to be held and disposed of, all as hereinafter provided,

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE by these presents does give, grant, bargain, sell, pledge, assign, transfer, mortgage and convey, unto U.S. Bank, National Association, and its successors in the trust hereof, and its and their assigns, all and singular the following described property and rights and interests in property, whether now owned or hereafter acquired by the Company (all of the foregoing, with all other property and rights and interests in property intended to be hereby given, granted, bargained, sold, pledged, assigned, transferred, mortgaged and conveyed, or at any time given, granted, bargained, sold, pledged, assigned, transferred, mortgaged or conveyed, and all proceeds of any of the foregoing at any time given, granted, bargained, sold, pledged, assigned, transferred, mortgaged or conveyed to and from time to time held by the Trustee upon the trusts hereof, being herein generally called, collectively, the trust estate), namely:

ALL REAL ESTATE and rights and interests in and to real estate, all plants, substations, structures, transmission and distribution lines, facilities and other physical property used or useful

in the business of generating, producing, purchasing, transmitting or distributing electricity, all machinery, equipment, inventory, materials, supplies, tools, vessels and other tangible personal property used or useful in connection therewith, and all dams, reservoirs and water, flowage and riparian rights, and franchises, licenses, permits, approvals, other general intangibles, easements and rights of way used or useful in connection with said business, and all other property wherever located and of whatever nature, to the extent of all the Company's ownership interest, therein regardless of the nature of such ownership interest, whether the entire ownership interest in the property concerned or a jointly held interest in common with others, divided or undivided, or otherwise, whether real, personal or mixed, and whether now owned or hereafter acquired by the Company; including, without limitation, all property described or referred to in Schedule A attached to the Original Indenture and hereby made a part hereof as fully as if set forth herein at length, or in any instrument referred to in said Schedule A, in all cases not specifically reserved, excepted and excluded;

TOGETHER with all the Company's now-existing or hereafter acquired right, title and interest to any and all physical property of the Company, now or hereafter subject to any prior mortgage, pledge, charge or other encumbrance or lien, and the cash and other proceeds therefrom, to the extent that such property, cash and proceeds shall not be otherwise held or applied pursuant to the requirements of such mortgage, pledge, charge or other encumbrance or lien;

AND TOGETHER WITH all and singular the now-existing and hereafter-acquired rights, privileges, tenements, hereditaments and appurtenances belonging or in any wise appertaining in and to the aforesaid property or any part thereof, with all reversion and reversions, remainder and remainders and, subject to the provisions of the Mortgage, all tolls, rents, revenues, earnings, interest, dividends, royalties, issues, income and profits thereof, and all the estate, right, title, interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire, in and to all and every part of the foregoing, it being the intention to include herein and to subject to the lien hereof all land, interests in land, real estate, physical assets, other property and interests in property, and franchises, whether now owned by the Company or which it may hereafter acquire, and wherever situated, as if the same were now owned by the Company and were specifically described and conveyed hereby, except as hereinafter specified;

The foregoing property, and rights and interests in property, being located in the following listed New Hampshire municipalities as well as in various municipalities in the states of Maine, Vermont and Massachusetts:

(Listing of Counties and Municipalities Omitted)

SUBJECT, HOWEVER, (i) to Permitted Liens as that term is defined in the Mortgage and (ii) as to the property specifically described or referred to in Schedule A attached to the Original Indenture, to the liens, charges, encumbrances, reservations, exceptions, exclusions, restrictions, conditions, limitations, covenants and interests described or referred to in Schedule A or in any instrument referred to in Schedule A;

AND SUBJECT FURTHER, as to all hereafter-acquired property, to all defects and limitations of title and to all other liens, charges, encumbrances, reservations, exceptions,

exclusions, restrictions, conditions, limitations, covenants and interests existing at the time of such acquisition;

BUT SPECIFICALLY RESERVING, EXCEPTING AND EXCLUDING from the Mortgage, and from the grant, conveyance, mortgage, transfer, pledge and assignment herein contained, all right, title and interest of the Company now owned or hereafter acquired, in and to the following property and rights, all of which, if not previously reserved, excepted and excluded, or released and discharged from the operation and lien on the Mortgage, is hereby released and discharged from the operation and lien of the Mortgage (herein sometimes called "Excepted Property"):

(i) all cash on hand or in banks or other financial institutions, deposit accounts, securities accounts, shares of stock, interests in business trusts or general or limited partnerships or limited liability companies, bonds, notes, mortgages, other evidences of indebtedness and other securities, security entitlements and investment property, of whatsoever kind and nature, not hereafter paid or delivered to, deposited with or held by the Trustee hereunder or required so to be;

(ii) all rights, contracts, leases, operating agreements and other agreements of whatsoever kind and nature; all contract rights, bills, notes and other instruments and chattel paper (except to the extent that any of the same constitute securities, security entitlements or investment property, in which case they are separately excepted from the Lien of this Mortgage under clause (i) above); all revenues, income and earnings, all accounts, accounts receivable, rights to payment, payment intangibles and unbilled revenues, transition property, and all rents, tolls, earnings, issues, product and profits, revenues, dividends, income, claims, credits, demands and judgments; all governmental and other licenses, permits, franchises, consents and allowances; and all patents, patent licenses and other patent rights, patent applications, trade names, trademarks, copyrights and other intellectual property; and all claims, credits, choses in action, commercial tort claims and other intangible property and general intangibles including, but not limited to, computer software;

(iii) all automobiles, buses, trucks, truck cranes, tractors, trailers and similar vehicles and movable equipment; all rolling stock, rail cars and other railroad equipment; all vessels, boats, barges, and other marine equipment; all airplanes, helicopters, aircraft engines and other flight equipment; all parts, accessories and supplies used in connection with any of the foregoing; and all personal property of such character that the perfection of a security interest therein or other Lien thereon is not governed by the Uniform Commercial Code as in effect in the jurisdiction in which such property is located;

(iv) all goods, stock in trade, wares, merchandise and inventory held for the purpose of sale or lease in the ordinary course of business; all materials, supplies, inventory and other items of personal property which are consumable (otherwise than by ordinary wear and tear) in their use in the operation of the Mortgaged Property; all fuel, all hand and other portable tools and equipment; all furniture and furnishings; and computers and data processing, data storage, data transmission, telecommunications and other facilities, equipment and apparatus, which, in any case, are used primarily for administrative or clerical purposes or are otherwise not necessary for the operation or maintenance of the facilities, machinery, equipment or fixtures described or referred to in the Granting Clauses of this Mortgage;

(v) all coal, lignite, ore, gas, oil and other minerals and all timber, and all rights and interests in any of the foregoing, whether or not such minerals or timber shall have been mined or extracted or otherwise separated from the land; and all electric energy and capacity, gas (natural or artificial), steam, water and other products generated, produced, manufactured, purchased or otherwise acquired by the Company;

(vi) all real property, leaseholds, gas rights, wells, gathering, tap or other pipe lines, or facilities, equipment or apparatus, in any case used or to be used primarily for the production or gathering of natural gas;

(vii) all property which is the subject of a lease agreement designating the Company as lessee and all right, title and interest of the Company in and to such property and in, to and under such lease agreement, whether or not such lease agreement is intended as security;

(viii) all property, real, personal and mixed, which has been released from the Lien of this Mortgage, and any improvements, extensions and additions to such properties and renewals, replacements and substitutions of or for any parts thereof;

(ix) all leasehold interests, permits, licenses and similar rights, whether now owned or hereafter acquired by the Company, which are intended to be hereby conveyed, transferred or assigned and which may not be legally so conveyed, transferred or assigned, or which cannot be so conveyed, transferred or assigned without the consent of other parties whose consent is not secured or without subjecting the Trustee to a liability not otherwise contemplated by the provisions of the Mortgage or which otherwise may not be hereby lawfully and/or effectively granted, conveyed, mortgaged, transferred and assigned by the Company;

(x) the last day of the term of each leasehold estate (oral or written, or any agreement therefor) then owned or thereafter acquired by the Company;

(xi) the Company's books and records;

(xii) residential real estate purchased from employees of the Company for resale;
and

(xiii) all property not acquired or constructed by the Company for use in its electric generation, transmission and distribution business;

provided, however, that, at any time on and after the First Effective Date, subject to the provisions of Section 1203, (A) if, at any time after the occurrence of an Event of Default, the Trustee, or any separate trustee or co-trustee appointed under Section 1014 or any receiver appointed pursuant to Section 917 or otherwise, shall have entered into possession of all or substantially all the Mortgaged Property, to the extent permitted by law, all the Excepted Property described or referred to in the foregoing clauses (iii) and (v) then owned or held or thereafter acquired by the Company, to the extent that the same is used in connection with, or otherwise relates or is attributable to, the Mortgaged Property, shall immediately, and, in the case of any Excepted Property described or referred to in clause (vii), to the extent that the same is used in connection with, or otherwise relates or is attributable to, the Mortgaged Property, become subject to the Lien of this Mortgage, junior and subordinate to any Liens at that time existing on such Excepted Property, and the Trustee or

such other trustee or receiver may, to the extent permitted by law or by the terms of any such other Lien (and subject to the rights of the holders of all such other Liens), at the same time likewise take possession thereof, (B) whenever all Events of Default shall have been cured and the possession of all or substantially all of the Mortgaged Property shall have been restored to the Company, such Excepted Property shall again be excepted and excluded from the Lien hereof to the extent set forth above; it being understood that the Company may, however, pursuant to any future amendment to this Mortgage subject any Excepted Property to the Lien of this Mortgage whereupon the same shall cease to be Excepted Property, and (C) to the extent not prohibited by any other provision of the Mortgage, nothing contained in the release herein provided for shall prevent the Company, prior to any such entering into possession, from selling, assigning, transferring, pledging or otherwise disposing of property of the character thereby released from the lien hereof by this paragraph and in any such case the title, possession or other rights of the purchaser, assignee or transferee thereof shall be free and clear of such lien as would otherwise attach under the Mortgage in the event of such entering into possession.

The Company expressly reserves the right, at any time and from time to time, by indentures supplemental hereto, to subject to the lien and operation of the Mortgage any part or all of the property reserved, excepted and excluded from the lien and operation hereof upon such terms and conditions and subject to such restrictions, limitations and reservations as it may determine and as may be approved by the Trustee;

BUT INCLUDING, NEVERTHELESS, any and all cash, bonds, stocks, notes, obligations and other securities and other property which at any time hereafter, by delivery or writing of any kind for the purposes hereof, may be expressly conveyed, mortgaged, pledged, delivered, assigned, transferred or paid to or deposited with the Trustee hereunder by the Company, or with its consent by any one in its behalf, as and for any additional security for the bonds issued and to be issued hereunder, the Trustee being authorized at any and all times to receive such conveyance, mortgage, pledge, delivery, assignment, transfer, payment or deposit, and to hold and apply any and all such cash, bonds, stocks, notes, obligations and other securities and other property in accordance with the provisions hereof and/or of such writing.

TO HAVE AND TO HOLD all said plant, premises, property, franchises and rights hereby conveyed, assigned, pledged or mortgaged, or intended so to be, unto the Trustee, its successor or successors in trust, and to its and their assigns forever;

BUT IN TRUST, NEVERTHELESS, with power of sale, for the equal pro rata benefit, security and protection of the owners of the bonds without any preference, priority or distinction whatever of any one bond over any other bond by reason of priority in the issue, sale or negotiation thereof, or otherwise;

PROVIDED, HOWEVER, and these presents are upon the condition, that if the Company shall pay or cause to be paid or make appropriate provision for the payment unto the holders of the bonds the principal, premium, if any, and interest to become due thereon at the times and in the manner stipulated therein and shall keep, perform and observe all and singular the covenants, agreements and provisions in the Mortgage expressed to be kept, performed and observed by or on the part of the Company, then the Mortgage and the estate and rights hereby granted shall, pursuant

to the provisions of the Mortgage, cease, determine and be void, but otherwise shall be and remain in full force and effect.

The Company hereby declares that it holds and will hold and apply all property described in (h) and (i) above as specifically reserved and excepted upon the trusts herein set forth and as the Trustee (or any purchaser thereof upon any sale thereof hereunder) shall for such purpose direct from time to time, to the fullest extent permitted by law or in equity, as fully as if the same could be and had been hereby granted, conveyed, mortgaged, transferred and assigned to and vested in the Trustee.

And it is hereby covenanted, declared and agreed, upon the trusts and for the purposes aforesaid, as set forth in the following covenants, agreements, conditions and provisions, viz.:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 101. DEFINITIONS.

For all purposes of this Mortgage, except as otherwise expressly provided or unless the context otherwise requires:

- (a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;
- (b) all terms used herein without definition which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;
- (c) all terms used herein without definition which are defined in the Uniform Commercial Code of New Hampshire as in effect on the First Effective Date shall have the meanings assigned to them therein;
- (d) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles in the United States, and, except as otherwise herein expressly provided, the term “generally accepted accounting principles” with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted in the United States at the date of such computation or, at the election of the Company from time to time, at the First Effective Date; provided, however, that in determining generally accepted accounting principles applicable to the Company, effect shall be given, to the extent required, to any order, rule or regulation of any administrative agency, regulatory authority or other governmental body having jurisdiction over the Company; and provided, further, that to the extent the Company elects to use a computation that is not based on accounting principles that are generally accepted in the United States on the date of such computation, the Company shall so state and shall certify that such principles were in effect at the First Effective Date;
- (e) the table of contents and headings are for reference purposes only and shall not in any way affect the meaning or interpretation of this Mortgage.

(f) The terms and provisions hereof that have no force or effect before the Second Effective Date shall not in any way affect the meaning or interpretation of any provisions hereof that shall be in effect on and after the First Effective Date and, correspondingly, the terms and provisions hereof that have no force and effect after the Second Effective Date shall not in any way affect the meaning or interpretation of any provisions hereof that shall be in effect on and after the Second Effective Date;

(g) any reference to an “Article” or a “Section” refers to an Article or a Section, as the case may be, of this Mortgage; and

(h) the words “herein”, “hereof” and “hereunder” and other words of similar import refer to this Mortgage as a whole and not to any particular Article, Section or other subdivision.

“ACCOUNTANT” means a person engaged in the accounting profession or otherwise qualified to pass on accounting matters (including, but not limited to, a Person certified or licensed as a public accountant, whether or not then engaged in the public accounting profession), which Person, unless required to be Independent, may be an employee or Affiliate of the Company.

“ACT”, when used with respect to any Holder of a Security, has the meaning specified in Section 105.

“AFFILIATE” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “CONTROL” when used with respect to any specified Person means the power to direct generally the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “CONTROLLING” and “CONTROLLED” have meanings correlative to the foregoing.

“AUTHENTICATING AGENT” means any Person or Persons (other than the Company or an Affiliate of the Company) authorized by the Trustee to act on behalf of the Trustee to authenticate the Securities of one or more series.

“AUTHORIZED OFFICER” means the Chairman of the Board, the Vice Chairman, the President, any Vice President, the Treasurer, any Assistant Treasurer, or any other officer, manager or agent of the Company duly authorized pursuant to a Board Resolution to act in respect of matters relating to this Mortgage.

“AVAILABLE CASH”, at any time, shall mean all cash then held by, or deposited with, the Trustee other than cash so held or deposited pursuant to Section 307 or Article Eight.

“BOARD OF DIRECTORS” means either the board of directors, board of managers or similar governing body of the Company or any committee thereof duly authorized to act in respect of matters relating to this Mortgage.

“BOARD RESOLUTION” means a copy of a resolution certified by the Secretary, an Assistant Secretary or an Authorized Officer of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“BUSINESS DAY”, when used with respect to a Place of Payment or any other particular location specified in the Securities or this Mortgage, means any day, other than a Saturday or Sunday, which is not a day on which banking institutions or trust companies in such Place of Payment or other location, or in the place in which the Corporate Trust Office is located, are generally authorized or required by law, regulation or executive order to remain closed, except as may be otherwise specified as contemplated by Section 301.

“CAPITALIZED LEASE LIABILITIES” means, with respect to any Person, the amount, if any, shown as liabilities on such Person’s unconsolidated balance sheet for capitalized leases of electric transmission and distribution property not owned by such Person, which amount shall be determined in accordance with generally accepted accounting principles and practices applicable to the type of business in which such Person is engaged.

“COMMISSION” means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the First Effective Date such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body, if any, performing such duties at such time.

“COMPANY” means the Person named as the “Company” in the first paragraph of this Mortgage until a successor Person shall have become such pursuant to the applicable provisions of this Mortgage, and thereafter “Company” shall mean such successor Person.

“COMPANY ORDER” or “COMPANY REQUEST” mean, respectively, a written order or request, as the case may be, signed in the name of the Company by an Authorized Officer and delivered to the Trustee.

“CORPORATE TRUST OFFICE” means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office at the First Effective Date is located at _____.

“CORPORATION” means a corporation, association, company, limited liability company, partnership, limited partnership, joint stock company or business trust, and references to “corporate” and other derivations of “corporation” herein shall be deemed to include appropriate derivations of such entities.

“COST” with respect to Property Additions has the meaning specified in Section 102.

“DEBT”, with respect to any Person, means, without duplication, (A) indebtedness of such Person for borrowed money evidenced by a bond, debenture, note or other written instrument or agreement by which such Person is obligated to repay such borrowed money, (B) any guaranty by such Person of any such indebtedness of another Person, and (C) any Capitalized Lease Liabilities of such Person. “Debt” does not include, among other things, (v) indebtedness of such person under any installment sale or conditional sale agreement or any other agreement relating to indebtedness for the deferred purchase price of property or services, (w) any trade obligation (including obligations under power or other commodity purchase agreements and any hedges or derivatives associated therewith), or other obligations of such Person in the ordinary course of business, (x) obligations of such Person under any lease agreement that are not Capitalized Lease Liabilities, (y) any Liens securing indebtedness, neither assumed nor guaranteed by such Person nor

on which it customarily pays interest, existing upon real estate or rights in or relating to real estate acquired by such Person for substation, transmission line, transportation line, distribution line or right of way purposes or (z) any Rate Reduction Bonds or other obligations which are non-recourse to such Person.

“DEFAULTED INTEREST” has the meaning specified in Section 307.

“DISCOUNT SECURITY” means any Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 902. “Interest” with respect to a Discount Security means interest, if any, borne by such Security at a Stated Interest Rate.

“DOLLAR” or “\$” means a dollar or other equivalent unit in such coin or currency of the United States of America as at the time shall be legal tender for the payment of public and private debts.

“ELECTRIC UTILITY PROPERTY” means any facilities, machinery, equipment and fixtures for the generation, transmission and distribution of electric energy, including electric generating facilities switchyards, towers, substations, transformers, poles, lines, cable, conduits, ducts, conductors, meters, regulators and all other property of the Company, real or personal, or improvements, extensions, additions, renewals or replacements of the foregoing, in each case used or useful or to be used in or in connection with the business of generating, transmitting and distributing electric energy of the character described in the Granting Clauses of this Mortgage, whether owned by the Company at the First Effective Date or hereafter acquired (other than Excepted Property with respect to all of the property described in this definition).

“ELIGIBLE OBLIGATIONS” means:

(a) with respect to Securities denominated in Dollars, Government Obligations or, if specified pursuant to Section 301 with respect to any Securities, other Investment Securities; or

(b) with respect to Securities denominated in a currency other than Dollars or in a composite currency, such other obligations or instruments as shall be specified with respect to such Securities, as contemplated by Section 301.

“EVENT OF DEFAULT” has the meaning specified in Section 901.

“EXCEPTED PROPERTY”, has the meaning specified in the Exceptions clauses portion of the Granting clauses of this Mortgage.

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

“EXPERT” means a Person which is an engineer, appraiser or other expert and which, with respect to any certificate to be signed by such Person and delivered to the Trustee, is qualified to pass upon the matters set forth in such certificate. For purposes of this definition, (a) “engineer” means a Person engaged in the engineering profession or otherwise qualified to pass upon engineering matters (including, but not limited to, a Person licensed as a professional engineer, whether or not then engaged in the engineering profession) and (b) “appraiser” means a Person

engaged in the business of appraising property or otherwise qualified to pass upon the Fair Value or fair market value of property.

“EXPERTS’ CERTIFICATE” means a certificate signed by an Authorized Officer, by an Accountant and by an Expert (which Accountant and Expert (a) shall be selected either by the Board of Directors or by an Authorized Officer, the execution of such certificate by such Authorized Officer to be conclusive evidence of such selection, and (b) except as otherwise required in Sections 401 and 1610, may be an employee or Affiliate of the Company) and delivered to the Trustee. The amount stated in any Experts’ Certificate as to the Cost, Fair Value or fair market value of property shall be conclusive and binding upon the Company, the Trustee and the Holders of the Securities.

“FAIR VALUE”, with respect to property, means the fair value of such property as determined in the reasonable judgment of the Expert certifying to such value, such determination to be based on any one or more factors deemed relevant by such Expert including, without limitation, (a) the amount which would be likely to be obtained in an arm’s-length transaction with respect to such property between an informed and willing buyer and an informed and willing seller, under no compulsion, respectively, to buy or sell, (b) the amount of investment with respect to such property which, together with a reasonable return thereon, would be likely to be recovered through ordinary business operations or otherwise, (c) the Cost, accumulated depreciation, and replacement cost with respect to such property and/or (d) any other relevant factors; provided, however, that (x) the Fair Value of property shall be determined without deduction for any Liens on such property prior to the Lien of this Mortgage (except as otherwise provided in Section 1603) and (y) the Fair Value to the Company of Property Additions may be of less value to a Person which is not the owner or operator of the Mortgaged Property or any portion thereof than to a Person which is such owner or operator. Fair Value may be determined, without physical inspection, by the use of accounting and engineering records and other data maintained by the Company or otherwise available to the Expert certifying the same.

“FIRST EFFECTIVE DATE” means the date _____.

“GOVERNMENTAL AUTHORITY” means the government of the United States or of any State or Territory thereof or of the District of Columbia or of any county, municipality or other political subdivision of any thereof, or any department, agency, authority or other instrumentality of any of the foregoing.

“GOVERNMENT OBLIGATIONS” means securities which are (a) (i) direct obligations of the United States where the payment or payments thereunder are supported by the full faith and credit of the United States or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States where the timely payment or payments thereunder are unconditionally guaranteed as a full faith and credit obligation by the United States or (b) depository receipts issued by a bank (as defined in Section 3(a)(2) of the Securities Act, which may include the Trustee or any Authenticating Agent or Paying Agent) as custodian with respect to any such Government Obligation or a specific payment of interest on or principal of or other amount with respect to any such Government Obligation held by such custodian for the account of the holder of a depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt

from any amount received by the custodian in respect of the Government Obligation or the specific payment of interest on or principal of or other amount with respect to the Government Obligation evidenced by such depository receipt.

“HOLDER” means a Person in whose name a Security is registered in the Security Register.

“INDEPENDENT”, when applied to any Accountant or Expert, means such a Person who (a) is in fact independent, (b) does not have any direct material financial interest in the Company or in any other obligor upon the Securities or in any Affiliate of the Company or of such other obligor, (c) is not connected with the Company or such other obligor as an officer, employee, promoter, underwriter, trustee, partner, director or any person performing similar functions and (d) shall be acceptable to the Trustee.

“INDEPENDENT EXPERTS’ CERTIFICATE” means a certificate signed by an Expert who is Independent and delivered to the Trustee.

“INTEREST” with respect to a Discount Security means interest, if any, borne by such Security at a Stated Interest Rate rather than interest calculated at any imputed rate.

“INTEREST PAYMENT DATE”, when used with respect to any Security, means the Stated Maturity of an installment of interest on such Security.

“INVESTMENT SECURITIES” means any of the following obligations or securities on which neither the Company, any other obligor on the Securities nor any Affiliate of either is the obligor: (a) Government Obligations; (b) interest bearing deposit accounts (which may be represented by certificates of deposit) in any national or state bank (which may include the Trustee or any Authenticating Agent or Paying Agent) or savings and loan association whose outstanding securities (or securities of the bank holding company owning all of the capital stock of such bank or savings and loan association) are rated by a nationally recognized rating organization in either of the two highest rating categories (without regard to modifiers) for short-term securities or in any of the three highest rating categories (without regard to modifiers) for long-term securities; (c) bankers’ acceptances drawn on and accepted by any commercial bank (which may include the Trustee or any Authenticating Agent or Paying Agent) whose outstanding securities (or securities of the bank holding company owning all of the capital stock of such commercial bank) are rated by a nationally recognized rating organization in either of the two highest rating categories (without regard to modifiers) for short-term securities or in any of the three highest rating categories (without regard to modifiers) for long-term securities; (d) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, any State or Territory of the United States or the District of Columbia, or any political subdivision of any of the foregoing, which are rated by a nationally recognized rating organization in either of the two highest rating categories (without regard to modifiers) for short-term securities or in any of the three highest rating categories (without regard to modifiers) for long-term securities; (e) bonds or other obligations of any agency or instrumentality of the United States; (f) corporate debt securities which are rated by a nationally recognized rating organization in either of the two highest rating categories (without regard to modifiers) for short-term securities or in any of the three highest rating categories (without regard to modifiers) for long-term securities; (g) repurchase agreements with respect to any of the foregoing obligations or securities with any banking or financial

institution (which may include the Trustee or any Authenticating Agent or Paying Agent) whose outstanding securities (or securities of the bank holding company owning all of the capital stock of such bank or financial institution) are rated by a nationally recognized rating organization in either of the two highest rating categories (without regard to modifiers) for short-term securities or in any of the three highest rating categories (without regard to modifiers) for long-term securities; (h) securities issued by any regulated investment company (including any investment company for which the Trustee or any Authenticating Agent or Paying Agent is the advisor), as defined in Section 851 of the Internal Revenue Code of 1986, as amended, or any successor section of such Code or successor federal statute, provided that the portfolio of such investment company is limited to obligations or securities of the character and investment quality contemplated in clauses (a) through (f) above and repurchase agreements which are fully collateralized by any of such obligations or securities; and (i) any other obligations or securities which may lawfully be purchased by the Trustee in its capacity as such.

“LIEN” means any mortgage, deed of trust, pledge, security interest, encumbrance, easement, lease, reservation, restriction, servitude, charge or similar right and any other lien of any kind, including, without limitation, any conditional sale or other title retention agreement, any lease in the nature thereof, and any defect, irregularity, exception or limitation in record title.

“MATURITY”, when used with respect to any Security, means the date on which the principal of such Security or an installment of principal becomes due and payable as provided in such Security or in this Mortgage, whether at the Stated Maturity, by declaration of acceleration, upon call for redemption or otherwise.

“MORTGAGE” means this instrument as originally executed and as it may from time to time be supplemented or amended by one or more Mortgages supplemental hereto entered into pursuant to the applicable provisions hereof, including, for all purposes of this instrument and any such supplemental Mortgage, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this Mortgage and any such supplemental Mortgage, respectively. The term “Mortgage” shall also include the provisions or terms of particular series of Securities established in any Officers’ Certificate, Board Resolution or Company Order delivered pursuant to Sections 201, 301, 303 and 1307.

“MORTGAGED PROPERTY” the terms “Mortgaged Property” or “trust estate” mean, as of any particular time, all property which at such time is subject to the Lien of this Mortgage.

“NOTICE OF DEFAULT” means a written notice of the kind specified in Section 901(c).

“OFFICERS’ CERTIFICATE” means a certificate signed by any two Authorized Officers of the Company and delivered to the Trustee.

“OPINION OF COUNSEL” means a written opinion of counsel, who may be counsel for the Company.

“OUTSTANDING”, when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Mortgage, except:

(a) Securities theretofore canceled or delivered to the Security Registrar for cancellation;

(b) Securities deemed to have been paid for all purposes of this Mortgage in accordance with Section 801 (whether or not the Company's indebtedness in respect thereof shall be satisfied and discharged for any other purpose); and

(c) Securities, the principal, premium, if any, and interest, if any, which have been fully paid pursuant to the third paragraph of Section 306 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Mortgage, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it and the Company that such Securities are held by a bona fide purchaser or purchasers in whose hands such Securities are valid obligations of the Company;

provided, however, that in determining whether or not the Holders of the requisite principal amount of the Securities Outstanding under this Mortgage, or the Securities Outstanding of any series or Tranche, have given any request, demand, authorization, direction, notice, consent or waiver hereunder or whether or not a quorum is present at a meeting of Holders of Securities,

(x) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor (unless the Company, such Affiliate or such obligor owns all Securities Outstanding under this Mortgage, or (except for the purposes of actions to be taken by Holders of more than one series or more than one Tranche, as the case may be, voting as a class under Section 1302) all Securities Outstanding of each such series and each such Tranche, as the case may be, determined without regard to this clause (x)) shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver or upon any such determination as to the presence of a quorum, only Securities which the Responsible Officer of the Trustee actually knows to be so owned shall be so disregarded; provided, however, that Securities so owned which have been pledged in good faith may be regarded as Outstanding if it is established to the reasonable satisfaction of the Trustee that the pledgee, and not the Company, or any such other obligor or Affiliate of either thereof, has the right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor; and provided, further, that in no event shall any Security which shall have been delivered to evidence or secure, in whole or in part, the Company's obligations in respect of other indebtedness be deemed to be owned by the Company if the principal of such Security is payable, whether at Stated Maturity or upon mandatory redemption, at the same time as the principal of such other indebtedness is payable, whether at Stated Maturity or upon mandatory redemption or acceleration, but only to the extent of such portion of the principal amount of such Security as does not exceed the principal amount of such other indebtedness, and

(y) the principal amount of a Discount Security that shall be deemed to be Outstanding for such purposes shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon a declaration of acceleration of the Maturity thereof pursuant to Section 902; and

(z) the principal amount of any Security which is denominated in a currency other than Dollars or in a composite currency that shall be deemed to be Outstanding for such purposes shall be the amount of Dollars which could have been purchased by the principal amount (or, in the case of a Discount Security, the Dollar equivalent on the date determined as set forth below of the amount determined as provided in (y) above) of such currency or composite currency evidenced by such Security, in each such case certified to the Trustee in an Officers' Certificate, based (i) on the average of the mean of the buying and selling spot rates quoted by three banks which are members of the New York Clearing House Association selected by the Company in effect at 11:00 A.M. (New York time) in The City of New York on the fifth Business Day preceding any such determination or (ii) if on such fifth Business Day it shall not be possible or practicable to obtain such quotations from such three banks, on such other quotations or alternative methods of determination which shall be as consistent as practicable with the method set forth in (i) above;

provided, further, that in the case of any Security the principal of which is payable from time to time without presentment or surrender, the principal amount of such Security that shall be deemed to be Outstanding at any time for all purposes of this Mortgage shall be the original principal amount thereof less the aggregate amount of principal thereof theretofore paid.

“OUTSTANDING”, when used with respect to Secured Debt, means, as of the date of determination, all Secured Debt authenticated and delivered by the trustee or other holder of the Prior Lien securing the same or, if there be no such trustee or other holder, theretofore made and delivered or incurred by the Company, except:

(a) Secured Debt theretofore cancelled or delivered to the trustee or other holder of any such Prior Lien for cancellation;

(b) Secured Debt which has been fully paid or deemed to have been fully paid;

(c) Secured Debt held by the Trustee subject to the provisions of Section 1608 hereof;

(d) Secured Debt held by the trustee or other holder of a Prior Lien upon the same property as that mortgaged or pledged to secure the Secured Debt so held (under conditions such that no transfer of ownership or possession of such Secured Debt by the trustee or other holder of such Prior Lien is permissible otherwise than to the Trustee to be held subject to the provisions of Section 1608 hereof, or to the trustee or other holder of some other Prior Lien upon the same property for cancellation or to be held uncanceled under the terms of such other Prior Lien under like conditions);

(e) Secured Debt secured by a Prepaid Lien; and

(f) lost, stolen or destroyed Secured Debt in lieu of or in substitution for which other Secured Debt shall have been authenticated and delivered.

“PAYING AGENT” means any Person, including the Company, authorized by the Company to pay the principal of, and premium, if any, or interest, if any, on any Securities on behalf of the Company.

“PERIODIC OFFERING” means an offering of Securities of a series from time to time any or all of the specific terms of which Securities, including without limitation the rate or rates of interest, if any, thereon, the Stated Maturity or Maturities thereof and the redemption provisions, if any, with respect thereto, are to be determined by the Company or its agents from time to time subsequent to the initial request for the authentication and delivery of such Securities by the Trustee, as contemplated in Section 301 and clause (b) of Section 303.

“PERMITTED LIENS” means with respect to the Mortgaged Property, any of the following:

- (a) Liens existing as of the First Effective Date;
- (b) as to property acquired by the Company after the First Effective Date, Liens existing or placed thereon at the time of the acquisition thereof (including, but not limited to, any Prior Lien);
- (c) Liens for taxes, use charges, assessments and other governmental charges or requirements which are not delinquent or which are being contested in good faith by appropriate proceedings;
- (d) mechanics’, workmen’s, repairmen’s, materialmen’s, warehousemen’s, and carriers’ Liens, other Liens incident to construction, Liens or privileges of any employees of the Company for salary or wages earned, but not yet payable, and other Liens, including without limitation Liens for worker’s compensation awards, arising in the ordinary course of business for charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings;
- (e) Liens in respect of attachments, judgments or awards arising out of judicial or administrative proceedings (i) in an amount not exceeding the greater of (A) \$10,000,000 and (B) 3% of the aggregate principal amount of all Securities and Secured Debt then Outstanding or (ii) with respect to which the Company shall (X) in good faith be prosecuting an appeal or other proceeding for review and with respect to which the Company shall have secured a stay of execution pending such appeal or other proceeding or (Y) have the right to prosecute an appeal or other proceeding for review;
- (f) easements, leases, reservations or other rights of others in, on, over and/or across, and laws, regulations and restrictions affecting, and defects, irregularities, exceptions and limitations in title to, the Mortgaged Property or any part thereof; provided, however, that such easements, leases, reservations, rights, laws, regulations, restrictions, defects, irregularities, exceptions and limitations do not in the aggregate materially impair the use by the Company of the Mortgaged Property considered as a whole for the purposes for which it is held by the Company;
- (g) defects, irregularities, exceptions and limitations in title to real property subject to rights-of-way in favor of the Company or otherwise or used or to be used by the Company primarily for right-of-way purposes or real property held under lease, easement, license or similar right; provided, however, that (i) the Company shall have obtained from

the apparent owner or owners of such real property a sufficient right, by the terms of the instrument granting such right-of-way, lease, easement, license or similar right, to the use thereof for the purposes for which the Company acquired the same; or (ii) the Company has power under eminent domain or similar statutes to remove such defects, irregularities, exceptions or limitations; or (iii) such defects, irregularities, exceptions and limitations may be otherwise remedied without undue effort or expense; and defects, irregularities, exceptions and limitations in title to reclaimed lands, flood lands, flooding rights and/or water rights;

(h) Liens securing indebtedness or other obligations neither created, assumed nor guaranteed by the Company nor on account of which it customarily pays interest upon real property or rights in or relating to real property acquired by the Company for the purpose of the generation, transmission or distribution of electric energy, gas or water, for the purpose of telephonic, telegraphic, radio, wireless or other electronic communication or otherwise for the purpose of obtaining rights-of-way or for any other purposes;

(i) leases existing as of the First Effective Date affecting properties owned by the Company at said date and renewals and extensions thereof; and leases affecting such properties entered into after such date or affecting properties acquired by the Company after such date which, in either case, (i) have respective terms of not more than 10 years (including extensions or renewals at the option of the tenant) or (ii) do not materially impair the use by the Company of such properties for the respective purposes for which they are held by the Company;

(j) Liens vested in lessors, licensors, franchisors or permittees for rent or other amounts to become due or for other obligations or acts to be performed, the payment of which rent or the performance of which other obligations or acts is required under leases, subleases, licenses, franchises or permits, so long as the payment of such rent or other amounts or the performance of such other obligations or acts is not delinquent or is being contested in good faith and by appropriate proceedings;

(k) controls, restrictions, obligations, duties and/or other burdens imposed by federal, state, municipal or other law, or by rules, regulations or orders of Governmental Authorities, upon the Mortgaged Property or any part thereof or the operation or use thereof or upon the Company with respect to the Mortgaged Property or any part thereof or the operation or use thereof or with respect to any franchise, grant, license, permit or public purpose requirement, or any rights reserved to or otherwise vested in Governmental Authorities to impose any such controls, restrictions, obligations, duties and/or other burdens;

(l) rights which Governmental Authorities may have by virtue of franchises, grants, licenses, permits or contracts, or by virtue of law, to take, condemn, appropriate, occupy, purchase, recapture or designate a purchaser of or order the sale of the Mortgaged Property or any part thereof, to terminate franchises, grants, licenses, permits, contracts or other rights or to regulate the property and business of the Company; and any and all obligations of the Company correlative to any such rights;

(m) Liens required by law or governmental regulations (i) as a condition to the transaction of any business or the exercise of any privilege or license, (ii) to enable the Company to maintain self-insurance or to participate in any funds established to cover any insurance risks, (iii) in connection with workmen's compensation, unemployment insurance, social security, any pension or welfare benefit plan or (iv) to share in the privileges or benefits required for companies participating in one or more of the arrangements described in clauses (ii) and (iii) above;

(n) Liens on the Mortgaged Property or any part thereof which are granted by the Company to secure duties or public or statutory obligations or to secure, or serve in lieu of, surety, stay or appeal bonds;

(o) rights reserved to or vested in others to take or receive any part of any coal, ore, gas, oil and other minerals, any timber and/or any electric capacity or energy, gas, water, steam and any other products, developed, produced, manufactured, generated, purchased or otherwise acquired by the Company or by others on property of the Company;

(p) (i) rights and interests of Persons other than the Company arising out of contracts, agreements and other instruments to which the Company is a party and which relate to the common ownership or joint use of property; and (ii) all Liens on the interests of Persons other than the Company in property owned in common by such Persons and the Company;

(q) any restrictions on assignment and/or requirements of any assignee to qualify as a permitted assignee and/or public utility or public service corporation;

(r) Liens, if any, which may be deemed to exist with respect to property leased by the Company pursuant to leases which are treated under generally accepted accounting principles as capital leases;

(s) any Liens which have been bonded for the full amount in dispute or for the payment of which other adequate security arrangements have been made;

(t) rights and interests granted pursuant to Section 1602(c);

(u) Prepaid Liens;

(v) any Liens, claims, encumbrances, rights, or interests of Persons claiming such rights, interests, etc. as descendants of American Indians or as Indian Tribes, whether pursuant to the Non-Intercourse Act of 1834 (25 U.S.C. § 177) or otherwise; and

(w) any Lien of the Trustee granted pursuant to Section 1007.

“PERSON” means any individual, corporation, joint venture, limited liability company, trust or unincorporated organization or any Governmental Authority.

“PLACE OF PAYMENT”, when used with respect to the Securities of any series, or Tranche thereof, means the place or places, specified as contemplated by Section 301, at which, subject to Section 702, principal of and premium, if any, and interest, if any, on the Securities of such series or Tranche are payable.

“PREDECESSOR SECURITY” of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 306 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

“PREPAID LIENS” means any Lien securing indebtedness for the payment of which money in the necessary amount shall have been irrevocably deposited in trust with the trustee or other holder of such Lien; provided, however, that if such indebtedness is to be redeemed or otherwise prepaid prior to the stated maturity thereof, any notice requisite to such redemption or prepayment shall have been given in accordance with the mortgage or other instrument creating such Lien or irrevocable instructions to give such notice shall have been given to such trustee or other holder.

“PRIOR LIEN” means any Lien securing Secured Debt.

“PROPERTY ADDITIONS” has the meaning specified in Section 102.

“PURCHASE MONEY LIEN” means, with respect to any property being acquired or disposed of by the Company or being released from the Lien of this Mortgage, a Lien on such property which

(a) is taken or retained by the transferor of such property to secure all or part of the purchase price thereof;

(b) is granted to one or more Persons other than the transferor which, by making advances or incurring an obligation, give value to enable the grantor of such Lien to acquire rights in or the use of such property;

(c) is granted to any other Person in connection with the release of such property from the Lien of this Mortgage on the basis of the deposit with the Trustee or the trustee or other holder of a Lien prior to the Lien of this Mortgage of obligations secured by such Lien on such property (as well as any other property subject thereto);

(d) is held by a trustee or agent for the benefit of one or more Persons described in clause (a), (b) and/or (c) above, provided that such Lien may be held, in addition, for the benefit of one or more other Persons which shall have theretofore given, or may thereafter give, value to or for the benefit or account of the grantor of such Lien for one or more other purposes; or

(e) otherwise constitutes a purchase money mortgage or a purchase money security interest under applicable law; and, without limiting the generality of the foregoing, for purposes of this Mortgage, the term Purchase Money Lien shall be deemed to include any Lien described above whether or not such Lien (x) shall permit the issuance or other incurrence of additional

indebtedness secured by such Lien on such property, (y) shall permit the subjection to such Lien of additional property and the issuance or other incurrence of additional indebtedness on the basis thereof and/or (z) shall have been granted prior to the acquisition, disposition or release of such property, shall attach to or otherwise cover property other than the property being acquired, disposed of or released and/or shall secure obligations issued prior and/or subsequent to the issuance of the obligations delivered in connection with such acquisition, disposition or release.

“RATE REDUCTION BOND” means notes or bonds issued on behalf of the Company that are wholly or partially secured by Rate Reduction Bond Property or are unsecured and with respect to which no recourse may be had to the Company or its assets for the payment of principal, premium or interest, except for the Rate Reduction Bond Property securing such notes or bonds.

“RATE REDUCTION BOND PROPERTY” means all charges, receivables, similar amounts or any other property of the Company authorized by appropriate State or other legislation, order, rule, statute, decree or judgment to be collected by the Company or any other party from its customers or any other party as security for, or to assure the payment of principal of, and premium and interest on, Rate Reduction Bonds and obligations relating thereto.

“REDEMPTION DATE”, when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Mortgage.

“REDEMPTION PRICE”, when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Mortgage, exclusive of accrued and unpaid interest.

“REGULAR RECORD DATE” for the interest payable on any Interest Payment Date on the Securities of any series means the date specified for that purpose as contemplated by Section 301.

“REQUIRED CURRENCY” has the meaning specified in Section 311.

“RESPONSIBLE OFFICER”, when used with respect to the Trustee, means any officer within the corporate trust administration group of the Trustee (or any successor group of the Trustee) with direct responsibility for the administration of this Mortgage and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

“SALE AND LEASE BACK TRANSACTION” means any arrangement with any Person providing for the leasing to the Company of any Mortgaged Property (except for leases for a term, including any renewal thereof, of not more than forty-eight (48) months), which Mortgaged Property has been or is to be sold or transferred by the Company to such Person.

“SECOND EFFECTIVE DATE” means the earliest date on which the Holders of all Securities then Outstanding shall have consented (or shall be deemed to have consented) to the amendment of this Mortgage substantially in the form that the Mortgage shall have become effective on the First Effective Date with such changes thereafter as are permitted by the terms hereof; provided, however, that the Holders of all Securities issued after the First Effective Date shall automatically be deemed to have so consented.

“SECURED DEBT” means Debt, other than Securities, created, issued, incurred or assumed by the Company which is secured by a Lien, other than a Permitted Lien, upon any Mortgaged Property of the Company prior to or on a parity with the lien of this Mortgage.

“SECURITIES” means any securities authenticated and delivered under this Mortgage.

“SECURITIES ACT” means the Securities Act of 1933, as amended.

“SECURITY REGISTER” AND “SECURITY REGISTRAR” have the respective meanings specified in Section 305.

“SPECIAL RECORD DATE” for the payment of any Defaulted Interest on the Securities of any series means a date fixed by the Trustee pursuant to Section 307.

“STATED INTEREST RATE” means a rate (whether fixed or variable) at which an obligation by its terms is stated to bear simple interest. Any calculation or other determination to be made under this Mortgage by reference to the Stated Interest Rate on a Security shall be made without regard to the effective interest cost to the Company of such Security and without regard to the Stated Interest Rate on, or the effective cost to the Company of, any other indebtedness the Company’s obligations in respect of which are evidenced or secured in whole or in part by such Security.

“STATED MATURITY”, when used with respect to any Security or any obligation or any installment of principal thereof or interest thereon, means the date on which the principal of such obligation or such installment of principal or interest is stated to be due and payable (without regard to any provisions for redemption, prepayment, acceleration, purchase or extension).

“SUCCESSOR COMPANY” has the meaning set forth in Section 1201.

“SUPPLEMENTAL MORTGAGE”, “SUPPLEMENTAL INDENTURE” or “MORTGAGE SUPPLEMENTAL HERETO” means an instrument supplementing or amending this Mortgage executed and delivered pursuant to Article Thirteen.

“TRANCHE” means a group of Securities which (a) are of the same series and (b) have identical terms except as to principal amount, date of issuance, interest rate, payment terms and/or maturity date.

“TRUST ESTATE”— see definition of Mortgaged Property.

“TRUSTEE” means the Person named as the “Trustee” in the first paragraph of this Mortgage until a successor Trustee shall have been appointed by the Company pursuant to Section 1010 or otherwise have become such with respect to one or more series of Securities pursuant to the applicable provisions of this Mortgage, and thereafter “Trustee” shall mean or include each Person who is then a Trustee hereunder, and if at any time there is more than one such Person, “Trustee” as used with respect to the Securities of any series shall mean the Trustee with respect to Securities of that series.

“TRUST INDENTURE ACT” means, as of any time, the Trust Indenture Act of 1939 as in effect at such time.

“UNITED STATES” means the United States of America, its territories, its possessions and other areas subject to its jurisdiction.

SECTION 102. PROPERTY ADDITIONS; COST.

(a) “PROPERTY ADDITIONS” means, as of any particular time, any item, unit or element of property which at such time is owned by the Company and is Mortgaged Property.

(b) When the aggregate amount of any Property Additions are calculated for any purpose under the Mortgage, there shall be deducted from the Cost or Fair Value to the Company thereof, as the case may be (as of the date so calculated), an amount equal to all related reserves (estimated, if necessary, as to particular property) for depreciation, depletion, obsolescence or amortization recorded on the books of the Company as of the date so calculated in respect of such Property Additions which have not theretofore been deducted from the Cost or Fair Value of Property Additions theretofore so calculated.

(c) Except as otherwise provided in Section 1603, the term “COST” with respect to Property Additions shall mean the sum of (i) any cash delivered in payment therefor or for the acquisition thereof, (ii) an amount equivalent to the fair market value in cash (as of the date of delivery) of any securities or other property delivered in payment therefor or for the acquisition thereof, (iii) the principal amount of any obligations secured by a Prior Lien upon such Property Additions outstanding at the time of the acquisition thereof, (iv) the principal amount of any other obligations incurred or assumed in connection with the payment for such Property Additions or for the acquisition thereof and (v) any other amounts which, in accordance with generally accepted accounting principles, are properly charged or chargeable to the plant or other property accounts of the Company with respect to such Property Additions as part of the cost of construction or acquisition thereof, including, but not limited to, any allowance for funds used during construction or any similar or analogous amount; provided, however, that, notwithstanding any other provision of this Mortgage,

(i) with respect to Property Additions owned by a successor corporation immediately prior to the time it shall have become such by consolidation or merger or acquired by a successor corporation in or as a result of a consolidation or merger (excluding, in any case, Property Additions owned by the Company immediately prior to such time), Cost shall mean the amount or amounts at which such Property Additions are recorded in the plant or other property accounts of such successor corporation, or the predecessor corporation from which such Property Additions are acquired, as the case may be, immediately prior to such consolidation or merger;

(ii) with respect to Property Additions which shall have been acquired (otherwise than by construction) by the Company without any consideration consisting of cash, securities or other property or the incurring or assumption of indebtedness, no determination of Cost shall be required, and, wherever in this Mortgage provision is made for Cost or Fair Value, Cost with respect to such Property Additions shall mean an amount equal to the Fair Value to the Company

thereof or, if greater, the aggregate amount reflected in the Company's books of account with respect thereto upon the acquisition thereof; and

(iii) in no event shall the Cost of Property Additions be required to reflect any adjustment to the amount or amounts at which such Property Additions are recorded in plant or other property accounts due to the non-recoverability of investment or otherwise.

If any Property Additions are shown by the Experts' Certificate provided for in Section 401(b)(ii) to include property which has been used or operated by others than the Company in a business similar to that in which it has been or is to be used or operated by the Company, the Cost thereof need not be reduced by any amount in respect of any goodwill, going concern value, franchises, contracts, operating agreements and other rights and/or intangible property simultaneously acquired for which no separate or distinct consideration shall have been paid or apportioned, and in such case the term Property Additions as defined herein may include such goodwill, going concern value rights and intangible property.

SECTION 103. COMPLIANCE CERTIFICATES AND OPINIONS.

Except as otherwise expressly provided in this Mortgage, upon any application or request by the Company to the Trustee to take any action under any provision of this Mortgage, the Company shall furnish to the Trustee an Officers' Certificate stating that in the opinion of the Authorized Officers executing such Officers' Certificate all conditions precedent, if any, provided for in this Mortgage relating to the proposed action (including any covenants compliance with which constitutes a condition precedent) have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Mortgage relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Mortgage shall include:

(a) a statement that each Person signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of each such Person, such Person has made such examination or investigation as is necessary to enable such Person to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such Person, such condition or covenant has been complied with.

SECTION 104. FORM OF DOCUMENTS DELIVERED TO TRUSTEE.

(a) Any Officers' Certificate may be based (without further examination or investigation), insofar as it relates to or is dependent upon legal matters, upon an opinion of, or representations by, counsel, and, insofar as it relates to or is dependent upon matters which are subject to verification by Accountants, upon a certificate or opinion of, or representations by, an Accountant, and insofar as it relates to or is dependent upon matters which are required in this Mortgage to be covered by a certificate or opinion of, or representations by, an Expert, upon the certificate or opinion of, or representations by, an Expert, unless, in any case, either such officer has actual knowledge that the certificate or opinion or representations with respect to the matters upon which such Officers' Certificate may be based as aforesaid are erroneous.

Any Experts' Certificate may be based (without further examination or investigation), insofar as it relates to or is dependent upon legal matters, upon an opinion of, or representations by, counsel, and insofar as it relates to or is dependent upon factual matters, information with respect to which is in the possession of the Company and which are not subject to verification by Experts, upon a certificate or opinion of, or representations by, an officer or officers of the Company, unless such expert has actual knowledge that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion may be based as aforesaid are erroneous.

Any certificate of an Accountant may be based (without further examination or investigation), insofar as it relates to or is dependent upon legal matters, upon an opinion of, or representations by, counsel, and in so far as it relates to or is dependent upon factual matters, information with respect to which is in the possession of the Company and which are not subject to verification by Accountants, upon a certificate of, or representations by, an officer or officers of the Company, unless such Accountant has actual knowledge that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion may be based as aforesaid are erroneous.

Any Opinion of Counsel may be based (without further examination or investigation), insofar as it relates to or is dependent upon factual matters, information with respect to which is in the possession of the Company, upon a certificate of, or representations by, an officer or officers of the Company, and, insofar as it relates to or is dependent upon matters which are subject to verification by Accountants upon a certificate or opinion of, or representations by, an Accountant, and, insofar as it relates to or is dependent upon matters required in this Mortgage to be covered by a certificate or opinion of, or representations by, an Expert, upon the certificate or opinion of, or representations by, an Expert, unless such counsel has actual knowledge that the certificate or opinion or representations with respect to the matters upon which his opinion may be based as aforesaid are erroneous. In addition, any Opinion of Counsel may be based (without further examination or investigation), insofar as it relates to or is dependent upon matters covered in an Opinion of Counsel rendered by other counsel, upon such other Opinion of Counsel, unless such counsel has actual knowledge that the Opinion of Counsel rendered by such other counsel with respect to the matters upon which his Opinion of Counsel may be based as aforesaid are erroneous. Further, any Opinion of Counsel with respect to the status of title to or the sufficiency of descriptions of property, and/or the existence of Liens thereon, and/or the recording or filing of documents, and/or any similar matters, may be based (without further examination or investigation) upon (i) title insurance policies or commitments and reports, abstracts of title, lien search

certificates and other similar documents or (ii) certificates of, or representations by, officers, employees, agents and/or other representatives of the Company or (iii) any combination of the documents referred to in (i) and (ii), unless, in any case, such counsel has actual knowledge that the document or documents with respect to the matters upon which his opinion may be based as aforesaid are erroneous. If, in order to render any Opinion of Counsel provided for herein, the signer thereof shall deem it necessary that additional facts or matters be stated in any Officers' Certificate, certificate of an Accountant or Experts' Certificate provided for herein, then such certificate may state all such additional facts or matters as the signer of such Opinion of Counsel may request.

(b) In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents. Where (i) any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Mortgage, or (ii) two or more Persons are each required to make, give or execute any such application, request, consent, certificate, statement, opinion or other instrument, any such applications, requests, consents, certificates, statements, opinions or other instruments may, but need not, be consolidated and form one instrument.

(c) Whenever, subsequent to the receipt by the Trustee of any Board Resolution, Officers' Certificate, Experts' Certificate, Opinion of Counsel or other document or instrument, a clerical, typographical or other inadvertent or unintentional error or omission shall be discovered therein, a new document or instrument may be substituted therefor in corrected form with the same force and effect as if originally filed in the corrected form and, irrespective of the date or dates of the actual execution and/or delivery thereof, such substitute document or instrument shall be deemed to have been executed and/or delivered as of the date or dates required with respect to the document or instrument for which it is substituted. Anything in this Mortgage to the contrary notwithstanding, if any such corrective document or instrument indicates that action has been taken by or at the request of the Company which could not have been taken had the original document or instrument not contained such error or omission, the action so taken shall not be invalidated or otherwise rendered ineffective but shall be and remain in full force and effect, except to the extent that such action was a result of willful misconduct or bad faith. Without limiting the generality of the foregoing, any Securities issued under the authority of such defective document or instrument shall nevertheless be the valid obligations of the Company entitled to the benefits of this Mortgage equally and ratably with all other Outstanding Securities, except as aforesaid.

SECTION 105. ACTS OF HOLDERS.

(a) Any request, demand, authorization, direction, notice, consent, election, waiver or other action provided by this Mortgage to be made, given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing or, alternatively, may be embodied in and evidenced by the record of Holders voting in favor thereof, either in person or by proxies duly appointed in writing, at any meeting of Holders duly called and held in accordance with the

provisions of Article Fourteen, or a combination of such instruments and any such record. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments or record or both are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments and any such record (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments and so voting at any such meeting. Proof of execution of any such instrument or of a writing appointing any such agent, or of the holding by any Person of a Security, shall be sufficient for any purpose of this Mortgage and (subject to Section 1001) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section. The record of any meeting of Holders shall be proved in the manner provided in Section 1406.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof or may be proved in any other manner which the Trustee and the Company deem sufficient. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority.

(c) The ownership, principal amount (except as otherwise contemplated in clause (y) of the first proviso to the definition of Outstanding) and serial numbers of Securities held by any Person, and the date of holding the same, shall be proved by the Security Register.

(d) Any request, demand, authorization, direction, notice, consent, election, waiver or other Act of a Holder shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

(e) Until such time as written instruments shall have been delivered to the Trustee with respect to the requisite percentage of principal amount of Securities for the action contemplated by such instruments, any such instrument executed and delivered by or on behalf of a Holder may be revoked with respect to any or all of such Securities by written notice by such Holder or any subsequent Holder, proven in the manner in which such instrument was proven.

(f) Securities of any series, or any Tranche thereof, authenticated and delivered after any Act of Holders may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any action taken by such Act of Holders. If the Company shall so determine, new Securities of any series, or any Tranche thereof, so modified as to conform, in the opinion of the Trustee and the Company, to such action may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series or Tranche.

(g) If the Company shall solicit from Holders any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, fix in advance a record date for the determination of Holders entitled to give such request, demand,

(h) authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on the record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of the Outstanding Securities have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Securities shall be computed as of the record date.

SECTION 106. NOTICES, ETC. TO TRUSTEE OR COMPANY.

Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, election, waiver or Act of Holders or other document provided or permitted by this Mortgage to be made upon, given or furnished to, or filed with, the Trustee by any Holder or by the Company, or the Company by the Trustee or by any Holder, shall be sufficient for every purpose hereunder (unless otherwise expressly provided herein) if in writing and delivered personally to an officer or other responsible employee of the addressee, or transmitted by facsimile transmission or other direct written electronic means to such telephone number or other electronic communications address set forth for such party below or such other address as the parties hereto shall from time to time designate, or delivered by registered or certified mail or reputable overnight courier, charges prepaid, to the applicable address set forth for such party below or to such other address as either party hereto may from time to time designate:

If to the Trustee, to:

Attention:
Telephone:
Telecopy:

If to the Company, to:

Public Service Company of New Hampshire
c/o Northeast Utilities Service Company
P.O. Box 270
Hartford, CT 06141-0270

Attention: Assistant Treasurer
Telephone: 860-665-5058
Telecopy: 860-665-5457

Any communication contemplated herein shall be deemed to have been made, given, furnished and filed if personally delivered, on the date of delivery, if transmitted by facsimile transmission or other direct written electronic means, on the date of transmission if transmitted during normal business hours and otherwise on the next Business Day, and if transmitted by registered or certified mail or reputable overnight courier, on the date of receipt.

SECTION 107. NOTICE TO HOLDERS OF SECURITIES; WAIVER.

Except as otherwise expressly provided herein, where this Mortgage provides for notice to Holders of any event, such notice shall be sufficiently given, and shall be deemed given, to Holders if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at the address of such Holder as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, if any, prescribed for the giving of such Notice.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice to Holders by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to Holders.

Any notice required by this Mortgage may be waived in writing by the Person entitled to receive such notice, either before or after the event otherwise to be specified therein, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 108. CONFLICT WITH TRUST INDENTURE ACT.

If any provision of this Mortgage limits, qualifies or conflicts with another provision hereof which is required or deemed to be included in this Mortgage by, or is otherwise governed by, any provision of the Trust Indenture Act, such other provision shall control; and if any provision hereof otherwise conflicts with the Trust Indenture Act, the Trust Indenture Act shall control unless otherwise provided as contemplated by Section 301 with respect to any series of Securities.

SECTION 109. EFFECT OF HEADINGS AND TABLE OF CONTENTS.

The Article and Section headings in this Mortgage and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 110. SUCCESSORS AND ASSIGNS.

All covenants and agreements in this Mortgage by the Company and Trustee shall bind their respective successors and assigns, whether so expressed or not.

SECTION 111. SEPARABILITY CLAUSE.

In case any provision in this Mortgage or the Securities shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 112. BENEFITS OF MORTGAGE.

Nothing in this Mortgage or the Securities, express or implied, shall give to any Person, other than the parties hereto, their successors hereunder and the Holders of any Outstanding Securities, any benefit or any legal or equitable right, remedy or claim under this Mortgage.

SECTION 113. GOVERNING LAW.

This Mortgage and the Securities shall be governed by and construed in accordance with the law of the State of New Hampshire, except to the extent that the Trust Indenture Act shall be applicable and except to the extent that the laws of any other state where the Company then owns Mortgaged Property shall govern the Mortgage Lien and related provisions of the Mortgage with respect to property in such state; provided however that the rights and obligations of the Trustee shall be governed by the laws of the state in which the Corporate Trust Office is located.

SECTION 114. LEGAL HOLIDAYS.

In any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Security shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Mortgage or of the Securities other than a provision in Securities of any series, or any Tranche thereof, or in the Mortgage supplemental hereto, Board Resolution or Officers' Certificate which establishes the terms of the Securities of such series or Tranche, which specifically states that such provision shall apply in lieu of this Section) payment of interest or principal and premium, if any, need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date, Redemption Date, or Stated Maturity, and, if such payment is made or duly provided for on such Business Day, no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be, to such Business Day.

SECTION 115. INVESTMENT OF CASH HELD BY TRUSTEE.

Any cash held by the Trustee or any Paying Agent under any provision of this Mortgage shall, except as otherwise provided in Section 1606 or in Article Eight, at the request of the Company evidenced by Company Order, be invested or reinvested in Investment Securities designated by the Company (such Company Order to contain a representation to the effect that the securities designated therein constitute Investment Securities), any interest on such Investment Securities shall be promptly paid over to the Company as received free and clear of any Lien. Such Investment Securities shall be held subject to the same provisions hereof as the cash used to purchase the same, but upon a like request of the Company shall be sold, in whole or in designated part, and the proceeds of such sale shall be held subject to the same provisions hereof as the cash used to purchase the Investment Securities so sold. If such sale shall produce a net sum less than the cost of the Investment Securities so sold, the Company shall pay to the Trustee or any such Paying Agent, as the case may be, such amount in cash as, together with the net proceeds from such sale, shall equal the cost of the Investment Securities so sold, and if such sale shall produce a net sum greater than the cost of the Investment Securities so sold, the Trustee or any such Paying Agent, as the case may be, shall promptly pay over to the Company an amount in cash equal to such

excess, free and clear of any Lien. In no event shall the Trustee be liable for any loss incurred in connection with the sale of any Investment Security pursuant to this Section.

Notwithstanding the foregoing, if an Event of Default shall have occurred and be continuing, interest on Investment Securities and any gain upon the sale thereof shall be held as part of the Mortgaged Property until such Event of Default shall have been cured or waived, whereupon such interest and gain shall be promptly paid over to the Company free and clear of any Lien.

ARTICLE TWO

SECURITY FORMS

SECTION 201. FORMS GENERALLY.

The definitive Securities of each series shall be in substantially the form or forms thereof established in the Mortgage supplemental hereto establishing such series or in a Board Resolution establishing such series, or in an Officers' Certificate pursuant to such a Supplemental Mortgage or Board Resolution, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Mortgage, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution thereof. If the form or forms of Securities of any series are established in a Board Resolution or in an Officers' Certificate pursuant to a Supplemental Mortgage or a Board Resolution, such Board Resolution and Officers' Certificate, if any, shall be delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 303 for the authentication and delivery of such Securities.

Unless otherwise specified as contemplated by Section 301, the Securities of each series shall be issuable in registered form without coupons. The definitive Securities shall be produced in such manner as shall be determined by the officers executing such Securities, as evidenced by their execution thereof.

SECTION 202. FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION.

The Trustee's certificate of authentication shall be in substantially the form set forth below:

This is one of the Securities of the series designated therein referred to in the within-mentioned Mortgage.

as Trustee

By: _____

Authorized Signatory

ARTICLE THREE

THE SECURITIES

SECTION 301. AMOUNT UNLIMITED; ISSUABLE IN SERIES.

The aggregate principal amount of Securities which may be authenticated and delivered under this Mortgage is unlimited.

The Securities may be issued in one or more series. Subject to the last paragraph of this Section, prior to the authentication and delivery of Securities of any series there shall be established by specification in a supplemental Mortgage or in a Board Resolution or in an Officers' Certificate pursuant to a supplemental Mortgage or a Board Resolution:

- (a) the title of the Securities of such series (which shall distinguish the Securities of such series from Securities of all other series);
- (b) any limit upon the aggregate principal amount of the Securities of such series which may be authenticated and delivered under this Mortgage (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of such series pursuant to Section 304, 305, 306, 506 or 1306 and except for any Securities which, pursuant to Section 303, are deemed never to have been authenticated and delivered hereunder);
- (c) the Person or Persons (without specific identification) to whom any interest on Securities of such series, or any Tranche thereof, shall be payable, if other than the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest;
- (d) the date or dates on which the principal of the Securities of such series or any Tranche thereof, is payable or any formulary or other method or other means by which such date or dates shall be determined, by reference to an index or other fact or event ascertainable outside of this Mortgage or otherwise (without regard to any provisions for redemption, prepayment, acceleration, purchase or extension); and the right, if any, to extend the Maturity of the Securities of such series, or any Tranche thereof, and the duration of any such extension;
- (e) the rate or rates at which the Securities of such series, or any Tranche thereof, shall bear interest, if any (including the rate or rates at which overdue principal shall bear interest after Maturity if different from the rate or rates at which such Securities shall bear interest prior to Maturity, and, if applicable, the rate or rates at which overdue premium or interest shall bear interest, if any), or any formulary or other method or other means by which such rate or rates shall be determined by reference to an index or other fact or event ascertainable outside of this Mortgage or otherwise, the date or dates from which such interest shall accrue; the Interest Payment Dates and the Regular Record Dates, if any, for the interest payable on such Securities on any Interest Payment Date; and the basis of computation of interest, if other than as provided in Section 310; and the right, if any, to extend the interest payment periods and the duration of any such extension;

(f) the place or places at which and/or methods (if other than as provided elsewhere in this Mortgage) by which (i) the principal of and premium, if any, and interest, if any, on Securities of such series, or any Tranche thereof, shall be payable, (ii) registration of transfer of Securities of such series, or any Tranche thereof, may be effected, (iii) exchanges of Securities of such series, or any Tranche thereof, may be effected and (iv) notices and demands to or upon the Company in respect of the Securities of such series, or any Tranche thereof, and this Mortgage may be served; the Security Registrar and any Paying Agent or Agents for such series or Tranche; and, if such is the case, that the principal of such Securities shall be payable without the presentment or surrender thereof;

(g) the period or periods within which, or the date or dates on which, the price or prices at which and the terms and conditions upon which the Securities of such series, or any Tranche thereof, may be redeemed, in whole or in part, at the option of the Company and any restrictions on such redemptions; including but not limited to a restriction on a partial redemption by the Company of the Securities of any series, or any Tranche thereof, resulting in delisting of such Securities from any national exchange;

(h) the obligation or obligations, if any, of the Company to redeem or purchase or repay the Securities of such series, or any Tranche thereof, pursuant to any sinking fund or other mandatory redemption provisions or at the option of a Holder thereof and the period or periods within which or the date or dates on which, the price or prices at which and the terms and conditions upon which such Securities shall be redeemed or purchased or repaid, in whole or in part, pursuant to such obligation and applicable exceptions to the requirements of Section 504 in the case of mandatory redemption or redemption or repayment at the option of the Holder;

(i) the denominations in which Securities of such series, or any Tranche thereof, shall be issuable if other than denominations of \$1,000 and any integral multiple thereof;

(j) if the principal of or premium, if any, or interest, if any, on the Securities of such series, or any Tranche thereof, are to be payable, at the election of the Company or a Holder thereof, in a coin or currency other than that in which the Securities are stated to be payable, the period or periods within which, and the terms and conditions upon which, such election may be made and the manner in which the amount of such coin or currency payable is to be determined;

(k) the currency or currencies, including composite currencies, in which payment of the principal of and premium, if any, and interest, if any, on the Securities of such series, or any Tranche thereof, shall be payable (if other than Dollars) and the manner in which the equivalent of the principal amount thereof in Dollars is to be determined for any purpose, including for the purpose of determining the principal amount deemed to be Outstanding at any time;

(l) if the principal of or premium, if any, or interest, if any, on the Securities of such series, or any Tranche thereof, are to be payable, or are to be payable at the election of the Company or a Holder thereof, in securities or other property, the type and amount of such securities or other property, or the formulary or other method or other means by which such amount shall be determined, and the period or periods within which, and the terms and conditions upon which, any such election may be made;

(m) if the amount payable in respect of principal of or premium, if any, or interest, if any, on the Securities of such series, or any Tranche thereof, may be determined with reference to an index or other fact or event ascertainable outside this Mortgage, the manner in which such amounts shall be determined to the extent not established pursuant to clause (e) of this paragraph;

(n) if other than the entire principal amount thereof, the portion of the principal amount of Securities of such series, or any Tranche thereof, which shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 902;

(o) any Events of Default, in addition to those specified in Section 901, or any exceptions to those specified in Section 901, with respect to the Securities of such series, and any covenants of the Company for the benefit of the Holders of the Securities of such series, or any Tranche thereof, in addition to those set forth in Article Seven, or any exceptions to those set forth in Article Seven;

(p) the terms, if any, pursuant to which the Securities of such series, or any Tranche thereof, may be converted into or exchanged for shares of capital stock or other securities of the Company or any other Person;

(q) the obligations or instruments, if any, which shall be considered to be Eligible Obligations in respect of the Securities of such series, or any Tranche thereof, denominated in a currency other than Dollars or in a composite currency, whether Eligible Obligations include Investment Securities with respect to Securities of such series, and any provisions for satisfaction and discharge of Securities of any series, in addition to those set forth in Article Eight, or any exceptions to those set forth in Article Eight;

(r) if the Securities of such series, or any Tranche thereof, are to be issued in global form, (i) any limitations on the rights of the Holder or Holders of such Securities to transfer or exchange the same or to obtain the registration of transfer thereof, (ii) any limitations on the rights of the Holder or Holders thereof to obtain certificates therefor in definitive form in lieu of global form and (iii) any other matters incidental to such Securities;

(s) if the Securities of such series, or any Tranche thereof, are to be issuable as bearer securities, any and all matters incidental thereto which are not specifically addressed in a supplemental Mortgage as contemplated by clause (g) of Section 1301;

(t) to the extent not established pursuant to clause (r) of this paragraph, any limitations on the rights of the Holders of the Securities of such Series, or any Tranche thereof, to transfer or exchange such Securities or to obtain the registration of transfer thereof; and if a service charge will be made for the registration of transfer or exchange of Securities of such series, or any Tranche thereof, the amount or terms thereof;

(u) any exceptions to Section 115, or variation in the definition of Business Day, with respect to the Securities of such series, or any Tranche thereof; and

(v) any other terms of the Securities of such series, or any Tranche thereof, that the Company may elect to specify.

With respect to Securities of a series subject to a Periodic Offering, the Mortgage supplemental hereto or the Board Resolution which establishes such series, or the Officers' Certificate pursuant to such supplemental Mortgage or Board Resolution, as the case may be, may provide general terms or parameters for Securities of such series and provide either that the specific terms of Securities of such series, or any Tranche thereof, shall be specified in a Company Order or that such terms shall be determined by the Company or its agents in accordance with procedures specified in a Company Order as contemplated in clause (b) of Section 303.

Unless otherwise provided with respect to a series of Securities as contemplated in clause (b) of this Section 301, the aggregate principal amount of a series of Securities may be increased and additional Securities of such series may be issued up to the maximum aggregate principal amount authorized with respect to such series as increased.

SECTION 302. DENOMINATIONS.

Unless otherwise provided as contemplated by Section 301 with respect to any series of Securities, or any Tranche thereof, the Securities of each series shall be issuable in denominations of \$1,000 and any integral multiple thereof.

SECTION 303. EXECUTION, AUTHENTICATION, DELIVERY AND DATING.

Unless otherwise provided as contemplated by Section 301 with respect to any series of Securities or any Tranche thereof, the Securities shall be executed on behalf of the Company by an Authorized Officer, and may have the corporate seal of the Company affixed thereto or reproduced thereon attested by any other Authorized Officer or by the Secretary or an Assistant Secretary of the Company. The signature of any or all of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at the time of execution Authorized Officers or the Secretary or an Assistant Secretary of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

The Trustee shall authenticate and deliver Securities of a series for original issue, at one time or from time to time in accordance with the Company Order referred to below, upon receipt by the Trustee of:

(a) the instrument or instruments establishing the form or forms and terms of the Securities of such series, as provided in Sections 201 and 301;

(b) a Company Order requesting the authentication and delivery of such Securities and, to the extent that the terms of such Securities shall not have been established in an Mortgage supplemental hereto or in a Board Resolution, or in an Officers' Certificate pursuant to a supplemental Mortgage or Board Resolution, all as contemplated by Section 301, either (i) establishing such terms or (ii) in the case of Securities of a series subject to a Periodic Offering, specifying procedures, acceptable to the Trustee, by which such terms are to be established (which procedures may provide, to the extent acceptable to the Trustee, for authentication and delivery

pursuant to oral or electronic instructions from the Company or any agent or agents thereof, which oral instructions are to be promptly confirmed electronically or in writing), in either case in accordance with the instrument or instruments establishing the terms of the Securities of such series delivered pursuant to clause (a) above;

(c) any opinions, certificates, documents and instruments required by Article Four;

(d) Securities of such series, each executed on behalf of the Company by an Authorized Officer of the Company;

(e) an Officers' Certificate (i) which shall comply with the requirements of Section 104 of this Mortgage and (ii) which states that no Event of Default under this Mortgage has occurred or is occurring;

(f) an Opinion of Counsel which shall comply with the requirements of Section 104 of this Mortgage and that states that:

(i) the form or forms of such Securities have been duly authorized by the Company and have been established in conformity with the provisions of this Mortgage;

(ii) the terms of such Securities have been duly authorized by the Company and have been established in conformity with the provisions of this Mortgage; and

(iii) when such Securities shall have been authenticated and delivered by the Trustee and issued and delivered by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, such Securities will have been duly issued under this Mortgage, and will constitute valid and legally binding obligations of the Company, entitled to the benefits provided by this Mortgage, and enforceable in accordance with their terms, subject, as to enforcement, to environmental "super lien" laws and laws relating to or affecting generally the enforcement of mortgagees' and other creditors' rights, including, without limitation, bankruptcy, insolvency, reorganization, receivership, moratorium and other laws affecting the rights and remedies of creditors and mortgagees generally, general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and an implied covenant of good faith, fair dealing and reasonableness.

provided, however, that, with respect to Securities of a series subject to a Periodic Offering, the Trustee shall be entitled to receive such Opinion of Counsel only once at or prior to the time of the first authentication and delivery of Securities of such series and that in lieu of the opinions described in clauses (ii) and (iii) above such Opinion of Counsel may, alternatively, state, respectively,

(x) that, when the terms of such Securities shall have been established pursuant to a Company Order or Orders, or pursuant to such procedures as may be specified from time to time by a Company Order or Orders, all as contemplated by and in accordance with the instrument or instruments delivered pursuant to clause (a) above, such terms will have been duly authorized by the Company and will have been established in conformity with the provisions of this Mortgage; and

(y) that such Securities, when (1) executed by the Company, (2) authenticated and delivered by the Trustee in accordance with this Mortgage, (3) issued and delivered by the Company and (4) paid for, all as contemplated by and in accordance with the aforesaid Company Order or Orders, as the case may be, will have been duly issued under this Mortgage and will constitute valid and legally binding obligations of the Company, entitled to the benefits provided by the Mortgage, and enforceable in accordance with their terms, subject, as to enforcement, to laws relating to or affecting generally the enforcement of mortgagees' and other creditors' rights, including, without limitation, bankruptcy, insolvency, reorganization, receivership, moratorium and other laws affecting the rights and remedies of creditors and mortgagees generally, general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and an implied covenant of good faith, fair dealing and reasonableness.

With respect to Securities of a series subject to a Periodic Offering, the Trustee may conclusively rely, as to the authorization by the Company of any of such Securities, the forms and terms thereof and the legality, validity, binding effect and enforceability thereof, and compliance of the authentication and delivery thereof with the terms and conditions of this Mortgage, upon the Opinion of Counsel and other documents delivered pursuant to Sections 201 and 301 and this Section, as applicable, at or prior to the time of the first authentication of Securities of such series, unless and until such opinion or other documents have been superseded or revoked or expire by their terms. In connection with the authentication and delivery of Securities of a series, pursuant to a Periodic Offering, the Trustee shall be entitled to assume that the Company's instructions to authenticate and deliver such Securities do not violate any applicable law or any applicable rule, regulation or order of any Governmental Authority having jurisdiction over the Company.

If the forms or terms of the Securities of any series have been established by or pursuant to a Board Resolution or an Officers' Certificate as permitted by Sections 201 or 301, the Trustee shall not be required to authenticate such Securities if the issuance of such Securities pursuant to this Mortgage will materially and adversely affect the Trustee's own rights, duties or immunities under the Securities and this Mortgage or otherwise in a manner which is not reasonably acceptable to the Trustee.

Except as otherwise specified as contemplated by Section 301 with respect to any series of Securities, or any Tranche thereof, each Security shall be dated the date of its authentication.

Except as otherwise specified as contemplated by Section 301 with respect to any series of Securities, or any Tranche thereof, no Security shall be entitled to any benefit under this Mortgage or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee or its agent by manual signature of an authorized officer thereof, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder and is entitled to the benefits of this Mortgage. Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder to the Company, or any Person acting on its behalf, but shall never have been issued and sold by the Company, and the Company shall deliver such Security to the Trustee for cancellation as provided in Section 309 together with a written statement (which need not comply with Section 104 and need not be accompanied by an Opinion of Counsel) stating that such Security has never been issued and sold

by the Company, for all purposes of this Mortgage such Security shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits hereof.

SECTION 304. TEMPORARY SECURITIES.

Pending the preparation of definitive Securities of any series, or any Tranche thereof, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued, with such appropriate insertions, omissions, substitutions and other variations as any officer executing such Securities may determine, as evidenced by such officer's execution of such Securities; provided, however, that temporary Securities need not recite specific redemption, sinking fund, conversion or exchange provisions.

Unless otherwise specified as contemplated by Section 301 with respect to the Securities of any series, or any Tranche thereof, after the preparation of definitive Securities of such series or Tranche, the temporary Securities of such series or Tranche shall be exchangeable, without charge to the Holder thereof, for definitive Securities of such series or Tranche upon surrender of such temporary Securities at the office or agency of the Company maintained pursuant to Section 702 in a Place of Payment for such Securities. Upon such surrender of temporary Securities for such exchange, the Company shall, except as aforesaid, execute and the Trustee shall authenticate and deliver in exchange therefor definitive Securities of the same series and Tranche of authorized denominations and of like tenor and aggregate principal amount.

Until exchanged in full as hereinabove provided, temporary Securities shall in all respects be entitled to the same benefits under this Mortgage as definitive Securities of the same series and Tranche and of like tenor authenticated and delivered hereunder.

SECTION 305. REGISTRATION, REGISTRATION OF TRANSFER AND EXCHANGE.

The Company shall cause to be kept in each office designated pursuant to Section 702, with respect to the Securities of each series, a register (all registers kept in accordance with this Section being collectively referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities of such series, or any Tranche thereof, and the registration of transfer thereof. The Company shall designate one Person to maintain the Security Register for the Securities of each series on a consolidated basis, and such Person is referred to herein, with respect to such series, as the "Security Registrar." Anything herein to the contrary notwithstanding, the Company may designate one or more of its offices as an office in which a register with respect to the Securities of one or more series shall be maintained, and the Company may designate itself the Security Registrar with respect to one or more of such series. The Security Register shall be open for inspection by the Trustee and the Company at all reasonable times.

Except as otherwise specified as contemplated by Section 301 with respect to the Securities of any series, or any Tranche thereof, upon surrender for registration of transfer of any Security of such series or Tranche at the office or agency of the Company maintained pursuant to Section 702

in a Place of Payment for such series or Tranche, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of the same series and Tranche, of authorized denominations and of like tenor and aggregate principal amount.

Except as otherwise specified as contemplated by Section 301 with respect to the Securities of any series, or any Tranche thereof, any Security of such series or Tranche may be exchanged at the option of the Holder for one or more new Securities of the same series and Tranche, of authorized denominations and of like tenor and aggregate principal amount, upon surrender of the Securities to be exchanged at any such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities, which the Holder making the exchange is entitled to receive.

All Securities delivered upon any registration of transfer or exchange of Securities shall be valid obligations of the Company, evidencing the same obligation, and entitled to the same benefits under this Mortgage, as the Securities surrendered upon such registration of transfer or exchange.

Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company, the Trustee or the Security Registrar) be duly endorsed or shall be accompanied by a written instrument of transfer in form satisfactory to the Company, the Trustee or the Security Registrar, as the case may be, duly executed by the Holder thereof or his attorney duly authorized in writing.

Unless otherwise specified as contemplated by Section 301, with respect to Securities of any series, or any Tranche thereof, no service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 304, 506 or 1306 not involving any transfer.

The Company shall not be required to execute or to provide for the registration of transfer of or the exchange of (a) Securities of any series, or any Tranche thereof, during a period of 15 days immediately preceding the date notice is to be given identifying the serial numbers of the Securities of such series or Tranche called for redemption or (b) any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

SECTION 306. MUTILATED, DESTROYED, LOST AND STOLEN SECURITIES.

If any mutilated Security is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of the same series and Tranche, and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (a) evidence to their satisfaction of the ownership of and the destruction, loss or theft of any Security and (b) such security or indemnity as may be reasonably required by them to save each of them and any agent of any of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has

been acquired by a bona fide purchaser, the Company shall execute and the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security of the same series and Tranche, and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

Notwithstanding the foregoing, in case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses (including the fees and expenses of the Trustee) in connection therewith.

Every new Security of any series issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone other than the Holder of such new Security, and any such new Security shall be entitled to all the benefits of this Mortgage equally and proportionately with any and all other Securities of such series duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 307. PAYMENT OF INTEREST; INTEREST RIGHTS PRESERVED.

Unless otherwise specified as contemplated by Section 301 with respect to the Securities of any series, or any Tranche thereof, interest on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

Any interest on any Security of any series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the related Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election, as provided in clause (a) or (b) below:

(a) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a date (a "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security of such series and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit

of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company shall promptly cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of Securities of such series at the address of such Holder as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date. No interest, other than said Defaulted Interest, shall be payable to such holders with respect to any such amounts so deposited by the Company with the Trustee.

(b) The Company may make payment of any Defaulted Interest on the Securities of any series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section and Section 305, each Security delivered under this Mortgage upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

SECTION 308. PERSONS DEEMED OWNERS.

Prior to due presentment of a Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Security is registered as the absolute owner of such Security for the purpose of receiving payment of principal of and premium, if any, and (subject to Sections 305 and 307) interest, if any, on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and none of the Company, the Trustee or any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 309. CANCELLATION.

All Securities surrendered for payment, redemption, registration of transfer or exchange or for credit against any sinking fund payment shall, if surrendered to any Person other than the Security Registrar, be delivered to the Security Registrar and, if not theretofore canceled, shall be promptly canceled by the Security Registrar. The Company may at any time deliver to the Security Registrar for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever or which the Company shall not have issued and sold, and all Securities so delivered shall be promptly canceled by the Security Registrar. No Securities shall be authenticated in lieu of or in exchange for any Securities canceled as provided in this Section, except as expressly permitted by this Mortgage. All canceled Securities

held by the Security Registrar shall be disposed of in accordance with the customary practices of the Security Registrar at the time in effect, and the Security Registrar shall not be required to destroy any such certificates. The Security Registrar shall promptly deliver a certificate of disposition to the Trustee and the Company unless, by a Company Order, similarly delivered, the Company shall direct that canceled Securities be returned to it. The Security Registrar shall promptly deliver evidence of any cancellation of a Security in accordance with this Section 309 to the Trustee and the Company.

SECTION 310. COMPUTATION OF INTEREST.

Except as otherwise specified as contemplated by Section 301 for Securities of any series, or Tranche thereof, interest on the Securities of each series shall be computed on the basis of a 360-day year consisting of 12 30-day months, and with respect to any period less than a full month, on the basis of the actual number of days elapsed during such period. For example, the interest for a period running from the 15th day of one month to the 15th day of the next month would be calculated on the basis of one 30-day month.

SECTION 311. PAYMENT TO BE IN PROPER CURRENCY.

In the case of any Security denominated in any currency other than Dollars or in a composite currency (the "Required Currency"), except as otherwise specified with respect to such Security as contemplated by Section 301, the obligation of the Company to make any payment of the principal thereof, or the premium or interest thereon, shall not be discharged or satisfied by any tender by the Company, or recovery by the Trustee, in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the Trustee timely holding the full amount of the Required Currency then due and payable. If any such tender or recovery is in a currency other than the Required Currency, the Trustee may take such actions as it considers appropriate to exchange such currency for the Required Currency. The costs and risks of any such exchange, including without limitation the risks of delay and exchange rate fluctuation, shall be borne by the Company, the Company shall remain fully liable for any shortfall or delinquency in the full amount of Required Currency then due and payable, and in no circumstances shall the Trustee be liable therefor except in the case of its negligence or willful misconduct.

SECTION 312. EXTENSION OF INTEREST PAYMENT.

The Company shall have the right at any time, to extend interest payment periods on all the Securities of any series hereunder, if so specified as contemplated by Section 301 with respect to such Securities and upon such terms as may be specified as contemplated by Section 301 with respect to such Securities.

SECTION 313. CUSIP NUMBERS.

The Company in issuing the Securities may use "CUSIP" or "ISIN" or other similar numbers (if then generally in use), and, if so, the Company, the Trustee or the Security Registrar may use "CUSIP" or "ISIN" or such other numbers in notices or redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only the other identification numbers printed on the

Securities, in which case none of the Company or, as the case may be, the Trustee or the Security Registrar, or any agent of any of them, shall have any liability in respect of any CUSIP or "ISIN" or other number used on any such notice, and any such redemption shall not be affected by any defect in or omission of such numbers.

ARTICLE FOUR

ISSUANCE OF SECURITIES

SECTION 401. ISSUANCE OF SECURITIES.

(a) Securities of any one or more series may be authenticated and delivered in any aggregate principal amount so long as, after immediately giving effect thereto, to the concurrent redemption or payment of Securities or Secured Debt and any other transactions contemplated therewith, the aggregate principal amount of all Securities and Secured Debt, in each case then Outstanding, will not exceed 75% of the sum of (i) the then Cost or Fair Value, whichever is less, of all Property Additions (after making any deductions pursuant to Section 102(b)) and (ii) all Available Cash then held by, or deposited with, the Trustee.

(b) Securities of any series shall be authenticated and delivered by the Trustee upon receipt by the Trustee of:

(i) the documents with respect to the Securities of such series specified in Section 303;

(ii) an Experts' Certificate dated as of a date not more than 90 days prior to the first day of the month in which the Company Order referring to it is delivered to the Trustee,

(1) setting forth the aggregate amount of Property Additions then owned by the Company, such amount to be computed by reference to the Company's financial statements, on a Dollar basis, and stating the Cost of such Property Additions;

(2) stating that all such property reflected in clause (1) above constitutes Property Additions;

(3) stating that such Property Additions are desirable for use in the conduct of the business, or one of the businesses, of the Company;

(4) stating what part, if any, of such Property Additions includes property which had not been included in a previous Experts' Certificate and which within six months prior to the date of acquisition thereof by the Company had been used or operated by others than the Company in a business similar to that in which it has been or is to be used or operated by the Company and stating whether or not, in the judgment of the signers, the Fair Value of such Property Additions to the Company, as of the date of such certificate, is more than \$25,000 and more than 1% of the aggregate principal amount of Securities then Outstanding;

(5) stating, in the judgment of the signers, the Fair Value to the Company, as of the date of such certificate, of such Property Additions, except any thereof with

respect to the Fair Value to the Company of which a statement is to be made in an Independent Experts' Certificate pursuant to clause (iii) below;

(6) stating the lower of the Cost or the Fair Value to the Company of such Property Additions;

(7) stating the aggregate principal amount of Securities and the aggregate principal amount of Secured Debt, in each case to be Outstanding immediately prior to the issuance of the Securities to be then authenticated and delivered;

(8) stating the principal amount of Securities to be then authenticated and delivered;

(9) stating that, immediately after giving effect to the issuance of the Securities to be then authenticated and delivered, to the concurrent redemption or payment of Securities or Secured Debt and any other transactions contemplated therewith, the aggregate principal amount of all Securities and Secured Debt, in each case then Outstanding, will not exceed 75% of the sum of (i) the amount set forth in clause (6) above, and (ii) all Available Cash;

(iii) in case any Property Additions are shown by the Experts' Certificate provided for in clause (ii) above to include property which had not been included in a previous Experts' Certificate and which, within six months prior to the date of acquisition thereof by the Company, had been used or operated by others than the Company in a business similar to that in which it has been or is to be used or operated by the Company and such certificate does not show the Fair Value thereof to the Company, as of the date of such certificate, to be less than \$25,000 or less than 1% of the aggregate principal amount of Securities then Outstanding, an Independent Experts' Certificate stating, in the judgment of the signer, the Fair Value to the Company, as of the date of such Independent Experts' Certificate, of (X) such Property Additions which have been so used or operated and (at the option of the Company) as to any other Property Additions included in the Experts' Certificate provided for in clause (ii) above and (Y) in case such Independent Experts' Certificate is being delivered in connection with the authentication and delivery of Securities, any property so used or operated which has been subjected to the Lien of this Mortgage since the commencement of the then current calendar year and as to which an Independent Experts' Certificate has not previously been furnished to the Trustee;

(iv) in case any Property Additions are shown by the Experts' Certificate provided for in clause (ii) above to have not been included in a previous Experts' Certificate and to have been acquired, made or constructed in whole or in part through the delivery of securities or other property, an Experts' Certificate stating, in the judgment of the signers, the fair market value in cash of such securities or other property at the time of delivery thereof in payment for or for the acquisition of such Property Additions;

(v) an Opinion of Counsel to the effect that:

(1) this Mortgage constitutes, or, upon the delivery of, and/or the filing and/or recording in the proper places and manner of, the instruments of conveyance, assignment or transfer, if any, specified in said opinion, will constitute, a direct first mortgage lien, subject only to Permitted Liens, environmental "super lien" laws and specified Prior Liens, upon

the interest of the Company in the Property Additions; provided, however, that on and after the Second Effective Date, said opinion may also contain an exception for all Prior Liens; and

(2) the Company has corporate authority to operate such Property Additions; and

(vi) copies of the instruments of conveyance, assignment and transfer, if any, specified in the Opinion of Counsel provided for in clause (v) above.

ARTICLE FIVE

REDEMPTION OF SECURITIES

SECTION 501. APPLICABILITY OF ARTICLE.

Securities of any series, or any Tranche thereof, which are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 301 for Securities of such series or Tranche) in accordance with this Article.

SECTION 502. ELECTION TO REDEEM; NOTICE TO TRUSTEE.

The election of the Company to redeem any Securities shall be evidenced by a Board Resolution or an Officers' Certificate. The Company shall, at least 40 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee in writing of such Redemption Date and of the principal amount of such Securities to be redeemed. In the case of any redemption of Securities (a) prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Mortgage or (b) pursuant to an election of the Company which is subject to a condition specified in the terms of such Securities, the Company shall furnish the Trustee with an Officers' Certificate evidencing compliance with such restriction or condition.

SECTION 503. SELECTION OF SECURITIES TO BE REDEEMED.

If less than all the Securities of any series, or any Tranche thereof, are to be redeemed, the particular Securities to be redeemed shall be selected by the Trustee from the Outstanding Securities of such series or Tranche not previously called for redemption, by such method as shall be provided for such particular series or Tranche, or in the absence of any such provision, by such method of random selection as the Trustee shall deem fair and appropriate and which may, in any case, provide for the selection for redemption of portions (equal to any authorized denomination for Securities of such series or Tranche) of the principal amount of Securities of such series or Tranche of a denomination larger than the minimum authorized denomination for Securities of such series or Tranche; provided, however, that if, as indicated in an Officers' Certificate, the Company shall have offered to purchase all or any principal amount of the Securities then Outstanding of any series, or any Tranche thereof, and less than all of such Securities as to which such offer was made shall have been tendered to the Company for such purchase, the Trustee, if so directed by Company Order, shall select for redemption all or any principal amount of such Securities which have not been so tendered.

The Trustee shall promptly notify the Company and the Security Registrar in writing of the Securities selected for redemption and, in the case of any Securities selected to be redeemed in part, the principal amount thereof to be redeemed.

For all purposes of this Mortgage, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities which has been or is to be redeemed.

SECTION 504. NOTICE OF REDEMPTION.

Except as otherwise specified as contemplated by Section 301 for Securities of any series, notice of redemption shall be given in the manner provided in Section 107 to the Holders of the Securities to be redeemed not less than 30 days prior to the Redemption Date.

Except as otherwise specified as contemplated by Section 301 for Securities of any series, all notices of redemption shall state:

- (a) the Redemption Date,
- (b) the Redemption Price (if known),
- (c) if less than all the Securities of any series or Tranche are to be redeemed, the identification of the particular Securities to be redeemed and the portion of the principal amount of any Security to be redeemed in part,
- (d) that on the Redemption Date the Redemption Price, together with accrued interest, if any, to the Redemption Date, will become due and payable upon each such Security to be redeemed and, if applicable, that interest thereon will cease to accrue on and after said date,
- (e) the place or places where such Securities are to be surrendered for payment of the Redemption Price and accrued interest, if any, unless it shall have been specified as contemplated by Section 301 with respect to such Securities that such surrender shall not be required,
- (f) that the redemption is for a sinking or other fund, if such is the case,
- (g) the CUSIP, ISIN or other similar numbers, if any, assigned to such Securities; provided, however, that such notice may state that no representation is made as to the correctness of CUSIP or ISIN numbers, in which case none of the Company, the Trustee or any agent of the Company or the Trustee shall have any liability in respect of the use of any CUSIP or ISIN number or numbers on such notices, and the redemption of such Securities shall not be affected by any defect in or omission of such numbers, and
- (h) such other matters as the Company shall deem desirable or appropriate.

Unless otherwise specified with respect to any Securities in accordance with Section 301, with respect to any notice of redemption of Securities at the election of the Company, unless, upon

the giving of such notice, such Securities shall be deemed to have been paid in accordance with Section 801, such notice may state that such redemption shall be conditional upon the receipt by the Paying Agent or Agents for such Securities, on or prior to the date fixed for such redemption, of money sufficient to pay the principal of and premium, if any, and interest, if any, on such Securities and that if such money shall not have been so received such notice shall be of no force or effect and the Company shall not be required to redeem such Securities. In the event that such notice of redemption contains such a condition and such money is not so received, the redemption shall not be made and within a reasonable time thereafter notice shall be given, in the manner in which the notice of redemption was given, that such money was not so received and such redemption was not required to be made. A failure by the Company to provide such moneys or make provision for the payment thereof shall not constitute an Event of Default under this Mortgage and the Paying Agent or Agents for the Securities otherwise to have been redeemed shall promptly return to the Holders thereof any of such Securities which had been surrendered for payment upon such redemption.

Notice of redemption of Securities to be redeemed at the election of the Company, and any notice of non-satisfaction of a condition for redemption as aforesaid, shall be given by the Company or, at the Company's request, by the Security Registrar in the name and at the expense of the Company. Notice of any mandatory redemption of Securities shall be given by the Security Registrar in the name and at the expense of the Company.

SECTION 505. SECURITIES PAYABLE ON REDEMPTION DATE.

Notice of redemption having been given as aforesaid, and the conditions, if any, set forth in such notice having been satisfied, the Securities or portions thereof so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless, in the case of an unconditional notice of redemption, the Company shall default in the payment of the Redemption Price and accrued interest, if any) such Securities or portions thereof, if interest-bearing, shall cease to bear interest. Upon surrender of any such Security for redemption in accordance with such notice, such Security or portion thereof shall be paid by the Company at the Redemption Price, together with accrued interest, if any, to the Redemption Date; provided, however, that no such surrender shall be a condition to such payment if so specified as contemplated by Section 301 with respect to such Security; and provided, further, that except as otherwise specified as contemplated by Section 301 with respect to such Security, any installment of interest on any Security the Stated Maturity of which installment is on or prior to the Redemption Date shall be payable to the Holder of such Security, or one or more Predecessor Securities, registered as such at the close of business on the related Regular Record Date according to the terms of such Security and subject to the provisions of Sections 305 and 307.

SECTION 506. SECURITIES REDEEMED IN PART.

Upon the surrender of any Security which is to be redeemed only in part at a Place of Payment therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Security, without service charge, a new Security or Securities of the same series and Tranche, of any authorized denomination requested by

such Holder and of like tenor and in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered.

ARTICLE SIX

SINKING FUNDS

SECTION 601. APPLICABILITY OF ARTICLE.

The provisions of this Article shall be applicable to any sinking fund for the retirement of the Securities of any series, or any Tranche thereof, except as otherwise specified as contemplated by Section 301 for Securities of such series or Tranche.

The minimum amount of any sinking fund payment provided for by the terms of Securities of any series, or any Tranche thereof, is herein referred to as a “mandatory sinking fund payment”, and any payment in excess of such minimum amount provided for by the terms of Securities of any series, or any Tranche thereof, is herein referred to as an “optional sinking fund payment”. If provided for by the terms of Securities of any series, or any Tranche thereof, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 602. Each sinking fund payment shall be applied to the redemption of Securities of the series or Tranche in respect of which it was made as provided for by the terms of such Securities.

SECTION 602. SATISFACTION OF SINKING FUND PAYMENTS WITH SECURITIES.

The Company (a) may deliver to the Trustee Outstanding Securities (other than any previously called for redemption) of a series or Tranche in respect of which a mandatory sinking fund payment is to be made and (b) may apply as a credit Securities of such series or Tranche which have been redeemed either at the election of the Company pursuant to the terms of such Securities, at the election of the Holder thereof if applicable, or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities, in each case in satisfaction of all or any part of such mandatory sinking fund payment with respect to the Securities of such series; provided, however, that no Securities shall be applied in satisfaction of a mandatory sinking fund payment if such Securities shall have been previously so applied. Securities so applied shall be received and credited for such purpose by the Trustee at the Redemption Price specified in such Securities for redemption through operation of the sinking fund and the amount of such mandatory sinking fund payment shall be reduced accordingly.

SECTION 603. REDEMPTION OF SECURITIES FOR SINKING FUND.

Not less than 40 days, or such shorter period as the Trustee shall agree to, prior to each sinking fund payment date for the Securities of any series, or any Tranche thereof, the Company shall deliver to the Trustee an Officers’ Certificate specifying:

(a) the amount of the next succeeding mandatory sinking fund payment for such series or Tranche;

(b) the amount, if any, of the optional sinking fund payment to be made together with such mandatory sinking fund payment;

(c) the aggregate sinking fund payment; and

(d) the portion, if any, of such aggregate sinking fund payment which is to be satisfied by the payment of cash;

(e) the portion, if any, of such aggregate sinking fund payment which is to be satisfied by delivering and crediting Securities of such series or Tranche pursuant to Section 602 and stating the basis for such credit and that such Securities have not previously been so credited, and the Company shall also deliver to the Trustee any Securities to be so delivered.

If the Company shall not deliver such Officers' Certificate and, to the extent applicable, all such Securities, the next succeeding sinking fund payment for such series or Tranche shall be made entirely in cash in the amount of the mandatory sinking fund payment. Not less than 30 days before each such sinking fund payment date the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 503 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 504. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 505 and 506.

ARTICLE SEVEN

REPRESENTATIONS AND COVENANTS

SECTION 701. PAYMENT OF SECURITIES; LAWFUL POSSESSION.

(a) The Company shall pay the principal of and premium, if any, and interest, if any, on the Securities of each series in accordance with the terms of such Securities and this Mortgage.

(b) The Company is lawfully possessed of the Mortgaged Property and has sufficient right and authority to mortgage and pledge the Mortgaged Property, as provided in and by this Mortgage.

SECTION 702. MAINTENANCE OF OFFICE OR AGENCY.

The Company shall maintain in each Place of Payment for the Securities of each series, or any Tranche thereof, an office or agency where payment of such Securities shall be made, where the registration of transfer or exchange of such Securities may be effected and where notices and demands to or upon the Company in respect of such Securities and this Mortgage may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of each such office or agency and prompt notice to the Holders of any such change in the manner specified in Section 107. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, then payment of such Securities shall be made, registration of transfer or exchange thereof may be effected and notices and demands in respect of such Securities and this Mortgage may be served at the Corporate

Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent for all such purposes in any such event.

The Company may also from time to time designate one or more other offices or agencies with respect to the Securities of one or more series, or any Tranche thereof, for any or all of the foregoing purposes and may from time to time rescind such designations; provided, however, that, unless otherwise specified as contemplated by Section 301 with respect to the Securities of such series or Tranche, no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency for such purposes in each Place of Payment for such Securities in accordance with the requirements set forth above. The Company shall give prompt written notice to the Trustee, and prompt notice to the Holders in the manner specified in Section 107, of any such designation or rescission and of any change in the location of any such other office or agency.

Anything herein to the contrary notwithstanding, any office or agency required by this Section may be maintained at an office of the Company or an Affiliate of the Company, in which event the Company or such Affiliate shall perform all functions to be performed at such office or agency.

SECTION 703. MONEY FOR SECURITIES PAYMENTS TO BE HELD IN TRUST.

If the Company shall at any time act as its own Paying Agent with respect to the Securities of any series, or any Tranche thereof, it shall, on or before each due date of the principal of and premium, if any, and interest, if any, on any of such Securities, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal and premium or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided. The Company shall promptly notify the Trustee of any failure by the Company (or any other obligor on such Securities) to make any payment of principal of or premium, if any, or interest, if any, on such Securities.

Whenever the Company shall have one or more Paying Agents for the Securities of any series, or any Tranche thereof, it shall, on or before each due date of the principal of and premium, if any, and interest, if any, on such Securities, deposit with such Paying Agents sums sufficient (without duplication) to pay the principal and premium or interest so becoming due, such sums to be held in trust for the benefit of the Persons entitled to such principal, premium or interest, and (unless such Paying Agent is the Trustee) the Company shall promptly notify the Trustee of any failure by it so to act.

The Company shall cause each Paying Agent for the Securities of any series, or any Tranche thereof, other than the Company or the Trustee, to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent shall:

(a) hold all sums held by it for the payment of the principal of and premium, if any, or interest, if any, on such Securities in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(b) give the Trustee notice of any failure by the Company (or any other obligor upon such Securities) to make any payment of principal of or premium, if any, or interest, if any, on such Securities; and

(c) at any time during the continuance of any such failure, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent and furnish to the Trustee such information as it possesses regarding the names and addresses of the Persons entitled to such sums.

The Company may at any time pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent and, if so stated in a Company Order delivered to the Trustee, in accordance with the provisions of Article Eight; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of and premium, if any, or interest, if any, on any Security and remaining unclaimed for two years after such principal and premium, if any, or interest, if any, has become due and payable shall to the extent permitted by law be paid to the Company on Company Request, or, if then held by the Company, shall be discharged from such trust; and, upon such payment or discharge, the Holder of such Security shall, as an unsecured general creditor and not as the Holder of an Outstanding Security, look only to the Company for payment of the amount so due and payable and remaining unpaid unless the applicable law provides otherwise, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such payment to the Company, may at the expense of the Company cause to be mailed, on one occasion only, notice to such Holder that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such mailing, any unclaimed balance of such money then remaining will be paid to the Company.

SECTION 704. CORPORATE EXISTENCE.

Subject to the rights of the Company under Article Twelve, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its legal existence as a corporation.

SECTION 705. ANNUAL OFFICERS' CERTIFICATE AS TO COMPLIANCE.

Not later than June 1 in each year, commencing June 1, ____, the Company shall deliver to the Trustee an Officers' Certificate which need not comply with the requirements of Section 103, executed by the principal executive officer, the principal financial officer or the principal accounting officer of the Company and by any other Authorized Officer, as to (i) such officers' knowledge of the Company's compliance with all conditions and covenants under this Mortgage, such compliance to be determined without regard to any period of grace or requirement of notice under this Mortgage, and making any other statements as may be required by the Trust Indenture

Act; and (ii) stating the aggregate principal amount of Secured Debt outstanding as of March 31 in such year.

SECTION 706. WAIVER OF CERTAIN COVENANTS.

The Company may omit in any particular instance to comply with any term, provision or condition set forth in (a) Section 702 or any additional covenant or restriction specified with respect to the Securities of any series, or any Tranche thereof, as contemplated by Section 301, if before the time for such compliance the Holders of a majority in aggregate principal amount of the Outstanding Securities of all series and Tranches with respect to which compliance with Section 702 or such additional covenant or restriction is to be omitted, considered as one class, shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition and (b) Section 704 or Article Twelve if before the time for such compliance the Holders of a majority in principal amount of Securities Outstanding under this Mortgage shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition; but, in the case of (a) or (b), no such waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

SECTION 707. ISSUANCE OF SECURED DEBT

The Company shall not issue any Secured Debt unless, after giving effect thereto, to the concurrent redemption or payment of Securities or Secured Debt and any other transactions contemplated thereby, (a) the Company would be permitted by the provisions of Section 401(a) to have authenticated and delivered at least \$1.00 of additional Securities, and (b) the aggregate principal amount of Secured Debt then outstanding would not exceed 3% of the sum of (i) the then Cost or Fair Value, whichever is less, of all Property Additions (after making any deductions pursuant to Section 102(b)) and (ii) all Available Cash then held by, or deposited with, the Trustee, provided, however, that the foregoing restriction shall not in any way prevent or limit the Company from assuming indebtedness secured by Liens existing on property acquired by the Company after the First Effective Date or placed thereon at the time of such acquisition thereof. Any such assumed indebtedness secured by a Lien prior to or on a parity with the Lien of this Mortgage shall, for all other purposes of this Mortgage, constitute Secured Debt.

SECTION 708. SALE AND LEASEBACK

Nothing in this Mortgage is intended to prevent the Company from entering into any Sale and Leaseback Transaction so long as the Company otherwise complies with the requirements of this Mortgage.

ARTICLE EIGHT

SATISFACTION AND DISCHARGE

SECTION 801. SATISFACTION AND DISCHARGE OF SECURITIES.

Any Security or Securities (provided, however, that prior to the Second Effective Date this Section shall be applicable only to Securities issued after September 1, 2007), or any portion of the principal amount thereof, shall be deemed to have been paid and no longer Outstanding for all purposes of this Mortgage, and the entire indebtedness of the Company in respect thereof shall be deemed to have been satisfied and discharged, if there shall have been irrevocably deposited with the Trustee or any Paying Agent (other than the Company), in trust:

(a) money in an amount which shall be sufficient, or

(b) in the case of a deposit made prior to the Maturity of such Securities or portions thereof, Eligible Obligations, which shall not contain provisions permitting the redemption or other prepayment thereof at the option of the issuer thereof, the principal of and the interest on which when due, without any regard to reinvestment thereof, will provide moneys which, together with the money, if any, deposited with or held by the Trustee or such Paying Agent, shall be sufficient, or

(c) a combination of (a) or (b) which shall be sufficient to pay when due the principal of and premium, if any, and interest, if any, due and to become due on such Securities or portions thereof on or prior to Maturity;

provided, however, that in the case of the provision for payment or redemption of less than all the Securities of any series or Tranche, such Securities or portions thereof shall have been selected by the Trustee as provided herein and, in the case of a redemption, the notice requisite to the validity of such redemption shall have been given or irrevocable authority shall have been given by the Company to the Trustee to give such notice, under arrangements satisfactory to the Trustee; and provided, further, that the Company shall have delivered to the Trustee and such Paying Agent:

(x) if such deposit shall have been made prior to the Maturity of such Securities, a Company Order stating that the money and Eligible Obligations deposited in accordance with this Section shall be held in trust, as provided in Section 803;

(y) if Eligible Obligations shall have been deposited, an Opinion of Counsel to the effect that such obligations constitute Eligible Obligations and do not contain provisions permitting the redemption or other prepayment thereof at the option of the issuer thereof, and a report of an independent public accountant of nationally recognized standing, selected by the Company, to the effect that the other requirements set forth in clause (b) and (c) above have been satisfied; and

(z) if such deposit shall have been made prior to the Maturity of such Securities, an Officers' Certificate stating the Company's intention that, upon delivery of such Officers' Certificate, its indebtedness in respect of such Securities or portions thereof will have been satisfied and discharged as contemplated in this Section.

Upon the deposit of money or Eligible Obligations, or both, in accordance with this Section, together with the documents required by clauses (x), (y) and (z) above, the Trustee shall, upon receipt of a Company Request, acknowledge in writing that the Security or Securities or portions thereof with respect to which such deposit was made are deemed to have been paid for all purposes of this Mortgage and that the entire indebtedness of the Company in respect thereof has been satisfied and discharged as contemplated in this Section. In the event that all of the conditions set forth in the preceding paragraph shall have been satisfied in respect of any Securities or portions thereof except that, for any reason, the Officers' Certificate specified in clause (z) shall not have been delivered, such Securities or portions thereof shall nevertheless be deemed to have been paid for all purposes of this Mortgage, and the Holders of such Securities or portions thereof shall nevertheless be no longer entitled to the benefits provided by this Mortgage or of any of the covenants of the Company under Article Seven (except the covenants contained in Sections 702 and 703) or any other covenants made in respect of such Securities or portions thereof as contemplated by Section 301 or Section 1301(b), but the indebtedness of the Company in respect of such Securities or portions thereof shall not be deemed to have been satisfied and discharged prior to Maturity for any other purpose and the Holders of such Securities or portions thereof shall continue to be entitled to look to the Company for payment of the indebtedness represented thereby; and, upon Company Request, the Trustee shall acknowledge in writing that such Securities or portions thereof are deemed to have been paid for all purposes of this Mortgage.

If payment at Stated Maturity of less than all of the Securities of any series, or any Tranche thereof, is to be provided for in the manner and with the effect provided in this Section, the Trustee shall select such Securities, or portions of principal amount thereof, in the manner specified by Section 503 for selection for redemption of less than all the Securities of a series or Tranche.

In the event that Securities which shall be deemed to have been paid for purposes of this Mortgage, and, if such is the case, in respect of which the Company's indebtedness shall have been satisfied and discharged, all as provided in this Section, do not mature and are not to be redeemed within the 60-day period commencing with the date of the deposit of moneys or Eligible Obligations, as aforesaid, the Company shall, as promptly as practicable, give a notice, in the same manner as a notice of redemption with respect to such Securities, to the Holders of such Securities to the effect that such deposit has been made and the effect thereof.

Notwithstanding that any Securities shall be deemed to have been paid for purposes of this Mortgage, as aforesaid, the obligations of the Company and the Trustee in respect of such Securities under Sections 304, 305, 306, 504, 702, 703, 1007 and 1015 and this Article shall survive.

The Company shall pay, and shall indemnify the Trustee or any Paying Agent with which Eligible Obligations shall have been deposited as provided in this Section against, any tax, fee or other charge imposed on or assessed against such Eligible Obligations or the principal or interest received in respect of such Eligible Obligations, including, but not limited to, any such tax payable by any entity deemed, for tax purposes, to have been created as a result of such deposit.

Anything herein to the contrary notwithstanding, (a) if, at any time after a Security would be deemed to have been paid for purposes of this Mortgage, and, if such is the case, the Company's indebtedness in respect thereof would be deemed to have been satisfied and discharged, pursuant to

this Section (without regard to the provisions of this paragraph), the Trustee or any Paying Agent, as the case may be, (i) shall be required to return the money or Eligible Obligations, or combination thereof, deposited with it as aforesaid to the Company or its representative under any applicable Federal or State bankruptcy, insolvency or other similar law, or (ii) is unable to apply any money in accordance with this Article with respect to any Securities by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, such Security shall thereupon be deemed retroactively not to have been paid and any satisfaction and discharge of the Company's indebtedness in respect thereof shall retroactively be deemed not to have been effected, and such Security shall be deemed to remain Outstanding and (b) any satisfaction and discharge of the Company's indebtedness in respect of any Security shall be subject to the provisions of the last paragraph of Section 703.

SECTION 802. EFFECTIVE TIME; SATISFACTION AND DISCHARGE OF MORTGAGE.

(a) Subsection (b) of this Section 802 shall be of no force or effect until the Second Effective Date, but shall automatically become and be in full force and effect on and after the Second Effective Date.

(b) This Mortgage shall upon Company Request cease to be of further effect (except as hereinafter expressly provided), and the Trustee, at the expense of the Company, shall execute such instruments as the Company shall reasonably request to evidence and acknowledge the satisfaction and discharge of this Mortgage, when:

- (i) no Securities remain Outstanding hereunder; and
- (ii) the Company has paid or caused to be paid all other sums payable hereunder by the Company;

provided, however, that if, in accordance with the last paragraph of Section 801, any Security, previously deemed to have been paid for purposes of this Mortgage, shall be deemed retroactively not to have been so paid, this Mortgage shall thereupon be deemed retroactively not to have been satisfied and discharged, as aforesaid, and to remain in full force and effect, and the Company shall execute and deliver such instruments as the Trustee shall reasonably request to evidence and acknowledge the same.

Notwithstanding the satisfaction and discharge of this Mortgage as aforesaid, the obligations of the Company and the Trustee under Sections 304, 305, 306, 504, 702, 703, 1007 and 1015 and this Article shall survive.

Upon satisfaction and discharge of this Mortgage as provided in this Section, the Trustee shall assign, transfer and turn over to the Company, subject to the lien provided by Section 1007, any and all money, securities and other property then held by the Trustee for the benefit of the Holders of the Securities (other than money and Eligible Obligations held by the Trustee pursuant to Section 803) and shall execute and deliver to the Company such instruments as, in the judgment of the Company, shall be necessary, desirable or appropriate to effect or evidence the satisfaction and discharge of this Mortgage.

SECTION 803. APPLICATION OF TRUST MONEY.

Neither the Eligible Obligations nor the money deposited pursuant to Section 801, nor the principal or interest payments on any such Eligible Obligations, shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and premium, if any, and interest, if any, on the Securities or portions of principal amount thereof in respect of which such deposit was made, all subject, however, to the provisions of Section 703; provided, however, that so long as there shall not have occurred and be continuing an Event of Default, any cash received from such principal or interest payments on such Eligible Obligations, if not then needed for such purpose, shall, to the extent practicable and upon Company Request and delivery to the Trustee of the documents referred to in clause (y) in the first paragraph of Section 801, be invested in Eligible Obligations of the type described in clause (b) in the first paragraph of Section 801 maturing at such times and in such amounts as shall be sufficient, together with any other moneys and the proceeds of any other Eligible Obligations then held by the Trustee, to pay when due the principal of and premium, if any, and interest, if any, due and to become due on such Securities or portions thereof on and prior to the Maturity thereof, and interest earned from such reinvestment shall be paid over to the Company as received, free and clear of any trust, lien or pledge under this Mortgage (except the lien provided by Section 1007); and provided, further, that, so long as there shall not have occurred and be continuing an Event of Default, any moneys held in accordance with this Section on the Maturity of all such Securities in excess of the amount required to pay the principal of and premium, if any, and interest, if any, then due on such Securities shall be paid over to the Company free and clear of any trust, lien or pledge under this Mortgage (except the lien provided by Section 1007); and provided, further, that if an Event of Default shall have occurred and be continuing, moneys to be paid over to the Company pursuant to this Section shall be held until such Event of Default shall have been waived or cured.

ARTICLE NINE

EVENTS OF DEFAULT; REMEDIES

SECTION 901. EVENTS OF DEFAULT.

“Event of Default”, wherever used herein with respect to Securities, means any one of the following events:

(a) Failure to pay any interest on any Security when it becomes due and payable and continuance of such default for a period of 90 days; provided, however, that no such default shall constitute an “Event of Default” if the Company has made a valid extension of the interest payment period with respect to the Securities of such series, of which such Security is a part, if so provided as contemplated by Section 301; or

(b) Failure to pay the principal of or premium, if any, on any Security when it becomes due and payable; provided, however, that no such default shall constitute an “Event of Default” if the Company has made a valid extension of the Maturity of the Securities of the series, of which such Security is a part, if so provided as contemplated by Section 301; or

(c) Failure to perform or breach of, any covenant or warranty of the Company in this Mortgage (other than a covenant or warranty a default in the performance of which or breach of which is elsewhere in this Section specifically addressed) and continuance of such default or breach for a period of 90 days after there has been given, by registered or certified mail, to the Company by the Trustee, or to the Company and the Trustee by the Holders of at least 33% in aggregate principal amount of the Outstanding Securities, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a “Notice of Default” hereunder, unless the Trustee, or the Trustee and the Holders of a principal amount of Securities not less than the principal amount of Securities the Holders of which gave such notice, as the case may be, shall agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee, or the Trustee and the Holders of such principal amount of Securities, as the case may be, shall be deemed to have agreed to an extension of such period if corrective action is initiated by the Company within such period and is being diligently pursued; or

(d) The entry by a court having jurisdiction in the premises of (1) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (2) a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition by one or more Persons other than the Company seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable Federal or State bankruptcy, insolvency or similar law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official for the Company or for any substantial part of its property, or ordering the winding up or liquidation of its affairs, and any such decree or order for relief or any such other decree or order shall have remained unstayed and in effect for a period of 90 consecutive days; or

(e) The commencement by the Company of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by the Company to the entry of a decree or order for relief in respect of the Company in a case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against the Company, or the filing by the Company of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State bankruptcy, insolvency, reorganization or similar law, or the consent by the Company to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or of any substantial part of its property, or the making by the Company of an assignment for the benefit of creditors, or the admission by the Company in writing of its inability to pay its debts generally as they become due, or the authorization of such action by the Board of Directors of the Company; or

(f) any other Event of Default with respect to Securities of such series as shall have been specified in the terms thereof as contemplated by Section 301(o).

SECTION 902. ACCELERATION OF MATURITY; RESCISSION AND ANNULMENT.

If an Event of Default shall have occurred and be continuing, then in every such case the Trustee or the Holders of not less than a majority in principal amount of the Outstanding Securities may declare the principal amount (or, if any of the Securities of such series are Discount Securities, such portion of the principal amount of such Securities as may be specified in the terms thereof as contemplated by Section 301) of all of the Securities to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon receipt by the Company of notice of such declaration such principal amount (or specified amount) together with premium, if any, and accrued and unpaid interest shall become immediately due and payable.

At any time after such a declaration of acceleration of the maturity of the Securities then Outstanding shall have been made, but before any sale of any of the Mortgaged Property has been made and before a judgment or decree for payment of the money due shall have been obtained by the Trustee as provided in this Article, the Event or Events of Default giving rise to such declaration of acceleration shall, without further act, be deemed to have been cured, and such declaration and its consequences shall, without further act, be deemed to have been rescinded and annulled, if

(a) the Company shall have paid or deposited with the Trustee a sum sufficient to pay

(i) all overdue interest, if any, on all Securities then Outstanding;

(ii) the principal of and premium, if any, on any Securities then Outstanding which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Securities;

(iii) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate or rates prescribed therefor in such Securities;

(iv) all amounts due to the Trustee under Section 1007;

and

(b) all Events of Default, other than the non-payment of the principal of Securities of such series which shall have become due solely by such declaration of acceleration, shall have been cured or waived as provided in Section 913.

No such rescission shall affect any subsequent Event of Default or impair any right consequent thereon.

SECTION 903. COLLECTION OF INDEBTEDNESS AND SUITS FOR ENFORCEMENT BY TRUSTEE.

If an Event of Default described in clause (a) or (b) of Section 901 shall have occurred, the Company shall, upon demand of the Trustee, pay to it, for the benefit of the Holders of the

Securities with respect to which such Event of Default shall have occurred, the whole amount then due and payable on such Securities for principal and premium, if any, and interest, if any, and, to the extent permitted by law, interest on premium, if any, and on any overdue principal and interest, at the rate or rates prescribed therefor in such Securities, and, in addition thereto, such further amount as shall be sufficient to cover any amounts due to the Trustee under Section 1007.

If the Company shall fail to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon such Securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon such Securities, wherever situated.

If an Event of Default shall have occurred and be continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Mortgage or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 904. TRUSTEE MAY FILE PROOFS OF CLAIM.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(a) to file and prove a claim for the whole amount of principal, premium, if any, and interest, if any, owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for amounts due to the Trustee under Section 1007 and any claims of the Trustee as holder of Secured Debt) and of the Holders allowed in such judicial proceeding, and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amounts due it under Section 1007.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or

composition affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 905. TRUSTEE MAY ENFORCE CLAIMS WITHOUT POSSESSION OF SECURITIES.

All rights of action and claims under this Mortgage or the Securities may be prosecuted and enforced by the Trustee, without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders in respect of which such judgment has been recovered.

SECTION 906. APPLICATION OF MONEY COLLECTED.

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, to the extent permitted by law, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal or premium, if any, or interest, if any, upon presentation of the Securities in respect of which or for the benefit of which such money shall have been collected and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 1007;

SECOND: To the payment of the amounts then due and unpaid upon the Securities for principal of and premium, if any, and interest, if any, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal, premium, if any, and interest, if any, respectively; and

THIRD: To the payment of the remainder, if any, to the Company or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

SECTION 907. LIMITATION ON SUITS.

No Holder shall have any right to institute any proceeding, judicial or otherwise, with respect to this Mortgage, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(a) such Holder shall have previously given written notice to the Trustee of a continuing Event of Default;

(b) the Holders of a majority in aggregate principal amount of the Outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(c) such Holder or Holders shall have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such proceeding; and

(e) no direction inconsistent with such written request shall have been given to the Trustee during such 60-day period by the Holders of a majority in aggregate principal amount of the Outstanding Securities; it being understood and intended that no one or more of the Holders of any Securities shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Mortgage to affect, disturb or prejudice the rights of any other Holders or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Mortgage, except in the manner herein provided and for the equal and ratable benefit of all Holders.

SECTION 908. UNCONDITIONAL RIGHT OF HOLDERS TO RECEIVE PRINCIPAL, PREMIUM AND INTEREST.

Notwithstanding any other provision in this Mortgage, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of and premium, if any, and (subject to Section 307) interest, if any, on such Security on the Stated Maturity or Maturities expressed in such Security (or, in the case of redemption, subject to Section 504, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 909. RESTORATION OF RIGHTS AND REMEDIES.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Mortgage and such proceeding shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and such Holder shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and such Holder shall continue as though no such proceeding had been instituted.

SECTION 910. RIGHTS AND REMEDIES CUMULATIVE.

Except as otherwise provided in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 911. DELAY OR OMISSION NOT WAIVER.

No delay or omission of the Trustee or of any Holder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of

any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 912. CONTROL BY HOLDERS OF SECURITIES.

If an Event of Default shall have occurred and be continuing, the Holders of a majority in principal amount of the Outstanding Securities shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to such Securities; provided, however, that

(a) such direction shall not be in conflict with any rule of law or with this Mortgage, and could not involve the Trustee in personal liability in circumstances where indemnity would not, in the Trustee's sole discretion, be adequate, and

(b) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 913. WAIVER OF PAST DEFAULTS.

The Holders of not less than a majority in principal amount of the Outstanding Securities may on behalf of the Holders of all the Securities waive any past default hereunder and its consequences, except a default:

(a) in the payment of the principal of or premium, if any, or interest, if any, on any Outstanding Security, or

(b) in respect of a covenant or provision hereof which under Section 1302 cannot be modified or amended without the consent of the Holder of each Outstanding Security of any series or Tranche affected.

Upon any such waiver, such default shall cease to exist, and any and all Events of Default arising therefrom shall be deemed to have been cured, for every purpose of this Mortgage; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 914. UNDERTAKING FOR COSTS.

The Company and the Trustee agree, and each Holder by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Mortgage, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant but the provisions of this Section shall not apply to any suit instituted by the Company, to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in aggregate principal amount of the Securities then Outstanding, or to any suit instituted by any Holder for the enforcement of the payment of the principal of or premium, if any, or interest, if any,

on any Security on or after the Stated Maturity or Maturities expressed in such Security (or in the case of redemption, on or after the Redemption Date).

SECTION 915. WAIVER OF USURY, STAY OR EXTENSION LAWS.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any usury, stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Mortgage; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

SECTION 916. DEFAULTS UNDER PRIOR LIENS.

In addition to every other right and remedy provided herein, the Trustee may (but shall not be obligated to) exercise any right or remedy available to the Trustee in its capacity as owner and holder of any Secured Debt which arises as a result of a default or matured event of default under any Prior Lien, whether or not an Event of Default shall then have occurred and be continuing.

SECTION 917. RECEIVER AND OTHER REMEDIES.

If an Event of Default shall have occurred and, during the continuance thereof, the Trustee shall have commenced judicial proceedings to enforce any right under this Mortgage, the Trustee shall, to the extent permitted by law, be entitled, as against the Company, to the appointment of a receiver of the Mortgaged Property and subject to the rights, if any, of others to receive collections from former, present or future customers of the rents, issues, profits, revenues and other income thereof, and whether or not any receiver is appointed, the Trustee shall be entitled to retain possession and control of, and to collect and receive the income from cash, securities and other personal property held by the Trustee hereunder and to all other remedies available to mortgagees and secured parties under the Uniform Commercial Code or any other applicable law.

ARTICLE TEN

THE TRUSTEE

SECTION 1001. CERTAIN DUTIES AND RESPONSIBILITIES.

(a) The Trustee shall have and be subject to all the duties and responsibilities specified with respect to a Mortgage trustee in the Trust Indenture Act and no implied covenants or obligations shall be read into this Mortgage against the Trustee. For purposes of Sections 315(a) and 315(c) of the Trust Indenture Act, the term “default” is hereby defined as an Event of Default which has occurred and is continuing.

(b) No provision of this Mortgage shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for

believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(c) Notwithstanding anything contained in this Mortgage to the contrary, the duties and responsibilities of the Trustee under this Mortgage shall be subject to the protections, exculpations and limitations on liability afforded to a Mortgage trustee under the provisions of the Trust Indenture Act. For the purposes of Sections 315(b) and 315(d)(2) of the Trust Indenture Act, the term “responsible officer” is hereby defined as a Responsible Officer.

(d) Whether or not therein expressly so provided, every provision of this Mortgage relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 1002. NOTICE OF DEFAULTS.

The Trustee shall give notice of any default hereunder known to the Trustee in the manner and to the extent required to do so by the Trust Indenture Act, unless such default shall have been cured or waived; provided, however, that in the case of any default of the character specified in Section 901(c), no such notice to Holders shall be given until at least 60 days after the occurrence thereof. For the purpose of this Section, the term “default” means any event which is, or after notice or lapse of time, or both, would become, an Event of Default.

SECTION 1003. CERTAIN RIGHTS OF TRUSTEE.

Subject to the provisions of Section 1001 and to the applicable provisions of the Trust Indenture Act:

(a) the Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order, or as otherwise expressly provided herein, and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Mortgage the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, conclusively rely upon an Officers’ Certificate;

(d) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Mortgage at the request or direction of any Holder pursuant to this Mortgage, unless such Holder shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall (subject to applicable legal requirements) be entitled to examine, during normal business hours, the books, records and premises of the Company, personally or by agent or attorney;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(h) the Trustee shall not be charged with knowledge of any default (as defined in Section 1002) or Event of Default unless either (1) a Responsible Officer of the Trustee shall have actual knowledge of such default or Event of Default or (2) written notice of such default or Event of Default shall have been given to the Trustee by the Company or any other obligor on such Securities, or by any Holder of such Securities.

(i) the rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder; and

(j) the Trustee shall not be liable for any action taken, suffered or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Mortgage.

SECTION 1004. NOT RESPONSIBLE FOR RECITALS OR ISSUANCE OF SECURITIES.

The recitals contained herein and in the Securities (except the Trustee's certificates of authentication) shall be taken as the statements of the Company, and neither the Trustee nor any Authenticating Agent assumes responsibility for their correctness. The Trustee makes no representations as to the value or condition of the Mortgaged Property, the title of the Company to the Mortgaged Property, the security afforded by the Lien of this Mortgage, the validity or genuineness of any securities deposited with the Trustee hereunder, or the validity or sufficiency of this Mortgage or of the Securities. Neither the Trustee nor any Authenticating Agent shall be accountable for the use or application by the Company of Securities or the proceeds thereof or any money paid to the Company hereunder.

SECTION 1005. MAY HOLD SECURITIES.

Each of the Trustee, any Authenticating Agent, any Paying Agent, any Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 1008 and 1013, may otherwise deal with the Company with the same rights it would have if it were not the Trustee, Authenticating Agent, Paying Agent, Security Registrar or such other agent.

SECTION 1006. MONEY HELD IN TRUST.

Money held by the Trustee in trust hereunder need not be segregated from other funds, except to the extent required by law. The Trustee shall be under no liability for interest on or investment of any money received by it hereunder except as expressly provided herein or otherwise agreed with, and for the sole benefit of, the Company.

SECTION 1007. COMPENSATION AND REIMBURSEMENT.

The Company shall

(a) pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise expressly provided herein, reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances reasonably incurred or made by the Trustee in accordance with any provision of this Mortgage (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except to the extent that any such expense, disbursement or advance may be attributable to the Trustee's negligence, willful misconduct or bad faith; and

(c) indemnify the Trustee for, and hold it harmless from and against, any loss, liability or expense reasonably incurred by it arising out of or in connection with the acceptance or administration of the trust or trusts hereunder or the performance of its duties hereunder, including the reasonable costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder except to the extent any such loss, liability or expense may be attributable to its negligence, willful misconduct or bad faith.

As security for the performance of the obligations of the Company under this Section, the Trustee shall have a lien prior to the Securities upon the Mortgaged Property and all property and funds held or collected by the Trustee as such, other than property and funds held in trust under Section 803 (except moneys payable to the Company as provided in Section 803).

In addition and without prejudice to the rights provided to the Trustee under any of the provisions of this Mortgage, when the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 901(d) or Section 901(e), the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable Federal and State bankruptcy, insolvency or other similar law.

The Company's obligations under this Section 1007 and the Lien referred to in this Section 1007 shall survive the resignation or removal of the Trustee, the discharge of the Company's obligations under Article Eight of this Mortgage and/or the termination of this Mortgage.

"TRUSTEE" for purposes of this Section 1007 shall include any predecessor Trustee; provided, however, that the negligence, willful misconduct or bad faith of any Trustee hereunder shall not affect the rights of any other Trustee hereunder.

SECTION 1008. DISQUALIFICATION; CONFLICTING INTERESTS.

If the Trustee shall have or acquire any conflicting interest within the meaning of the Trust Indenture Act, it shall either eliminate such conflicting interest or resign to the extent, in the manner and with the effect, and subject to the conditions, provided in the Trust Indenture Act and this Indenture. For purposes of Section 310(b)(1) of the Trust Indenture Act and to the extent permitted thereby, the Trustee, in its capacity as trustee in respect of the Securities of any series, shall not be deemed to have a conflicting interest arising from its capacity as trustee in respect of the Securities of any other series issued under this Mortgage. Nothing herein shall prevent the Company or the Trustee from filing with the Commission an application of the type referred to in clause (ii) of paragraph (1) or in the second to last paragraph of Section 310(b) of the Trust Indenture Act.

SECTION 1009. CORPORATE TRUSTEE REQUIRED; ELIGIBILITY.

There shall at all times be a Trustee hereunder which shall be

(a) a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000 and subject to supervision or examination by Federal, State or District of Columbia authority, or

(b) if and to the extent permitted by the Commission by rule, regulation or order upon application, a corporation or other Person organized and doing business under the laws of a foreign government, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000 or the Dollar equivalent of the applicable foreign currency and subject to supervision or examination by authority of such foreign government or a political subdivision thereof substantially equivalent to supervision or examination applicable to United States institutional trustees, and, in either case, qualified and eligible under this Article and the Trust Indenture Act. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section and the Trust Indenture Act, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 1010. RESIGNATION AND REMOVAL; APPOINTMENT OF SUCCESSOR.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 1011.

(b) The Trustee may resign at any time by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 1011 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by Act of the Holders of a majority in principal amount of the Outstanding Securities delivered to the Trustee and the Company.

(d) If at any time:

(i) the Trustee shall fail to comply with Section 1008 after written request therefor by the Company or by any Holder who has been a bona fide Holder for at least 6 months, or

(ii) the Trustee shall cease to be eligible under Section 1009 or Section 310(a) of the Trust Indenture Act and shall fail to resign after written request therefor by the Company or by any such Holder, or

(iii) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (x) the Company by Board Resolutions may remove the Trustee with respect to all Securities or (y) subject to Section 914, any Holder who has been a bona fide Holder for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities and the appointment of a successor Trustee or Trustees.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause (other than as contemplated by clause (y) in subsection (d) of this Section), the Company, by Board Resolutions, shall promptly appoint a successor Trustee or Trustees and shall comply with the applicable requirements of Section 1011. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 1011, become the successor Trustee and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee shall have been so appointed by the Company or the Holders and accepted appointment in the

manner required by Section 1011, any Holder who has been a bona fide Holder of a Security of such series for at least 6 months may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) So long as no event which is, or after notice or lapse of time, or both, would become, an Event of Default shall have occurred and be continuing, and except with respect to a Trustee appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities pursuant to subsection (e) of this Section, if the Company shall have delivered to the Trustee (i) Board Resolutions appointing a successor Trustee, effective as of a date specified therein, and (ii) an instrument of acceptance of such appointment, effective as of such date, by such successor Trustee in accordance with Section 1011, the Trustee shall be deemed to have resigned as contemplated in subsection (b) of this Section, the successor Trustee shall be deemed to have been appointed by the Company pursuant to subsection (e) of this Section and such appointment shall be deemed to have been accepted as contemplated in Section 1011, all as of such date, and all other provisions of this Section and Section 1011 shall be applicable to such resignation, appointment and acceptance except to the extent inconsistent with this subsection (f).

(g) The Company shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee to all Holders of Securities in the manner provided in Section 107. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

SECTION 1011. ACCEPTANCE OF APPOINTMENT BY SUCCESSOR.

(a) In case of the appointment hereunder of a successor Trustee, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of all sums owed to it, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder, subject nevertheless to its Lien provided for in Section 1007.

(b) Upon request of any such successor Trustee, the Company shall execute any instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in subsection (a) of this Section.

(c) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 1012. MERGER, CONVERSION, CONSOLIDATION OR SUCCESSION TO BUSINESS.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the

corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

SECTION 1013. PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

If the Trustee shall be or become a creditor of the Company or any other obligor upon the Securities (other than by reason of a relationship described in Section 311(b) of the Trust Indenture Act), the Trustee shall be subject to any and all applicable provisions of the Trust Indenture Act regarding the collection of claims against the Company or such other obligor. For purposes of Section 311(b) of the Trust Indenture Act (a) the term “cash transaction” shall have the meaning provided in Rule 11b-4 under the Trust Indenture Act, and (b) the term “self-liquidating paper” shall have the meaning provided in Rule 11b-6 under the Trust Indenture Act.

SECTION 1014. CO-TRUSTEE AND SEPARATE TRUSTEES.

At any time or times, for the purpose of meeting the legal requirements of any applicable jurisdiction, the Company and the Trustee shall have power to appoint, and, upon the written request of the Trustee or of the Holders of at least 33% in principal amount of the Securities then Outstanding, the Company shall for such purpose join with the Trustee in the execution and delivery of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Trustee either to act as co-trustee, jointly with the Trustee, or to act as separate trustee, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person or Persons, in the capacity aforesaid, any property, title, right or power deemed necessary or desirable, subject to the other provisions of this Section. If the Company does not join in such appointment within 15 days after the receipt by it of a request so to do, or if an Event of Default shall have occurred and be continuing, the Trustee alone shall have power to make such appointment.

Should any written instrument or instruments from the Company be required by any co-trustee or separate trustee to more fully confirm to such co-trustee or separate trustee such property, title, right or power, any and all such instruments shall, on request, be executed, acknowledged and delivered by the Company.

Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following conditions:

(a) the Securities shall be authenticated and delivered, and all rights, powers, duties and obligations hereunder in respect of the custody of securities, cash and other personal property held by, or required to be deposited or pledged with, the Trustee hereunder, shall be exercised solely, by the Trustee;

(b) the rights, powers, duties and obligations hereby conferred or imposed upon the Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed either by the Trustee or by the Trustee and such co-trustee or separate trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by such co-trustee or separate trustee.

(c) the Trustee at any time, by an instrument in writing executed by it, with the concurrence of the Company, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section, and, if an Event of Default shall have occurred and be continuing, the Trustee shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Company. Upon the written request of the Trustee, the Company shall join with the Trustee in the execution and delivery of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-trustee or separate trustee so resigned or removed may be appointed in the manner provided in this Section;

(d) no co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of the Trustee, or any other such trustee hereunder, and the Trustee shall not be personally liable by reason of any act or omission of any such co-trustee or separate trustee; and

(e) any Act of Holders delivered to the Trustee shall be deemed to have been delivered to each such co-trustee and separate trustee.

SECTION 1015. APPOINTMENT OF AUTHENTICATING AGENT.

The Trustee may appoint an Authenticating Agent or Agents with respect to the Securities of one or more series, or any Tranche thereof, which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series or Tranche issued upon original issuance, exchange, registration of transfer or partial redemption thereof or pursuant to Section 506, and Securities so authenticated shall be entitled to the benefits of this Mortgage and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Mortgage to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States of America, any State or territory thereof or the District of Columbia or the Commonwealth of Puerto Rico, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than \$50,000,000 and subject to supervision or examination by Federal or State authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set

forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section.

The provisions of Sections 308, 1004 and 1005 shall be applicable to each Authenticating Agent.

If an appointment with respect to the Securities of one or more series, or any Tranche thereof, shall be made pursuant to this Section, the Securities of such series or Tranche may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternate certificate of authentication substantially in the following form:

This is one of the Securities of the series designated therein referred to in the within-mentioned Mortgage.

By _____
As Authenticating Agent

By _____
Authorized Officer

If all of the Securities of a series may not be originally issued at one time, and if the Trustee does not have an office capable of authenticating Securities upon original issuance located in a

Place of Payment where the Company wishes to have Securities of such series authenticated upon original issuance, the Trustee, if so requested by the Company in writing (which writing need not comply with Section 103 and need not be accompanied by an Opinion of Counsel), shall appoint, in accordance with this Section and in accordance with such procedures as shall be acceptable to the Trustee, an Authenticating Agent having an office in a Place of Payment designated by the Company with respect to such series of Securities.

ARTICLE ELEVEN

HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

SECTION 1101. LISTS OF HOLDERS.

Semiannually, not later than June 1 and December 1 in each year, commencing December 1, ____ and at such other times as the Trustee may request in writing, the Company shall furnish or cause to be furnished to the Trustee information as to the names and addresses of the Holders, and the Trustee shall preserve such information and similar information received by it in any other capacity and afford to the Holders access to information so preserved by it, all to such extent, if any, and in such manner as shall be required by the Trust Indenture Act; provided, however, that no such list need be furnished so long as the Trustee shall be the Security Registrar.

SECTION 1102. REPORTS BY TRUSTEE AND COMPANY.

Not later than November 1 in each year, commencing with the year ____, the Trustee shall transmit to the Holders, the Commission and each securities exchange upon which any Securities are listed, a report, dated as of the next preceding September 15, with respect to any events and other matters described in Section 313(a) of the Trust Indenture Act, in such manner and to the extent required by the Trust Indenture Act. The Trustee shall transmit to the Holders, the Commission and each securities exchange upon which any Securities are listed, and the Company shall file with the Trustee (within 30 days after filing with the Commission in the case of reports which pursuant to the Trust Indenture Act must be filed with the Commission and furnished to the Trustee) and transmit to the Holders, such other information, reports and other documents, if any, at such times and in such manner, as shall be required by the Trust Indenture Act. The Company shall notify the Trustee of the listing of any Securities on any securities exchange.

Delivery of such reports, information and documents to the Trustee is for informational purposes only, and the Trustee's receipt of such shall not constitute notice or constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

The Company shall file with the Trustee (within 30 days after filing with the Commission in the case of reports that pursuant to the Trust Indenture Act must be filed with the Commission and furnished to the Trustee) and transmit to the Holders, such other information, reports and other documents, if any, at such times and in such manner, as shall be required by the Trust Indenture Act.

ARTICLE TWELVE

CONSOLIDATION, MERGER, CONVEYANCE, OR OTHER TRANSFER

SECTION 1201. COMPANY MAY CONSOLIDATE, ETC., ONLY ON CERTAIN TERMS.

The Company shall not consolidate with or merge into any other corporation, or convey or otherwise transfer, or lease, as, or substantially as, an entirety the Company's Electric Utility Property to any Person, unless:

(a) the corporation formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or other transfer, or which leases, as or substantially as an entirety such Electric Utility Property shall be a corporation organized and existing under the laws of the United States, any State or Territory thereof or the District of Columbia (such corporation being hereinafter sometimes called the "Successor Company") and shall execute and deliver to the Trustee an Mortgage supplemental hereto, in form recordable and reasonably satisfactory to the Trustee, which:

(i) in the case of a consolidation, merger, conveyance or other transfer, or in the case of a lease if the term thereof extends beyond the last Stated Maturity of the Securities then Outstanding, contains an express assumption by the Successor Company of the due and punctual payment of the principal of and premium, if any, and interest, if any, on all the Securities then Outstanding and the performance and observance of every covenant and condition of this Mortgage to be performed or observed by the Company, and

(ii) in the case of a consolidation, merger, conveyance or other transfer contains a grant, conveyance, transfer and mortgage by the Successor Company, of the same tenor of the Granting Clauses herein,

(A) confirming the Lien of this Mortgage on the Mortgaged Property (as constituted immediately prior to the time such transaction became effective) and subjecting to the Lien of this Mortgage all property, real, personal and mixed, thereafter acquired by the Successor Company which shall constitute an improvement, extension or addition to the Mortgaged Property (as so constituted) or a renewal, replacement or substitution of or for any part thereof, and,

(B) at the election of the Successor Company, subjecting to the Lien of this Mortgage such property, real, personal or mixed, in addition to the property described in subclause (A) above, then owned or thereafter acquired by the Successor Company as the Successor Company shall, in its sole discretion, specify or describe therein,

and the Lien confirmed or created by such grant, conveyance, transfer and mortgage shall have force, effect and standing similar to those which the Lien of this Mortgage would have had if the Company had not been a party to such consolidation, merger, conveyance or other transfer and had itself, after the time such transaction became effective, purchased, constructed or otherwise acquired the property subject to such grant, conveyance, transfer and mortgage;

(b) in the case of a lease, such lease shall be made expressly subject to termination at any time during the continuance of an Event of Default, by (i) the Company or the Trustee and (ii) the purchaser of the property so leased at any sale thereof hereunder, whether such sale be made under the power of sale hereby conferred or pursuant to judicial proceedings;

(c) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each of which shall state that such consolidation, merger, conveyance or other transfer or lease, and such supplemental Mortgage, comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with; and

(d) immediately after giving effect to such transaction (and treating any Debt that becomes an obligation of the Successor Company as a result of such transaction as having been incurred by the Successor Company at the time of such transaction), no Event of Default shall have occurred and be continuing.

As used in this Article and in Section 1610(d), the terms "improvement", "extension" and "addition" shall be limited to (a) with respect to real property subject to the Lien of this Mortgage, any item of personal property which has been so affixed or attached to such real property as to be regarded a part of such real property under applicable law and (b) with respect to personal property subject to the Lien of this Mortgage, any improvement, extension or addition to such personal property which (i) is made to maintain, renew, repair or improve the function of such personal property and (ii) is physically installed in or affixed to such personal property.

SECTION 1202. SUCCESSOR COMPANY SUBSTITUTED.

Upon any consolidation or merger or any conveyance or other transfer of, as or substantially as an entirety the Company's Electric Utility Property in accordance with Section 1201, the Successor Company shall succeed to, and be substituted for, and may exercise every power and right of, the Company under this Mortgage with the same effect as if such Successor Company had been named as the "Company" herein. Without limiting the generality of the foregoing:

(a) all property of the Successor Company then subject to the Lien of this Mortgage, of the character described in Section 102, shall constitute Property Additions;

(b) the Successor Company may execute and deliver to the Trustee, and thereupon the Trustee shall, subject to the provisions of Article Four, authenticate and deliver, Securities meeting the requirements of Article Four; and

(c) the Successor Company may, subject to the applicable provisions of this Mortgage, use Property Additions for any other purpose under the Mortgage.

All Securities so executed by the Successor Company, and authenticated and delivered by the Trustee, shall in all respects be entitled to the benefit of the Lien of this Mortgage equally and ratably with all Securities executed, authenticated and delivered prior to the time such consolidation, merger, conveyance or other transfer became effective.

SECTION 1203. EXTENT OF LIEN HEREOF ON PROPERTY OF SUCCESSOR COMPANY.

Unless, in the case of a consolidation, merger, conveyance or other transfer contemplated by Section 1201, the Mortgage supplemental hereto contemplated in Section 1201 or in Article Thirteen expressly provides otherwise, neither this Mortgage nor such supplemental Mortgage shall become or be, or be required to become or be, a Lien upon any of the properties:

(a) owned by the Successor Company or any other party to such transaction (other than the Company) immediately prior to the time of effectiveness of such transaction or

(b) acquired by the Successor Company at or after the time of effectiveness of such transaction, except, in either case, properties acquired from the Company in or as a result of such transaction and improvements, extensions and additions to such properties and renewals, replacements and substitutions of or for any part or parts thereof.

SECTION 1204. RELEASE OF COMPANY UPON CONVEYANCE OR OTHER TRANSFER.

In the case of a conveyance or other transfer to any Person or Persons as contemplated in Section 1201, upon the satisfaction of all the conditions specified in Section 1201 the Company (such term being used in this Section without giving effect to such transaction) shall be released and discharged from all obligations and covenants under this Mortgage and on and under all Securities then Outstanding (unless the Company shall have delivered to the Trustee an instrument in which it shall waive such release and discharge) and, upon request by the Company, the Trustee shall acknowledge in writing that the Company has been so released and discharged.

SECTION 1205. MERGER INTO COMPANY; EXTENT OF LIEN HEREOF.

(a) Nothing in this Mortgage shall be deemed to prevent or restrict any consolidation or merger after the consummation of which the Company would be the surviving or resulting corporation or any conveyance or other transfer, or lease, of any part of the Company's Electric Utility Property which does not constitute the entirety or substantially the entirety of its Electric Utility Property.

(b) Unless, in the case of a consolidation or merger described in subsection (a) of this Section, an Mortgage supplemental hereto shall otherwise provide, this Mortgage shall not become or be, or be required to become or be, a Lien upon any of the properties acquired by the Company in or as a result of such transaction or any improvements, extensions or additions to such properties or any renewals, replacements or substitutions of or for any part or parts thereof.

SECTION 1206. TRANSFER OF LESS THAN SUBSTANTIALLY ALL.

This Article is not intended to limit the Company's conveyances, transfers or leases of less than the entirety or substantially the entirety of its Electric Utility Property.

ARTICLE THIRTEEN

SUPPLEMENTAL MORTGAGES

SECTION 1301. SUPPLEMENTAL MORTGAGES WITHOUT CONSENT OF HOLDERS.

Without the consent of any Holders, the Company and the Trustee, at any time and from time to time, may enter into one or more Mortgages supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(a) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company herein and in the Securities all as provided in Article Twelve; or

(b) to add one or more covenants of the Company or other provisions for the benefit of the Holders of all or any series of Securities, or any Tranche, thereof or to surrender any right or power herein conferred upon the Company (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included solely for the benefit of such series); or

(c) to add any additional Events of Default with respect to all or any series of Securities Outstanding hereunder (and if such additional Events of Default are to be for the benefit of less than all series of Securities, stating that such additional Events of Default are expressly being included solely for the benefit of such series); or

(d) to change or eliminate any provision of this Mortgage or to add any new provision to this Mortgage; provided, however, that if such change, elimination or addition shall adversely affect the interests of the Holders of Securities of any series or Tranche Outstanding on the date of such supplemental Mortgage in any material respect, such change, elimination or addition shall become effective with respect to such series or Tranche only pursuant to the provisions of Section 1302 hereof or when no Security of such series or Tranche remains Outstanding; or

(e) to provide additional collateral security for the Securities of any series; or

(f) to establish the form or terms of Securities of any series or Tranche as contemplated by Sections 201 and 301; or

(g) to provide for the authentication and delivery of bearer Securities and coupons appertaining thereto representing interest, if any, thereon and for the procedures for the registration, exchange and replacement thereof and for the giving of notice to, and the solicitation of the vote or consent of, the holders thereof, and for any and all other matters incidental thereto; or

(h) to evidence and provide for the acceptance of appointment hereunder by a separate or successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Mortgage as shall be necessary to provide for or facilitate the

administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 1011(b); or

(i) to provide for the procedures required to permit the Company to utilize, at its option, a non-certificated system of registration for all, or any series or Tranche of, the Securities; or

(j) to change any place or places where (1) the principal of and premium, if any, and interest, if any, on all or any series of Securities, or any Tranche thereof, shall be payable, (2) all or any series of Securities, or any Tranche thereof, may be surrendered for registration of transfer, (3) all or any series of Securities, or any Tranche thereof, may be surrendered for exchange and (4) notices and demands to or upon the Company in respect of all or any series of Securities, or any Tranche thereof, and this Mortgage may be served;

(k) to amend and restate this Mortgage, as originally executed and delivered and as it may have been subsequently amended, in its entirety, but with such additions, deletions and other changes as shall not adversely affect the interests of the Holders of the Securities in any material respect; or

(l) to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other changes to the provisions hereof or to add other provisions with respect to matters or questions arising under this Mortgage, provided that such other changes or additions shall not materially adversely affect the interests of the Holders of Securities of any series or Tranche in any material respect.

Without limiting the generality of the foregoing, if the Trust Indenture Act as in effect at the First Effective Date or at any time thereafter shall be amended and

(x) if any such amendment shall require one or more changes to any provisions hereof or the inclusion herein of any additional provisions, or shall by operation of law be deemed to effect such changes or incorporate such provisions by reference or otherwise, this Mortgage shall be deemed to have been amended so as to conform to such amendment to the Trust Indenture Act, and the Company and the Trustee may, without the consent of any Holders, enter into an Mortgage supplemental hereto to evidence such amendment hereof; or

(y) if any such amendment shall permit one or more changes to, or the elimination of, any provisions hereof which, at the First Effective Date or at any time thereafter, are required by the Trust Indenture Act to be contained herein or are contained herein to reflect any provision of the Trust Indenture Act as in effect at such date, this Mortgage shall be deemed to have been amended to effect such changes or elimination, and the Company and the Trustee may, without the consent of any Holders, enter into an Mortgage supplemental hereto to this Mortgage to effect such changes or elimination or evidence such amendment.

SECTION 1302. SUPPLEMENTAL MORTGAGES WITH CONSENT OF HOLDERS.

Subject to the provisions of Section 1301, with the consent of the Holders of not less than a majority in aggregate principal amount of the Securities of all series then Outstanding under this Mortgage, considered as one class, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into a Mortgage or Mortgages supplemental hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Mortgage or modifying in any manner the rights of the Holders of Securities of any series under this Mortgage; provided, however, that if there shall be Securities of more than one series Outstanding hereunder and if a proposed Mortgage supplemental hereto shall directly affect the rights of the Holders of Securities of one or more, but less than all, of such series, then the consent only of the Holders of not less than a majority in aggregate principal amount of the Outstanding Securities of all series so directly affected, considered as one class, shall be required; and provided, further, that if the Securities of any series shall have been issued in more than one Tranche and if the proposed supplemental Mortgage shall directly affect the rights of the Holders of Securities of one or more, but less than all, of such Tranches, then the consent only of the Holders of not less than a majority in aggregate principal amount of the Outstanding Securities of all Tranches so directly affected, considered as one class, shall be required; and provided, further, that no such supplemental Mortgage shall, without the consent of the Holder of each Outstanding Security of each series or Tranche so directly affected,

(a) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Security (other than pursuant to the terms thereof), or reduce the principal amount thereof or the rate of interest thereon (or the amount of any installment of interest thereon) or change the method of calculating such rate or reduce any premium payable upon the redemption thereof, or reduce the amount of the principal of a Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 902, or change the coin or currency (or other property), in which any Security or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date);

(b) except as contemplated by Section 1601(b), deprive such Holder of the benefit of the security of the Lien of this Mortgage on any material part of the Mortgaged Property; provided that, on and after the First Effective Date, such consent of the Holders of each Outstanding Security of each series or Tranche so directly affected shall not be required with respect to any Mortgage supplement hereto that releases one or more properties from the lien of the Mortgage if the lesser of the aggregate Cost or aggregate Fair Value of all properties to be released and theretofore released without the consent of the Holders pursuant to this Section 1302(b) is not greater than 10% of the lesser of the aggregate Cost or aggregate Fair Value of the Mortgaged Property as of the end of the calendar year in which the Second Effective Date occurs. Prior to executing any such supplemental indenture, there shall be delivered to the Trustee (x) an Officers' Certificate stating that, to the knowledge of the signers, no Event of Default has occurred and is continuing and (y) an Experts' Certificate stating, in the judgment of the signers, the aggregate Fair Value of the property to be released and theretofore released without the consent of the Holders pursuant to this Section 1302(b) since the First Effective Date is not greater than 10% of the

aggregate Fair Value of the Mortgaged Property as of the end of the calendar year in which the First Effective Date occurs;

(c) reduce the percentage in principal amount of the Outstanding Securities of any series or any Tranche thereof, the consent of the Holders of which is required for any such supplemental Mortgage, or the consent of the Holders of which is required for any waiver of compliance with any provision of this Mortgage or of any default hereunder and its consequences, or reduce the requirements of Section 1404 for quorum or voting;

(d) modify any of the provisions of this Section, Section 706 or Section 913 with respect to the Securities of any series, or any Tranche thereof, except to increase the percentages in principal amount referred to in this Section or such other Sections or to provide that other provisions of this Mortgage cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby; provided, however, that this clause shall not be deemed to require the consent of any Holder with respect to changes in the references to “the Trustee” and concomitant changes in this Section, or the deletion of this proviso, in accordance with the requirements of Sections 1011(b), 1014 and 1301(h); or

(e) modify the provisions of Section 1612 to permit the Company to create Prior Liens or suffer Prior Liens to be created on any material part of the Mortgaged Property prior to the time that it is permitted to do so thereunder.

A supplemental Mortgage which (x) changes or eliminates any covenant or other provision of this Mortgage which has expressly been included solely for the benefit of the Holders of, or which is to remain in effect only so long as there shall be Outstanding, Securities of one or more particular series, or one or more Tranches thereof, or (y) modifies the rights of the Holders of Securities of such series or Tranches with respect to such covenant or other provision, shall be deemed not to affect the rights under this Mortgage of the Holders of Securities of any other series or Tranche.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental Mortgage, but it shall be sufficient if such Act shall approve the substance thereof.

Anything in this Mortgage to the contrary notwithstanding, if the Officers’ Certificate, supplemental Mortgage or Board Resolution, as the case may be, establishing the Securities of any series or Tranche shall provide that the Company may make certain specified additions, changes or eliminations to or from the Mortgage which shall be specified in such Officers’ Certificate, supplemental Mortgage or Board Resolution establishing such series or Tranche, (a) the Holders of Securities of such series or Tranche shall be deemed to have consented to a supplemental Mortgage containing such additions, changes or eliminations to or from the Mortgage which shall be specified in such Officers’ Certificate, supplemental Mortgage or Board Resolution establishing such series or Tranche, (b) no Act of such Holders shall be required to evidence such consent and (c) such consent may be counted in the determination of whether or not the Holders of the requisite principal amount of Securities shall have consented to such supplemental Mortgage.

SECTION 1303. EXECUTION OF SUPPLEMENTAL MORTGAGES.

In executing, or accepting the additional trusts created by, any supplemental Mortgage permitted by this Article or the modifications thereby of the trusts created by this Mortgage, the Trustee shall be entitled to receive, and (subject to Section 1001) shall be fully protected in relying upon, an Opinion of Counsel and an Officers' Certificate stating that the execution of such supplemental Mortgage is authorized or permitted by this Mortgage and containing the statements required by Section 103. The Trustee may, but shall not be obligated to, enter into any such supplemental Mortgage which adversely affects the Trustee's own rights, duties, immunities or liabilities under this Mortgage or otherwise.

SECTION 1304. EFFECT OF SUPPLEMENTAL MORTGAGES.

Upon the execution of any supplemental Mortgage under this Article this Mortgage shall be modified in accordance therewith, and such supplemental Mortgage shall form a part of this Mortgage for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby. Any supplemental Mortgage permitted by this Article may restate this Mortgage in its entirety, and, upon the execution and delivery thereof, any such restatement shall supersede this Mortgage as theretofore in effect for all purposes.

SECTION 1305. CONFORMITY WITH TRUST INDENTURE ACT.

Every supplemental Mortgage executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act as then in effect.

SECTION 1306. REFERENCE IN SECURITIES TO SUPPLEMENTAL MORTGAGES.

Securities of any series, or any Tranche thereof, authenticated and delivered after the execution of any supplemental Mortgage pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental Mortgage. If the Company shall so determine, new Securities of any series, or any Tranche thereof, so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental Mortgage may be prepared and executed by the Company, and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series or Tranche.

SECTION 1307. MODIFICATION WITHOUT SUPPLEMENTAL MORTGAGE.

To the extent, if any, that the terms of any particular series of Securities shall have been established in or pursuant to a Board Resolution or an Officers' Certificate pursuant to a supplemental Mortgage or Board Resolution as contemplated by Section 301, and not in an Mortgage supplemental hereto, additions to, changes in or the elimination of any of such terms may be effected by means of a supplemental Board Resolution or Officers' Certificate pursuant to a Board Resolution or a supplemental Mortgage and complying with the requirements of Section 104, as the case may be, delivered to, and accepted by, the Trustee in writing; provided, however, that such supplemental Board Resolution or Officers' Certificate shall not be accepted by the Trustee or otherwise be effective unless all conditions set forth in this Mortgage which would be required to be satisfied if such additions, changes or elimination were contained in a supplemental Mortgage

shall have been appropriately satisfied. Upon the written acceptance thereof by the Trustee, any such supplemental Board Resolution or Officers' Certificate shall be deemed to be effective and constitute part of the Mortgage and a supplemental Mortgage hereunder, including for purposes of Section 1614. Such acceptance shall be conveyed by a written instrument signed by a Responsible Officer of the Trustee.

ARTICLE FOURTEEN

MEETINGS OF HOLDERS; ACTION WITHOUT MEETING

SECTION 1401. PURPOSES FOR WHICH MEETINGS MAY BE CALLED.

A meeting of Holders of Securities of one or more, or all, series, or any Tranche or Tranches thereof, may be called at any time and from time to time pursuant to this Article to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Mortgage to be made, given or taken by Holders of Securities of such series or Tranches.

SECTION 1402. CALL, NOTICE AND PLACE OF MEETINGS.

(a) The Trustee may at any time call a meeting of Holders of Securities of one or more, or all, series, or any Tranche or Tranches thereof, for any purpose specified in Section 1401, to be held at such time and at such place as the Trustee shall determine with the approval of the Company. Notice of every such meeting, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given, in the manner provided in Section 107, not less than 21 nor more than 180 days prior to the date fixed for the meeting.

(b) If the Trustee shall have been requested to call a meeting of the Holders of Securities of one or more, or all, series, or any Tranche or Tranches thereof, by the Company or by the Holders of 33% in aggregate principal amount of all of such series and Tranches, considered as one class, for any purpose specified in Section 1302, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have given the notice of such meeting within 21 days after receipt of such request or shall not thereafter proceed to cause the meeting to be held as provided herein, then the Company or the Holders of Securities of such series and Tranches in the amount above specified, as the case may be, may determine the time and the place in the city in which the Corporate Trust Office is located, or in such other place as shall be determined or approved by the Company, for such meeting and may call such meeting for such purposes by giving notice thereof as provided in subsection (a) of this Section.

(c) Any meeting of Holders of Securities of one or more, or all, series, or any Tranche or Tranches thereof, shall be valid without notice if the Holders of all Outstanding Securities of such series or Tranches are present in person or by proxy and if representatives of the Company and the Trustee are present, or if notice is waived in writing before or after the meeting by the Holders of all Outstanding Securities of such series, or any Tranche or Tranches thereof or by such of them as are not present at the meeting in person or by proxy, and by the Company and the Trustee.

SECTION 1403. PERSONS ENTITLED TO VOTE AT MEETINGS.

To be entitled to vote at any meeting of Holders of Securities of one or more, or all, series, or any Tranche or Tranches thereof, a Person shall be (a) a Holder of one or more Outstanding Securities of such series or Tranches, or (b) a Person appointed by an instrument in writing as proxy for a Holder or Holders of one or more Outstanding Securities of such series or Tranches by such Holder or Holders. The only Persons who shall be entitled to attend any meeting of Holders of Securities of any series or Tranche shall be the Persons entitled to vote at such meeting and their counsel, any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

SECTION 1404. QUORUM; ACTION.

The Persons entitled to vote a majority in aggregate principal amount of the Outstanding Securities of the series and Tranches with respect to which a meeting shall have been called as hereinbefore provided, considered as one class, shall constitute a quorum for a meeting of Holders of Securities of such series and Tranches; provided, however, that if any action is to be taken at such meeting which this Mortgage expressly provides may be taken by the Holders of a specified percentage, which is less than a majority, in principal amount of the Outstanding Securities of such series and Tranches, considered as one class, the Persons entitled to vote such specified percentage in principal amount of the Outstanding Securities of such series and Tranches, considered as one class, shall constitute a quorum. In the absence of a quorum within one hour of the time appointed for any such meeting, the meeting shall, if convened at the request of Holders of Securities of such series and Tranches, be dissolved. In any other case the meeting may be adjourned for such period as may be determined by the chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for such period as may be determined by the chairman of the meeting prior to the adjournment of such adjourned meeting. Except as provided by Section 1405(e), notice of the reconvening of any meeting adjourned for more than 30 days shall be given as provided in Section 1402(a) not less than ten days prior to the date on which the meeting is scheduled to be reconvened. Notice of the reconvening of an adjourned meeting shall state expressly the percentage, as provided above, of the principal amount of the Outstanding Securities of such series and Tranches which shall constitute a quorum.

Except as limited by Section 1302, any resolution presented to a meeting or adjourned meeting duly reconvened at which a quorum is present as aforesaid may be adopted only by the affirmative vote of the Holders of a majority in aggregate principal amount of the Outstanding Securities of the series and Tranches with respect to which such meeting shall have been called, considered as one class; provided, however, that, except as so limited, any resolution with respect to any action which this Mortgage expressly provides may be taken by the Holders of a specified percentage, which is less than a majority, in principal amount of the Outstanding Securities of such series and Tranches, considered as one class, may be adopted at a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid by the affirmative vote of the Holders of such specified percentage in principal amount of the Outstanding Securities of such series and Tranches, considered as one class.

Any resolution passed or decision taken at any meeting of Holders of Securities duly held in accordance with this Section shall be binding on all the Holders of Securities of the series and Tranches with respect to which such meeting shall have been held, whether or not present or represented at the meeting.

SECTION 1405. ATTENDANCE AT MEETINGS; DETERMINATION OF VOTING RIGHTS; CONDUCT AND ADJOURNMENT OF MEETINGS.

(a) Attendance at meetings of Holders of Securities may be in person or by proxy; and, to the extent permitted by law, any such proxy shall remain in effect and be binding upon any future Holder of the Securities with respect to which it was given unless and until specifically revoked by the Holder or future Holder of such Securities before being voted.

(b) Notwithstanding any other provisions of this Mortgage, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of Securities in regard to proof of the holding of such Securities and of the appointment of proxies and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate. Except as otherwise permitted or required by any such regulations, the holding of Securities shall be proved in the manner specified in Section 105 and the appointment of any proxy shall be proved in the manner specified in Section 105. Such regulations may provide that written instruments appointing proxies, regular on their face, may be presumed valid and genuine without the proof specified in Section 105 or other proof.

(c) The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders as provided in Section 1402(b), in which case the Company or the Holders of Securities of the series and Tranches calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Persons entitled to vote a majority in aggregate principal amount of the Outstanding Securities of all series and Tranches represented in person or by proxy at the meeting, considered as one class.

(d) At any meeting each Holder or proxy shall be entitled to one vote for each \$1,000 principal amount of Securities held or represented by him; provided, however, that no vote shall be cast or counted at any meeting in respect of any Security challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote, except as a Holder of a Security or proxy.

(e) Any meeting duly called pursuant to Section 1402 at which a quorum is present may be adjourned from time to time by Persons entitled to vote a majority in aggregate principal amount of the Outstanding Securities of all series and Tranches represented at the meeting, considered as one class; and the meeting may be held as so adjourned without further notice.

SECTION 1406. COUNTING VOTES AND RECORDING ACTION OF MEETINGS.

The vote upon any resolution submitted to any meeting of Holders shall be by written ballots on which shall be subscribed the signatures of the Holders or of their representatives by proxy and the principal amounts and serial numbers of the Outstanding Securities, of the series and Tranches with respect to which the meeting shall have been called, held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports of all votes cast at the meeting. A record, in duplicate, of the proceedings of each meeting of Holders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was given as provided in Section 1402 and, if applicable, Section 1404. Each copy shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one such copy shall be delivered to the Company, and another to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

SECTION 1407. ACTION WITHOUT MEETING.

In lieu of a vote of Holders at a meeting as hereinbefore contemplated in this Article, any request, demand, authorization, direction, notice, consent, waiver or other action may be made, given or taken by Holders by one or more written instruments as provided in Section 105.

ARTICLE FIFTEEN

IMMUNITY OF INCORPORATORS, SHAREHOLDERS, OFFICERS AND DIRECTORS

SECTION 1501. LIABILITY SOLELY CORPORATE.

No recourse shall be had for the payment of the principal of or premium, if any, or interest, if any, on any Securities or any part thereof, or for any claim based thereon or otherwise in respect thereof, or of the indebtedness represented thereby, or upon any obligation, covenant or agreement under this Mortgage, against any incorporator, shareholder, member, limited partner, officer, manager or director, as such, past, present or future of the Company or of any predecessor or successor of the Company (either directly or through the Company or a predecessor or successor of the Company), whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that this Mortgage and all the Securities are solely corporate obligations, and that no personal liability whatsoever shall attach to, or be incurred by, any incorporator, shareholder, member, limited partner, officer, manager or director, past, present or future, of the Company or of any predecessor or successor of the Company, either directly or indirectly through the Company or any predecessor or successor of the Company, because of the indebtedness hereby authorized or under or by reason of any of the obligations, covenants or agreements contained in this Mortgage or in any of the Securities or to be implied herefrom or therefrom, and that any such personal liability is

hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of this Mortgage and the issuance of the Securities.

ARTICLE SIXTEEN

POSSESSION, USE AND RELEASE OF MORTGAGED PROPERTY

SECTION 1601. QUIET ENJOYMENT; INSTRUMENTS RELEASING EXCEPTED PROPERTY.

(a) Unless one or more Events of Default shall have occurred and be continuing, the Company shall be permitted to (i) possess, use and enjoy the Mortgaged Property (except, to the extent not herein otherwise provided, such cash and securities as are expressly required to be deposited with the Trustee); (ii) receive and use all tolls, rents, revenues, earnings, interest, dividends, royalties, issues, income and profits thereof; (iii) purchase, generate, transmit, distribute, store, sell and otherwise deal with and use electricity, gas, water, electric and gas appliances and other products; (iv) use and consume stock in trade, materials and supplies; (v) deal with choses in action (other than pledged securities), leases and contracts and exercise, release or amend the rights and powers conferred upon it thereby; and (vi) alter, repair, maintain, replace, reconstruct, relocate, remove and operate any of its buildings, plants, stations, structures, transmission lines, distribution lines, pipe lines, conduits, mains, machinery, equipment, tools, fixtures, dams, reservoirs and other real property and tangible personal property, except that none of such real property or tangible personal property may be relocated or removed so as to impair the lien of the Mortgage thereon unless such property is sold, abandoned or otherwise disposed of as permitted by this Section or by Section 1602 or released by the Trustee.

(b) On and after the First Effective Date, then, unless an Event of Default shall have happened and be continuing, upon application by the Company and receipt of an Officers' Certificate dated the date of said application, stating that, to the knowledge of the signers, no Event of Default has occurred and is continuing, the Trustee shall execute and deliver to the Company appropriate instruments releasing, to the extent not heretofore released and to the extent hereinbelow provided, the interest, if any, of the Trustee in all right, title and interest of the Company then owned or thereafter acquired in and to the property described in the definition of the term "Excepted Property" set forth in the granting clauses of this Mortgage.

SECTION 1602. DISPOSITIONS WITHOUT RELEASE.

Unless an Event of Default shall have occurred and be continuing, the Company may at any time and from time to time, without any release or consent by, or report to, the Trustee:

(a) Sell or otherwise dispose of, free from the Lien of this Mortgage, any machinery, equipment, apparatus, towers, transformers, poles, lines, cables, conduits, ducts, conductors, meters, regulators, holders, tanks, retorts, purifiers, odorizers, scrubbers, compressors, valves, pumps, mains, pipes, service pipes, fittings, connections, services, tools, implements, or any other fixtures or personality, then subject to the Lien hereof, which shall have become old, inadequate, obsolete, worn out, unfit, unadapted, unserviceable, undesirable or unnecessary for use in the operations of the Company upon replacing the same by, or substituting for the same, similar

or analogous property, or other property performing a similar or analogous function or otherwise obviating the need therefor, having a Fair Value to the Company at least equal to that of the property sold or otherwise disposed of and subject to the Lien hereof, subject to no Liens prior hereto except Permitted Liens and any other Liens to which the property sold or otherwise disposed of was subject;

(b) Cancel or make changes or alterations in or substitutions for any and all easements, servitudes, rights-of-way and similar rights and/or interests;

(c) Grant, free from the Lien of this Mortgage, easements, ground leases or rights-of-way in, upon, over and/or across the property or rights-of-way of the Company for the purpose of roads, pipe lines, transmission lines, distribution lines, communication lines, railways, removal or transportation of coal, lignite, gas, oil or other minerals or timber, and other like purposes, or for the joint or common use of real property, rights-of-way, facilities and/or equipment; provided, however, that such grant shall not materially impair the use of the property or rights-of-way for the purposes for which such property or rights-of-way are held by the Company;

(d) Abandon any property, if in the opinion of the Company (i) the abandonment of such property is desirable in the proper conduct of the business and in the operation of the properties of the Company or is otherwise in the best interests of the Company, and (ii) the value and utility generally of all its properties as an entirety and the security for the bonds will not thereby be impaired;

(e) Sell, surrender, release, abandon or otherwise dispose of, either with or without consideration (provided any consideration received by the Company shall, subject to the provisions of Section 1603, be paid over to the Trustee to be held by it as part of the Mortgaged Property), any easements, rights-of-way, leases, licenses, authority or permits over private property for towers, poles, wires, cables, conduits, pipe lines or mains, or for transmission line or distribution line purposes, if such towers, poles, wires, cables, conduits, pipe lines or mains, or such transmission or distribution lines, have theretofore been sold by the Company or removed by the Company to other property or taken by any municipality or other governmental subdivision by the exercise of a power of eminent domain or similar right or power, and if in the opinion of the Company the value and utility generally of all its properties as an entirety and the security for the bonds will not thereby be impaired; and

(f) Grant, free from the lien of this Mortgage, either with or without consideration (provided any consideration received by the Company shall, subject to the provisions of Section 1603, be paid over to the Trustee to be held by it as part of the Mortgaged Property), easements, rights-of-way, leases, licenses, authority or permits, for fixed periods of time or in perpetuity, over or with respect to any of the real property constituting part of the Mortgaged Property, if in the opinion of the Company (i) the granting of such easements, rights-of-way, leases, licenses, authority or permits does not substantially impair the continued use and enjoyment by the Company of the real property over or in respect of which such easements, rights-of-way, leases, licenses, authority or permits are granted for the purpose for which such property is used by the Company, and (ii) the value and utility generally of all its properties as an entirety and the security for the bonds will not thereby be impaired.

SECTION 1603. RELEASE OF MORTGAGED PROPERTY.

Unless an Event of Default shall have occurred and be continuing, the Company may obtain the release of any part of the Mortgaged Property, or any interest therein, other than cash held by the Trustee, and the Trustee shall release all its right, title and interest in and to the same from the Lien hereof, upon receipt by the Trustee of:

- (a) A Company Order requesting the release of such property and transmitting therewith a form of instrument or instruments to effect such release;
- (b) An Officers' Certificate stating that, to the knowledge of the signers, no Event of Default has occurred and is continuing;
- (c) An Experts' Certificate made and dated not more than 90 days prior to the first day of the month in which such Company Order is delivered to the Trustee:
 - (i) Describing the property to be released;
 - (ii) Stating the Fair Value, in the judgment of the signers, of the property to be released;
 - (iii) Stating the Cost of the property to be released (or, if the Fair Value to the Company of such property at the time such property was first included in an Experts' Certificate was less than the Cost thereof, then such Fair Value, in lieu of Cost);
 - (iv) Stating that, in the judgment of the signers, such release will not impair the security under this Mortgage in contravention of the provisions hereof;
 - (v) Stating the aggregate principal amount of Securities and the aggregate principal amount of Secured Debt Outstanding on the date of such Experts' Certificate; and
 - (vi) Stating that, after giving effect to the transactions contemplated thereby, including payment, from the proceeds thereof, of any taxes and expenses incidental to any sale, exchange, dedication or other disposition of the property to be released, the Company would be permitted by the provisions of Section 401(a) to have authenticated and delivered at least \$1.00 of additional Securities;
- (d) The amount in cash, if any, then required to be deposited with the Trustee in order to permit the Company to meet the requirement of clause (c)(vi) above; and
- (e) An Opinion of Counsel to the effect that:
 - (i) this Mortgage constitutes, or, upon the delivery of, and/or the filing and/or recording in the proper places and manner of, the instruments of conveyance, assignment or transfer, if any, specified in said opinion, will constitute, a direct first mortgage lien, subject only to Permitted Liens, environmental "super lien" laws and specified Prior Liens, upon the interest of the

Company in the Property Additions; provided, however, that on and after the Second Effective Date, said opinion may also contain an exception for all Prior Liens; and

(ii) the Company has corporate authority to operate such Property Additions.

If (a) any property to be released from the Lien of this Mortgage under any provision of this Article (other than Section 1607) is subject to a Lien prior to the Lien hereof and is to be sold, exchanged, dedicated or otherwise disposed of subject to such Prior Lien and (b) after such release, such Prior Lien will not be a Lien on any property subject to the Lien hereof, then the Fair Value of such property to be released shall be deemed, for all purposes of this Mortgage, to be the value thereof unencumbered by such Prior Lien less the principal amount of the indebtedness secured by such Prior Lien.

Any cash deposited with the Trustee pursuant to the provisions of this Section 1603 shall be held as part of the Mortgaged Property and shall be withdrawn, released, used or applied in the manner, to the extent and for the purposes, and subject to the conditions, provided in Section 1606.

The right of the Company, under the provisions of Section 1302(b) permitting the release of certain property without the consent of the Holders, shall be separate and apart from, and in addition to, the rights of the Company under this Section and Section 1605.

SECTION 1604. PRESERVATION OF LIEN.

The Company shall maintain and preserve the Lien of this Mortgage so long as any Securities shall remain Outstanding, subject, however, to the provisions of Article Thirteen and Article Sixteen.

SECTION 1605. RELEASE OF MINOR PROPERTIES.

Notwithstanding the provisions of Section 1603, unless an Event of Default shall have occurred and be continuing, the Company may obtain the release from the Lien hereof of any part of the Mortgaged Property, or any interest therein, and the Trustee shall whenever from time to time requested by the Company in a Company Order transmitting therewith a form of instrument or instruments to effect such release, and without requiring compliance with any of the provisions of Section 1603, release from the Lien hereof all the right, title and interest of the Trustee in and to the same provided that the lesser of the aggregate Cost or the aggregate Fair Value of the property to be so released on any date in a given calendar year, together with all other property theretofore released pursuant to this Section 1605 in such calendar year, shall not exceed the greater of (A) \$10,000,000 and (B) 3% of the sum of the aggregate principal amount of all (i) Securities and (ii) Secured Debt then Outstanding. Prior to the granting of any such release, there shall be delivered to the Trustee (x) an Officers' Certificate stating that, to the knowledge of the signers, no Event of Default has occurred and is continuing and (y) an Experts' Certificate stating, in the judgment of the signers, the Fair Value of the property to be released, the aggregate Fair Value of all other property theretofore released pursuant to this Section in such calendar year, and that, in the judgment of the signers, the release thereof will not impair the security under this Mortgage in contravention of the provisions hereof.

SECTION 1606. WITHDRAWAL OR OTHER APPLICATION OF CASH.

Except as hereafter in this Section provided, unless an Event of Default shall have occurred and be continuing, any Available Cash held by the Trustee, and any other cash which is required to be withdrawn, used or applied as provided in this Section,

(a) May be withdrawn from time to time by the Company upon receipt by the Trustee of: (i) a Company Order requesting the withdrawal, use or application of such cash and transmitting appropriate instructions, (ii) an Officers' Certificate stating that, to the knowledge of the signer, no Event of Default has occurred or is continuing; (iii) an Experts' Certificate made and dated not more than 90 days prior to the first day of the month in which such Company Order is delivered to the Trustee stating the aggregate principal amount of Securities and the aggregate principal amount of Secured Debt, in each case Outstanding on the date of such Experts' Certificate, and stating that, after giving effect to the transactions contemplated thereby, (A) the Company would be permitted by the provisions of Section 401(a) to have authenticated and delivered at least \$1.00 of additional Securities or, (B) if Company cannot meet this requirement, stating the lesser amount of such cash which could be so withdrawn, used or applied by the Company and still enable the Company to meet the requirements of subsection (A) of this clause (a) of Section 1606, which lesser amount may be so withdrawn; and (iv) an Opinion of Counsel to the effect that: (1) this Mortgage constitutes, or, upon the delivery of, and/or the filing and/or recording in the proper places and manner of, the instruments of conveyance, assignment or transfer, if any, specified in said opinion, will constitute, a direct first mortgage lien, subject only to Permitted Liens, environmental "super lien" laws and specified Prior Liens, upon the interest of the Company in the Property Additions; provided, however, that on and after the Second Effective Date, said opinion may also contain an exception for all Prior Liens; and (2) the Company has corporate authority to operate such Property Additions.

(b) May, upon the request of the Company, be used by the Trustee for the purchase of Securities in the manner, at the time or times, in the amount or amounts, at the price or prices and otherwise as directed or approved by the Company, all subject to the limitations hereafter in this Section set forth; or

(c) May, upon the request of the Company, be applied by the Trustee to the payment (or provision therefor pursuant to Article Eight) at Stated Maturity of any Securities or to the redemption (or similar provision therefor) of any Securities which are, by their terms, redeemable, in each case of such series as may be designated by the Company, any such redemption to be in the manner and as provided in Article Five, all subject to the limitations hereafter in this Section set forth.

Notwithstanding the generality of clauses (b) and (c) above, no cash to be applied pursuant to such clauses shall be applied to the payment of an amount in excess of the principal amount of any Securities to be purchased, paid or redeemed except to the extent that the aggregate principal amount of all Securities theretofore, and of all Securities then to be, purchased, paid or redeemed pursuant to such clauses is not less than the aggregate cost for principal of, premium, if any, and accrued interest, if any, on and brokerage commissions, if any, with respect to, such Securities.

SECTION 1607. RELEASE OF PROPERTY TAKEN BY EMINENT DOMAIN, ETC.

Should any of the Mortgaged Property, or any interest therein, be taken by exercise of the power of eminent domain or be sold to an entity possessing the power of eminent domain under a threat to exercise the same, and should the Company elect not to obtain the release of such property pursuant to other provisions of this Article, the Trustee shall, upon request of the Company evidenced by a Company Order transmitting therewith a form of instrument or instruments to effect such release, release from the Lien hereof all its right, title and interest in and to the property so taken or sold (or with respect to an interest in property, subordinate the Lien hereof to such interest), upon receiving (a) an Opinion of Counsel to the effect that such property has been taken by exercise of the power of eminent domain or has been sold to an entity possessing the power of eminent domain under threat of an exercise of such power, (b) an Officers' Certificate stating the amount of net proceeds received or to be received for such property so taken or sold, and the amount so stated shall be deemed to be the Fair Value of such property for the purpose of any notice to the Holders of Securities, (c) an Experts' Certificate stating the Cost thereof (or, if the Fair Value to the Company of such portion of such property at the time the same was first included in an Experts' Certificate was less than the Cost thereof, then such Fair Value, as so certified, in lieu of Cost) and (d) a deposit by the Company of an amount in cash equal to the Cost or Fair Value stated in the Experts' Certificate delivered pursuant to clause (c) above; provided, however, that the amount required to be so deposited shall not exceed the portion of the net proceeds received or to be received for such property so taken or sold which is allocable on a pro-rata or other reasonable basis to such property; and provided, further, that no such deposit shall be required to be made hereunder if the proceeds of such taking or sale shall, as indicated in an Officers' Certificate delivered to the Trustee, have been deposited with the trustee or other holder of a Prior Lien. Any cash deposited with the Trustee under this Section may, contemporaneously or thereafter, be withdrawn, used or applied in the manner, to the extent and for the purposes, and subject to the conditions, provided in Section 1606.

SECTION 1608. SECURED DEBT.

(a) The Company will cause all Secured Debt to be paid in accordance with its terms at or before the maturity thereof, and will duly and punctually perform all the conditions imposed upon it by any Prior Lien, and will not permit any default under any Prior Lien to occur or continue for the period of grace specified therein.

(b) Upon the cancellation and discharge of any Prior Lien, or upon the release in any other way of Secured Debt deposited with the trustee or other holder of any other Prior Lien, the Company will (subject to the requirements of any mortgage or other lien securing such Secured Debt) cause any Secured Debt held by the trustee or other holder of the Prior Lien so cancelled or discharged or any Secured Debt so released in any other way to be cancelled, provided that such Secured Debt may be deposited with the trustee or other holder of some other Prior Lien (upon the same property as that mortgaged or pledged to secure the Secured Debt so deposited) if required by the terms thereof.

The principal of and interest on any such Secured Debt held by the Trustee shall be paid to the Trustee as and when the same become payable. The interest received by the Trustee on any

such obligations shall be deemed not to constitute cash and shall be remitted to the Company; provided, however, that if an Event of Default shall have occurred and be continuing, such proceeds shall be held as part of the Mortgaged Property until such Event of Default shall have been cured or waived.

If any Secured Debt shall be deposited with the Trustee, the Trustee shall have and may exercise all the rights and powers of any owner of such Secured Debt and of all substitutions therefor and, without limiting the generality of the foregoing, may collect and receive all insurance moneys payable to it under any of the provisions thereof and apply the same in accordance with the provisions thereof, may consent to extensions thereof at a higher or lower rate of interest, may join in any plan or plans of voluntary or involuntary reorganization or readjustment or rearrangement and may accept and hold hereunder new obligations, stocks or other securities issued in exchange therefor under any such plan. Any discretionary action which the Trustee may be entitled to take in connection with any such obligations or substitutions therefor shall be taken, so long as no Event of Default shall have occurred and be continuing, in accordance with a Company Order, and, during the continuance of an Event of Default, in its own discretion.

Anything herein to the contrary notwithstanding, the Company may irrevocably waive all rights with respect to any Secured Debt held by the Trustee, and the proceeds of any such obligations, by delivery to the Trustee of a Company Order:

(x) Specifying such obligations and stating that the Company thereby waives all rights to the proceeds thereof pursuant to this Section, and any other rights with respect thereto; and

(y) Directing that the principal of such obligations be applied as provided in clause (c) in the first paragraph of Section 1606, specifying the Securities to be paid or redeemed or for the payment or redemption of which payment is to be made.

Following any such waiver, the interest on any such obligations shall be applied to the payment of interest, if any, on the Securities to be paid or redeemed or for the payment or redemption of which provision is to be made, as specified in the aforesaid Company Order, as and when such interest shall become due from time to time, and any excess funds remaining from time to time after such application shall be applied to the payment of interest on any other Securities as and when the same shall become due. Pending any such application, the interest on such obligations shall be invested in Investment Securities as shall be selected by the Company and specified in written instructions delivered to the Trustee. The principal of any such obligations shall be applied solely to the payment of principal of the Securities to be paid or redeemed or for the payment or redemption of which provision is to be made, as specified in the aforesaid Company Order. Pending such application, the principal of such obligations shall be invested in Eligible Obligations as shall be selected by the Company and specified in written instructions delivered to the Trustee. The obligation of the Company to pay the principal of such Securities when the same shall become due at maturity, shall be offset and reduced by the amount of the proceeds of such obligations then held, and to be applied, by the Trustee in accordance with this paragraph.

SECTION 1609. DISCLAIMER OR QUITCLAIM.

In case the Company has sold, exchanged, dedicated or otherwise disposed of, or has agreed or intends to sell, exchange, dedicate or otherwise dispose of, or a Governmental Authority has ordered the Company to divest itself of, any Excepted Property or any other property not subject to the Lien hereof, or the Company desires to disclaim or quitclaim title to property to which the Company does not purport to have title, the Trustee shall, from time to time, disclaim or quitclaim such property upon receipt by the Trustee of the following:

- (a) A Company Order requesting such disclaimer or quitclaim and transmitting therewith a form of instrument to effect such disclaimer or quitclaim;
- (b) An Officers' Certificate describing the property to be disclaimed or quitclaimed; and
- (c) An Opinion of Counsel stating the signer's opinion that such property is not subject to the Lien hereof or required to be subject thereto by any of the provisions hereof and complying with the requirements of Section 103 of this Mortgage.

SECTION 1610. MISCELLANEOUS.

(a) The Experts' Certificate as to the Fair Value of property to be released from the Lien of this Mortgage in accordance with any provision of this Article, and as to the nonimpairment, by reason of such release, of the security under this Mortgage in contravention of the provisions hereof, shall be made by an Independent Expert if the Fair Value of such property and of all other property released since the commencement of the then current calendar year, as set forth in the certificates required by this Mortgage, is 10% or more of the aggregate principal amount of all Securities then Outstanding; but such Experts' Certificate shall not be required to be made by an Independent Expert in the case of any release of property if the Fair Value thereof, as set forth in the certificates required by this Mortgage, is less than \$25,000 or less than 1% of the aggregate principal amount of all Securities then Outstanding. To the extent that the Fair Value of any property to be released from the Lien of this Mortgage shall be stated in an Independent Experts' Certificate, such Fair Value shall not be required to be stated in any other Experts' Certificate delivered in connection with such release.

(b) No release of property from the Lien of this Mortgage effected in accordance with the provisions, and in compliance with the conditions, set forth in this Article and in Sections 103 and 104 shall be deemed to impair the security of this Mortgage in contravention of any provision hereof.

(c) If the Mortgaged Property shall be in the possession of a receiver or trustee, lawfully appointed, the powers hereinbefore conferred upon the Company with respect to the release of any part of the Mortgaged Property or any interest therein or the withdrawal of cash may be exercised, with the approval of the Trustee, by such receiver or trustee, notwithstanding that an Event of Default may have occurred and be continuing, and any request, certificate, appointment or approval made or signed by such receiver or trustee for such purposes shall be as effective as if made by the Company or any of its officers or appointees in the manner herein provided; and if the Trustee shall be in possession of the Mortgaged Property under any provision of this Mortgage,

then such powers may be exercised by the Trustee in its discretion notwithstanding that an Event of Default may have occurred and be continuing.

(d) If the Company shall retain any interest in any property released from the Lien of this Mortgage as provided in Section 1603 or 1605, this Mortgage shall not become or be, or be required to become or be, a Lien upon such property or such interest therein or any improvements, extensions or additions to such property or renewals, replacements or substitutions of or for such property or any part or parts thereof unless the Company shall execute and deliver to the Trustee a Mortgage supplemental hereto, in recordable form, containing a grant, conveyance, transfer and mortgage thereof. As used in this subsection, the terms “improvements”, “extensions” and “additions” shall be limited as set forth in Section 1201.

(e) Notwithstanding the occurrence and continuance of an Event of Default, the Trustee, in its discretion, may release from the Lien hereof any part of the Mortgaged Property or permit the withdrawal of cash, upon compliance with the other conditions specified in this Article in respect thereof.

(f) No purchaser or grantee of property purporting to have been released hereunder shall be bound to ascertain the authority of the Trustee to execute the instrument or instruments of release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser or grantee of any property or rights permitted by this Article to be sold, granted, exchanged, dedicated or otherwise disposed of, be under obligation to ascertain or inquire into the authority of the Company to make any such sale, grant, exchange, dedication or other disposition.

SECTION 1611. MAINTENANCE OF PROPERTIES.

The Company shall cause (or, with respect to property owned in common with others, make reasonable effort to cause) the Mortgaged Property, considered as a whole, to be maintained and kept in good condition, repair and working order and shall cause (or, with respect to property owned in common with others, make reasonable effort to cause) to be made such repairs, renewals, replacements, betterments and improvements thereof, as, in the judgment of the Company, may be necessary in order that the operation of the Mortgaged Property, considered as a whole, may be conducted in accordance with common industry practice; provided, however, that nothing in this Section shall prevent the Company from discontinuing, or causing the discontinuance of, the operation and maintenance of any portion of the Mortgaged Property if such discontinuance is in the judgment of the Company desirable in the conduct of its business; and provided, further, that nothing in this Section shall prevent the Company from selling, transferring or otherwise disposing of, or causing the sale, transfer or other disposition of, any portion of the Mortgaged Property in compliance with the other Articles of this Mortgage.

SECTION 1612. PAYMENT OF TAXES; DISCHARGE OF LIENS.

The Company shall pay all taxes and assessments and other governmental charges lawfully levied or assessed upon the Mortgaged Property, or upon any part thereof, or upon the interest of the Trustee in the Mortgaged Property, before the same shall become delinquent, and shall observe and conform in all material respects to all valid requirements of any Governmental Authority

relative to the Mortgaged Property and all covenants, terms and conditions upon or under which any of the Mortgaged Property is held; and the Company shall not voluntarily suffer any Lien to be created upon the Mortgaged Property, or any part thereof, prior to the Lien hereof, other than (a) Permitted Liens and Prior Liens, (b) in the case of property hereafter acquired, Purchase Money Liens and any other Liens existing or placed thereon at the time of the acquisition thereof (including, but not limited to, the Lien of any Prior Lien); provided, however, that prior to (but not on or after) the Second Effective Date the Company shall not create Prior Liens or suffer Prior Liens to be created on any material portion of the Mortgaged Property; provided further, however, that nothing in this Section contained shall require the Company (i) to observe or conform to any requirement of Governmental Authority or to cause to be paid or discharged, or to make provision for, any such Lien, or to pay any such tax, assessment or governmental charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings, (ii) to pay, discharge or make provisions for any tax, assessment or other governmental charge, the validity of which shall not be so contested if adequate security for the payment of such tax, assessment or other governmental charge and for any penalties or interest which may reasonably be anticipated from failure to pay the same shall be given to the Trustee or (iii) to pay, discharge or make provisions for any Liens existing on the Mortgaged Property at the First Effective Date; and provided, further, that nothing in this Section shall prohibit the issuance or other incurrence of additional indebtedness, or the refunding of outstanding indebtedness, secured by any Lien prior to the Lien hereof which is permitted under this Section to continue to exist.

SECTION 1613. INSURANCE.

(a) The Company shall (i) keep or cause to be kept all the property subject to the Lien of this Mortgage insured against loss by fire, to the extent that property of similar character is usually so insured by companies similarly situated and operating like properties, to a reasonable amount, by reputable insurance companies, the proceeds of such insurance (except as to any particular loss less than the greater of (A) \$10,000,000 and (B) 3% of the aggregate principal amount of all Securities and Secured Debt Outstanding on the date of such particular loss and, if such insurance also covers any Excepted Property, except as to any loss of such Excepted Property) to be made payable, subject to applicable law, to the Trustee as the interest of the Trustee may appear, to the trustee of a Prior Lien, or to the trustee or other holder of any other Lien prior hereto upon property subject to the Lien hereof, if the terms thereof require such payment or (ii) in lieu of or supplementing such insurance in whole or in part, adopt some other method or plan of protection against loss by fire at least equal in protection to the method or plan of protection against loss by fire of companies similarly situated and operating properties subject to similar fire hazards or properties on which an equal primary fire insurance rate has been set by reputable insurance companies; and if the Company shall adopt such other method or plan of protection, it shall, subject to applicable law (and except as to any particular loss less than the greater of (x) \$10,000,000 and (y) 3% of the aggregate principal amount of all Securities and Secured Debt Outstanding on the date of such particular loss and, if such other method or plan of protection also covers any Excepted Property, except as to any loss of such Excepted Property) pay to the Trustee on account of any loss covered by such method or plan an amount in cash equal to the amount of such loss less any amounts otherwise paid to the Trustee in respect of such loss or paid to the trustee under a Prior Lien or to the trustee or other holder of any other Lien prior hereto upon property subject to the Lien hereof in respect of such loss if the terms thereof require such payment. Any cash so required to be paid by the Company pursuant to any such method or plan shall for the purposes of this

Mortgage be deemed to be proceeds of insurance. In case of the adoption of such other method or plan of protection, the Company shall furnish to the Trustee a certificate of an actuary or other qualified person appointed by the Company with respect to the adequacy of such method or plan.

Anything herein to the contrary notwithstanding, the Company may have fire insurance policies with (i) a deductible provision in a dollar amount per occurrence not exceeding the greater of (a) \$10,000,000 and (b) 3% of the aggregate principal amount of all Securities and Secured Debt Outstanding on the date such policy goes into effect, and/or (ii) co-insurance or self insurance provisions with a dollar amount per occurrence not exceeding 30% of the loss proceeds otherwise payable; provided, however, that the dollar amount described in clause (i) above may be exceeded to the extent such dollar amount per occurrence is below the deductible amount in effect as to fire insurance (x) on property of similar character insured by companies similarly situated and operating like property or (y) on property as to which an equal primary fire insurance rate has been set by reputable insurance companies.

(b) All moneys paid to the Trustee by the Company in accordance with this Section or received by the Trustee as proceeds of any insurance, in either case on account of a loss on or with respect to Mortgaged Property, shall, subject to the requirements of any Prior Lien or other Lien prior hereto upon property subject to the Lien hereof, be held by the Trustee and, subject as aforesaid, shall be paid by it to the Company to reimburse the Company for an equal amount expended or committed for expenditure in the rebuilding, renewal and/or replacement of or substitution for the property destroyed or damaged, upon receipt by the Trustee of:

(i) A Company Request requesting such payment,

(ii) An Experts' Certificate:

(A) Describing the property so damaged or destroyed;

(B) Stating the Cost of such property (or, if the Fair Value to the Company of such property was first included in an Experts' Certificate was less than the Cost thereof, then such Fair Value, as so certified, in lieu of Cost) or, if such damage or destruction shall have affected only a portion of such property, stating the allocable portion of such Cost or Fair Value;

(C) Stating the amounts so expended or committed for expenditure in the rebuilding, renewal, replacement of and/or substitution for such property; and

(D) Stating the Fair Value to the Company of such property as rebuilt or renewed or as to be rebuilt or renewed and/or of the replacement or substituted property, and if

(I) Within 6 months prior to the date of acquisition thereof by the Company, such property has been used or operated, by a person or persons other than the Company, in a business similar to that in which it has been or is to be used or operated by the Company, and

(II) The Fair Value to the Company of such property as set forth in such Experts' Certificate is not less than \$25,000 and not less than 1% of the aggregate principal amount of all Securities then Outstanding,

the Expert making the statement required by this clause (D) shall be an Independent Expert, and

(iii) an Opinion of Counsel stating that, in the opinion of the signer, the property so rebuilt or renewed or to be rebuilt or renewed, and/or the replacement property, is or will be subject to the Lien hereof.

Any such moneys not so applied within 36 months after its receipt by the Trustee, or in respect of which notice in writing of intention to apply the same to the work of rebuilding, renewal, replacement or substitution then in progress and uncompleted shall not have been given to the Trustee by the Company within such 36 months, or which the Company shall at any time notify the Trustee is not to be so applied, shall thereafter be withdrawn, used or applied in the manner, to the extent and for the purposes, and subject to the conditions, provided in Section 1606; provided, however, that if the amount of such moneys shall exceed the amount stated pursuant to clause (B) in the Experts' Certificate referred to above, the amount of such excess shall not be subject to Section 1606 and shall be remitted to or upon the order of the Company upon the withdrawal, use or application of the balance of such moneys pursuant to Section 1606.

(c) Whenever under the provisions of this Section the Company is required to deliver moneys to the Trustee and at the same time shall have satisfied the conditions set forth herein for payment of moneys by the Trustee to the Company, there shall be paid to or retained by the Trustee or paid to the Company, as the case may be, only the net amount.

SECTION 1614. RECORDING, FILING, ETC.

The Company shall cause this Mortgage and all Mortgages and instruments supplemental hereto (or notices, memoranda or financing statements as may be recorded or filed to place third parties on notice thereof) to be promptly recorded and filed and re-recorded and re-filed in such manner and in such places, as may be required by law in order fully to preserve and protect the security of the Holders of the Securities and all rights of the Trustee, and shall furnish to the Trustee:

(a) Promptly after the execution and delivery of this Mortgage and of each Supplemental Mortgage, an Opinion of Counsel either stating that in the opinion of such counsel this Mortgage or such Supplemental Mortgage (or any other instrument, resolution, certificate, notice, memorandum or financing statement in connection therewith) has been properly recorded and filed, so as to make effective the Lien intended to be created hereby or thereby, and reciting the details of such action, or stating that in the opinion of such counsel no such action is necessary to make such Lien effective. The Company shall be deemed to be in compliance with this subsection (a) if (i) the Opinion of Counsel herein required to be delivered to the Trustee shall state that this Mortgage or such Supplemental Mortgage, (or any other instrument, resolution, certificate notice, memorandum or financing statement in connection therewith) has been received for record or filing

in each jurisdiction in which it is required to be recorded or filed and that, in the opinion of such counsel (if such is the case), such receipt for record or filing makes effective the Lien intended to be created by this Mortgage or such Supplemental Mortgage, and (ii) such opinion is delivered to the Trustee within such time, following the date of such Supplemental Mortgage, as shall be practicable having due regard to the number and distance of the jurisdictions in which this Mortgage or such Supplemental Mortgage (or such other instrument, resolution, certificate, notice, memorandum or financing statement in connection therewith) is required to be recorded or filed; and

(b) On or before December 1 of each year, beginning December 1, ____, an Opinion of Counsel stating either (i) that in the opinion of such counsel such action has been taken, since the date of the most recent Opinion of Counsel furnished pursuant to this subsection (b) or the first Opinion of Counsel furnished pursuant to subsection (a) of this Section, with respect to the recording, filing, re-recording, and re-filing of this Mortgage and of each Supplemental Mortgage (or any other instrument, resolution, certificate, notice, memorandum or financing statement in connection therewith), as is necessary to maintain the effectiveness of the Lien hereof, and reciting such action, or (ii) that in the opinion of such counsel no such action is necessary to maintain the effectiveness of such Lien.

The Company shall execute and deliver such Supplemental Mortgage or Mortgages and such further instruments and do such further acts as may be necessary or proper to carry out the purposes of this Mortgage and to make subject to the Lien hereof any property hereafter acquired, made or constructed and intended to be subject to the Lien hereof, and to transfer to any new trustee or trustees or co-trustee or co-trustees, the estate, powers, instruments or funds held in trust hereunder.

SECTION 1615. EFFECTIVE TIME FOR CERTAIN PROVISIONS

All provisions hereof shall, unless otherwise specified herein, or except as may be specified in the terms and conditions of any series or Tranche of Securities (in which case such terms and conditions of any such series or Tranche of Securities shall be applicable to such series or Tranche of Securities), be of full force and effect on and after the First Effective Date, except that the provisions of (i) Sections 401(b)(v)(1), 1603(e)(i) and 1606(a) permitting the Opinion of Counsel to specify that the Mortgage may be subject to Prior Liens, (ii) Section 801 to the extent that it applies to Securities issued on or before September 1, 2007, (iii) Section 802(b), and (iv) Section 1612 permitting the creation of Prior Liens on the Mortgaged Property shall, in each case, be of no force and effect prior to the Second Effective Date but shall automatically become of full force and effect on and after the Second Effective Date, all in accordance with such Sections; and the provisions of Section 1612 which are specified to be in effect only prior to the Second Effective Date shall automatically cease to be of any further force or effect on and after the Second Effective Date.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

(The Testimonium clause, Signatures, Acknowledgments, Schedules, Endorsement and Affidavit to the original First Mortgage Indenture have been omitted herein, but remain applicable hereto.)

Summary of Material Provisions of PSNH Mortgage Indenture and Material Changes Resulting from the Proposed Amendment and Restatement

Amendment and Restatement of the Indenture. PSNH is seeking to amend and restate its Mortgage Indenture (the “Indenture”) substantially in its entirety (the “Amendment”). To become effective under the Indenture, most of the terms of the Amendment require the consent of the holders of a majority (more than 50%) in principal amount of all bonds outstanding under the Indenture and thus will become effective promptly upon receipt of such requisite consent (the “First Effective Date”). The remaining terms of such Amendment will require the consent of the holders of 100% in principal amount of all bonds then outstanding under the Indenture, and thus would not become effective until receipt of such 100% consent (the “Second Effective Date”).

Each holder of any bonds issued in the future, solely by virtue of its acquisition of the bonds, will have and be deemed to have consented, without the need for any further action or consent by such holder, to the Amendment, with such additions, deletions, and other changes made prior to the time of such amendment and restatement (“Future Changes”) (1) that add to the covenants of PSNH in the Amendment, or surrender rights or powers of PSNH therein, for the benefit of the holders of the bonds issued thereunder, (2) as the Trustee and its counsel may request, (3) as the New Hampshire Public Utilities Commission or other regulatory authority having jurisdiction over PSNH may request, or (4) otherwise, as PSNH may propose prior to the time of such amendment and restatement, provided that (a) in the case of any Future Change described in clause (4), such Future Change is not, in PSNH’s reasonable judgment, inconsistent with the fundamental structure and terms of the Amendment, and (b) in the case of any Future Change described in clauses (3) or (4), such Future Change does not adversely affect in any material respect the interests of the holders of the bonds.

Thus, at some time in the future, PSNH expects to receive the consents that it will need to cause the Amendment, together with such further additions, deletions, and other changes, to become effective. PSNH presently expects to cause the terms of the Amendment that require majority consent to become effective promptly upon receipt of such consent (i.e., the First Effective Date). Thereafter, the remaining terms of the Amendment would become effective automatically upon receipt of the requisite 100% consent (i.e., the Second Effective Date).

Presented below is a summary description of the material provisions of the Indenture and the material changes to the Indenture as proposed by the Amendment. Except when it is specifically indicated that a particular provision of the Amendment would not become effective until the Second Effective Date, each provision of the Amendment described below would become effective on the First Effective Date.

Security. The Indenture constitutes a first mortgage lien (subject to permitted liens under the Indenture) on substantially all of PSNH’s property and franchises, including its generating stations and its transmission and distribution facilities, subject to certain customary exceptions. The Indenture also permits after-acquired property to be subject to liens prior to that of the Indenture. The security afforded by the Indenture is for the equal and ratable protection of all PSNH’s presently outstanding bonds and any bonds which may hereafter be issued under the Indenture.

The Amendment would continue the existing first mortgage lien of the Indenture, but the Amendment would expand both the types of property excepted from the lien and the types of permitted liens. These changes will not have a material effect on the security afforded by the mortgage lien on the property subject thereto.

In addition, the Amendment would permit PSNH to issue certain debt other than first mortgage bonds that would be secured by liens on the mortgaged property that are equal with or prior to the lien of the Indenture, although prior to the Second Effective Date, such liens could not be on any material portion of the mortgaged property. This change will not have a material effect on the security provided by the Indenture, because PSNH may only issue such equal or prior secured debt in an aggregate principal amount up to 3% of the sum of (1) the lesser of the depreciated cost or fair market value of it property then subject to the lien of the Indenture, plus (2) certain cash then on deposit with the Trustee. This issuance requirement would not apply to PSNH's assumption of debt secured by a lien existing (or created concurrently) on property it acquires after the Amendment becomes effective, and there would be no limit on the amount of equal or prior secured debt that PSNH could so assume. However, the test for the issuance of additional bonds that would become effective with the Amendment (and that is described below in the last paragraph under "*Issuance of Additional Bonds*"), in effect, counts outstanding equal or prior secured debt against PSNH's ability to issue additional bonds.

Issuance of Additional Bonds. Under the Indenture, PSNH may issue additional bonds (in addition to certain refunding bonds and bonds issued against the deposit of an equal amount of cash) if, after giving effect to such issuance, certain limitations are met.

Additional bonds may also be issued (i) to refund other bonds or certain prior lien obligations provided that if bonds are to be issued to refund bonds or prior lien obligations more than one year after the maturity of such bonds or prior lien obligations, the bonds so issued are subject to certain limitations and (ii) against the deposit of an equal amount of cash with the Trustee.

If cash is deposited with the Trustee as a basis for the issue of bonds, it may be withdrawn from time to time in an amount equal to 66 $\frac{2}{3}$ % of available bondable property additions or equal to the aggregate principal amount of bonds or refundable prior lien obligations that would otherwise be available to be made the basis of the issue of additional bonds. Such cash may also be used to purchase or redeem bonds as PSNH may designate.

Except for certain refunding bonds, PSNH may not issue additional bonds unless net earnings, as defined and as computed without deducting income taxes, for 12 consecutive calendar months during the period of 15 consecutive calendar months immediately preceding the first day of the month in which the application of the Trustee for additional bonds is made, were at least twice the annual interest requirements of PSNH.

Under the Amendment, all of the above-described issuance requirements would be eliminated, and new bonds could be issued under the Indenture in an unlimited amount so long as, after giving effect to such issue, the aggregate amount of all outstanding bonds and "secured debt" (generally, debt secured by a lien equal with or prior to the lien of the Indenture) does not exceed 75% of the sum of (1) the lesser of the depreciated cost or fair market value of PSNH property then subject to the lien of the Indenture plus (2) certain cash then on deposit with the Trustee.

Redemption Provisions. Under the Indenture, unless otherwise provided in the supplemental indenture under which a series of the bonds is issued, each series of bonds is redeemable at the option of PSNH, as a whole or in part, at any time upon prior written notice given by mail as provided in the Indenture, at redemption prices that will be set forth in the supplemental indenture with respect to such series, together in each case with accrued and unpaid interest to the redemption date.

The Amendment would not affect the above-described provisions.

Renewal and Replacement Fund. Under the Indenture, on or before May 1 of each year, PSNH is required to deliver to the Trustee a maintenance certificate dated within thirty days of the date of delivery

to the Trustee. In case any such maintenance certificate shows a “replacement deficit” (generally, the amount by which the aggregate amount expended by PSNH for property additions is less than a specified replacement fund requirement), PSNH must, concurrently with the filing of such certificate, satisfy such replacement deficit, by depositing cash with the Trustee, or by depositing with the Trustee bonds or refundable prior lien obligations which would otherwise be available as a basis for the issue of additional bonds, or by specifying to the Trustee bondable property additions. On PSNH’s application to the Trustee, any cash so deposited may be used to purchase or redeem first mortgage bonds.

The Amendment would eliminate the renewal and replacement fund requirement.

Release of Property. Under the Indenture, unless PSNH is in default in the performance of any of the covenants or provisions of the Indenture, PSNH may obtain the release from the lien of the Indenture of any mortgaged property upon (i) a certification that the property is no longer necessary in the conduct of its business and that the security of the Indenture will not be impaired, and (ii) the deposit with the Trustee of an amount in cash or property at least equal to the fair value to PSNH of the property to be released.

The Indenture generally allows PSNH to sell or dispose of property without a release but free from the lien of the Indenture upon replacing or substituting the property with other property of at least equal value, except that PSNH may dispose of property having an aggregate cost or fair value, whichever is less, of not more than \$5 million in any year without depositing the proceeds thereof with the Trustee.

Under the Amendment, property may be released so long as there is no default under the Indenture and so long as, after giving effect to such release, PSNH could then issue at least \$1.00 of additional bonds under the test for the issuance of additional bonds that would become effective with the Amendment (and that is described above in the last paragraph under “*Issuance of Additional Bonds*”).

The Amendment also would permit dispositions of certain obsolete property and grants or surrender of certain rights without any release or consent by the Trustee. If PSNH retains any interest in any property released from the lien of the Indenture, the Indenture will not constitute a lien on such property or such interest therein or any improvements, extensions or additions to such property or renewals, replacements or substitutions of or for such property or any part or parts thereof. The Amendment also would provide simplified procedures for the release of minor properties.

Withdrawal of Moneys Held by the Trustee. Under the Indenture, any moneys deposited with the Trustee and any other monies held by the Trustee as part of the trust estate are to be paid over from time to time by the Trustee upon the application of PSNH to the Trustee or upon the order of PSNH’s Treasurer or an Assistant Treasurer, in an amount equal to 100% of bondable property additions or in an amount equal to the principal amount of bonds or refundable prior lien obligations which would otherwise be available as a basis for the issue of additional bonds.

Any moneys held by the Trustee as part of the trust estate (other than moneys deposited in a sinking or improvement fund for the benefit of a particular series of bonds) are to be, at the election of PSNH and in accordance with its request, applied by the Trustee (i) from time to time to the purchase of outstanding bonds in the manner provided in the Indenture, or (ii) to the payment at maturity of any bonds issued and outstanding under the Indenture, or (iii) in reduction of the amount then required to be deposited by PSNH with the Trustee in connection with the redemption of bonds issued and outstanding under the Indenture.

Under the Amendment, cash deposited with the Trustee can be applied or withdrawn by PSNH at any time so long as there is no default under the Indenture and so long as, after giving effect to such withdrawal, PSNH could then issue at least \$1.00 of additional bonds under the test for the issuance of

additional bonds that would become effective with the Amendment (and that is described above in the last paragraph under “*Issuance of Additional Bonds*”).

Events of Default. The Indenture provides that the following events will constitute "events of default" thereunder: (i) failure to pay principal; (ii) failure for 30 days to pay interest; (iii) failure to perform any of the other Indenture covenants for 90 days after notice to PSNH; (iv) default under one or more prior lien obligations aggregating not less than \$25 million (other than certain prior lien obligations deposited with the Trustee); and (v) certain events of bankruptcy, insolvency or receivership.

The Amendment would modify the above-described “event of default” provisions by increasing from 30 days to 90 days the grace period for the interest payment “event of default” described in clause (ii), by eliminating the “event of default” with respect to prior lien obligations described in clause (iv), and by including as an additional enumerated “event of default” any other event or occurrence specified as an “event of default” in the terms of a particular series of bonds.

The Indenture provides that, if an event of default exists, the Trustee may, and upon the written request of the holders of 25% or more in principal amount of the bonds then outstanding, the Trustee will, declare the principal of all the bonds then outstanding to be immediately due and payable, and that upon the occurrence of certain events of bankruptcy, insolvency or receivership, the principal of all the bonds then outstanding shall become due and payable without any action by the bondholders or the Trustee, subject in each case to the right of holders of a majority in principal amount of bonds then outstanding to disapprove, rescind or annul such declaration.

The Amendment would replace the above provisions and provide that, if any event of default exists, the Trustee or the holders of a majority in principal amount of the bonds outstanding may, after tender to the Trustee of indemnity satisfactory to it, declare the principal of all the bonds then outstanding to be immediately due and payable.

Modification of the Indenture Without Consent of Holders. Without the consent of the bondholders, the Indenture may be supplemented or amended, among other things, to convey additional property, to further add to the covenants and agreements, to evidence a successor to PSNH, to correct any defective or ambiguous provision in the Indenture, to provide for the issue of bonds of any series, to comply with the rules and regulations of any securities exchange on which any of the bonds may be listed, to reflect accounting changes as appropriate to conform with generally accepted accounting principles, or to modify, amend, or supplement the Indenture or any indenture supplemental thereto in such a manner as to permit qualification under the Trust Indenture Act of 1939, as amended.

The Amendment generally retains the modifications permitted without the consent of the bondholders. In addition, the Amendment provides that the Indenture may be modified without the consent of bondholders (i) to add any additional events of default, (ii) to provide for the procedures required to permit PSNH to utilize, at its option, a non-certificated system of registration for all, or any series of bonds, and (iii) to amend and restate the Indenture, in its entirety, but with such additions, deletions and other changes as shall not adversely affect the interests of the holders of the bonds in any material respect.

Modification of the Indenture With Consent of Holders. Under the Indenture, with the consent of the holders of not less than a majority in aggregate principal amount of the bonds at the time outstanding (or in case one or more, but less than all, of the series of bonds then outstanding would be materially adversely affected, with the consent of not less than a majority in aggregate principal amount of the bonds of each series then outstanding which would be materially adversely affected by the action proposed to be taken), the Indenture may be supplemented for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture. However, no such supplemental indenture may (i) modify PSNH's obligations as to the maturities, payment of principal, interest or premium and other terms of payment unless all affected bondholders consent, or (ii) reduce the aforesaid percentage of bonds, the holders of which are required to consent to any such supplemental indenture, without the consent of the holders of all bonds outstanding, or (iii) permit the creation by PSNH of any mortgage or pledge or lien in the nature thereof, ranking prior to or equal with the lien of the Indenture, and not otherwise permitted under the Indenture, on any material part of the trust estate without the consent of the holders of all bonds outstanding, or (iv) deprive the holder of any bond outstanding of the lien of the Indenture on any material part of the trust estate without the express consent of the holder of each bond affected thereby.

The Amendment retains the majority consent requirement for modifications and also generally retains the restrictions described in (i), (ii), and (iv) of the preceding paragraph (specifying, in the case of (iv), that "material part" of the mortgaged property means more than 10% of the lesser of the aggregate cost or aggregate fair value of the mortgaged property at the time of the proposed action). The restriction described in (iii) of the preceding paragraph would become inapplicable, because the Amendment would permit the creation of liens equal with or prior to that of the Indenture (as described above in the third paragraph under "*Security*"). However, without the consent of the holder of each bond affected thereby, the Amendment would prohibit any modification of the provisions permitting such equal or prior liens that would allow such liens prior to the Second Effective Date on any material part of the mortgaged property.

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PUBLIC SERVICE COMPANY
OF NEW HAMPSHIRE
AND
U.S. BANK, NATIONAL ASSOCIATION,

Successor to WACHOVIA BANK, NATIONAL ASSOCIATION

and to FIRST UNION NATIONAL BANK

Formerly Known as FIRST FIDELITY BANK, NATIONAL ASSOCIATION,
NEW JERSEY

Successor to BANK OF NEW ENGLAND, NATIONAL ASSOCIATION
(Formerly Known as NEW ENGLAND MERCHANTS NATIONAL BANK)
and to
NEW BANK OF NEW ENGLAND, NATIONAL ASSOCIATION, TRUSTEE

FIFTEENTH SUPPLEMENTAL INDENTURE

Dated as of _____

TO ISSUE SERIES __
FIRST MORTGAGE BONDS

\$70,000,000 First Mortgage Bonds (Series __ due _____)

THIS FIFTEENTH SUPPLEMENTAL INDENTURE dated as of _____, between PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE (hereinafter with its successors and assigns generally called the “Company”), a corporation duly organized and existing under the laws of the State of New Hampshire, having its principal place of business at 780 North Commercial Street in Manchester, New Hampshire 03101, and U.S. BANK, NATIONAL ASSOCIATION, successor to Wachovia Bank, National Association, and by merger to First Union National Bank, formerly known as First Fidelity Bank, National Association, New Jersey, successor in trust to Bank of New England, National Association (formerly known as New England Merchants National Bank) and to New Bank of New England, National Association, said U.S. Bank, National Association (hereinafter with its successors in trust generally called the “Trustee”), being a national banking association duly organized and existing under the laws of the United States of America, having a corporate trust office at _____, and duly authorized to execute the trusts hereof.

WHEREAS, the Company heretofore duly executed and delivered to Bank of New England, National Association (formerly known as New England Merchants National Bank), as predecessor trustee, its General and Refunding Mortgage Indenture (hereinafter, as amended by the Tenth Supplemental Indenture dated as of May 1, 1991, generally referred to as the “Original Indenture” and sometimes referred to, with each and every prior indenture supplemental thereto and each and every other instrument, including this Fifteenth Supplemental Indenture, which the Company, pursuant to the provisions thereof, may execute with the Trustee and which is therein stated to be supplemental to the Original Indenture, as the “Indenture”), dated as of August 15, 1978, but actually executed on September 20, 1978, and recorded, among other places, in Hillsborough County, New Hampshire, Registry of Deeds, Book 2640, Page 334, in York County, Maine, Registry of Deeds, Book 2417, Page 01, in Concord, Vermont, Land Records, Book 44, Page 129A, and in the Office of the Secretary of the State of Connecticut in Volume 56, Page G of Railroad Mortgages (together with certificates with respect thereto recorded in the Town Clerk’s offices of Waterford and Berlin, Connecticut), to which this instrument is supplemental, and in modification and confirmation thereof has executed and delivered to (i) Bank of New England, National Association (formerly known as New England Merchants National Bank) as predecessor trustee nine duly recorded indentures supplemental thereto, and (ii) to First Fidelity Bank, National Association, New Jersey, a Tenth Supplemental Indenture dated as of May 1, 1991 (hereinafter generally referred to as the Tenth Supplemental Indenture), and (iii) to First Union National Bank, an Eleventh Supplemental Indenture dated as of April 1, 1998, and (iv) to First Union National Bank, a Twelfth Supplemental Indenture dated as of December 1, 2001, and (v) to Wachovia Bank, National Association, a Thirteenth Supplemental Indenture dated as of July 1, 2004, and (vi) to Wachovia Bank, National Association, a Fourteenth Supplemental Indenture dated as of October 5, 2005, thereto duly recorded, whereby substantially all the properties of the Company used by it in its business, whether then owned or thereafter acquired, with certain reservations, exceptions and exclusions fully set forth in the Original Indenture were given, granted, bargained, sold, transferred, assigned, pledged, mortgaged and conveyed to the Trustee, its successors and assigns, in trust upon the terms and conditions set forth therein to secure its General and Refunding Mortgage Bonds, and, subsequently as described herein, its First Mortgage Bonds, issued and to be issued thereunder, and for other purposes more particularly specified therein; and

WHEREAS, on January 6, 1991, Bank of New England, National Association was declared insolvent, and New Bank of New England, National Association, pursuant to a purchase and assumption agreement dated as of January 6, 1991 between it and the Federal Deposit Insurance Corporation as receiver of Bank of New England, National Association, acquired and succeeded to all of the right, title, interest, authority and appointment of Bank of New England, National Association, as Trustee under the Indenture, which succession and appointment were ratified and confirmed by the Board of Directors of the Company on February 21, 1991, all as more particularly recited in the Agreement as to Resignation of Trustee and Appointment of Successor Trustee (the "Resignation and Appointment Agreement"), by and among the Company, New Bank of New England, National Association, and First Fidelity Bank, National Association, New Jersey, recorded with the Tenth Supplemental Indenture; and

WHEREAS, pursuant to the Resignation and Appointment Agreement, New Bank of New England, National Association resigned as successor trustee and First Fidelity Bank, National Association, New Jersey succeeded to the trusts created by the Indenture; and

WHEREAS, First Fidelity Bank, National Association, New Jersey was succeeded by First Union National Bank; and

WHEREAS, pursuant to The Third Amended Joint Plan of Reorganization (the "Plan"), dated December 28, 1989 (Case No. 88-00043), as confirmed by order of the United States Bankruptcy Court for the District of New Hampshire dated April 20, 1990, all bonds outstanding under the First Mortgage Indenture dated as of January 1, 1943, as from time to time amended and supplemented, between the Company and Old Colony Trust Company, as trustee (to which each of The First National Bank of Boston and Maryland National Bank has been successor trustee) have been paid in full and said First Mortgage Indenture has been released and is of no further force or effect, all bonds outstanding under the Third Mortgage Indenture dated as of February 15, 1986, as from time to time amended and supplemented, between the Company and First Fidelity Bank, National Association, New Jersey, as trustee, have been paid in full and said Third Mortgage Indenture has been released and is of no further force or effect, and all bonds issued prior to the date of execution of the Tenth Supplemental Indenture and outstanding under the Indenture have been paid in full; and

WHEREAS, the actions contemplated by the Resignation and Appointment Agreement and the Tenth Supplemental Indenture have been authorized and directed by Order of the United States Bankruptcy Court for the District of New Hampshire dated January 18, 1991 in Case No. 88-00043, which Order authorized certain transactions and procedures necessary to consummate the Plan and approved certain modifications of the Plan related thereto; and

WHEREAS, all applicable requirements of the Plan and said Order have been complied with; and

WHEREAS, pursuant to the Tenth Supplemental Indenture the Company effected the amendments to the Indenture specified in the Tenth Supplemental Indenture, including amendments to reflect the release and discharge of the Company's First Mortgage Indenture dated as of January 1, 1943, as supplemented and amended, and to reflect that, as a result, the Indenture is now a First Mortgage Indenture, the bonds issued and to be issued under the Indenture will be First Mortgage

Bonds of the Company, and the Original Indenture as it may heretofore and hereafter be supplemented and amended shall henceforth be known and referred to as the Company's First Mortgage Indenture dated as of August 15, 1978; and

WHEREAS, the Company by appropriate and sufficient corporate action in conformity with the terms of the Indenture duly caused to be issued seven new series of bonds under the Indenture designated First Mortgage Bonds, Series A through G, said Series A through Series G Bonds being in an aggregate principal amount of \$858,985,000 and consisting of fully registered bonds containing the terms and provisions duly fixed and determined by the Board of Directors of the Company and expressed in Schedule B to the Tenth Supplemental Indenture; and

WHEREAS, on May 15, 1996, \$172,500,000 aggregate principal amount of the Company's 8 7/8% First Mortgage Bonds, Series A, matured and were paid and canceled; and

WHEREAS, as of April 1, 1998 the Company by appropriate and sufficient corporate action in conformity with the terms of the Indenture duly caused to be issued a new series of bonds under the Indenture designated as First Mortgage Bonds, Series H, said Series H Bonds being in an aggregate principal amount of \$75,000,000 and containing the terms and provisions duly fixed and determined by the Board of Directors of the Company and expressed in Schedule A to the Eleventh Supplemental Indenture; and

WHEREAS, on May 15, 1998, \$170,000,000 aggregate principal amount of the Company's 9.17% First Mortgage Bonds, Series, B, matured and were paid and canceled; and

WHEREAS, on April 22, 1999, the Revolving Credit Agreement dated as of April 23, 1998 (the "Credit Agreement") terminated, the Credit Borrowings thereunder were indefeasibly paid in full in accordance with the terms thereof and the obligations of the several Lenders to make advances to the Company under the Credit Agreement were terminated; the bonds of Series H were deemed paid and all obligations of the Company to pay the principal of, premium, if any, and interest on the bonds of Series H was satisfied and discharged; and the \$75,000,000 aggregate principal amount of the Company's First Mortgage Bonds, Series H, were canceled; and

WHEREAS, as of March 30, 2001 the Company sold its interest in the Millstone III Nuclear Generating Station, located in Waterford, Connecticut, and with the sale of said property, no longer owns any property located in Connecticut which is subject to the lien of the Indenture, and is no longer subject to the jurisdiction of the Connecticut Department of Public Utility Control; and

WHEREAS, pursuant to the Series A, B and C Loan and Trust Agreements dated October 1, 2001 (herein called the "Series A, B and C PCR B Agreements"), by and among the Business Finance Authority of the State of New Hampshire (herein called "the Authority"), the Company and the State Street Bank and Trust Company, as trustee (herein called the "Series A, B and C PCR B Trustee"), the Authority issued \$89,250,000 in principal amount of its Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project – 2001 Tax Exempt Series A) (herein called the "Series A PCR Bonds") and loaned the proceeds from the sale of the Series A PCR Bonds to the Company. Proceeds of the loan were used to refund (i) the Authority's \$66,000,000 aggregate principal amount 7.65% Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project – 1991 Tax-Exempt Series A) (the "1991 Series A Bonds"), and (ii) a

portion of the Authority's \$112,500,000 aggregate principal amount 7.65% Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project – 1991 Tax-Exempt Series C) (the "1991 Series C Bonds"). The proceeds of the 1991 Series A and C Bonds were used to finance and refinance a portion of the Company's share of expenditures, including financing costs, relating to the construction of certain pollution control, sewage and/or solid waste disposal facilities required for the operation of the Seabrook nuclear-fueled, steam electric generating plant, Unit 1, located in Seabrook, New Hampshire, in which the Company owned an undivided 35.6% interest. The Authority also issued \$89,250,000 in principal amount of its Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project – 2001 Tax Exempt Series B) (herein called the "Series B PCR Bonds") and loaned the proceeds from the sale of the Series B PCR Bonds to the Company. Proceeds of the loan were used to refund a portion of the 1991 Series C Bonds. The proceeds of the 1991 Series C Bonds were used to finance and refinance a portion of the Company's share of expenditures, including financing costs, relating to the construction of certain pollution control, sewage and/or solid waste disposal facilities required for the operation of the Seabrook nuclear-fueled, steam electric generating plant, located in Seabrook, New Hampshire, in which the Company owned an undivided 35.6% interest. The Authority also issued \$108,985,000 in principal amount of its Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project – 2001 Tax Exempt Series C) (herein called the "Series C PCR Bonds") and loaned the proceeds from the sale of the Series C PCR Bonds to the Company. Proceeds of the loan were used to refund a portion of the 1991 Series C Bonds. The proceeds of the 1991 Series C Bonds were used to finance and refinance a portion of the Company's share of expenditures, including financing costs, relating to the construction of certain pollution control, sewage and/or solid waste disposal facilities required for the operation of the Seabrook nuclear-fueled, steam electric generating plant, located in Seabrook, New Hampshire, in which the Company owned an undivided 35.6% interest. Proceeds of the loan were used to refund the Authority's \$108,985,000 aggregate principal amount 7.50% Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project – 1991 Tax Exempt Series B) (herein called the "1991 Series B Bonds"). The proceeds of the 1991 Series C Bonds were used to finance and refinance a portion of the Company's share of expenditures, including financing costs, relating to the construction of certain pollution control, sewage and/or solid waste disposal facilities required for the operation of the Seabrook nuclear-fueled, steam electric generating plant, located in Seabrook, New Hampshire, in which the Company owned an undivided 35.6% interest; and

WHEREAS, the Series A, B and C PCR Bonds were special obligations of the Authority, payable solely out of the revenues and other receipts, funds and moneys derived by the Authority under the Series A, B and C PCRB Agreements and from any amounts otherwise available under the Series A, B and C PCRB Agreements for the payment of the Series A, B and C PCR Bonds, and such revenues and other receipts, funds moneys and amounts are, pursuant to the Series A, B and C PCRB Agreements, assigned and pledged by the Authority to the Series A, B and C PCRB Trustee as security for the Series A, B and C PCR Bonds and include loan payments required to be made by the Company to the Series A, B and C PCRB Trustee for the account of the Authority pursuant to the Series A, B and C PCRB Agreements in amounts equal to the amounts payable with respect to the Series A, B and C PCR Bonds; and

WHEREAS, in consideration of the loan being provided by the Authority under, and pursuant to the provisions of, the Series A, B and C PCRB Agreements, the Company issued: (a)

\$89,250,000 principal amount of its First Mortgage Bonds, Series I (hereinafter generally referred to as the “Series I Bonds” or the “bonds of Series I”) to evidence and secure the Company’s obligation under the Series A PCR Agreement to make loan payments as aforesaid and to provide security for the Series A PCR Bonds; (b) \$89,250,000 principal amount of its First Mortgage Bonds, Series J (hereinafter generally referred to as the “Series J Bonds” or the “bonds of Series J”) to evidence and secure the Company’s obligation under the Series B PCR Agreement to make loan payments as aforesaid and to provide security for the Series B PCR Bonds; and (c) \$108,985,000 principal amount of its First Mortgage Bonds, Series K (hereinafter generally referred to as the “Series K Bonds” or the “bonds of Series K”) to evidence and secure the Company’s obligation under the Series C PCR Agreement to make loan payments as aforesaid and to provide security for the Series C PCR Bonds; and

WHEREAS, the execution and delivery of the Twelfth Supplemental Indenture and the issue of not exceeding \$89,250,000 in aggregate principal amount of bonds of Series I, \$89,250,000 in aggregate principal amount of bonds of Series J and \$108,985,000 in aggregate principal amount of bonds of Series K, and other necessary actions were duly authorized by the Executive Committee of the Board of Directors of the Company; and

WHEREAS, as a result of a merger, First Union National Bank changed its name to Wachovia Bank, National Association; and

WHEREAS, U.S. Bank, National Association has succeeded Wachovia Bank, National Association, as Trustee under the Indenture; and

WHEREAS, the execution and delivery of the Thirteenth Supplemental Indenture and the issue of not exceeding \$50,000,000 in aggregate principal amount of bonds of Series L and other necessary actions were duly authorized by the Board of Directors of the Company; and

WHEREAS, the execution and delivery of the Fourteenth Supplemental Indenture and the issue of not exceeding \$50,000,000 in aggregate principal amount of bonds of Series M, and other necessary actions were duly authorized by the Board of Directors of the Company; and

WHEREAS, the execution and delivery of this Fifteenth Supplemental Indenture and the issue of not exceeding \$70,000,000 in aggregate principal amount of bonds of Series __, and other necessary actions have been duly authorized by the Board of Directors of the Company; and

WHEREAS, the Company proposes to execute and deliver this Fifteenth Supplemental Indenture to provide for the issue of the bonds of Series __ and confirm the lien of the Indenture on the property referred to below, all as permitted by Section 15.1 of the Original Indenture; and

WHEREAS, the Company has purchased, constructed or otherwise acquired certain additional property not heretofore specifically described in the Indenture but which is and is intended to be subject to the lien thereof, and proposes specifically to subject such additional property to the lien of the Indenture at this time; and

WHEREAS, all acts and things necessary to make the initial issue of the Series __ Bonds, when executed by the Company and authenticated by the Trustee and delivered as in the Original

Indenture provided, the legal, valid and binding obligations of the Company according to their terms and to make this Fifteenth Supplemental Indenture a legal, valid and binding instrument for the security of the bonds, in accordance with its and their terms, have been done and performed, and the execution and delivery of this Fifteenth Supplemental Indenture has in all respects been duly authorized;

NOW, THEREFORE, in consideration of the premises, and of the acceptance of said Series ___ First Mortgage Bonds by the holder thereof, and of the sum of \$1.00 duly paid by the Trustee to the Company, and of other good and valuable considerations, the receipt whereof is hereby acknowledged, and in confirmation of and supplementing the Original Indenture as previously supplemented by said fourteen preceding supplemental indentures, and in performance of and compliance with the provisions thereof, said Public Service Company of New Hampshire, by these presents, does give, grant, bargain, sell, transfer, assign, pledge, mortgage and convey unto U.S. Bank, National Association, as Trustee, as provided in the Original Indenture, as previously supplemented and amended and as supplemented by this Fifteenth Supplemental Indenture, and its successor or successors in the trust thereby and hereby created, and its and their assigns, (a) all and singular the property, and rights and interests in property, described in the Original Indenture and the fourteen preceding supplemental indentures (said supplemental indentures, in each case, as applicable, as amended by the Tenth Supplemental Indenture, hereinafter referred to as the Preceding Supplemental Indentures), and thereby conveyed, pledged, assigned, transferred and mortgaged, or intended so to be (said descriptions in said Original Indenture and the Preceding Supplemental Indentures being hereby made a part hereof to the same extent as if set forth herein at length), whether then or now owned or thereafter or hereafter acquired, except such of said properties or interests therein as may have been released or sold or disposed of in whole or in part as permitted by the provisions of the Original Indenture, and (b) also, but without in any way limiting the generality of the foregoing, all the right, title and interest of the Company, now owned or hereafter acquired, in and to the rights, titles, interests and properties described or referred to in Schedule B hereto attached and hereby made a part hereof as fully as if set forth herein at length, in all cases not specifically reserved, excepted and excluded; the foregoing property, and rights and interests in property, being located in the following listed municipalities in New Hampshire and unincorporated areas in Coos County, New Hampshire, as well as in various municipalities in the States of Maine, Vermont and elsewhere:

BELKNAP COUNTY — Alton, Barnstead, Belmont, Center Harbor, Gilford, Gilmanton, Laconia, Meredith, New Hampton, Sanbornton, Tilton;

CARROLL COUNTY — Albany, Brookfield, Chatham, Conway, Eaton, Effingham, Freedom, Madison, Moultonboro, Ossipee, Sandwich, Tamworth, Tuftonboro, Wakefield, Wolfeboro;

CHESHIRE COUNTY — Alstead, Chesterfield, Dublin, Fitzwilliam, Gilsum, Harrisville, Hinsdale, Jaffrey, Keene, Marlborough, Marlow, Nelson, Richmond, Rindge, Roxbury, Stoddard, Sullivan, Surry, Swanzey, Troy, Westmoreland, Winchester;

COOS COUNTY — Bean's Grant, Berlin, Cambridge, Carroll, Chandler's Purchase, Clarksville, Colebrook, Columbia, Crawford's Purchase, Dalton, Dummer, Errol, Gorham, Green's Grant, Jefferson, Lancaster, Martin's Location, Milan, Millsfield, Northumberland, Pinkham's Grant, Pittsburg, Randolph, Shelburne, Stark, Stewartstown, Stratford, Success, Thompson & Meserve's Purchase, Wentworth's Location, Whitefield;

GRAFTON COUNTY — Alexandria, Ashland, Bath, Bethlehem, Bridgewater, Bristol, Campton, Easton, Enfield, Franconia, Grafton, Haverhill, Hebron, Holderness, Landaff, Lincoln, Lisbon, Littleton, Lyman, Lyme, Orange, Orford, Piermont, Plymouth, Rumney, Sugar Hill, Thornton, Woodstock;

HILLSBOROUGH COUNTY — Amherst, Antrim, Bedford, Bennington, Brookline, Deering, Francestown, Goffstown, Greenfield, Greenville, Hancock, Hillsborough, Hollis, Hudson, Litchfield, Lyndeborough, Manchester, Mason, Merrimack, Milford, Mont Vernon, Nashua, New Boston, New Ipswich, Pelham, Peterborough, Sharon, Temple, Weare, Wilton, Windsor;

MERRIMACK COUNTY — Allenstown, Andover, Boscawen, Bow, Bradford, Canterbury, Chichester, Concord, Danbury, Dunbarton, Epsom, Franklin, Henniker, Hill, Hooksett, Hopkinton, Loudon, Newbury, New London, Northfield, Pembroke, Pittsfield, Salisbury, Sutton, Warner, Webster, Wilmot;

ROCKINGHAM COUNTY — Auburn, Atkinson, Brentwood, Candia, Chester, Danville, Deerfield, Derry, East Kingston, Epping, Exeter, Fremont, Greenland, Hampstead, Hampton, Hampton Falls, Kensington, Kingston, Londonderry, New Castle, Newfields, Newington, Newmarket, Newton, North Hampton, Northwood, Nottingham, Portsmouth, Raymond, Rye, Sandown, Seabrook, South Hampton, Stratham, Windham;

STRAFFORD COUNTY — Barrington, Dover, Durham, Farmington, Lee, Madbury, Middleton, Milton, New Durham, Rochester, Rollinsford, Somersworth, Strafford;

SULLIVAN COUNTY — Charlestown, Claremont, Cornish, Croydon, Goshen, Grantham, Lempster, Newport, Plainfield, Springfield, Sunapee, Unity, Washington;

SUBJECT, HOWEVER, as to all of the foregoing, to the specific rights, privileges, liens, encumbrances, restrictions, conditions, limitations, covenants, interests, reservations, exceptions and otherwise as provided in the Original Indenture and the Preceding Supplemental Indentures, and in the descriptions in the schedules thereto and hereto and in the deeds or grants in said schedules referred to;

BUT SPECIFICALLY RESERVING, EXCEPTING AND EXCLUDING (as the same are reserved, excepted and excluded from the lien of the Original Indenture and the Preceding Supplemental Indentures) from this instrument and the grant, conveyance, mortgage, transfer and assignment herein contained, all right, title and interest of the Company, now owned or hereafter

acquired, in and to the properties and rights specified in subclauses (a) to (m), both inclusive, of the paragraph beginning “BUT SPECIFICALLY RESERVING, EXCEPTING AND EXCLUDING...” which paragraph is part of the granting clauses of the Original Indenture;

TO HAVE AND TO HOLD all said plant, premises, property, franchises and rights hereby conveyed, assigned, pledged or mortgaged, or intended so to be, unto the Trustee, its successor or successors in trust, and to its and their assigns forever;

BUT IN TRUST, NEVERTHELESS, with power of sale, for the equal pro rata benefit, security and protection of the owners of the bonds without any preference, priority or distinction whatever of any one bond over any other bond by reason of priority in the issue, sale or negotiation thereof, or otherwise;

PROVIDED, HOWEVER, and these presents are upon the condition, that if the Company shall pay or cause to be paid or make appropriate provision for the payment unto the holders of the bonds of the principal, premium, if any, and interest to become due thereon at the times and in the manner stipulated therein, and shall keep, perform and observe all and singular the covenants, agreements and provisions in the Indenture expressed to be kept, performed and observed by or on the part of the Company, then the Indenture and the estate and rights thereby and hereby granted shall, pursuant and subject to the provisions of Article 16 of the Original Indenture, cease, determine and be void, but otherwise shall be and remain in full force and effect.

AND IT IS HEREBY COVENANTED, DECLARED AND AGREED, upon the trusts and for the purposes aforesaid, as set forth in the following covenants, agreements, conditions and provisions, viz.:

ARTICLE 1 SERIES ___ BONDS

SECTION 1.01.

Designation; Amount. The bonds of Series ___ shall be designated “First Mortgage Bonds, Series ___” and shall not exceed Seventy Million Dollars (\$70,000,000) in aggregate principal amount at any one time outstanding. The Trustee shall authenticate and deliver up to \$70,000,000 aggregate principal amount of Series ___ Bonds at any time upon application by the Company and compliance with the applicable provisions of the Original Indenture.

SECTION 1.02.

Form of Series ___ Bonds; Global Security; Depository for Global Securities. The Series ___ Bonds shall be issued only in fully registered form without coupons in denominations of One Thousand Dollars (\$1,000.00) and multiples thereof.

The Series ___ Bonds shall be initially represented by one or more global securities (the “Global Securities”). Each Global Security will be deposited with, or on behalf of, The Depository Trust Company, as depository (“DTC”), and registered in the name of Cede & Co., a nominee of DTC.

The Company may at any time and in its sole discretion determine not to have any Series ___ Bonds in the form of Global Securities and, in such event, will issue certificated Series ___ Bonds in definitive form in exchange for the Global Securities. In any such instance, an owner of a beneficial interest in the Global Securities will be entitled to physical delivery in definitive form of certificated bonds represented by the Global Securities equal in principal amount to such beneficial interest and to have such certificated bonds registered in its name.

The Series ___ Bonds shall be in substantially the form set forth in Schedule A attached hereto. The terms of the Series ___ Bonds contained in such form are hereby incorporated herein by reference as though fully set forth in this place and are made a part of this Fifteenth Supplemental Indenture.

SECTION 1.03.

Provisions of Series ___ Bonds; Interest Accrual. The Series ___ Bonds shall mature on _____, and shall bear interest at the rate of ___ % per year, payable semiannually in arrears on _____ 1 and _____ 1 of each year (each, an “Interest Payment Date”)(except that the final Interest Payment Date will be _____), beginning on _____, and on the maturity date, until the Company’s obligation in respect of the principal thereof shall be discharged, and at the rate of ___% per annum on any overdue principal and premium and on any overdue installment of interest. The Series ___ Bonds shall be dated the date of authentication thereof by the Trustee and shall bear interest on the principal amount from, and including, the date of original issuance to, and excluding, the first Interest Payment Date and then from, and including, the immediately preceding Interest Payment Date to which interest has been paid or duly provided for to, but excluding, the next Interest Payment Date or the maturity date, as the case may be. Interest on the Series ___ Bonds will be computed on the basis of 360-day year of twelve 30-day months.

The Series ___ Bonds shall be payable both as to principal and interest at the corporate trust office of the Trustee at U.S. Bank, National Association in _____ or the corporate trust office of its successors, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. The interest on the Series ___ Bonds shall be payable without presentation, and only to or upon the person in whose name the Series ___ Bonds are registered at the close of business on the business day prior to each Interest Payment Date. The Series ___ Bonds shall be callable for redemption in whole or in part according to the terms and provisions provided herein in Section 1.05.

The Company has initially designated DTC as the depository for the Series ___ Bonds. For as long as the Series ___ Bonds or any portion thereof are in the form of a Global Security, and notwithstanding the previous paragraph, all payments of interest, principal and other amounts in respect of the Series ___ Bonds shall be made to DTC or its nominee in accordance with its applicable policies and procedures, in the coin or currency specified above. So long as the Series ___ Bonds are in the form of a Global Security, neither the Company nor the Trustee shall have any responsibility with respect to the policies and procedures of DTC, or any successor depository, or for any notices or other communications among DTC, its direct and indirect participants or beneficial owners of the Series ___ Bonds.

SECTION 1.04.

Transfer and Exchange of Series ___ Bonds. So long as the Series ___ Bonds are in the form of Global Securities, the Series ___ Bonds may not be transferred except as a whole (1) by DTC to a nominee of DTC or (2) by a nominee of DTC to DTC or another nominee of DTC or (3) by DTC or any such nominee to a successor of DTC or a nominee of such successor. If (1) DTC is at any time unwilling or unable to continue as depository and a successor depository is not appointed by the Company within ninety days or (2) there shall have occurred and be continuing after any applicable grace periods an Event of Default under the Indenture with respect to the Series ___ Bonds represented by such Global Security, the Company will issue certificated Series ___ Bonds in definitive registered form in exchange for the Global Securities.

The Company may at any time and in its sole discretion determine not to have any Series ___ Bonds in registered form represented by one or more Global Securities and, in such event, will issue certificated bonds in definitive form in exchange for the Global Securities representing the Series ___ Bonds. In any such instance, an owner of a beneficial interest in the Global Securities will be entitled to physical delivery in definitive form of certificated bonds represented by the Global Securities equal in principal amount to such beneficial interest and to have such certificated bonds registered in its name.

In the event certificated bonds are issued in exchange for the Global Securities, the Series ___ Bonds may be surrendered for registration of transfer as provided in Section 2.8 of the Original Indenture at the corporate trust office of the Trustee at U.S. Bank, National Association in _____ or the corporate trust offices of its successors, and may be surrendered at said office for exchange for a like aggregate principal amount of Series ___ Bonds of other authorized denominations. Notwithstanding the provisions of Section 2.7 of the Original Indenture, no charge, except for taxes or other governmental charges, shall be made by the Company for any registration of transfer of Series ___ Bonds or for the exchange of any Series ___ Bonds for such bonds of other authorized denominations.

SECTION 1.05.

Redemption of the Series ___ Bonds. The Series ___ Bonds are subject to redemption, in whole or in part, at the option of the Company at any time. If the Company elects to redeem the Series ___ Bonds, it will do so at a redemption price equal to the greater of (x) one hundred percent (100%) of the principal amount of the Series ___ Bonds being redeemed, plus accrued interest thereon to the redemption date, or (y) as determined by the Quotation Agent, the sum of the present value of the remaining scheduled payments of principal and interest on the Series ___ Bonds to be redeemed (not including any portion of payments of interest accrued as of the redemption date) discounted to the redemption date on a semi-annual basis at the Adjusted Treasury Rate plus ____ (__) basis points, plus accrued interest to the redemption date. The redemption price will be calculated assuming a 360-day year consisting of twelve 30-day months.

The Company shall notify the Trustee in writing, not less than forty-five (45) days, or such shorter period as shall be acceptable to the Trustee, of any such election to redeem. Such notice shall include the amount of Series ___ Bonds to be redeemed, the redemption date and the redemption price.

“Adjusted Treasury Rate” means, with respect to any redemption date, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that redemption date.

“Comparable Treasury Issue” means the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Series ___ Bonds that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Series ___ Bonds.

“Comparable Treasury Price” means, with respect to any redemption date: (i) the average of the Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of the Reference Treasury Dealer Quotations, or (ii) if the Trustee obtains fewer than three Reference Treasury Dealer Quotations, the average of all Reference Treasury Dealer Quotations so received.

“Quotation Agent” means the Reference Treasury Dealer appointed by the Company.

“Reference Treasury Dealer” means a primary U.S. Government securities dealer in New York City selected by the Company.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by that Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding that redemption date.

Notice of any redemption will be provided at least 30 days but not more than 60 days before the redemption date to each holder of the Series ___ Bonds to be redeemed.

Absent a default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Series ___ Bonds or portions of the Series ___ Bonds called for redemption.

If less than all of the Series ___ Bonds are to be redeemed, the Trustee will select the Series ___ Bonds to be redeemed by a method that the Trustee deems fair and appropriate and which may provide for the selection for the redemption of portions (equal to \$1,000 or any multiple thereof) of the principal amount of the Series ___ Bonds larger than \$1,000. Notice of redemption will be mailed, first-class mail postage prepaid, to each holder of Series ___ Bonds to be redeemed at the holder’s address in the register for the Series ___ Bonds. If any Series ___ Bonds are to be redeemed in part only, the notice of redemption that relates to that Series ___ Bond will state the portion of the principal amount of that Series ___ Bond to be redeemed. In that case, the Company will issue a new Series ___ Bond of any authorized denomination, as requested, in an aggregate principal amount equal to the unredeemed portion of such Series ___ Bond, in the name of the holder upon cancellation of the original Series ___ Bond. Series ___ Bonds or portions of Series

___ Bonds to be redeemed become due on the redemption date, and interest will cease to accrue on those Series ___ Bonds or portions of Series ___ Bonds on the redemption date.

The Series ___ Bonds are not subject to any sinking fund.

Except as provided in this Section 1.05, the Series ___ Bonds are not subject to redemption under any provisions of the Indenture.

SECTION 1.06.

Effect of Event of Default. If an Event of Default shall have occurred and be continuing, the principal of the Series ___ Bonds may be declared due and payable in the manner and with the effect provided in the Indenture.

SECTION 1.07.

Payment Date Not a Business Day. If any redemption or maturity date for principal, premium or interest with respect to the Series ___ Bonds shall be (i) a Sunday or a legal holiday, or (ii) a day on which banking institutions are authorized pursuant to law to close and on which the corporate trust offices in _____ of the Trustee are not open for business, then the payment thereof may be made on the next succeeding day not a day specified in (i) or (ii) with the same force and effect as if made on the specified payment date and no interest shall accrue for the period after the specified payment date.

SECTION 1.08

Amendment and Restatement of Mortgage Indenture. Each holder of a Series ___ Bond, solely by virtue of its acquisition thereof, including as an owner of a book-entry interest therein, shall have and be deemed to have consented, without the need for any further action or consent by such holder, to the amendment and restatement of the Original Indenture in substantially the form set forth in *Schedule [C]* appended hereto and made a part hereof (the “Amended and Restated Indenture”), with such additions, deletions, and other changes made to such form prior to the time of such amendment and restatement (“Future Changes”) (1) that add to the covenants of the Company in the Amended and Restated Indenture, or surrender rights or powers of the Company therein, for the benefit of the holders of the outstanding bonds issued under the Original Indenture, (2) as shall be requested by the Trustee and its counsel, (3) as may be requested by the New Hampshire Public Utilities Commission or other regulatory authority having jurisdiction over the Company, or (4) otherwise, as shall be proposed by the Company after the date of the execution and delivery of this Supplemental Indenture, *provided* that (a) in the case of any Future Change described in clause (4), such Future Change is not, in the reasonable judgment of the Company, inconsistent with the fundamental structure and terms of the Amended and Restated Indenture, and (b) in the case of any Future Change described in clause (3) or (4), such Future Change does not adversely affect in any material respect the interests of the holders of the bonds issued under the Original Indenture.

ARTICLE 2 MISCELLANEOUS PROVISIONS

SECTION 2.01.

Recitals. The recitals in this Fifteenth Supplemental Indenture shall be taken as recitals by the Company alone, and shall not be considered as made by or as imposing any obligation or liability upon the Trustee, nor shall the Trustee be held responsible for the legality or validity of this Fifteenth Supplemental Indenture, and the Trustee makes no covenants or representations, and shall not be responsible, as to or for the effect, authorization, execution, delivery or recording of this Fifteenth Supplemental Indenture, except as expressly set forth in the Original Indenture. The Trustee shall not be taken impliedly to waive by this Fifteenth Supplemental Indenture any right it would otherwise have.

SECTION 2.02.

Benefits of Fifteenth Supplemental Indenture. Nothing in this Fifteenth Supplemental Indenture, expressed or implied, is intended or shall be construed to confer upon, or give to, any person, firm or corporation, other than the parties hereto and the holders of the Series ___ Bonds, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation thereof; and the covenants, stipulations and agreements in the Indenture contained are and shall be for the sole and exclusive benefit of the parties hereto, their successors and assigns, and holders of the bonds.

SECTION 2.03.

Effect of Fifteenth Supplemental Indenture. This Fifteenth Supplemental Indenture is executed, shall be construed as and is expressly stated to be an indenture supplemental to the Original Indenture and shall form a part of the Indenture; and the Original Indenture, as supplemented and amended by this Fifteenth Supplemental Indenture, is hereby confirmed and adopted by the Company as its obligation. All terms used in this Fifteenth Supplemental Indenture shall be taken to have the meaning specified in the Original Indenture, except in cases where the context clearly indicates otherwise.

SECTION 2.04.

Termination. This Fifteenth Supplemental Indenture shall become void when the Indenture shall be void.

SECTION 2.05.

Trust Indenture Act. If and to the extent that any provision of this Fifteenth Supplemental Indenture limits, qualifies or conflicts with any of the applicable provisions of Sections 310 to 317, inclusive, of the Trust Indenture Act of 1939, as amended, such required provision shall control.

SECTION 2.06.

Counterparts. This Fifteenth Supplemental Indenture may be simultaneously executed in any number of counterparts, each of which shall be deemed an original; and all said counterparts executed and delivered, each as an original, shall constitute but one and the same instrument, which shall for all purposes be sufficiently evidenced by any such original counterpart.

SECTION 2.07.

Notices. Any notice to the Trustee under any provision of this Fifteenth Supplemental Indenture shall be sufficiently given if served personally upon a responsible officer of the Trustee or mailed by registered or certified mail, postage prepaid, addressed to the Trustee at its corporate trust office, which is U.S. Bank, National Association, _____ as of the date hereof. The Trustee shall notify the Company from time to time of any change in the address of its corporate trust office.

SECTION 2.08.

Definitions. The use of the terms and expressions herein is in accordance with the definitions, uses and construction contained in the Original Indenture and the form of Series ___ Bond attached hereto as Schedule A.

IN WITNESS WHEREOF, PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE has caused this instrument to be executed and its corporate seal to be hereto affixed, by its officers, thereunto duly authorized, and U.S. BANK, NATIONAL ASSOCIATION has caused this instrument to be executed and its corporate seal to be hereto affixed by its officers thereunto duly authorized, all as of the day and year first above written but actually executed on _____.

PUBLIC SERVICE COMPANY
OF NEW HAMPSHIRE

By:
Name:
Title:

CORPORATE SEAL

Attest:

Name:
Title:

Signed, sealed and delivered by
Public Service Company of New
Hampshire in the presence of us:

Witnesses

STATE OF CONNECTICUT)
COUNTY OF HARTFORD) ss. Berlin

Then personally appeared before me _____, _____, and _____, _____, of Public Service Company of New Hampshire, a New Hampshire corporation, and severally acknowledged the foregoing instrument to be their free act and deed in their said capacities and the free act and deed of said corporation.

Witness my hand and notarial seal this ___th day of _____, 200_, at Berlin, Connecticut.

Name:

Notary Public
My Commission Expires

(Notarial Seal)

U.S. BANK, NATIONAL ASSOCIATION
as Trustee as aforesaid

By:
Name:
Title:

CORPORATE SEAL

Attest:

Name:
Title:

Signed, sealed and delivered by
U.S. Bank
in the presence of us:

Witnesses

STATE OF)
COUNTY OF) ss.

Then personally appeared before me _____, _____ of U.S.
Bank, National Association, a national banking association, and acknowledged the foregoing
instrument to be her free act and deed in her said capacity and the free act and deed of said
corporation.

Witness my hand and notarial seal this ___th day of _____, 200_, at
_____.

Name:
Notary Public
My Commission Expires

(Notarial Seal)

SCHEDULE A
(FORM OF FACE OF SERIES ___ BONDS)

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITORY OR A NOMINEE OF A DEPOSITORY. THIS SECURITY IS EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITORY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE AND HEREIN, AND NO TRANSFER OF THIS SECURITY (OTHER THAN A TRANSFER OF THIS SECURITY AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY) MAY BE REGISTERED EXCEPT IN LIMITED CIRCUMSTANCES.

Unless this Global Security is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to Public Service Company of New Hampshire or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
FIRST MORTGAGE BOND, SERIES ___
PRINCIPAL DUE _____

CUSIP No.

No. 1

\$

FOR VALUE RECEIVED, PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE, a corporation organized and existing under the laws of the State of New Hampshire (hereinafter called the “Company”, which term includes any successor corporation under the Indenture), hereby promises to pay to Cede & Co., or registered assigns, subject to the conditions set forth herein, the principal sum of _____ (\$___), on the ____ day of _____, ____, and to pay interest on said sum semiannually in arrears, on _____ and _____ in each year (each, an “Interest Payment Date”) (except that the final Interest Payment Date will be _____), commencing on _____, at the rate of ____% per annum, until the Company’s obligation with respect to said principal sum shall be paid or made available for payment, and at the rate of ____% per annum on any overdue principal and premium and on any overdue installment of interest.

This Series ___ Bond shall bear interest as aforesaid from, and including, the date of original issuance to, and excluding, the first Interest Payment Date and then from, and including, the immediately preceding Interest Payment Date to which interest has been paid or duly provided for to, but excluding, the next Interest Payment Date or the maturity date, as the case may be. The amount of interest payable will be computed on the basis of a 360-day year consisting of twelve 30-day months.

In any case where any Interest Payment Date, maturity or redemption date is not a Business Day, then payment of principal and interest, if any, or principal and premium, if any, payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), in each case with the same force and effect as if made on such date. A “Business Day” shall mean any day, except a (i) Sunday or a legal holiday, or (ii) a day on which banking institutions are authorized pursuant to law to close and on which the corporate trust offices in _____ of the Trustee are not open for business.

Payment of the principal of and any interest on this Series ___ Bond will be made at the corporate trust office of the Trustee at U.S. Bank, National Association in _____ or the corporate trust office of its successors, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. The interest on this Series ___ Bond shall be payable without presentation, and only to or upon the person in whose name the Series ___ Bonds are registered at the close of business on the Business Day prior to each Interest Payment Date.

The Company has initially designated DTC as the depository for this Series ___ Bond issued in the form of a Global Security. For as long as this Series ___ Bond or any portion hereof is in the form of a Global Security, and notwithstanding the previous paragraph, all payments of interest, principal and other amounts in respect of this Series ___ Bond shall be made to DTC or its nominee in accordance with its applicable policies and procedures, in the coin or currency specified above.

Reference is hereby made to the further provisions of this Series ___ Bond set forth on the reverse hereof, including without limitation provisions in regard to the redemption and the registration of transfer and exchangeability of this Series ___ Bond, and such further provisions shall for all purposes have the same effect as though fully set forth in this place.

As set forth in the Supplemental Indenture establishing the terms and series of the Bonds of this series, each holder of a Series ___ Bond, solely by virtue of its acquisition thereof, including as an owner of a book-entry interest therein, shall have and be deemed to have consented, without the need for any further action or consent by such holder, to the amendment and restatement of the Original Indenture in substantially the form set forth in *Schedule [C]* appended to such Supplemental Indenture and made a part thereof (the “Amended and Restated Indenture”), with such additions, deletions, and other changes made to such form prior to the time of such amendment and restatement (“Future Changes”) (1) that add to the covenants of the Company in the Amended and Restated Indenture, or surrender rights or powers of the Company therein, for the benefit of the holders of the outstanding bonds issued under the Original Indenture, (2) as shall be requested by the Trustee and its counsel, (3) as may be requested by the New Hampshire Public Utilities Commission or other regulatory authority having jurisdiction over the Company, or (4) otherwise, as shall be proposed by the Company after the date of the execution and delivery of such

Supplemental Indenture, *provided* that (a) in the case of any Future Change described in clause (4), such Future Change is not, in the reasonable judgment of the Company, inconsistent with the fundamental structure and terms of the Amended and Restated Indenture, and (b) in the case of any Future Change described in clause (3) or (4), such Future Change does not adversely affect in any material respect the interests of the holders of the bonds issued under the Original Indenture.

This Series ___ Bond shall not become or be valid or obligatory until the certificate of authentication hereon shall have been signed by U.S. Bank, National Association (hereinafter with its successors as defined in the Indenture (as defined on the reverse hereof), generally called the Trustee), or by such a successor.

IN WITNESS WHEREOF, Public Service Company of New Hampshire has caused this Series ___ Bond to be executed in its corporate name and on its behalf by its Vice President and Treasurer by his signature or a facsimile thereof, and its corporate seal to be affixed or imprinted hereon and attested by the manual or facsimile signature of its Secretary.

Dated as of _____

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

By: _____

Name:

Title:

Attest:

Name

Title:

[FORM OF TRUSTEE'S CERTIFICATE]

U.S. Bank, National Association hereby certifies that this Series ___ Bond is one of the bonds described in the within mentioned Indenture.

U.S. BANK, NATIONAL ASSOCIATION, TRUSTEE

By _____

Name:

Title:

Authorized Signatory

[FORM OF REVERSE OF SERIES ___ BOND]
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
First Mortgage Bond, Series __, Due _____

This Series ___ Bond is one of a series of bonds known as the “First Mortgage Bonds, Series ___” of the Company, limited to _____ Dollars (\$_____) in aggregate principal amount, and issued under and pursuant to a First Mortgage Indenture between the Company and U.S. Bank, National Association as successor to Wachovia Bank, National Association and by merger to First Union National Bank, formerly known as First Fidelity Bank, National Association, New Jersey, successor to Bank of New England, National Association (formerly known as New England Merchants National Bank), and to New Bank of New England, National Association, as Trustee, dated as of August 15, 1978, as amended, and pursuant to which Wachovia Bank, National Association is now Successor Trustee (said First Mortgage Indenture (i) as amended by the Tenth Supplemental Indenture thereto, being hereinafter generally called the “Original Indenture,” and (ii) together with all indentures expressly stated to be supplemental thereto, and each and every other instrument including the Fifteenth pursuant to which the Series ___ Bonds are being issued, being hereinafter generally called the “Indenture”), and together with all bonds of all series now outstanding or hereafter issued under the Indenture being equally and ratably secured (except as any sinking or other analogous fund, established in accordance with the provisions of the Indenture, may afford additional security for the bonds of any particular series) by the Indenture, to which Indenture (executed counterparts of which are on file at the corporate trust office of the Trustee in _____) reference is hereby made for a description of the nature and extent of the security, the rights thereunder of the holders of bonds issued and to be issued thereunder, the rights, duties and immunities thereunder of the Trustee, the rights and obligations thereunder of the Company, and the terms and conditions upon which Bonds of this series, and bonds of other series, are issued and are to be issued; but neither the foregoing reference to the Indenture nor any provision of this Series ___ Bond or of the Indenture shall affect or impair the obligation of the Company, which is absolute, unconditional and unalterable, to pay at the maturities herein provided the principal of and interest on this Series ___ Bond as herein provided.

The Series ___ Bonds shall be initially issued in the form of one or more global securities (the “Global Securities”). Each Global Security will be deposited with, or on behalf of, The Depository Trust Company, as depository (“DTC”), and registered in the name of Cede & Co., a nominee of DTC. The Company may at any time and in its sole discretion determine not to have any Series ___ Bonds in the form of Global Securities and, in such event, will issue certificated Series ___ Bonds in definitive form in exchange for the Global Securities representing the Series ___ Bonds. In any such instance, an owner of a beneficial interest in the Global Securities will be entitled to physical delivery in definitive form of certificated bonds represented by the Global Securities equal in principal amount to such beneficial interest and to have such certificated bonds registered in its name. In the event certificated bonds in definitive form are issued in exchange for the Global Securities they are issuable only in registered form without coupons in denominations of \$1,000 and any integral multiple thereof.

The Series ___ Bonds, while in the form of Global Securities, may not be transferred except as a whole (1) by DTC to a nominee of DTC or (2) by a nominee of DTC to DTC or another nominee of DTC or (3) by DTC or any such nominee to a successor of DTC or a nominee of such successor. If (1) DTC is at any time unwilling or unable to continue as depository and a successor depository is not appointed by the Company within ninety days or (2) there shall have occurred and be continuing after any applicable grace periods an Event of Default under the Indenture with respect to the Series ___ Bonds represented by such Global Security, the Company will issue certificated bonds in definitive registered form in exchange for the Global Securities representing the Series ___ Bonds.

The Company may at any time and in its sole discretion determine not to have any Series ___ Bonds in registered form represented by one or more Global Securities and, in such event, will issue certificated bonds in definitive form in exchange for the Global Securities representing the Series ___ Bonds. In any such instance, an owner of a beneficial interest in the Global Securities will be entitled to physical delivery in definitive form of certificated bonds represented by the Global Securities equal in principal amount to such beneficial interest and to have such certificated bonds registered in its name.

In the event certificated bonds are issued in exchange for the Global Securities, the Series ___ Bonds may be surrendered for registration of transfer as provided in Section 2.8 of the Original Indenture at the corporate trust office of the Trustee at U.S. Bank, National Association in _____ or the corporate trust offices of its successors, and may be surrendered at said office for exchange for a like aggregate principal amount of Series ___ Bonds of other authorized denominations. Notwithstanding the provisions of Section 2.7 of the Original Indenture, no charge, except for taxes or other governmental charges, shall be made by the Company for any registration of transfer of Series ___ Bonds or for the exchange of any Series ___ Bonds for such bonds of other authorized denominations.

The Series ___ Bonds are subject to redemption, in whole or in part, at the option of the Company at any time. If the Company elects to redeem the Series ___ Bonds, it will do so at a redemption price equal to the greater of (x) one hundred percent (100%) of the principal amount of Series ___ Bonds being redeemed, plus accrued interest thereon to the redemption date, or (y) as determined by the Quotation Agent, the sum of the present value of the remaining scheduled payments of principal and interest on the Series ___ Bonds to be redeemed (not including any portion of payments of interest accrued as of the redemption date) discounted to the redemption date on a semi-annual basis at the Adjusted Treasury Rate plus ___ (__) basis points, plus accrued interest to the redemption date. The redemption price will be calculated assuming a 360-day year consisting of twelve 30-day months.

The Company shall notify the Trustee in writing, not less than forty-five (45) days, or such shorter period as shall be acceptable to the Trustee, of any such election to redeem. Such notice shall include the amount of Series ___ Bonds to be redeemed, the redemption date and redemption price.

“Adjusted Treasury Rate” means, with respect to any redemption date, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that redemption date.

“Comparable Treasury Issue” means the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Series ___ Bonds that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Series ___ Bonds.

“Comparable Treasury Price” means, with respect to any redemption date: (i) the average of the Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of the Reference Treasury Dealer Quotations, or (ii) if the Trustee obtains fewer than three Reference Treasury Dealer Quotations, the average of all Reference Treasury Dealer Quotations so received.

“Quotation Agent” means the Reference Treasury Dealer appointed by the Company.

“Reference Treasury Dealer” means a primary U.S. Government securities dealer in New York City selected by the Company.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by that Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding that redemption date.

Notice of any redemption will be provided at least 30 days but not more than 60 days before the redemption date to each holder of the Series ___ Bonds to be redeemed.

Absent a default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Series ___ Bonds or portions of the Series ___ Bonds called for redemption.

If less than all of the Series ___ Bonds are to be redeemed, the Trustee will select the Series ___ Bonds to be redeemed by a method that the Trustee deems fair and appropriate and which may provide for the selection for the redemption of portions (equal to \$1,000 or any multiple thereof) of the principal amount of the Series ___ Bonds larger than \$1,000. Notice of redemption will be mailed, first-class mail postage prepaid, to each holder of Series ___ Bonds to be redeemed at the holder’s address in the register for the Series ___ Bonds. If any Series ___ Bonds are to be redeemed in part only, the notice of redemption that relates to that Series ___ Bond will state the portion of the principal amount of that Series ___ Bond to be redeemed. In that case, the Company will issue new Series ___ Bonds of any authorized denomination, as requested, in an aggregate principal amount equal to the unredeemed portion of such Series ___ Bond, in the name of the

holder upon cancellation of the original Series ___ Bond. Series ___ Bonds or portions of Series ___ Bonds to be redeemed become due on the redemption date, and interest will cease to accrue on those Series ___ Bonds or portions of Series ___ Bonds on the redemption date.

The Series ___ Bonds are not subject to any sinking fund.

If the Series ___ Bonds are called in whole or in part, and if moneys have been duly deposited or otherwise made available to the Trustee for redemption hereof, or of the part hereof so called, as required in the Indenture, this Series ___ Bond or such called part hereof, shall be due and payable on the date fixed for redemption and thereafter this Series ___ Bond, or such called part hereof, shall cease to bear interest on the date fixed for redemption and shall cease to be entitled to the lien of the Indenture, and, as respects the Company's liability hereon, this Series ___ Bond, or such called part hereof, shall be deemed to have been paid; but, if less than the whole principal amount hereof shall be so called, the holder hereof shall be entitled, in addition to the sums payable on account of the part called, to receive, without expense to such holder, upon surrender hereof, one or more Series ___ Bonds of this series for an aggregate principal amount equal to that part of the principal amount hereof not then called and paid.

If an Event of Default shall have occurred and be continuing, the principal of the Series ___ Bonds may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee to effect, by supplemental indenture, certain modifications of the Indenture without any consent of the holders of the bonds, and to effect certain other modifications of the Indenture, and of the rights of the holders of the bonds, with the consent of the holders of not less than a majority in aggregate principal amount of all bonds issued under the Indenture at the time outstanding, or in case one or more, but less than all, of the series of said bonds then outstanding are affected, with the consent of the holders of not less than a majority in aggregate principal amount of said outstanding bonds of each series affected.

No reference herein to the Indenture and no provision herein or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest, including overdue interest, on this Series ___ Bond at the time, place and rate, and in the coin or currency, herein prescribed.

This Series ___ Bond shall be exchangeable for securities registered in the names of holders other than DTC or its nominee only as provided in this paragraph. This Series ___ Bond shall be so exchangeable if (x) DTC notifies the Company that it is unwilling or unable to continue as depository or at any time ceases to be a clearing agency registered as such under the Securities Exchange Act of 1934, (y) the Company executes and delivers to the Trustee an Officers' Certificate providing that this Series ___ Bond shall be so exchangeable or (z) there shall have occurred and be continuing an Event of Default with respect to the Series ___ Bonds. Certificated securities so issued in exchange for the Global Security representing the Series ___ Bonds shall be of the same series, have the same interest rate, if any, and maturity and have the same terms as the Global Security representing the Series ___ Bonds, in authorized denominations and in the aggregate having the same principal amount as the Global Security representing the Series ___

Bonds and registered in such names as the depository for such Global Security representing the Series ___ Bonds shall direct.

Series ___ Bonds not represented by a Global Security are transferable by the registered owner hereof upon surrender hereof at the corporate trust office of the Trustee, together with a written instrument of transfer in approved form, signed by the owner or his duly authorized attorney, and a new Series ___ Bond or Bonds for a like principal amount will be issued in exchange, all as provided in the Indenture. Prior to due presentment for registration of transfer of this Bond, the Company and the Trustee may deem and treat the registered owner hereof as the absolute owner hereof, whether or not such Series ___ Bond shall be overdue, for the purpose of receiving payment and for all other purposes, and neither the Company nor the Trustee shall be affected by any notice to the contrary.

Series ___ Bonds not represented by a Global Security are exchangeable at the option of the registered holder hereof upon surrender hereof, at the corporate trust office of the Trustee in _____ or the corporate trust offices of its successors, for an equal principal amount of bonds of this series of other authorized denominations, in the manner and on the terms provided in the Indenture.

Notwithstanding the provisions of Section 2.7 of the Original Indenture, no charge, except for taxes or other governmental charges, shall be made by the Company for any registration of transfer of Series ___ Bonds or for the exchange of any Series ___ Bonds for such bonds of other authorized denominations.

Neither the failure to give any notice nor any defect in any notice given to the holder of the Global Securities or Series ___ Bonds not represented by a Global Security, will affect the sufficiency of any notice given to any other holder.

No recourse shall be had for the payment of the principal of or premium, if any, or interest on this Series ___ Bond, or for any claim based hereon, or otherwise in respect hereof or of the Indenture, to or against any incorporator or against any stockholder, director or officer, past, present or future, as such, of the Company or any affiliate of the Company, or of any predecessor or successor company, either directly or through the Company, or such predecessor or successor company or any trustee, receiver or assignee or otherwise, under any constitution, or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability of incorporators, stockholders, directors or officers, as such, being waived and released by the holder and owner hereof by the acceptance of this Series ___ Bond and as part of the consideration for the issuance hereof and being likewise waived and released by the terms of the Indenture.

[END OF FORM OF REVERSE OF SERIES ___ BOND]

PROMISSORY DEMAND NOTE

\$

[Date]

FOR VALUE RECEIVED, the undersigned, [BORROWER], a Connecticut corporation (the "Company"), hereby promises to pay to Northeast Utilities, the principal sum of [Amount] 00/100 Dollars (\$), or so much of the outstanding portion thereof as shall have been advanced to the Company hereunder and not theretofore repaid, on demand, in lawful money of the United States of America in immediately available funds, with interest on the principal sum outstanding hereunder from time to time (computed on a 360-day year of twelve thirty-day months), payable quarterly from the date hereof until the said principal sum or the unpaid portion thereof shall have been paid in full.

This Note evidences the obligation of the Borrower (a) to repay the principal amount of the loan made by Northeast Utilities to the Company; (b) to pay interest, as herein provided, on the principal amount hereof remaining unpaid from time to time; and (c) to pay other amounts which may become due and payable hereunder. The unpaid principal under this note shall bear interest at the rate of ____ percent (%) per annum, which shall accrue monthly and be compounded annually.

The Company irrevocably authorizes Northeast Utilities to make or cause to be made appropriate notations on the grid attached to this Note as Schedule A, or the continuation of such grid, or any other similar record, reflecting such advances, interest rates, payments and other details as shall accurately reflect the transactions contemplated hereby, *provided, however*, that any failure to record, or any error in so recording, any such data on any such grid, continuation or other record shall not limit or otherwise affect the obligation of the Company hereunder to make payments of principal of and interest on this Note when due.

IN WITNESS WHEREOF, the undersigned has caused this Note to be signed in its corporate name by its duly authorized officer as of the day and year first above written.

[BORROWER]

By: _____
Name:
Title:

Summary of Terms and Conditions

US\$400,000,000 Amended and Restated Revolving Credit Facility

- Borrowers:** The Connecticut Light and Power Company ("**CL&P**"), Western Massachusetts Electric Company ("**WMECO**"), Yankee Gas Services Company ("**Yankee**") and Public Service Company of New Hampshire ("**PSNH**").
- Purpose:** For the general corporate purposes of the Borrowers.
- Type / Amount:** Five year revolving credit facility (the "**Facility**"), in an aggregate amount of up to US\$400,000,000 (the "**Commitment**"), which shall amend and restate that certain Credit Agreement, dated as of November 8, 2004 and amended as of June 30, 2005 (an "**Existing Facility**"), among the Borrowers, as borrowers, the lenders party thereto and Citicorp USA, Inc. ("**CUSA**"), as administrative agent. Subject to the aggregate limitation on the amount available under the Facility, up to \$200 million of the Commitment will be available to CL&P, up to \$100 million of the Commitment will be available to WMECO, up to \$100 million of the Commitment will be available to Yankee and up to \$100 million of the Commitment will be available to PSNH (as to each Borrower, its "**Borrower Sublimit**").
- Joint Lead Arrangers and Bookrunners:** Citigroup Global Markets Inc. and J.P. Morgan Securities Inc.
- Administrative Agent:** CUSA.
- Syndication Agent:** JPMorgan Chase Bank, N.A. ("**JPMorgan Chase**").
- Documentation Agent:** [].
- Lenders:** CUSA, JPMorgan Chase and a syndicate of lenders acceptable to the Borrowers and the Joint Lead Arrangers.
- Closing Date:** December 7, 2005.
- Term of the Facility:** Until November 6, 2010 (the "**Termination Date**"). All Advances (as defined below) under the Facility will be repayable no later than on the earlier of (i) the last day of a term, if any, specified in a notice of borrowing and (ii) the Termination Date.
- Extension of Termination Date:** The Borrowers may request that the Commitment be renewed for additional one year periods by providing notice of such request to the Administrative Agent no earlier than 45 days but no later than 30 days prior to November 6, 2006 or any anniversary thereof (each, a "**Noticed Anniversary Date**"). If a Lender agrees, in its individual and sole discretion, to renew its commitment (an "**Extending Lender**"), it will notify the Administrative Agent, in writing, of its decision to do so no earlier than 30 days prior to the applicable Noticed Anniversary Date (but in any

event no later than 20 days prior to such Noticed Anniversary Date). The Administrative Agent will notify the Borrowers, in writing, of the Lenders' decisions no later than 15 days prior to such Noticed Anniversary Date. The Extending Lenders' commitments will be renewed for an additional year from the then existing Termination Date, provided that (i) more than 50% of the Commitment is extended or otherwise committed to by Extending Lenders and any new Lenders and (ii) all representations and warranties are true and correct on such date. Any Lender that declines the Borrowers' request for Commitment renewal (a "**Declining Lender**") will have its commitment terminated on the then existing Termination Date (without regard to any renewals by other Lenders). The Borrowers will have the right to accept commitments from third party financial institutions acceptable to the Administrative Agent in an amount equal to the amount of the commitments of any Declining Lenders, provided that the Extending Lenders will have the right to increase their commitments up to the amount of the Declining Lenders' commitments before the Borrowers will be permitted to substitute any other financial institutions for the Declining Lenders. The Borrowers may only so extend the Termination Date twice.

Availability: Funds under the Facility will be available as "LIBOR Advances" (bearing interest at LIBOR + Applicable Margin) and "Base Rate Advances" (bearing interest at the Alternate Base Rate (as defined below) + Applicable Margin), collectively the "**Advances**".

Pricing: The relevant Borrower may select either of:

- Interest Rate Options:**
- (i) Alternate Base Rate (which is a fluctuating rate *per annum* equal at all times to the higher of (i) the Administrative Agent's (or its banking affiliate's) publicly announced "base" rate, and (ii) a rate equal to 1/2 of 1% *per annum* above the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers) plus the Applicable Margin.
 - (ii) 1, 2, 3 or 4-month (each, an "**Interest Period**" for LIBOR Advances, as selected by the relevant Borrower) LIBOR plus the Applicable Margin.

Each Borrower may designate a term (which in no event shall end later than the Termination Date) for any Borrowing made to it, beyond which such Borrowing may not be outstanding. Interest on LIBOR Advances and on Base Rate Advances that are based on the Federal Funds Rate and all fees will be computed on the basis of a year of 360 days. Interest on Base Rate Advances that are based on the Administrative Agent's (or its banking affiliate's) base rate will be computed on the basis of a year of 365/366 days.

Interest on each LIBOR Advance will be payable on the last day of the Interest Period applicable thereto and on the Termination Date, but in no event less

frequently than quarterly.

Interest on each Base Rate Advance will be payable quarterly on the last day of each March, June, September and December and on the Termination Date.

Applicable Rating Level: The Applicable Rating Level for each Borrower will be based on the Reference Ratings (as defined in Appendix 1) applicable to such Borrower, in accordance with the following:

| Applicable Rating Level | S&P | | Moody's |
|--------------------------------|---------------------------|----|---------------------------|
| 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) |

The Applicable Rating Level for each Borrower shall change as and when the relevant Reference Ratings change. In the event that any Borrower has outstanding long-term unsecured or secured debt and both Moody's and S&P, or their successors, as applicable, shall have ceased to issue or maintain Reference Ratings on such long-term unsecured debt (or long-term secured debt if no long-term unsecured debt is then outstanding), then the Applicable Rating Level for such Borrower shall be the lowest Applicable Rating Level. If the ratings assigned by S&P and Moody's differ (i) by one level, then the level corresponding to the higher of such ratings shall be used to determine the Applicable Rating Level and (ii) by more than one level, then the level that is one below the level corresponding to the higher of such ratings shall be used to determine the Applicable Rating Level, unless the lower of such ratings is below "investment grade", in which case the Applicable Rating Level shall be Level V.

Default rate is the rate otherwise in effect plus 2.0% or, if higher, the Base Rate plus the Applicable Margin plus 2.0%.

Applicable Margin: The Applicable Margin for each Borrower under the Facility is based on the Applicable Rating Level for such Borrower.

| Applicable Margin | | |
|--------------------------------|-----------------------|---------------------------|
| Applicable Rating Level | LIBOR Advances | Base Rate Advances |
| Level I | 0.170% | 0% |
| Level II | 0.300% | 0% |
| Level III | 0.375% | 0% |
| Level IV | 0.500% | 0% |
| Level V | 0.800% | 0% |

The Applicable Margin for Levels I through IV shall be increased by 0.100%, and for Level V shall be increased by 0.125%, at any time when more than one half of the Commitment is utilized.

Facility Fee:

Facility Fee for each Borrower equal to the product of (i) the Commitment (whether used or unused), (ii) such Borrower's Fraction (as defined in Appendix 1) and (iii) the Facility Fee Rate set forth next to the Applicable Rating Level for such Borrower in the grid below:

| Applicable Rating Level | Facility Fee Rate |
|--------------------------------|--------------------------|
| Level I | 0.080% |
| Level II | 0.100% |
| Level III | 0.125% |
| Level IV | 0.150% |
| Level V | 0.200% |

The Facility Fee is payable quarterly in arrears.

Other Borrowing Terms:

The relevant Borrower must provide the following periods of notice to the Administrative Agent prior to any proposed date of borrowing:

LIBOR Advances: Three LIBOR business days.

Base Rate Advances: Same domestic business day.

Each LIBOR Advance shall be in a minimum amount of US\$5,000,000 or an increment of US\$1,000,000 in excess thereof.

Prepayment:

Advances may be prepaid at any time, in a minimum amount of US\$5,000,000 or an

increment of US\$1,000,000 in excess thereof in the case of LIBOR Advances. Prepayments of LIBOR Advances other than at the end of an Interest Period will be subject to reimbursement to the Lenders for any "breakage" or redeployment costs.

Advances shall be prepaid by a Borrower at any time to the extent that the outstanding amount of Advances made to such Borrower at such time exceeds the amount of the Commitment allocable to such Borrower at such time, together with interest and any relevant redeployment costs.

**Optional Commitment
Reduction /
Termination/Increase:**

At the option of the Borrowers, the Commitment may at any time be permanently terminated, or reduced in a minimum amount of US\$5,000,000 or an increment of US\$1,000,000 in excess thereof, on a *pro rata* basis to each Lender.

The Borrowers may from time to time increase the Commitment that could be utilized by any Borrower, up to a maximum aggregate Commitment of \$500,000,000, by designating one or more Lenders or other financial institutions reasonably acceptable to the Administrative Agent, which Lender(s) and/or financial institution(s) shall have agreed to accept all or a portion of such additional Commitment. It shall be a condition precedent to each such increase that all representations and warranties be true and correct on the date of such increase.

**Conditions Precedent to
Closing:**

Usual for transactions of this type, including, without limitation:

- (i) Receipt of such evidence of corporate authority and authorization as the Joint Lead Arrangers and the Lenders may reasonably request.
- (ii) Receipt of all governmental and third party approvals required to be obtained in connection with the Facility.
- (iii) Receipt of favorable legal opinions from counsel (which may be internal) to the Borrowers in form and substance satisfactory to the Joint Lead Arrangers.
- (iv) Receipt of other favorable legal opinions from special or local counsel as may be required by the Joint Lead Arrangers and Administrative Agent in form and substance satisfactory to the Joint Lead Arrangers and Administrative Agent.
- (v) All representations and warranties are true and correct and no Event of Default described below or event that, with the giving of notice or passage of time or both, would constitute an Event of Default (such event, a "*Default*") has occurred and is continuing.
- (vi) The Joint Lead Arrangers and Administrative Agent shall have received payment in full of all fees and expenses owed by the Borrowers in connection

with the Facility.

Conditions Precedent to Each Advance: Usual for facilities of this type, including, without limitation:

- (i) All representations and warranties (other than Representations and Warranties (vii) and (viii) below) of the relevant Borrower shall be true and correct on and as of the date of such Advance; and
- (ii) No Default or Event of Default in respect of such Borrower shall have occurred and shall be continuing on such date.

Representations and Warranties: Customary for transactions of this type, including, but not limited to, the following:

- (i) Corporate status and authority of each Borrower.
- (ii) Non-contravention of charter and by-laws or existing agreements of such Borrower.
- (iii) No violation of law (except as disclosed).
- (iv) All governmental and regulatory approvals required in connection with the Facility duly obtained and in full force and effect.
- (v) Legality, validity, binding effect and enforceability of all documents.
- (vi) Financial statements fairly present financial condition and results of operations of such Borrower.
- (vii) Since June 30, 2005, there has been no material adverse change in the financial condition, business, operations, properties, or prospects of such Borrower, except as disclosed in the Disclosure Documents (as defined in Appendix 1).
- (viii) No litigation or other proceeding pending or overtly threatened affecting the Facility, and except as disclosed in the Disclosure Documents, no such litigation or proceedings that, if adversely determined, would have a material adverse effect on such Borrower's financial condition, results of operations, properties, or prospects.
- (ix) Compliance in all material respects with ERISA.
- (x) Adequacy of title to material properties.
- (xi) Ownership of capital stock; holding company status.
- (xii) Payment of taxes, and filing of required tax returns.

- (xiii) No materially misleading information or material omission in information provided by such Borrower.
- (xiv) Use of proceeds; investment company status; compliance with margin stock regulations.
- (xv) Adequacy of insurance.
- (xvi) Solvency.
- (xvii) Advances are not "reportable transactions" under treasury regulation 1.6011-4.

Affirmative Covenants: Customary for transaction of this type, including, but not limited to, the following for each Borrower:

- (i) Use of proceeds.
- (ii) Payment of taxes.
- (iii) Maintenance of insurance.
- (iv) Preservation of corporate existence.
- (v) Notwithstanding Negative Covenant (ii) below, restrictions on disposal of any generation, transmission or distribution assets in excess of 15% of the net utility plant assets of such Borrower, except in accordance with restructuring plans approved by appropriate regulatory authorities.
- (vi) Material compliance with laws.
- (vii) Inspection of books, records and properties.
- (viii) Keeping of books and records.
- (ix) Remain in same lines of business (except as otherwise provided in "Negative Covenants" below).
- (x) Maintenance of properties; provided that each Borrower may discontinue the operation or maintenance of any property if, in its sole judgment, such discontinuance would not materially adversely affect its financial condition, properties, prospects or operations.
- (xi) Acquisition and maintenance of material governmental approvals.
- (xii) Further assurances.

Negative Covenants: Customary for transactions of this type, including, but not limited to, the following for each Borrower, with appropriate exceptions to permit consummation of previously announced mergers, asset sales and restructuring activities (provided that any material deviation from the terms of such transactions or activities shall be subject to the approval of the Joint Lead Arrangers):

- (i) Prohibition on liens other than Permitted Liens (as defined in Appendix 1).
- (ii) Limitations on mergers, consolidations, purchase of stock or assets or sale of a "Substantial Part" (as defined below) of its assets; *provided that*, so long as (x) no Default or Event of Default has occurred and is continuing and (y) all required approvals have been obtained, (A) direct or indirect subsidiaries of a Borrower may merge or consolidate with wholly-owned direct or indirect subsidiaries of such Borrower so long as, in any such case, the wholly-owned subsidiary is the survivor; (B) direct or indirect subsidiaries of a Borrower may be merged or consolidated with such Borrower so long as such Borrower is the survivor; (C) a Borrower or any direct or indirect subsidiary of such Borrower may merge or consolidate with an unaffiliated company so long as (1) such Borrower or direct or indirect subsidiary is the survivor of such merger or consolidation, (2) such Borrower demonstrates *pro forma* compliance with the Financial Covenant set forth below, and (3) such Borrower's indicative credit ratings from S&P and Moody's in contemplation of such merger and such Borrower's actual credit ratings from S&P and Moody's following any such merger or consolidation remain at the levels established immediately prior to the merger or at a higher level; (D) a Borrower and its wholly-owned subsidiaries may acquire interests in other persons that are principally engaged in an activity permitted under the Public Utility Holding Company Act on the closing date; (E) CL&P, WMECO and PSNH may dispose of transmission assets to other directly or indirectly held subsidiaries of Northeast Utilities Company ("NU") as permitted, and to any other person as required, by appropriate regulatory authorities; (F) each Borrower may dispose of assets or security to, or merge into or with, other Borrowers; and (G) each Borrower may dispose of its assets in the ordinary course of business on customary terms (including any sale of accounts receivable on reasonable commercial terms, including at a commercially reasonable discount).

For the purposes of this paragraph (ii), a sale of a "Substantial Part" of a Borrower's assets shall be any sale (whether in one transaction or a series of transactions) of assets, (A) the book value of which represents more than 15% (determined at the time of each such transaction) of the book value of assets (net of regulatory assets) of such Borrower (determined by reference to the most recently delivered financial statements of such Borrower), or (B) the gross revenue associated with which accounts for more than 15% of the

total gross revenue of such Borrower for the four preceding fiscal quarters (determined by reference to the most recently delivered financial statements of the Borrower), to any entity other than such Borrower or any of its wholly-owned direct or indirect subsidiaries.

- (iii) Restrictions on termination of ERISA plans with resulting \$1,000,000 liability, any reportable event that could reasonably result in a \$1,000,000 liability, or any event that could reasonably result in the foregoing.
- (iv) Restrictions on transactions with affiliates.
- (v) Restrictions on acquisitions of interests in nuclear plants.

Financial Covenant:

Such Borrower will be required to maintain, on a consolidated basis, at all times a ratio of Consolidated Debt (as defined in Appendix 1) to Total Capitalization (as defined in Appendix 1) of no more than 0.65 to 1.00.

Reporting Obligations:

Customary for transactions of this type, including, but not limited to, the following for each Borrower:

- (i) Notification of Defaults and Events of Default.
- (ii) Delivery of (A) Forms 10-K, 10-Q and 8-K for each Borrower that is a '34 Act reporting company and delivery of such other business and financial information as the Administrative Agent may reasonably request and (B) audited annual financial statements and unaudited certified quarterly financial statements of Yankee.
- (iii) Delivery of regulatory updates promptly upon the reasonable request of the Administrative Agent but not more than once per calendar quarter.
- (iv) Notification of ERISA events.
- (v) Notification of material litigation.

Events of Default:

Customary events of default include, but are not limited to, the following in respect of each Borrower:

- (i) Failure by such Borrower to make any payment of principal under the Facility on or before the date such payment is due.
- (ii) Failure by such Borrower to make any payment of interest, fees or other amounts under the Facility on or before two days after such payment is due.
- (iii) Any representation or warranty made by such Borrower shall have been false or misleading in any material respect when made.

- (iv) Failure by such Borrower to comply with any financial covenant, negative covenant or certain other covenants to be identified.
- (v) Subject to 30 day grace period, failure by such Borrower to observe or perform any other covenant, basic term or other condition contained in any document related to the Facility.
- (vi) (A) Default by such Borrower under Debt aggregating US\$50,000,000 or more, if the effect is to accelerate or permit acceleration of such Debt, or (B) acceleration of such Debt.
- (vii) Voluntary bankruptcy of such Borrower; involuntary bankruptcy of such Borrower if not dismissed, stayed or otherwise nullified within 90 days.
- (viii) Any judgments for amounts aggregating in excess of US\$50,000,000 are rendered against such Borrower, are unstayed and either (i) remain undischarged for 30 days or (ii) are enforced.
- (ix) Any material provision of any document related to the Facility ceases to be valid and binding.
- (x) NU shall cease to own at least 85% of the outstanding common stock of such Borrower, free and clear of liens.
- (xi) Change of control events as follows: (a) 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 (1) acquire beneficial ownership of more than 50% of any outstanding class of common stock of NU having ordinary voting power in the election of directors of NU or (2) obtain the power (whether or not exercised) to elect a majority of NU's directors or (b) the Board of Directors of NU shall not consist of a majority of Continuing Directors.

"Continuing Directors" shall mean the directors of NU on the effective date of the Facility and each other director of NU, if such other director's nomination for election to the Board of Directors of NU is recommended by a majority of the then Continuing Directors.

Participations and Assignments:

Each Lender may, in its sole discretion, at any time grant participations in all or a portion of its rights and obligations under the Facility to other persons. Participations shall be without restrictions, and participants will have the same benefits as the Lenders with respect to yield protection, capital adequacy, reserve requirements, increased cost and withholding tax provisions.

Each Lender may assign all or a portion of its rights and obligations under the Facility (in minimum amounts of US\$5,000,000 or, if less, its entire commitment) (i) to one

or more other Lenders or their affiliates or, (ii) with the consent of the Borrowers (not to be unreasonably withheld) and the Administrative Agent, to one or more other financial institutions. During a Default or Event of Default, the consent of the Borrowers to such assignments will not be required. Each assignment will be subject to payment by the relevant Lender (or its transferee) to the Administrative Agent of a US\$3,500 processing fee.

Each Lender may disclose information to prospective participants and assignees and share, at its option, any fees with such participants and assignees.

- Yield Protection:** The usual for facilities of this type, including, but not limited to, unavailability of funding, illegality, reserves if incurred, capital adequacy, redeployment costs and any other yield protection deemed necessary by the Joint Lead Arrangers.
- Indemnification:** Except for gross negligence or willful misconduct, the Borrowers will indemnify the Joint Lead Arrangers, Administrative Agent, Syndication Agent, Documentation Agent, the Lenders, and each of their respective affiliates and agents against all losses, liabilities, claims, damages or expenses relating to their loans, the documents related to the Facility, use of proceeds of Advances, or the Commitment, including, but not limited to, reasonable attorney's fees and settlement costs.
- Expenses:** Closing costs incurred by the Joint Lead Arrangers (including counsel fees, time charges and disbursements) will be for the account of the Borrowers, and will be payable whether or not the closing of the Facility occurs. Expenses, fees and costs incurred by the Lenders (other than the Joint Lead Arrangers) will be for their own accounts.
- Legal Counsel:** King & Spalding LLP.
- Majority Lenders:** Lenders that collectively hold participation percentages aggregating in excess of 50%.
- Governing Law:** New York.

Appendix 1

Definitions

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

"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 which 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 which 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, and (v) liabilities in respect of unfunded vested benefits under ERISA plans.

"Disclosure Documents" means, for any Borrower, as applicable: (i) such Borrower's Annual Report on Form 10-K for the fiscal year ended December 31, 2004; (ii) its Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, June 30, and September 30, 2005; (iii) the Confidential Information Memorandum, dated October 2005, regarding the Facility, as distributed to the Administrative Agent and the Lenders, including, without limitation, all schedules and attachments thereto; and (iv) such Borrower's Current Reports on Form 8-K filed on January 5, January 26, February 4, March 7, March 9, April 6, April 29 and October 13, 2005, and the amendments to such Borrower's Current Reports on Form 8-K filed on January 3 and April 6, 2005.

"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, from CL&P to Deutsche Bank Trust Company Americas, as successor trustee, as amended and supplemented, (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, as successor trustee, as in effect on the closing date and as amended and supplemented from time to time, (iii) in the case of WMECO, any first mortgage indenture entered into after the closing date on substantially the terms of the Old WMECO Indenture and covering substantially the same collateral, so long as such indenture and the lien created thereby are approved by the Massachusetts Department of Telecommunications and Energy, and (iv) in the case of PSNH, the First Mortgage Indenture, dated as of August 15, 1978, between PSNH and Wachovia Bank, National Association, as successor trustee, as amended and supplemented.

"Fraction" means, in respect of any Borrower as determined at any time, a fraction, the numerator of which shall be the Borrower Sublimit of such Borrower at such time, and the denominator of which shall be the sum of the Borrower Sublimits of all Borrowers at such time.

"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.

"Permitted Liens" means, with respect to each Borrower, (i) any liens existing on the closing date; (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 a Default or Event of Default under the Facility; (iii) "Permitted Liens" or "Permitted Encumbrances" under the First Mortgage Indenture to which such Borrower is a party, in each case, to the extent such liens do not secure Debt (as defined in this Appendix 1) of such Borrower; (iv) any purchase money lien or construction mortgage on assets acquired or constructed after the closing date by such Borrower and any lien on any assets existing at the time of acquisition

thereof by such Borrower 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 owned on the closing date by such Borrower and liens existing on assets of a corporation or other going concern when it is merged into or with such Borrower or when substantially all of its assets are acquired by such Borrower; 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 such Borrower, and as to which such Borrower, 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 such Borrower created or arising under the relevant indenture, pledges of the related loan agreement with the relevant issuing authority and pledges of such Borrower'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) any other liens incurred in the ordinary course of business otherwise than to secure Debt; and (xiii) any extension, renewal or replacement of liens permitted by clauses (i), (iii) through (v) and (vii) through (xi); 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 which secured the lien so extended, renewed or replaced or to other property of no greater value than the property which secured the lien so extended, renewed or replaced.

"Reference Ratings" means, with respect to a Borrower, the ratings assigned by S&P and Moody's to the long-term senior unsecured non-credit enhanced debt of such Borrower (the **"Borrower Debt"**); provided, that

(i) if neither S&P nor Moody's maintains a rating on the Borrower Debt of a Borrower because no such Borrower Debt is outstanding, then the "Reference Ratings" shall be based on the ratings assigned by S&P and Moody's to the long-term senior secured debt (the **"Secured Debt"**) of such Borrower, but such ratings shall be deemed to correspond to an Applicable Rating Level that is one level lower than the level that would correspond to such Secured Debt ratings pursuant to the definition of "Applicable Rating Level";

(ii) if neither S&P nor Moody's (A) maintains a rating on the Borrower Debt of a Borrower because no such Borrower Debt is outstanding and (B) maintains a rating on the Secured Debt of a Borrower because no such Secured Debt is outstanding, then the "Reference Ratings" shall be based on such Borrower's long-term corporate/issuer ratings as maintained by S&P and Moody's.

"Total Capitalization" means, at any date for any Borrower, the sum of (i) Consolidated Debt of such 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 such Borrower and its subsidiaries and (iii) the consolidated surplus of such 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 such Borrower's financial statements.



**Northeast
Utilities System**

**Northeast Utilities System
Interest Rate Risk Management
Policies and Procedures**

May 2007

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Section 1: Scope and Objectives

1.1 Scope

The following Interest Rate Risk Management Policies and Procedures (collectively Policies and Procedures) were developed by the Northeast Utilities (NU) Treasury Department to establish controls and responsibilities of Treasury Department personnel in managing financial risks related to interest-rate movements of NU and its affiliate companies (NU System companies), subject to all applicable NU Board of Trustees, Subsidiary Board, and Regulatory approvals. The use of specific derivatives and parameters are described herein as they relate to the execution of an Interest Rate Risk Management Transaction (IRRM Transaction) with one or more authorized counterparties.

1.2 Strategy

The Treasury Department seeks to actively manage interest rate risks of all NU System companies through the use of derivatives. With active management of the NU System companies' debt portfolios within the parameters of these Policies and Procedures, the goal is to optimize the financial position of the NU system.

1.3 Objectives

To meet the strategy as described in Section 1.2, the Treasury Department developed these Policies and Procedures to accomplish one or more of the following objectives:

- 1) Minimize loss,
- 2) Manage interest rate exposures / risk profile, and
- 3) Reduce earnings volatility related to movements in interest rates

Section 2: Responsibilities

2.1 Board Authority

These Policies and Procedures must be approved by the NU Board and the respective Boards of each subsidiary affected by these policies. In addition, these Policies and Procedures will be executed in accordance with any specific authorizations or restrictions adopted by such Boards or any authority delegated by such Boards. The NU Board will authorize all IRRM Transactions for the parent company. The Subsidiary Boards will authorize all IRRM Transactions for their respective company.

2.2 Chief Financial Officer

2.2.1 Subject to and in accordance with Sections 2.1 and 2.2, the Chief Financial Officer (CFO) of NU is responsible for overseeing these Policies and Procedures and their implementation. The CFO will report on these Policies and Procedures to the Chief Executive Officer (CEO) and to the Finance Committee of the NU Board and/or to the Subsidiary Boards annually, or at such times and in such manners as the CFO shall deem necessary, or as such Boards shall reasonably request.

2.2.2 The CFO will review and approve these Policies and Procedures on at least an annual basis and as material changes occur, including changes to any parameters detailed in the accompanying appendices.

2.2.3 The CFO must also promptly notify the NU Board regarding any:

- 1) Material changes in the amount or type of interest rate risk incurred by the NU System as a whole,
- 2) Material proposed or actual changes to these Policies and Procedures, and
- 3) Material breaches or violations of these Policies and Procedures.

2.3 Vice President and Treasurer

2.3.1 Subject to and in accordance with Sections 2.1 through 2.3, the Vice President and Treasurer (Treasurer) of NU has the overall specific responsibility for the development, implementation, and compliance with these Policies and Procedures.

2.3.2 The Treasurer will oversee and authorize all transactions and related documentation under which any Authorized Risk Management Personnel (listed in attached Schedule D) may execute IRRM Transactions. The Treasurer will establish, and to the extent required, seek the CFO's approval for the following risk management parameters detailed in the Appendix:

- 1) Fixed / Floating Positions..... Schedule A
- 2) Notional Amounts..... Schedule A
- 3) Underlying Exposures to Hedge Schedule A
- 4) Maturities Schedule A
- 5) Derivative Instruments..... Schedule B
- 6) Counterparties..... Schedule C
- 7) List of Authorized Risk Management Personnel Schedule D

2.3.3 The Treasurer will review these Policies and Procedures with the CFO on at least an annual basis and as material changes occur.

2.3.4 The Treasurer will review with the CFO any exception reporting.

Section 3: Monitoring, Reporting, Documentation & Accounting

3.1 Monitoring of Exposures and Interest Rate Risk Management Transactions

3.1.1 The Assistant Treasurer - Finance of NU will be responsible for monitoring all IRRM Transactions and will report to the Treasurer on a monthly basis or as significant changes occur. Reporting items will include, but not be limited to, the following:

- 1) Notional Amounts,
- 2) Maturities,
- 3) Mark-to-market of all derivative instruments with quarterly reporting to the Corporate Accounting Department with the source of valuation identified,
- 4) Cash settlements, if any, on related IRRM Transactions,
- 5) Counterparties and their credit ratings,
- 6) Collateral thresholds and positions (if applicable),
- 7) Market trends for underlying interest rates,
- 8) Interest rate hedging strategies,
- 9) Fixed / Floating Debt Positions, and
- 10) Hedge effectiveness (if applicable).

3.1.2 Exception reporting will be prepared by the Treasury Department and distributed to the Treasurer promptly upon occurrence.

3.2 Hedge Effectiveness & Ineffectiveness

3.2.1 The Treasury Department is responsible for measuring the effectiveness and ineffectiveness, if applicable, of derivatives and will report the results of its evaluations, to the Treasurer and the Corporate Accounting Department on a quarterly basis or as significant changes occur.

3.2.2 Measuring effectiveness and ineffectiveness of a specific derivative relative to underlying exposures will not be required if the Treasury and Corporate Accounting Departments take the position that “No Ineffectiveness” exists due to the matching of terms as set forth in paragraph 68 of the Statement of Financial Accounting Standards No. 133, “Accounting for Derivative Instruments and Hedging Activities,” (SFAS No. 133), as amended, as they apply to Cash Flow and Fair Value hedges. This determination will be made prior to the execution of an IRRM Transaction.

3.2.3 Performance of risk management activities will be monitored, as necessary, based on the following criteria:

- 1) Original objectives,
- 2) Actual risk reduction,
- 3) Effectiveness of derivatives, and
- 4) Compliance with these Policies and Procedures.

3.3 Documentation

3.3.1 All transactions must be documented in accordance with International Swaps and Derivatives Association, Inc. (ISDA) agreements that are structured to the satisfaction of, and executed by, any of the Authorized Risk Management Personnel (listed in attached Schedule D) with approved ISDA counterparties (listed in attached Schedule C). Confirmations for each transaction must be received no later than three business days following execution or in accordance with ISDA specifications negotiated with the respective counterparty.

3.3.2 The Treasury Department will obtain counsel from NU Legal on all terms and conditions, opinions, certificates, and other documentation in the ISDA agreements. The Treasury Department will also seek assurance from NU Legal that all necessary regulatory approvals are obtained prior to the execution of any IRRM Transaction.

3.3.3 All ISDA agreements, including Schedules, Master Amendments and Confirmations, will be maintained and administered by the Treasury Department.

3.4 Accounting

3.4.1 Accounting for the authorized derivatives (listed in attached Schedule B) must comply with SFAS No. 133, as amended and applicable interpretations, subject to materiality considerations.

3.4.2 Derivatives shall be designated to hedge a specific, identified risk at inception. Documentation must comply with the requirements of SFAS No. 133, as amended, as outlined in attached Schedule E.

3.4.3 *Cash Flow Hedges.* Consistent with Section 3.2, derivatives determined to meet the definition of cash flow hedges shall be assessed for effectiveness at inception and on a quarterly basis by the Treasury Department, as defined by applicable accounting pronouncements and interpretations. The methodology used to assess effectiveness will be documented at inception by the Treasury Department. Documentation must comply with the requirements of SFAS No. 133, as amended, as outlined in attached Schedule E. Highly effective hedges, if cash flow hedge treatment is elected and criteria met, must be accounted for as derivative assets or derivative liabilities, with the effective portion of the hedge recorded as a component of other comprehensive income (OCI), which is included in equity. The ineffective portion of the hedge will be recorded in earnings. A treasury lock or forward starting swap is an example of a Cash Flow Hedge.

3.4.4 *Fair Value Hedges.* Consistent with Section 3.2, derivatives determined to meet the definition of fair value hedges shall be assessed for effectiveness at inception and on a quarterly basis by the Treasury Department, as defined by

applicable accounting pronouncements and interpretations. The methodology used to assess effectiveness will be documented at inception by the Treasury Department. Documentation must comply with the requirements of SFAS No. 133, as amended, as outlined in attached Schedule E. The hedge will be recognized at its fair value as a derivative asset or a derivative liability. If the hedge is considered to be highly effective, the gain or loss in fair value of the hedging instrument will be recorded currently to earnings along with any offsetting loss or gain in the fair value of the hedged item attributable to the hedged risk. A fixed-to-floating interest rate swap is one example of a Fair Value Hedge.

- 3.4.5 Hedge accounting shall be discontinued prospectively for an existing derivative if the derivative expires or is sold, terminates or is exercised, is not highly effective and is not ever expected to be highly effective, or if the Treasury Department removes the designation of the hedge. The Treasury Department may elect to designate prospectively a new hedging relationship with a different derivative or dedesignate the derivative and redesignate it as a hedge of another interest rate exposure. For cash flow hedges, the net gain/loss accumulated through the effective date of such actions remains in OCI until the hedged item impacts earnings.

If a cash flow hedge is discontinued because it is probable that the original forecasted transaction will not occur, the net gain/loss accumulated in OCI shall be reclassified into earnings immediately.

Section 4: Operations and Processing

4.1 Trade Execution

4.1.1 In accordance with these Policies and Procedures, the Treasury Department is responsible for the execution of all IRRM Transactions.

4.1.2 The Treasury Department shall consider the following factors when executing IRRM Transactions:

- 1) Economic outlooks and interest-rate projections,
- 2) Evaluations of the ability of potential counterparties to meet the quantity and/or term of proposed transactions, and
- 3) Current capabilities of various counterparties, recent experience with various counterparties, and diversification of counterparties.

4.1.3 The Treasury Department is responsible for notifying the Treasury Operations Department and the Corporate Accounting Department of all material terms for new IRRM Transactions. In addition, a transaction summary describing the new derivative will be prepared and distributed subsequent to execution of the IRRM Transaction.

4.1.4 The Treasury Department is responsible for providing to counterparties a list of Risk Management Personnel authorized to execute IRRM Transactions, if requested. The approved list of personnel is detailed in attached Schedule D.

Section 5: Coordination with Internal Parties

5.1 Internal Coordination

The Treasury Department is responsible for maintaining open dialogue with the Accounting, Tax, Treasury Operations, and Legal Departments regarding accounting, tax, SEC and other applicable standards related to IRRM Transactions. The Treasury Department will, as needed, discuss with these departments, IRRM Transactions, market trends, new industry ideas, and communications with financial institutions.

5.2 Compliance

The Treasury Department will be responsible for working with the Treasury Operations Department to:

- 1) Ensure accurate and timely cash settlements,
- 2) Ensure compliance with contractual obligations, and
- 3) Maintain all applicable documentation.

5.3 Disclosure

In connection with the need to meet continuing disclosure and reporting requirements, the Treasury Department will be responsible for reporting information to the Accounting and Legal Departments as requested and as required per attached Schedule E.

5.4 Auditing

The NU System's interest rate risk management activities are subject to internal audit to determine whether the activities are being implemented in accordance with these Policies and Procedures.

The Policies and Procedures, and Guidelines described herein are approved and authorized for use by the NU Treasury Department.

Date: _____
Last Revised

By: */s/* _____

Name: David McHale
Title: Senior Vice President and Chief Financial Officer

Appendix

- Schedule A:* Authorized Parameters
- Schedule B:* Authorized Derivatives
- Schedule C:* Authorized ISDA Counterparties
- Schedule D:* Authorized Risk Management Personnel
- Schedule E:* Required Documentation

Schedule A: Authorized Parameters

Fixed / Floating Positions:

Manage NU's fixed / floating position on a consolidated basis to a range of 10 – 40% floating rate debt. A subsidiary's floating rate debt percentage may be outside the NU consolidated floating rate debt range.

Notional Amounts:

Manage the notional amount of interest rate derivatives on a transaction basis not to exceed the amount required to hedge 100% of the underlying exposure.

Underlying Exposures to Hedge:

The Fair Value of, or Cash Flow associated with, outstanding or forecasted On-Balance-Sheet Debt and any transaction that may receive Off-Balance-Sheet Treatment at NU Parent or any of its subsidiaries.

No hedging will occur for speculative purposes on any part of the debt portfolio of NU Parent and its subsidiaries. However, Treasury may enter into a derivative that partially offsets or fully offsets the remaining term of an existing derivative.

Maturities:

The maturity of each interest rate hedge shall not exceed the maturity of the hedged exposure.

Regulatory:

Obtain and adhere to all required regulatory approvals.

Fees:

Transaction fees, commissions, and other amounts payable to the counterparty (excluding, however, swap or option payments) in connection with an IRRM Transaction will not exceed those generally obtainable in competitive markets for parties of comparable credit quality.

Schedule B: Authorized Derivatives

- 1) Caps, Floors, and Collars
- 2) Interest Rate Locks (including Forward Starting Swaps)
- 3) Swaps (Synthetic Float or Synthetic Fixed)
- 4) Options

Schedule C: Authorized ISDA Counterparties

Authorized ISDA Counterparties include those institutions listed below and their affiliates, as long as the counterparty and/or its guarantor meets the minimum credit rating thresholds.*

| | <u>S&P / Moody's Rating⁽¹⁾</u> | <u>ISDA Agreement⁽²⁾</u> |
|--------------------------------|---|-------------------------------------|
| 1) Citibank, N.A. | AA+ / Aaa | N,C,P,W,Y |
| 2) UBS Americas, Inc. | AA+ / Aaa | |
| 3) Barclays Bank PLC | AA / Aa1 | N,C,P,W,Y |
| 4) Bank of America Corp. | AA / Aa1 | |
| 5) Wachovia Bank, N.A. | AA / Aa1 | N,C |
| 6) Credit Suisse USA Inc. | AA- / Aa1 | |
| 7) JPMorgan Chase & Co. | AA- / Aa2 | |
| 8) Goldman Sachs Group, Inc. | AA- / Aa3 | N,C,P,W,Y |
| 9) Lehman Brothers, Inc. | AA- / Aa3 | C,P,W |
| 10) Toronto-Dominion Bank | AA- / Aa3 | C |
| 11) Bank of New York Co., Inc. | A+ / Aa2 | |
| 12) Morgan Stanley | A+ / Aa3 | N,P |

*Minimum Required Counterparty Ratings for counterparties and /or their guarantors.

S&P: A

Moody's: A2

(1) Ratings as of May 2007

(2) N = Northeast Utilities

C = CL&P

P = PSNH

W = WMECO

Y = Yankee Gas

Schedule D: Authorized Risk Management Personnel

The following individuals are authorized to execute IRRM Transactions. All IRRM Transactions must be confirmed in writing with signatures from two of the individuals asterisked below.

- 1) David McHale* *Senior Vice President and Chief Financial Officer*
- 2) Randy Shoop* *Vice President and Treasurer*
- 3) Patricia Cosgel* *Assistant Treasurer – Finance*
- 4) Aaron Cullen *Senior Financial Analyst*

Schedule E: Required Documentation (at Inception)

Accounting – required by SFAS No. 133, as amended

- Background of transaction:
 - Counterparty
 - Hedging relationship,
 - Risk management objective and strategy for undertaking the hedge,
 - Identification of the hedging instrument, hedged item or transaction, and
 - Nature of the risk being hedged
- Designation
- Method used to assess effectiveness, consistent with approved methods: (i.e., how the company will assess the hedging instrument’s effectiveness in offsetting the exposure to the hedged item’s or transaction’s variability in fair value or cash flows attributable to the risk being hedged)
- Conclusion of “highly effective” at inception, if applicable.
- Method used to measure ineffective portion, consistent with approved methods.
- Method used to determine fair value, consistent with approved methods.
- Accounting and disclosure requirements

Legal

- Regulatory Approvals, as required
- Board Resolutions
- Executed Documentation (ISDA agreement, schedule, confirmation, and other applicable documents).
- Advice on consummated transactions so that post closing filings can be made on a timely basis.

THE STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DOCKET NO. DE 07-_____

DIRECT TESTIMONY
OF
PATRICIA C. COSGEL

PETITION OF PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
FOR APPROVAL OF
(1) THE ISSUANCE OF UP TO \$200 MILLION AGGREGATE PRINCIPAL AMOUNT
OF LONG TERM DEBT SECURITIES THROUGH DECEMBER 31, 2008, (2)
AMENDMENT AND RESTATEMENT OF THE COMPANY'S FIRST MORTGAGE
INDENTURE, (3) THE MORTGAGING OF PROPERTY, (4) THE UTILIZATION OF
INTEREST RATE LOCKS AND (5) PERMANENT INCREASE IN THE COMPANY'S
SHORT TERM DEBT LIMIT TO 10% OF NET FIXED PLANT PLUS A FIXED
AMOUNT OF \$35 MILLION

June 4, 2007

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| V. ISSUANCE OF INTEREST RATE LOCKS | 20 |
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I. INTRODUCTION

1 **Q. Would you please state your name, business address and position?**

2 A. My name is Patricia C. Cosgel. My business address is 107 Selden Street, Berlin,
3 Connecticut. I am Assistant Treasurer – Finance of Northeast Utilities (“NU”)
4 and other system companies, including Public Service Company of New
5 Hampshire (“PSNH”, or the “Company”).
6

7 **Q. What are your responsibilities with respect to PSNH?**

8 A. I am responsible for raising the capital necessary to meet PSNH’s long-term and
9 short-term financing requirements.
10

11 **Q. Have you previously testified in any regulatory proceedings?**

12 A. I have previously provided testimony to the New Hampshire Public Utilities
13 Commission (the “Commission”) on behalf of PSNH in Docket No. DE 07-025,
14 Petition for Order Nisi Establishing a Short Term Debt Limit of Ten Percent
15 (10%) of Net Fixed Plant and Authorizing a Temporary Increase of Such Short
16 Term Debt Limit of Not More Than an Additional Three Percent (3%) of Net
17 Fixed Plant, and in Docket No. DE 05-107, Application of Public Service
18 Company of New Hampshire for Approval of the Issuance of up to \$50 Million
19 Aggregate Principal Amount of Long Term Debt Securities Through March 31,
20 2006; the Mortgaging of Property and the Utilization of Treasury Locks. In
21 addition, I have testified on behalf of the Company’s affiliates, Yankee Gas
22 Services Company and The Connecticut Light and Power Company, before the

1 Connecticut Department of Public Utility Control. I have also testified on behalf
2 of the Company's affiliate, Western Massachusetts Electric Company, before the
3 Massachusetts Department of Telecommunications and Energy.

4
5 **Q. What is your educational background?**

6 A. In August 1989, I received a Masters Degree in Economics from the University of
7 Iowa. In May 1987, I graduated Phi Beta Kappa from Dickinson College in
8 Pennsylvania with a Bachelors Degree in Economics, Magna Cum Laude.

9
10 **Q. Please summarize your professional experience.**

11 A. I joined Northeast Utilities Service Company (NUSCO), NU's Service Company
12 affiliate, in June 1998 as a Senior Analyst in the Finance Department and was
13 promoted to the position of Manager – Corporate Finance in September 2001. I
14 assumed my current position as Assistant Treasurer – Finance of NU and its
15 affiliates, including NUSCO and PSNH, on January 1, 2005. The Finance
16 Department is responsible for raising the funds necessary to support the capital
17 and operating needs of all of the NU System companies. During my tenure at
18 NU, I have worked on various financings, including project debt, securitizations,
19 revolving credit facilities, accounts receivable financing programs, secured and
20 unsecured capital market debt offerings, lease financing, and interest rate
21 derivatives.

22

1 Prior to my tenure at NU, I worked for eight years at the Federal Reserve Bank of
2 Boston at increasing levels of responsibility in the Bank Supervision and
3 Regulation Department, most recently as the Supervisory Analyst in the Banking
4 Analysis Group. In that capacity, I was responsible for financial analysis of
5 banking institutions in New England in connection with their periodic
6 examination by our department. I also monitored banks' compliance with
7 banking law and regulation, and analyzed applications by the banks for authority
8 to make acquisitions or enter into certain non-banking activities. Prior to that
9 experience, I was employed by the Federal Reserve Bank of Philadelphia as an
10 analyst in the Economic Research Department, with a focus on the economic
11 analysis of financial intermediaries such as banks and insurance companies.
12

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

13 A. The first purpose of my testimony is to support PSNH's request to issue long-term
14 debt securities in an aggregate amount not to exceed \$200 million (the "Long-
15 term Debt" or the "Bonds") through December 31, 2008 (the "Financing Period").
16

17
18 Second, I will describe PSNH's request to amend and restate the Company's First
19 Mortgage Indenture ("Indenture").
20

21 Third, I will discuss PSNH's request to enter into derivative transactions to hedge
22 interest rate risk associated with the proposed Long-term Debt.

1 Fourth, I will explain PSNH's request to increase its short-term debt limit from
2 the 10 percent of net fixed plant limit as specified by Puc Rule §307.05.

3

4 **Q. Please describe PSNH's capital expenditure needs during the Financing**
5 **Period.**

6 A. In its last rate case filing, PSNH detailed its plans to expand and upgrade its
7 electric distribution infrastructure over the next several years. Total capital
8 expenditures for 2007 are projected to approach \$211 million, with approximately
9 \$128 million planned for generation and distribution related improvements, and
10 approximately \$83 million invested in the Company's transmission system. Total
11 capital expenditures for 2008 are projected to approach \$219 million, with
12 approximately \$134 million planned for generation and distribution related
13 improvements, and approximately \$85 million invested in the Company's
14 transmission system. A portion of the expenditures, which have accrued or will
15 accrue through the Financing Period, will be initially financed with short-term
16 debt that would be subsequently refinanced with the Long-term Debt proposed in
17 this petition.

18

III. DESCRIPTION OF PROPOSED FINANCING

19 **Q. Would you please briefly summarize PSNH's financing proposal?**

20 A. While PSNH's current cash flows from operations and its interest coverage are
21 relatively healthy and stable, substantial short-term borrowings will be necessary

1 and critical to fund its planned capital expenditures. The financing proposal
2 consists of four components.

3

4 First, during the Financing Period, PSNH proposes to issue and sell up to \$200
5 million in aggregate principal amount of Long-term Debt in the form of first
6 mortgage bonds, debt secured by first mortgage bonds or debt secured by first
7 mortgage bonds and insurance; in one or more series, with a maturity ranging
8 from 1 to 40 years. The Long-term Debt may be at a fixed or floating interest
9 rate; be either insured or uninsured; and be sold to either retail investors (“Retail
10 Debt”) or institutional investors (“Institutional Debt”). The Long-term Debt may
11 also be in the form of advances from NU Parent and evidenced by one or more
12 Promissory Notes in similar form to Attachment 9; or the Long-term Debt could
13 be in the form one or more bank loans through the Company’s existing revolving
14 credit facility in accordance with the term sheet provided as Attachment 10. The
15 coupon rate on the Long-term Debt that is issued will not exceed a rate equal to
16 the applicable U.S. Treasury rate plus a credit spread of up to 2.00%. The exact
17 financing structure, terms and conditions, amount, documentation and coupon rate
18 will be determined at the time of issuance depending on prevailing market
19 conditions.

20

21 Second, PSNH is also seeking authority to mortgage its property in connection
22 with the issuance of the Long-term Debt and to amend and restate its Indenture.

1 Third, PSNH is seeking authority to enter into interest rate locks (“Rate Locks”)
2 during the Financing Period to manage interest rate risk associated with the Long-
3 term Debt issuance.

4
5 Fourth, PSNH is seeking authority to increase its short-term debt limit from the
6 current 10% of net plant limit as stipulated by Puc Rule §307.05 to 10% of net
7 plant plus a fixed amount of \$35 million starting the earlier of January 1, 2008 or
8 when the temporary authority granted in Docket No. DE 07-025 runs out. This
9 limit would remain in effect until further order from the Commission.

10

11 **Q. What are the primary differences between Retail Debt and Institutional**
12 **Debt?**

13 A. Retail Debt, unlike Institutional Debt, is primarily distributed to individual
14 investors rather than to financial institutions, is listed on the New York Stock
15 Exchange, sells at \$25 par value compared to \$1,000 par value for Institutional
16 Debt, pays interest monthly or quarterly rather than semi-annually and can be
17 called at par value after 3-5 years.

18

19 Retail investors tend to focus on absolute yield compared to other investment
20 options, name recognition, payment frequency, and liquidity rather than on
21 relative value and spread as compared to the institutional market and, as a result,
22 are less reactive to changes in market conditions. Consequently, Retail Debt
23 coupon rates may be lower than those of Institutional Debt in a rising-rate

1 environment. Conversely, Retail Debt coupon rates tend to be higher than
2 Institutional Debt in a declining-rate environment.

3
4 Finally, since greater effort is required by participating managers to distribute the
5 Retail Debt to a large retail investor group (rather than a few financial
6 institutions), underwriting fees are significantly higher in the retail market than in
7 the institutional market (3.15% compared to 0.875%).

8

9 **Q. How would Retail Debt and Institutional Debt be secured?**

10 A. Institutional Debt issued pursuant to this petition would be in the form of first
11 mortgage bonds, issued in one or more series directly under PSNH's existing
12 Indenture. Retail Debt, on the other hand, would be secured by first mortgage
13 bonds, which would be identical or substantially similar in principal, premium, if
14 any, and interest payment terms to the Retail Debt, and would be issued by the
15 Company in one series under its Indenture to evidence and secure the Company's
16 repayment obligations related to the Retail Debt.

17

18 In addition, payment of principal and interest on the Retail Debt when due would
19 be insured by one or more financial guaranty insurance policies to be issued by an
20 insurer simultaneously with the delivery of the Retail Debt. As a result, security
21 holders are generally willing to accept a lower coupon payment in exchange for
22 the additional security.

1 **Q. What criteria will you use to decide whether to issue Institutional Debt or**
2 **Retail Debt?**

3 A. PSNH will consider the market conditions at the time of issuance when making
4 such a decision. Market conditions consist of various economic and industry
5 factors that determine the all-in cost (coupon, underwriting expense, insurance
6 expense, etc.) of each financing alternative. The Company utilizes several
7 resources to assess market conditions. First, the Company draws on the
8 knowledge and experience of its investment banks to estimate the pricing of
9 available financing alternatives. Second the Company analyzes data from various
10 financial and industry sources to draw its own conclusions regarding credit
11 spreads, interest rates, issuance costs, and other economic factors.

12

13 **Q. Does PSNH anticipate any early redemption penalties on the proposed debt?**

14 A. PSNH may include a redemption provision on the Long-term Debt. The current
15 market standard redemption provision is termed a “make-whole,” which would
16 permit PSNH to redeem the Long-term Debt at any time, in whole or in part, at
17 the option of the Company, prior to the Long-term Debt’s stated maturity,
18 provided the Company pays a premium to the investors at the time of the
19 redemption. The make-whole redemption provision would not increase the
20 issuance cost of the Long-term Debt because the premium paid at the time of a
21 redemption would fully compensate the investors for the forgone interest income.
22 This type of provision makes it costly to redeem the Long-term Debt.

1 In contrast, a call option that would offer PSNH the opportunity to redeem the
2 bonds at a smaller premium (or at no premium at all) at the time of the redemption
3 would only be available to the Company at a cost which is reflected in higher
4 interest rates, or may not be available in the bond market at the time of issuance.
5 For example, a redemption provision that allows a company to redeem the bonds
6 with no premium after a specified period of time (usually 2 to 10 years, depending
7 on the maturity of the bonds) would currently cost approximately 40 basis points
8 (0.40%), which would be included in the interest cost of the bonds. Redemption
9 provisions that include the payment of a premium (i.e., 101% or 102% of par or
10 higher) at the time of redemption, would typically add slightly less than 40 basis
11 points to the interest cost of the bond. The Company will evaluate the benefits
12 and costs associated with redemption options available at the time of pricing.
13

14 **Q. What type of debt structure is PSNH most likely to issue?**

15 A. At this time, the most probable financing structure for the proposed Long-term
16 Debt is a 30-year, secured, Institutional Debt offering of \$70 million in the third
17 quarter of 2007 and \$110 million in the first half of 2008.
18

19 **Q. What is the estimated coupon rate for the proposed 2007 issuance given
20 current market conditions?**

21 A. In addition to prevailing market interest rates and credit spreads, coupon rate
22 estimates depend on the type of debt issued, its stated maturity, and redemption
23 provisions.

1 Below is a table designed to provide indicative pricing information for various
 2 maturities as of June 1, 2007 for some of the potential financing options for
 3 PSNH, given current market interest rates and credit spreads and assuming a
 4 make-whole redemption provision.

5

| | 5 year | 10 year | 30 year |
|-----------------------------------|---------------|----------------|----------------|
| Secured Institutional Debt | | | |
| Treasury Yield | 4.92% | 4.96% | 5.08% |
| + Credit Spread | 0.75% | 0.95% | 1.20% |
| = Coupon Rate | 5.67% | 5.91% | 6.28% |

6

7 The credit spreads in the above table were determined based on discussions and
 8 indicative credit spreads provided by investment banks based on current market
 9 conditions. As evident in the table, credit spreads are higher for longer term
 10 securities than for shorter term securities as longer terms represent more risk to
 11 the investor. The requested maximum credit spread of 2.00% in this petition is
 12 higher than the current market spreads above, but allows for any unanticipated
 13 widening of credit spreads at the time of issuance. The Long-term Debt will be
 14 issued at prevailing market rates and credit spreads, which are determined by
 15 investors in a competitive market at the time of issuance.

16

17 **Q. Why have you proposed a fixed rate coupon limit of up to 2.00% above the**
 18 **comparable Treasury Rate?**

19 A. A fixed rate coupon limit of 2.00% above the Treasury Rate with the maturity that
 20 most closely matches the maturity of the Long-term Debt is proposed because the

1 requested authority to issue long-term debt extends to December 31, 2008. If the
2 fixed rate coupon limit is too small, in a period of rapidly widening credit spreads,
3 PSNH could find itself unable to access the markets without first obtaining
4 additional approval from this Commission – one of the scenarios PSNH’s request
5 for flexibility is intended to avoid.

6

7 **Q. What are the fees associated with the most likely financing scenario?**

8 A. The following table lists the expected fees associated with the issuance of the
9 Long-term Debt in 2007 and 2008:

| Fee | Amount |
|--------------------------------|--------------------|
| Underwriting Fees ¹ | \$1,750,000 |
| Rating Agencies | \$289,000 |
| External Auditor ² | \$80,000 |
| Legal | \$60,000 |
| Miscellaneous ³ | \$40,000 |
| Total | \$2,219,000 |

10

11

12

13

14

15

16

17

18

1. Underwriting fees are based upon an anticipated 0.875% commission on \$200,000,000 of thirty-year, secured, Institutional Debt.

2. Deloitte & Touche

3. Miscellaneous includes fees for registering the proposed debt with the Securities and Exchange Commission (“SEC”), marketing, printing, and underwriter expenses.

19 **Q. Please discuss any additional fees associated with the Long-term Debt.**

20 A. Additional fees that might be incurred include insurance premiums to the insurer,
21 if any, and annual Trustee fees. Final fees and expenses will be determined at
22 closing but will likely range around 15 – 20 basis points (0.15% - 0.20%).

1 **Q. What are PSNH's current credit ratings?**

2 A. PSNH's senior secured debt is currently rated BBB by Standard and Poor's, Baa1
3 by Moody's and BBB+ by Fitch. The Company's corporate credit is currently
4 rated BBB by Standard and Poor's and Baa2 by Moody's.

5

6 **Q. What credit ratings would PSNH expect to receive on the proposed issuance
7 of Long-term Debt?**

8 A. While the rating agencies will need to review the specific financing documents
9 associated with any debt issuance, PSNH expects an Institutional Debt offering to
10 receive senior secured credit ratings that are equal to its then-existing senior
11 secured credit ratings. Likewise, a Retail Debt offering would be expected to
12 receive an 'AAA' rating with the presence of a financial guaranty insurance
13 policy.

14

15 **Q. Please explain PSNH's request for Long-term Debt flexibility in the form of
16 bank loans.**

17 A. PSNH is party to an existing revolving credit agreement with a number of banks
18 whereby the Company can borrow, subject to applicable short-term borrowing
19 limits under NH law, up to \$100 million on a short-term basis, or subject to the
20 Commission's approval, on a long-term basis. Under this credit agreement,
21 PSNH may borrow at variable rates plus an applicable margin based upon certain
22 debt ratings, as rated by the higher of Standard and Poor's (S&P) or Moody's

1 Investors Service (Moody's). Borrowings on both a short- and long-term basis are
2 subject to the same terms and conditions under this credit agreement.

3

4 This credit agreement would act as an additional source of long-term funding for
5 PSNH. Any request for long-term funding would be available to PSNH up to the
6 unutilized authorized amount outstanding and subject to the terms and conditions
7 of the facility.

8

IV. AMENDMENT AND RESTATEMENT TO THE COMPANY'S FIRST MORTGAGE INDENTURE

9 **Q. Please describe the PSNH's First Mortgage Indenture.**

10 A. PSNH's Indenture has been in effect since August 1978, and was significantly
11 amended in May 1991 at the time of PSNH's acquisition by Northeast Utilities.
12 The Indenture constitutes a lien on virtually all of PSNH's existing, as well as
13 future property. PSNH is seeking the Commission's authorization to amend and
14 restate the Indenture.

15

16 **Q. Why is PSNH amending and restating its Indenture?**

17 A. PSNH is seeking to amend and restate the Indenture substantially in its entirety to
18 update the terms therein to conform it to modern utility indentures. The current
19 Indenture is excessively complex and restrictive, and could, under certain
20 circumstances, constrain PSNH's ability to complete key finance activities, such
21 as issuing debt, releasing property, and recovering cash proceeds held by the

1 Indenture trustee. Furthermore, there are several provisions included in the
2 Indenture that are not found in modern indentures (e.g., renewal and replacement
3 provisions and interest coverage ratios). PSNH would like to have these
4 restrictive provisions eliminated (a) since they are not required in the current
5 capital market environment, and (b) so that PSNH can benefit from the same
6 financial and strategic flexibility that comparable companies (like its affiliate, The
7 Connecticut Light and Power Company (“CL&P”)) have with more modern
8 indentures.

9

10 **Q. How does the Indenture constrain PSNH?**

11 A. Under the Indenture, “Property Additions” and “Prior Redeemed Bonds” are used
12 as credits to (1) issue additional bonds under the Indenture; (2) release property
13 from the lien of the Indenture; and (3) withdraw cash held on deposit with the
14 Indenture trustee. Property Additions represent all property owned by the
15 Company that is subject to the lien of the Indenture, while Prior Redeemed Bonds
16 represent bonds that have already been redeemed by PSNH and not theretofore
17 used as credits.

18

19 Credit for Property Additions is determined by a complex calculation which takes
20 into account several factors such as new property, retirements of old property,
21 replacement and sinking fund requirements, and insurance proceeds. In addition
22 to this calculation, the issuance of new bonds using Property Additions and/or
23 Prior Redeemed Bond credits requires compliance with a Net Earnings

1 Requirement which prohibits PSNH from issuing additional mortgage bonds
2 under the Indenture unless its earnings, net of interest expense, for twelve
3 consecutive months are at least twice the annual interest charges on all of PSNH's
4 outstanding mortgage bonds.

5
6 The Indenture also includes a Renewal and Replacement Fund Requirement that
7 requires PSNH to continually pledge as collateral new property as existing
8 property is depreciated (absent these new property additions, PSNH must instead
9 deposit cash in an amount equal to the depreciated property value) in order to
10 maintain an adequate level of collateralization for bondholders.

11

12 **Q. How does PSNH propose to amend and restate the Indenture?**

13 A. PSNH proposes to amend the Indenture substantially in the form that is provided
14 in Attachment 7. In addition, PSNH may, in order to achieve a better interest rate
15 and other economic terms, agree to additional protective covenants and other
16 provisions applicable only to certain series of bonds. In general, the primary
17 goals of PSNH's proposed amendment to the Indenture is to simply provide
18 bondholders with a first mortgage lien on PSNH's property as security for its
19 outstanding mortgage bonds and to establish a basic methodology for maintaining
20 adequate collateralization for bondholders while eliminating obsolete and
21 cumbersome provisions that limit PSNH activities. PSNH plans to achieve this
22 goal by replacing the complex "credit" concept used by the existing Indenture for
23 the issuance of new bonds and release of property and cash with one basic test

1 which must be met to take the issuance and release actions noted above under the
2 Indenture.

3

4 The new test requires that, after giving effect to a proposed transaction, the
5 aggregate amount of outstanding PSNH bonds and prior secured debt does not
6 exceed 75 percent of the sum of (1) the lesser of the cost or fair value of then
7 existing net utility plant of PSNH, plus (2) all cash on deposit with the trustee. If
8 this test can be met, PSNH can, in effect, take any desired issuance and release
9 action under the Indenture. This test will ensure that any outstanding PSNH
10 mortgage bonds will have adequate security under the Indenture.

11

12 A more detailed summary of the significant differences between the Indenture and
13 the amendments is provided as Attachment 7A.

14

15 **Q. What reaction does PSNH anticipate investors will have to these proposed**
16 **changes?**

17 A. Based on general discussions with underwriters and our recent experience with
18 substantially similar amendments made to CL&P's Indenture of Mortgage, we
19 believe that investors would consider the amended Indenture reasonable since the
20 provisions that PSNH proposes to eliminate are not found in modern-day
21 mortgages nor are they required by investors in the current capital market
22 environment.

1 **Q. What bondholder approvals does the Indenture require to effect the**
2 **proposed amendment and restatement?**

3 A. In addition to obtaining approval of the Commission, the Indenture requires the
4 consent of the holders of not less than a majority (at least 50%) of the aggregate
5 principal amount of bonds at the time outstanding to effect all of the changes
6 outlined above.

7

8 **Q. How will PSNH obtain consent from bondholders?**

9 A. PSNH intends to provide, with each new issuance of bonds, that purchasers of
10 such bonds will be deemed to have consented to amend the existing Indenture as
11 described in this testimony. Because the proposed amendment requires consent
12 of the holders of a majority of the aggregate principal amount of bonds at the time
13 outstanding, the new bondholders would not be subject to the amendment
14 provisions, despite their consent to such amendment, until the required majority
15 consent is received. Given its present financing plans and the maturities of
16 existing bonds, PSNH does not anticipate that the amendment would be effective
17 before 2013. At this time, PSNH does not plan to hold a bondholder meeting to
18 seek consent of existing bondholders to the proposed amendment because
19 financial consideration would likely be required to obtain such consent.

20

21 Currently, PSNH has \$507,285,000 in first mortgage bonds outstanding.

22 Assuming that the financing proposed in this petition is approved by the

23 Commission, after issuing the \$200 million of Long-term Debt, PSNH's total

1 outstanding first mortgage bonds would equal \$707,285,000. At such time,
2 holders of \$200 million in bonds would have provided consent upon issuance of
3 such bonds, resulting in consent from approximately 28.3 percent (\$200M /
4 \$707.285M) of the aggregate amount of bonds outstanding. Under this scenario,
5 the provisions of the current Indenture would continue to apply to all bondholders
6 until the percentage of consents reaches at least 50% percent. Although this
7 approach requires additional time to complete, there are no incremental costs
8 beyond the standard cost of issuance.

9

V. ISSUANCE OF INTEREST RATE LOCKS

10 **Q. Please describe PSNH's request for approval to use Rate Locks to hedge the**
11 **interest rate risk associated with the Long-term Debt issuance.**

12 A. PSNH requests authorization to enter into Rate Locks during the Financing Period
13 to hedge the interest rate risk associated with the issuance of the Long-term Debt
14 proposed in this petition.

15

16 **Q. Please explain why PSNH requests authorization to enter into Rate Locks.**

17 A. The use of Rate Locks will provide PSNH with a tool to reduce exposure to rising
18 interest rates by locking in a portion of the interest rate associated with the
19 proposed issuance of Long-term Debt. Rate Locks can be used in any market
20 environment, since locking in an interest rate eliminates a significant portion of
21 the uncertainty of the coupon rate on the anticipated debt issuance.

1 **Q. Does PSNH have any risk management policies and procedures in place to**
2 **manage the use of Rate Locks and to help mitigate losses and risks?**

3 A. NU currently has policies and procedures governing its and PSNH's use of
4 interest rate hedging instruments. These policies and procedures detail the scope,
5 strategy, and objectives of managing financial risks related to interest-rate
6 exposures. In addition, these policies and procedures state the responsibilities of
7 management and also establish the activities the applicable corporate departments
8 will follow to monitor, report, document, and process interest rate hedging
9 instruments. These policies and procedures are included with this filing in
10 Attachment 11.

11

12 **Q. How would PSNH use Rate Locks in anticipation of a planned debt issuance?**

13 A. There are several instruments that can be used to lock in the interest rate of a
14 planned debt issuance. One example is a Treasury Lock, which would be used to
15 hedge against potential increases in the U.S. Treasury portion of the coupon rate.
16 By locking in the U.S. Treasury rate in advance of the planned debt issuance,
17 PSNH may eliminate all or a portion of the risk associated with a rising interest
18 rate environment depending on what percentage of the principal amount of debt
19 was hedged. Conversely, if actual U.S. Treasury rates were to fall after PSNH
20 entered into the Treasury Lock, the Company's effective interest rate on the
21 hedged portion of the principal would reflect the higher locked-in rate.

1 Another example of a Rate Lock is a Forward-starting Swap, which functions
2 substantially similar to a Treasury Lock, except that the Forward-starting Swap is
3 based upon expected changes in the U.S. LIBOR swap market instead of the U.S.
4 Treasury market, and mitigates an issuer's credit spread risk in addition to
5 underlying Treasury rate risk. Like a Treasury Lock, at execution, a rate (in this
6 case the LIBOR swap rate vs. the Treasury rate) is locked in advance of the
7 anticipated bond issuance. LIBOR swap rates are often quoted relative to the
8 applicable U.S. Treasury benchmark (i.e., a 30-year LIBOR swap rate would be
9 quoted relative to a 30-year U.S. Treasury) and would therefore capture the U.S.
10 Treasury component of the coupon rate that PSNH realizes on the Long-term
11 Debt plus a spread that would mitigate a portion of the credit spread component
12 of the Company's debt coupon.

13
14 **Q. Please provide a hypothetical example of a Treasury Lock.**

15 A. Using the \$200 million of Long-term Debt proposed in this petition as an
16 example, if PSNH were able to issue such debt at a coupon rate of 6% based on
17 an underlying U.S. Treasury rate of 5% at the time of pricing, but previously
18 entered into a treasury lock that effectively locked in a U.S. Treasury rate of
19 4.89%, the cost of debt would be reduced by \$220,000 per year $[(5.00\% - 4.89\%)$
20 $\times \$200 \text{ million}]$ for the life of the debt. The Company would receive a payment
21 from the hedge counterparty at or close to issuance in an amount equal to the
22 present value of these annual savings. This payment would then be amortized
23 over the life of the debt. Equally, if PSNH had previously locked in a U.S.

1 Treasury rate of 5.11%, and then priced based upon the 5% U.S. Treasury rate,
2 the cost of debt would be effectively increased by the same amount.

3

4 **Q. Please provide a hypothetical example of a Forward-starting Swap.**

5 A. Using the preceding hypothetical Treasury Lock example, if PSNH entered into a
6 Forward-starting Swap that effectively locked in a U.S. Dollar swap rate of 5.39%
7 and the U.S. Dollar swap rate was 5.50% at the time of pricing, the cost of debt
8 would be reduced by \$220,000 per year $[(5.50\% - 5.39\%) \times \$200 \text{ million}]$ for the
9 life of the debt. The Company would receive a payment from the hedge
10 counterparty at or close to issuance in an amount equal to the present value of
11 these annual savings. This payment would then be amortized over the life of the
12 debt. Equally, if PSNH had previously locked in a U.S. Dollar swap rate of
13 5.61%, and the U.S. Dollar swap rate dropped to 5.50% by the time of pricing, the
14 cost of debt would be effectively increased by the same amount.

15

16 **Q. What is the cost of a Treasury Lock or Forward-starting Swap?**

17 A. There is no upfront cost to enter into a Treasury Lock or Forward-starting Swap.
18 However, a transaction fee, which is dependent upon the length of the period
19 during which the rate will be locked, is added to the locked rate. For example, the
20 fee to lock in the U.S. Treasury rate or enter into a Forward-starting Swap for
21 three months has historically ranged from approximately 0.05% to 0.15% of the
22 principal amount, but is currently around 0.02%. There are no other costs or

1 transaction fees that the Company might incur as a result of using a Treasury
2 Lock or Forward-starting Swap.

3

4 **Q. Has the Commission previously allowed PSNH's use of Rate Locks?**

5 A. Yes. On August 19, 2005, the Commission issued Order No. 24,505 in Docket
6 No. DE 05-107 allowing PSNH to utilize treasury locks in connection with a \$50
7 million debt issuance concurrently approved at that time. In addition, on May 21,
8 2004, the Commission issued Order No. 24,328 in Docket No. DE 04-039
9 allowing PSNH to utilize hedges in connection with a \$50 million debt issuance
10 concurrently approved at that time. The Commission also issued Order No.
11 23,841 in Docket No. DE 01-168 on November 9, 2001, allowing PSNH to enter
12 into derivative instruments for purposes of managing interest rate risk and
13 fixed/floating positions for specific outstanding debt issuances. Use of
14 derivatives by North Atlantic Energy Corporation, an affiliate of PSNH, was also
15 approved by the Commission in Docket No. DF 95-215.

16

17 **Q. Did PSNH enter into any hedge transactions for its last financing?**

18 A. No.

19

20 **Q. Does PSNH plan on entering into a hedge transaction related to the planned
21 issuance of the Long-term Debt described in this petition?**

22 A. If hedging is approved by the Commission, PSNH anticipates that it may enter
23 into a Treasury Lock or a Forward-starting Swap in connection with the proposed

1 Long-term Debt; however, the ultimate decision will depend on prevailing market
2 conditions.

3

VI. INCREASE IN SHORT-TERM DEBT AUTHORITY

4 **Q. Please describe PSNH's short-term debt.**

5 A. PSNH had \$27.6 million in outstanding short-term debt as of March 31, 2007,
6 consisting of NU System money pool borrowings with an annualized interest rate
7 of 5.29%, which was incurred to fund working capital requirements and capital
8 expenditures.

9

10 **Q. Please describe PSNH's current sources for funding short-term debt.**

11 A. PSNH is a member of the NU System money pool where short-term borrowing
12 needs of the member companies are met with available funds of other member
13 companies, including funds invested by PSNH's parent company, Northeast
14 Utilities ("NU Parent"). Funds may be withdrawn from, or required to be repaid
15 to, the NU System money pool at any time without prior notice. As a member of
16 the NU System money pool, PSNH may borrow up to the Commission-approved
17 short-term debt limit subject to availability of funds.

18

19 In the absence of such short-term fund availability, PSNH can also access an
20 unsecured revolving credit facility. Under this facility, PSNH can borrow up to
21 \$100 million on a short-term basis, on the terms and conditions of the credit

1 facility, as long as its ratio of Consolidated Debt to Total Capitalization does not
2 exceed 0.65:1.00.

3

4 **Q. Why is PSNH requesting an increase in its short-term debt authorization?**

5 A. Pursuant to Commission approval recently granted by Order No. 24,737 in
6 Docket No. DE 07-025, dated March 30, 2007, PSNH currently has a short-term
7 debt limit of 10 percent of the value of its net fixed plant in accordance with Puc
8 Rule §307.05, plus an additional 3 percent of its net fixed plant in excess of the
9 value of 10 percent of net fixed plant. The Company's net fixed plant, excluding
10 CWIP, as of March 31, 2007 was approximately \$1.09 billion. Therefore, PSNH
11 is currently authorized to issue short-term debt of approximately \$142 million
12 (13% of net fixed plant). As requested by PSNH in the aforesaid Docket, the
13 Commission authorized the temporary increase in the short-term debt limit by an
14 additional three percent (3%) of net fixed plant to be effective until December 31,
15 2007, or until PSNH's refinancing of short term debt with long term debt,
16 whichever occurs first. After this temporary authorization has expired, PSNH
17 will continue to invest in new capital additions in its distribution, transmission
18 and generation segments, and the Company will continue to need funds for
19 emergency storm restoration, for which it would have to rely heavily on short-
20 term borrowings. In addition, certain intra-month peaks in PSNH's short-term
21 borrowing may cause PSNH's short-term borrowings to exceed the ten percent
22 net fixed plant limit stipulated by Puc Rule §307.05. To manage short-term
23 liquidity needs and peak borrowing days, PSNH is seeking authority to increase

1 its short-term debt limit above the 10 percent of net fixed plant as stipulated by
2 Puc Rule §307.05, by an additional fixed amount of \$35 million starting the
3 earlier of January 1, 2008 or when the temporary authority granted in Docket No.
4 DE 07-025 runs out. This limit would remain in effect until further order by the
5 Commission.

6

7 **Q. Please explain PSNH's request for authority to borrow on a short-term basis**
8 **an additional \$35 million above the limit allowed by Puc Rule §307.05.**

9 A. As previously stated in pre-filed testimony in Docket No. DE 07-025, PSNH
10 seeks the additional short-term debt capacity to provide for liquidity should the
11 Company's short-term debt exceed 10% of net plant in the case of timing issues
12 associated with the issuance of new long-term debt or intra-month peaks as
13 described on page 4 of pre-filed testimony in Docket No. DE 07-025. The
14 possibility of unforeseen events (such as one or more significant storm events)
15 also might result in PSNH exceeding its 10% of net plant limit. PSNH believes
16 the flexibility of the higher short-term debt limit is less costly for customers than
17 the alternative funding source of parent capital contributions, and/or relying on
18 more frequent and smaller capital market long term debt issuances.

19

20 **Q. Why didn't PSNH request this additional authority on a more permanent**
21 **basis in it recent request to increase its short-term debt limit?**

22 A. In PSNH's testimony in Docket No. DE 07-025, PSNH stated that once it issues
23 additional long-term debt, it will no longer have a need for the incremental 3% of

1 net plant authorization. PSNH also stated that it would pursue a more permanent
2 solution to meet its short-term debt needs. Since that time, PSNH has examined
3 its short-term debt needs in relation to its long-term debt financings and has
4 concluded that it is desirable from an operational and economic perspective for
5 PSNH's short-term debt limit to be increased on a more permanent basis. While
6 there will be no near-term need for additional short-term debt once permanent
7 financing is issued this year, the need will not disappear. PSNH's long-term debt
8 financings in the future will be larger in order to reduce the cost associated with
9 the financings. Therefore, in order to provide PSNH with the continued
10 flexibility it needs to manage its cash flow, and to avoid frequent requests of the
11 Commission to temporarily increase its short-term debt limit, PSNH is requesting
12 an incremental \$35 million of short-term debt authority as a more permanent
13 solution.

14

15 **Q. Please explain how you determined that \$35 million in incremental short-**
16 **term debt is appropriate.**

17 A. The request for an additional \$35 million in short-term debt was based on PSNH's
18 need to maintain sufficient liquidity to support its growing capital expenditure
19 program and correspondingly higher rate base beyond the expiration of the
20 temporary authority which is to occur on or before December 31, 2007. PSNH's
21 request for a dollar-based cushion instead of a percentage-based cushion will
22 provide for a conservative increase in the short-term debt limit after the current
23 short-term debt limit expires as PSNH continues to invest in its distribution,

1 transmission and generation segments. Based on the latest forecast model for
 2 2008 of PSNH's net plant, the following table shows the maximum level of short-
 3 term borrowings permitted under the current 10% limit and the proposed limit at
 4 the end of each fiscal quarter. The proposed limit, as a percentage of net plant,
 5 drops from approximately 12.9% in March 2008 to approximately 12.5% by
 6 December 2008. As net plant continues to increase, short-term debt under the
 7 new limit as a percentage of net plant will continue to drop back towards the
 8 current 10% limit.

| Amounts in (000's) | Mar 2008 | Jun 2008 | Sep 2008 | Dec 2008 |
|---|--------------|--------------|--------------|--------------|
| Net Plant | \$ 1,226,665 | \$ 1,318,065 | \$ 1,349,036 | \$ 1,413,885 |
| Current STD Limit ⁽¹⁾ | \$ 122,667 | \$ 131,806 | \$ 134,904 | \$ 141,388 |
| Proposed Limit ⁽²⁾ | \$ 157,667 | \$ 166,806 | \$ 169,904 | \$ 176,388 |
| Effective % of Net Plant | 12.85% | 12.66% | 12.59% | 12.48% |

(1) 10% of Net Plant stipulated by Puc Rule §307.05

(2) 10% of Net Plant plus requested \$35 million cushion

10
11

12 **Q. Do you believe the proposed financing and issuance of Long-term Debt,**
 13 **amendment of the Indenture, use of Rate Locks, and an increase in the**
 14 **Company's short-term debt limit are in the public good?**

15 A. Yes.

1 **Q. When does PSNH need the Commission's approval for this financing**
2 **proposal?**

3 A. PSNH respectfully requests that the Commission issue an order approving the
4 financing proposal by July 31, 2007 so that it may access the markets as early as
5 the third quarter of 2007.

6

7 **Q. Does this conclude your testimony?**

8 A. Yes, it does.