FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549-1004

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended December 31, 1999

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from ____ to ____

Commission File Number	Registrant; State of Incorporation; Address; and Telephone Number	I.R.S. Employer Identification No.
1-5324	NORTHEAST UTILITIES (a Massachusetts voluntary assocation) 174 Brush Hill Avenue West Springfield, Massachusetts 01090-2010 Telephone: (413) 785-5871	04-2147929
0-11419	THE CONNECTICUT LIGHT AND POWER COMPANY (a Connecticut corporation) 107 Selden Street Berlin, Connecticut 06037-1616 Telephone: (860) 665-5000	06-0303850
1-6392	PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE (a New Hampshire corporation) 1000 Elm Street Manchester, New Hampshire 03105-0330 Telephone: (603) 669-4000	02-0181050
0-7624	WESTERN MASSACHUSETTS ELECTRIC COMPANY (a Massachusetts corporation) 174 Brush Hill Avenue West Springfield, Massachusetts 01090-2010 Telephone: (413) 785-5871	04-1961130
33-43508	NORTH ATLANTIC ENERGY CORPORATION (a New Hampshire corporation) 1000 Elm Street Manchester, New Hampshire 03105-0330 Telephone: (603) 669-4000	06-1339460

Securities registered pursuant to Section 12(b) of the Act:

Registrant	Title of Each Class	Name of Each Exchange on Which Registered
Northeast Utilities	Common Shares, $5.00 par value	New York Stock Exchange, Inc.
The Connecticut Light and Power Company	9.3% Cumulative Monthly Income Preferred Securities Series A (1)	New York Stock Exchange, Inc.

(1) Issued by CL&P Capital, L.P., a wholly owned subsidiary of The Connecticut Light and Power Company ("CL&P"), and guaranteed by CL&P.

Securities registered pursuant to Section 12(g) of the Act:

Registrant	Title of Each Class
The Connecticut Light and Power Company	Preferred Stock, par value $50.00 per share, issuable in series, of which the following series are outstanding: $1.90 Series of 1947 4.96% Series of 1958 $2.00 Series of 1947 4.50% Series of 1963 $2.04 Series of 1949 5.28% Series of 1967 $2.20 Series of 1949 6.56% Series of 1968 3.90% Series of 1949 $3.24 Series G of 1968

	$2.06 Series E of 1954 — 7.23% Series of 1992 $2.09 Series F of 1955 — 5.30% Series of 1993 4.50% Series of 1956
Public Service Company of New Hampshire	Preferred Stock, par value $25.00 per share, issuable in series, of which the following series is outstanding: 10.60% Series A of 1991
Western Massachusetts Electric Company	Preferred Stock, par value $100.00 per share, issuable in series, of which the following series is outstanding: 7.72% Series B of 1971 Class A Preferred Stock, par value $25.00 per share, issuable in series, of which the following series is outstanding: 7.60% Series of 1987

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of Northeast Utilities' Common Share, $5.00 Par Value, held by nonaffiliates, was $2,584,522,278 based on a closing sales price of $18.815 per share for the 137,383,244 common shares outstanding on February 29, 2000. Northeast Utilities holds all of the 12,222,930 shares, 1,000 shares, 1,072,471 shares and 1,000 shares of the outstanding common stock of The Connecticut Light and Power Company, Public Service Company of New Hampshire, Western Massachusetts Electric Company, and North Atlantic Energy Corporation, respectively.

Documents Incorporated by Reference:

Description	Part of Form 10-K into Which Document is Incorporated
Portions of Annual Reports to Shareholders of the following companies for the year ended December 31, 1999:	
Northeast Utilities	Part II
The Connecticut Light and Power Company	Part II
Public Service Company of New Hampshire	Part II
Western Massachusetts Electric Company	Part II
North Atlantic Energy Corporation	Part II
Portions of the Northeast Utilities Proxy Statement dated March 31, 2000	Part III

GLOSSARY OF TERMS

The following is a glossary of frequently used abbreviations or acronyms that are found throughout this report:

COMPANIES

NU	Northeast Utilities
CL&P	The Connecticut Light and Power Company
Charter Oak or COE	Charter Oak Energy, Inc.
WMECO	Western Massachusetts Electric Company
HWP	Holyoke Water Power Company
NUSCO or the Service Company	Northeast Utilities Service Company
NNECO	Northeast Nuclear Energy Company
NAEC	North Atlantic Energy Corporation

NAESCO or North Atlantic	North Atlantic Energy Service Corporation
PSNH	Public Service Company of New Hampshire
RRR	The Rocky River Realty Company
Select Energy	Select Energy, Inc.
Mode 1	Mode 1 Communications, Inc.
HEC	HEC Inc.
Quinnehtuk	The Quinnehtuk Company
The NU system	The Northeast Utilities System
CYAPC	Connecticut Yankee Atomic Power Company
MYAPC	Maine Yankee Atomic Power Company
VYNPC	Vermont Yankee Nuclear Power Corporation
YAEC	Yankee Atomic Electric Company
The Yankee Companies	CYAPC, MYAPC, VYNPC, and YAEC

GENERATING UNITS

Millstone 1	Millstone Unit No. 1, a 660 MW nuclear unit completed in 1970
Millstone 2	Millstone Unit No. 2, an 870 MW nuclear electric generating unit completed in 1975
Millstone 3	Millstone Unit No. 3, a 1,154 MW nuclear electric generating unit completed in 1986
Seabrook or Seabrook 1	Seabrook Unit No. 1, a 1,148 MW nuclear electric generating unit completed in 1986. Seabrook 1 went into service in 1990.

REGULATORS

DOE	U.S. Department of Energy
DTE	Massachusetts Department of Telecommunications and Energy
DPUC	Connecticut Department of Public Utility Control
MDEP	Massachusetts Department of Environmental Protection
CDEP	Connecticut Department of Environmental Protection
EPA	U.S. Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
NHDES	New Hampshire Department of Environmental Services
NHPUC	New Hampshire Public Utilities Commission
NRC	Nuclear Regulatory Commission
SEC	Securities and Exchange Commission

OTHER

1935 Act	Public Utility Holding Company Act of 1935
CAAA	Clean Air Act Amendments of 1990
DSM	Demand-Side Management
Energy Act	Energy Policy Act of 1992
EWG	Exempt wholesale generator
EAC	Energy Adjustment Clause (CL&P)
FAC	Fuel Adjustment Clause (CL&P)
FPPAC	Fuel and purchased-power adjustment clause (PSNH)
FUCO	Foreign utility company
GUAC	Generation Utilization Adjustment Clause (CL&P)
IRM	Integrated resource management
kWh	Kilowatt-hour
MW	Megawatt
NBFT	Niantic Bay Fuel Trust, lessor of nuclear fuel used by CL&P and WMECO
NEPOOL	New England Power Pool
NUGs	Nonutility generators
NUG&T	Northeast Utilities Generation and Transmission Agreement
QF	Qualifying facility

NORTHEAST UTILITIES
THE CONNECTICUT LIGHT AND POWER COMPANY
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
WESTERN MASSACHUSETTS ELECTRIC COMPANY
NORTH ATLANTIC ENERGY CORPORATION

1999 Form 10-K Annual Report
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NORTHEAST UTILITIES
THE CONNECTICUT LIGHT AND POWER COMPANY
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
WESTERN MASSACHUSETTS ELECTRIC COMPANY
NORTH ATLANTIC ENERGY CORPORATION

PART I

ITEM 1. BUSINESS

THE NORTHEAST UTILITIES SYSTEM

Northeast Utilities (NU) is the parent company of the Northeast Utilities system (the NU system). The NU system furnishes franchised retail electric service in Connecticut, New Hampshire and western Massachusetts through three of NU's wholly owned subsidiaries (The Connecticut Light and Power Company [CL&P], Public Service Company of New Hampshire [PSNH] and Western Massachusetts Electric Company [WMECO]) and to a limited number of customers through another wholly owned subsidiary, Holyoke Water Power Company (HWP). The NU system serves approximately 30 percent of New England's electric needs and is one of the 20 largest electric utility systems in the country as measured by revenues.

NU, through its wholly owned subsidiary, NU Enterprises, Inc. (NUEI), owns a number of competitive energy and telecommunications related businesses, including Northeast Generation Company (NGC), Northeast Generation Services Company (NGS), Select Energy, Inc. (Select Energy), HEC Inc. (HEC), Mode 1 Communications, Inc. (Mode 1) and Select Energy Portland Pipeline, Inc. (SEPPI). For information regarding the activities of these subsidiaries, see "Competitive System Businesses."

North Atlantic Energy Corporation (NAEC) is a wholly owned special-purpose operating subsidiary of NU that owns a 35.98 percent interest in the Seabrook nuclear generating facility (Seabrook) in Seabrook, New Hampshire, and sells its share of the capacity and output from Seabrook to PSNH under two life-of-unit, full-cost recovery contracts (Seabrook Power Contracts).

Several wholly owned subsidiaries of NU provide support services for the NU system companies and, in some cases, for other New England utilities. Northeast Utilities Service Company (NUSCO) provides centralized accounting, administrative, information technology, engineering, financial, legal, operational, planning, purchasing, and other services to the NU system companies. North Atlantic Energy Service Corporation (NAESCO) has operational responsibility for Seabrook. Northeast Nuclear Energy Company (NNECO) acts as agent for the NU system companies in operating the Millstone nuclear generating units (Millstone) in Waterford, Connecticut. Three other subsidiaries construct, acquire or lease some of the property and facilities used by the NU system companies.

The NU system is regulated in virtually all aspects of its business by various federal and state agencies, including the Securities and Exchange Commission (SEC), the Federal Energy Regulatory Commission (FERC), the Nuclear Regulatory Commission (NRC) and various state and/or local regulatory authorities with jurisdiction over the industry and the service areas in which each company operates, including the Connecticut Department of Public Utility Control (DPUC), the New Hampshire Public Utilities Commission (NHPUC) and the Massachusetts Department of Telecommunications and Energy (DTE). In recent years, there has been significant activity at both the legislative and regulatory levels to change the nature of regulation of the industry. For more information regarding these restructuring initiatives, see "Rates and Electric Industry Restructuring" and "Regulated Electric Operations."

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

In connection with the safe harbor provisions of the Private Securities

Litigation Reform Act of 1995 (Reform Act), NU and its reporting subsidiaries are hereby filing cautionary statements identifying important factors that could cause NU or its subsidiaries' actual results to differ materially from those projected in forward looking statements (as such term is defined in the Reform Act) made by or on behalf of NU or its subsidiaries in this combined Form 10-K, in any subsequent filings with the SEC, in presentations, in response to questions, or otherwise. Any statements that express or involve discussions as to expectations, beliefs, plans, objectives, assumptions or future events, or performance (often, but not always, through the use of words or phrases such as will likely result, are expected to, will continue, is anticipated, estimated, projection, outlook) are not statements of historical facts and may be forward looking. Forward looking statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed in the forward looking statements. Accordingly, any such statements are qualified in their entirety by reference to, and are accompanied by, the following important factors that could cause NU or its subsidiaries' actual results to differ materially from those contained in forward looking statements of NU or its subsidiaries made by or on behalf of NU or its subsidiaries.

Any forward looking statement speaks only as of the date on which such statement is made, and NU and its subsidiaries undertake no obligation to update any forward looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors may cause actual results to differ materially from those contained in any forward looking statements; however, NU and its subsidiaries are required by law to update and disclose any material developments related to previously disclosed information or to correct any material statement made in this report and in all future reports that turns out to be false.

Some important factors that could cause actual results or outcomes to differ materially from those discussed in the forward looking statements include prevailing governmental policies and regulatory actions, including those of the SEC, the NRC, the FERC, and state regulatory agencies, with respect to allowed rates of return, industry and rate structure, operation of nuclear power facilities, acquisition and disposal of assets and facilities, operation and construction of plant facilities, recovery of purchased-power costs, stranded costs, decommissioning costs, and present or prospective wholesale and retail competition (including but not limited to retail wheeling and transmission costs).

The business and profitability of NU and its subsidiaries are also influenced by economic and geographic factors including political and economic risks, changes in environmental and safety laws and policies, weather conditions (including natural disasters), population growth rates and demographic patterns, competition for retail and wholesale customers, pricing and transportation of commodities, market demand for energy from plants or facilities, changes in tax rates or policies or in rates of inflation, changes in project costs, unanticipated changes in certain expenses and capital expenditures, capital market conditions, competition for new energy development opportunities, and legal and administrative proceedings (whether civil or criminal) and settlements.

All such factors are difficult to predict, contain uncertainties which may materially affect actual results and are beyond the control of NU or its subsidiaries.

MERGERS AND AQUISITIONS

CONSOLIDATED EDISON, INC. (CON EDISON) MERGER

On October 13, 1999, NU and Con Edison agreed to a merger to combine the two companies. Assuming the merger closes on December 31, 2000, and NU meets the nuclear divestiture condition discussed below, Con Edison will pay approximately $3.8 billion for all the common shares of NU. In addition, Con Edison will assume NU's debt, capitalized leases and preferred securities which totaled $3.7 billion as of December 31, 1999. As of the present time, however, NU and Con Edison are attempting to achieve a closing in July 2000.

Under the agreement, Con Edison will pay a base price of $25 for each share of NU in a combination of cash and Con Edison common stock. NU shareholders will receive an additional $1 per share in value if definitive agreements to sell CL&P's and WMECO's interests in Millstone 2 and 3 are entered into and recommended by the Utility Operations and Management Unit of the DPUC on or prior to the later of December 31, 2000, or the closing of the merger (the divestiture condition). If the merger closes before the divestiture condition is met, NU shareholders still will receive the additional $1 per share if the divestiture condition is met prior to December 31, 2000. Further, the value of the amount of cash or stock to be received by NU shareholders will increase by $0.0034 per share per day, or about 10 cents per month, for each day that the transaction does not close after

August 5, 2000.

NU shareholders will have the right to elect either cash or stock, but their elections are subject to proration if the cumulative elections exceed 50 percent in either cash or stock. NU shareholders who elect to receive stock will receive a number of shares of Con Edison stock based on the average trading price of Con Edison shares, determined pursuant to a formula, during a fixed period prior to the closing (pricing period).

The merger price is subject to a trading price collar on Con Edison's share price of between $36 and $46. Assuming the divestiture condition is satisfied, a Con Edison average stock price within the collar and a year end 2000 closing, the total value of Con Edison common stock received by the NU shareholders for each NU share will be $26.50. However, if the average price of Con Edison stock is below $36 per share during the pricing period, the stock component of the transaction will decline in value. For example, assuming a shareholder receives 50 percent stock and 50 percent cash, for each $1 below $36 that Con Edison averages during the pricing period, the total value of each NU share will decline by approximately 37 cents per share. Conversely, for each $1 above $46 that Con Edison averages during the pricing period, the value of the transaction to that NU shareholder grows by approximately 29 cents per share.

Ultimately the value of the transaction to NU shareholders depends on NU's ability to satisfy the divestiture condition, the actual timing of the closing, and the average price of Con Edison shares during the pricing period.

On July 7, 1999, the DPUC issued a decision on the determination of the minimum bids to be utilized in the auction process to dispose of Millstone. On December 29, 1999, the Connecticut Office of Consumer Counsel (OCC) filed a motion with the Connecticut Superior Court for a partial stay of the decision, which, if granted, would stay the fixing of the minimum bid prices for CL&P's share of Millstone. Although CL&P believes that it is highly unlikely that such a stay will be granted, such a stay would delay the commencement of the auction process for Millstone and adversely affect NU's ability to meet the divestiture condition.

The merger is conditioned upon the approval of the shareholders of both companies and several state regulatory agencies, the FERC, the SEC, and the NRC. The companies hope that these regulatory proceedings can be completed by the end of July 2000.

Upon completion of the merger, NU will become a wholly owned subsidiary of Con Edison. NU's operating companies will retain their names, and their headquarters will continue to be located in their respective service territories. The combined company will be the nation's largest electric distribution utility as measured by customers with over 5 million electric as well as 1.4 million gas customers serving a diverse mix of urban and suburban communities with a population of more than 13 million. The companies have estimated that the combined company will have revenues on a pro forma basis of approximately $11.9 billion and total assets of $27.3 billion, as of December 31, 1999.

YANKEE ENERGY SYSTEM, INC. (YANKEE) MERGER

On March 1, 2000, NU acquired Yankee, and Yankee became a wholly owned subsidiary of NU. Yankee is the parent of the Yankee Gas Services Company, the largest natural gas distribution company in Connecticut. NU paid $45 per share or $478 million in cash and stock for all Yankee shares. In addition, NU assumed $164 million of Yankee's outstanding long-term debt and all of its short-term debt which totaled $70 million at closing. Yankee shareholders received 45 percent of the $478 million in NU common shares and 55 percent in cash. NU arranged financing for the cash portion of the deal and met the stock component of the deal by issuing 11.1 million new NU shares. NU expects to redeem the majority of these shares later this year by closing out a forward share purchase program with proceeds from restructuring. The forward share purchase program was conducted late in 1999 and early in 2000 through two financial institutions. With certain limited exceptions, NU is prohibited from purchasing additional shares under its merger agreement with Con Edison.

Yankee will continue to act as the holding company of the Yankee Gas Services Company and its four active nonutility subsidiaries, NorConn Properties, Inc., which holds the property and facilities of Yankee; Yankee Energy Financial Services Company, which provides customers with financing for energy equipment installations; Yankee Energy Services Company (YESCO), which provides energy-related services; and R.M. Services, Inc., which provides debt collection service to utilities and other businesses nationwide. It is expected that YESCO's business will be closely coordinated with HEC's energy management business. For more information regarding HEC, see "Competitive System Businesses" below.

RATES AND ELECTRIC INDUSTRY RESTRUCTURING

GENERAL

NU's electric utility subsidiaries, CL&P, WMECO and PSNH, have undergone, or will undergo, fundamental changes in their business operations as a result of the restructuring of the electric industry in their respective jurisdictions. Most notably, the companies have divested, or will divest, all of their interests in generation assets and will solely act as transmission and distribution companies in the future. In general, their customers will be able to choose their energy suppliers, with the electric utility companies furnishing "standard offer" service just to those customers who do not choose a competitive supplier. Critical to this restructuring is the companies' ability to recover their stranded costs. Stranded costs are expenditures incurred, or commitments for future expenditures made, on behalf of customers with the expectation such expenditures would continue to be recoverable in the future through rates. However, under certain circumstances these costs might not be recoverable from customers in a fully competitive electric utility industry (i.e., the costs may result in above-market energy prices).

As discussed more fully below, Connecticut and Massachusetts have enacted restructuring legislation that permits CL&P and WMECO to recover substantially all of their prudently incurred stranded costs. NU, PSNH and the state of New Hampshire have reached a settlement (Settlement Agreement), which, if approved, will permit, PSNH to recover a substantial portion of its stranded costs in connection with restructuring.

CONNECTICUT RATES AND RESTRUCTURING

Pursuant to legislation enacted in April 1998, CL&P has sold or will sell all of its generating capacity and disposed of or renegotiated its power supply contracts, and effective January 1, 2000, began acquiring its standard offer energy supply on the open market through competitive bidding. On January 1, 2000, up to 35 percent of CL&P customers located in distressed cities became eligible to choose their electric supplier. On July 1, 2000, 100 percent of CL&P's customers will be able to choose their electric supplier. Customers who do not choose an alternate supplier may take standard offer service from CL&P until December 31, 2003.

CL&P had sought permission in March 1999 from the DPUC pursuant to the restructuring legislation to recover from customers approximately $4.4 billion of its stranded costs. In a July 7, 1999 decision, the DPUC approved the recovery of approximately $3.5 billion of stranded costs and provided for the possible recovery of a significant portion of the remaining amount in the future through adjustments to the decision's assumptions about future market prices of power and other variables when the actual prices and values of those variables are known. The OCC appealed this decision in August 1999. The appeal is now pending.

In April 1999, CL&P filed with the DPUC for approval of its standard offer rates. On October 1, 1999 and December 15, 1999, the DPUC issued decisions regarding this filing. CL&P's overall rates, effective January 1, 2000, reflect a 10 percent reduction from the December 31, 1996 rate, as mandated by the state restructuring legislation. CL&P's rates have been unbundled into seven components, including an energy component, in order to implement the legislation and allow customers to purchase energy from competitive suppliers beginning on January 1, 2000.

In the October 1, 1999 decision, the DPUC also identified $470 million of nonnuclear stranded costs that would be eligible for securitization if customer benefits can be shown in a separate proceeding, which is expected to be filed in the spring of 2000. Securitization is the monetizing of stranded costs through the sale of nonrecourse debt securities, rate reduction bonds, by a special purpose entity, as authorized by legislation, which are collateralized by the NU system companies' interests in their stranded cost recoveries. Securitization proceeds are applied in general to retire higher cost capital of the utility.

The DPUC approved an interim nuclear capital recovery mechanism for the period from January 1, 2000, until the nuclear units are sold at auction. The DPUC, however, denied the recovery of most of the capital costs associated with CL&P's nuclear investment subsequent to June 30, 1997, which CL&P had expended or will expend prior to the sale of the plants, currently estimated to occur in 2001. The DPUC has reopened the docket to reconsider this portion of the order. Management believes the restructuring legislation provides for the recovery of these prudently incurred expenditures. If CL&P is unsuccessful in favorably resolving this contingency, an impairment loss of approximately $50 million would be recorded.

CL&P's power supply to furnish standard offer service was procured through a competitive bidding process conducted by the DPUC. On November 3, 1999, two unaffiliated companies were awarded 50 percent of CL&P's total standard offer service load. As permitted in the restructuring legislation, CL&P's competitive affiliate, an energy supply company, Select Energy, is providing the remaining 50 percent, at the weighted average price of the winning bids submitted by the unaffiliated companies. The four-year supply contracts were effective January 1, 2000.

On December 15, 1999, as required by the restructuring legislation, CL&P sold 2,235 megawatts (MW) of fossil-fueled generation assets in Connecticut to an unaffiliated company for $460 million, and in March 2000, CL&P transferred 1,057 MW of hydroelectric generation assets in Connecticut and Massachusetts to NGC, an affiliated company, for approximately $681 million.

During the first quarter of 1999, in accordance with the Connecticut restructuring legislation, CL&P renegotiated 15 power purchase agreements (PPAs) with independent power producers. These renegotiations resulted in buy out, buy down or prepayment agreements relating to the 15 PPAs. These agreements were filed with the DPUC for approval and require that CL&P make cash payments to the plant owners, contingent upon its receipt of proceeds from rate reduction bonds. The DPUC has approved one of the agreements and the DPUC proceedings concerning the remaining agreements are pending. For CL&P's PPAs that were not renegotiated, an auction is being conducted by the DPUC. CL&P expects that the auction results will be known in the first quarter of 2000.

In November 1999, CL&P filed its divestiture plan for Millstone with the DPUC. CL&P expects the auction of its share of Millstone, which will include WMECO's and PSNH's share as well, to begin shortly after the DPUC has approved its divestiture plan, which is currently expected to occur in March 2000. Based on this schedule a successful bidder could be chosen by mid 2000 with a closing in 2001. No NU system company will participate. CL&P intends to auction its interest in the Seabrook nuclear plant when NAEC auctions its Seabrook interest. The NAEC auction is contingent on approval of the PSNH Settlement Agreement, discussed more fully below, and on NHPUC approval of a divestiture plan.

In the fall of 1999, in order to implement the generation divestiture provisions of the restructuring legislation, CL&P and WMECO agreed to sell the capacity and energy associated with their unit entitlements in Millstone 2 and 3 and Seabrook to Select Energy and five unaffiliated companies beginning January 1, 2000, and ending December 31, 2001. The price the purchasers will pay is generally comprised of a capacity charge and an energy charge. If the units operate as expected, the revenues that result from these contracts over the two year period are expected to recover CL&P's and WMECO's share of the nuclear operating costs including a return of and on the remaining nuclear plant balances. The energy payments to CL&P and WMECO, however, are contingent on the plants operating.

MASSACHUSETTS RATES AND RESTRUCTURING

Massachusetts enacted comprehensive electric utility industry restructuring in November 1997. The legislation mandated, among other things, customer choice of an energy supplier as of March 1, 1998, and reduction of each electric utility's rates, including WMECO, by September 1, 1999, to a level 15 percent below those in effect in August 1997, adjusted for inflation.

On September 17, 1999 and on December 20, 1999, the DTE issued orders on WMECO'S restructuring plan. The orders permit WMECO to recover, among other items, nonnuclear generation-related asset costs, certain nuclear generation-related asset costs and nuclear decommissioning costs. The DTE also approved WMECO's requested 11 percent return on equity for those transition costs earning a return as well as the sale of WMECO's interest in Millstone to be conducted concurrently with CL&P's sale of its interest in Millstone.

The DTE disallowed a return on WMECO's Millstone 1 investment and on its investment in Millstone 2 and 3 from the date of retail access (March 1, 1998) until the date such units returned to service from their extended outages (July 15, 1998 for Millstone 3 and May 19, 1999 for Millstone 2). The pretax impact to WMECO's earnings from these dissallowances was $41 million. Two intervenors in WMECO's restructuring proceedings have appealed the decision.

On December 30, 1999, the DTE approved the results of the auctions held by WMECO to procure competitive standard offer service, default service and interruptible rate standard offer service for the year 2000 from four unaffiliated entities. Select Energy will supply customers receiving interruptible rate standard offer service. WMECO will competitively procure standard offer service, default service and interruptible rate standard offer service from January 1, 2001 through February 28, 2005, at a later date.

On July 23, 1999, pursuant to the restructuring legislation, WMECO completed the $47 million sale of 290 MW of fossil and hydroelectric generation assets to Consolidated Edison Energy, Massachusetts, Inc., and in March 2000, WMECO transferred 272 MW of hydro generation assets to NGC for approximately $184 million. The net proceeds from these sales reduce WMECO's stranded costs.

WMECO intends to file an application with the DTE in 2000, requesting authorization to securitize a portion of its stranded costs.

NEW HAMPSHIRE RATES AND RESTRUCTURING

The state of New Hampshire's attempts to restructure the electric utility industry in that state have resulted in extensive litigation in various federal and state courts. In 1996, New Hampshire enacted legislation requiring a competitive electric industry beginning in 1997. In February 1997, the NHPUC issued restructuring orders that would have forced PSNH and NAEC to write off all of their regulatory assets and possibly seek protection under Chapter 11 of the bankruptcy laws. Following the issuance of these orders, PSNH immediately sought declaratory and injunctive relief on various grounds in federal district court and received a preliminary injunction that prevents implementation of the NHPUC's restructuring orders.

In August 1999, NU, PSNH and the state of New Hampshire signed a Settlement Agreement intended to settle a number of pending regulatory and court proceedings related to PSNH. Parties to the agreement included the governor of New Hampshire, the Governor's Office of Energy and Community Service, the New Hampshire attorney general, certain members of the staff of the NHPUC, PSNH, and NU. The Settlement Agreement was submitted to the NHPUC on August 2, 1999, and is awaiting approval. If approved by the NHPUC, the Settlement Agreement would resolve 11 NHPUC dockets and PSNH's federal lawsuit which had enjoined the state of New Hampshire from implementing its restructuring legislation, would require PSNH to write off $225 million after-tax of its stranded costs and would allow for the recovery of the remaining amount. Also, implementation of the Settlement Agreement is contingent upon the issuance of $725 million in rate reduction bonds (securitization). Issuance of the rate reduction bonds requires the initial approval of the NHPUC and final approval from the New Hampshire Legislature via enactment of appropriate legislation. Other approvals are also required from various federal and state regulatory agencies and financial lenders. Under the terms of the Settlement Agreement, on the effective date, PSNH's rates will be reduced from current levels by an average of 18.3 percent. A decision on the Settlement Agreement is expected in the first quarter of 2000.

The Settlement Agreement also requires PSNH to sell its generation assets and certain power contracts, including PSNH's current purchased-power contract with NAEC for the output from Seabrook. The net proceeds from all sales will be used to recover a portion of PSNH's stranded costs. The sales would be accomplished through an auction process subject to approval by the NHPUC. Following the divestiture, the transmission and distribution portion of the business will continue to be cost-of-service based.

On November 2, 1999, the NHPUC approved continuation of the fuel and purchased-power adjustment clause (FPPAC) charge for PSNH at its current level until May 31, 2000.

COMPETITIVE SYSTEM BUSINESSES

NU is engaged in a variety of competitive businesses through Select Energy, HEC, NGC, NGS, SEPPI, and Mode 1. With the exception of HEC whose business is nationwide, the competitive businesses operate primarily in the Northeast region of the United States.

ENERGY-RELATED PRODUCTS AND SERVICES AND GAS INVESTMENTS

Select Energy sells electricity, natural gas and oil to wholesale and retail customers in the northeastern United States. Select Energy is the largest wholesale and retail electric energy marketer in New England as measured by MW load. In addition, Select Energy also markets natural gas and develops and markets energy-related products and services and offers energy management services through an affiliate, HEC, discussed more fully below.

Select Energy has recently received licenses to provide retail electric supply from Delaware, New Jersey, Maine, Pennsylvania, New York, Massachusetts, Rhode Island, and New Hampshire. The DPUC has also granted Select Energy a six-month provisional license expiring on June 30, 2000, to serve customers in Connecticut. Proceedings at the DPUC are ongoing to extend Select Energy's license. Select Energy is currently registered with approximately 50 electric distribution companies and 50 gas distribution companies to provide retail services.

Select Energy's goal is to be the regional and national leader in providing standard offer service to those Northeast markets opened to retail competition. Currently, Select Energy provides more than 5,000 MW of standard offer load, making it the largest provider of standard offer service in the Northeast. On December 22, 1999, Select Energy and a Massachusetts utility signed a six-month power supply agreement, effective January 1, 2000, to meet the utility's standard offer service requirements, which are expected to exceed 3,000 MW. This contract does not include renewal or termination provisions. Select Energy has been serving this standard offer load since December 1998. During 1999, revenues billed to this customer totaled $276.1 million, or approximately 46 percent of Select Energy's revenues. On January 1, 2000, Select Energy began serving CL&P with one-half of its approximately 2,000 MW standard offer requirement for a four-year period. The CL&P standard offer contract does not include renewal provisions. Select Energy

can terminate the contract if the FERC or DPUC require changes to the contract which create material adverse economic impact to Select Energy which cannot be cured. These power supply contracts are expected to provide Select Energy with over 50 percent of its revenues in the year 2000. In addition, beginning in January 2000, Select Energy assumed responsibility for serving approximately 500 MW of market-based wholesale contracts throughout New England with electric energy supply that was previously provided by CL&P and WMECO. For the most part, the prices are fixed by contract and applicable to actual volumes.

As of December 31, 1999, Select Energy had contracts with retail electric customers in states throughout the Northeast with primarily one-year terms. These contracts represent approximately 650 MW of load and 17,000 service locations and include predominantly commercial, institutional and industrial accounts. This retail load establishes Select Energy as the largest competitive retail supplier in New England as measured by MW load. There is no single retail customer that accounts for over 5 percent of Select Energy's expected retail revenues.

The energy marketing and brokering business is intensely competitive, with many large companies with larger financial resources than NU's bidding for business in the increasingly restructured New England market. Sharply fluctuating cost of power supply caused by, among other things, weather extremes, plant outages and fuel costs, and a lack of load-following generating facilities, have made it difficult for Select Energy to economically match its wholesale power purchases with its power supply obligations. In 1998, Select Energy recorded a net loss of $13.4 million on revenues of $29.3 million, and in 1999 Select Energy recorded a net loss of $38.8 million on revenues of $554.9 million.

Disputes with respect to interpretation and implementation of the New England Power Pool (NEPOOL) market rules have arisen with respect to various competitive product markets. In certain cases, Select Energy and the NU operating companies stand to gain as a result of resolution of such disputes. In other cases, Select Energy and the NU operating companies could incur additional costs as a result of resolution of the disputes. The various disputes are in different stages of resolution through alternative dispute resolution and regulatory review. It is too early to tell the level of potential gain or loss that may result upon resolution of these issues. Select Energy's ability to economically compete has also been affected by NU's weakened financial position caused by the extended Millstone outages which ended in mid 1999.

In order to support and complement its growing wholesale and retail business, Select Energy has contracted with NGC, NU's generation holding company affiliate, to purchase 1,329 MW from resources acquired at auction from CL&P and WMECO for a six-year period beginning in 2000. In addition, Select Energy is purchasing approximately 200 MW of coal and hydroelectric generating resources from HWP and more than 1,500 MW of electrical supply from various New England generating facilities on a long-term basis. In addition, Select Energy utilizes generation failure insurance, options and energy futures to hedge its supply requirements.

In May of 1999, Select Energy signed a $26 million asset purchase agreement with Aurora Natural Gas LLC (Aurora). Aurora is a privately held natural gas marketing and trading company based in Dallas, Texas which serves the producer, wholesale and retail market segments. Select Energy acquired Aurora's retail customer contracts and associated natural gas supplies in New England, making Select Energy one of the region's largest competitive retail gas providers as measured by volume. As of December 31, 1999, Select Energy had contracts with approximately 650 retail gas customers, primarily located in Connecticut, Massachusetts and Pennsylvania. These contracts generally have one-year terms and include only commercial, institutional and industrial accounts. There is no single retail gas customer that accounts for over 5 percent of Select Energy's expected retail gas revenues. In 1999, Select Energy's retail gas revenues were approximately $20 million.

SEPPI was formed in March 1999 to hold a 5 percent partnership interest in the Portland Natural Gas Transmission System. SEPPI's investment in the project was $9.6 million as of December 31, 1999.

ELECTRIC GENERATION AND SERVICES

NGC was formed in 1999 to acquire generating facilities. In March 2000, 1,329 MW of hydroelectric and pumped storage generating assets in Connecticut and Massachusetts were transferred to NGC from CL&P and WMECO. These assets include seven facilities of CL&P's Housatonic River System (123 MW), three facilities that make up CL&P's Eastern Connecticut System, including one gas turbine (27 MW), the Northfield Mountain pumped storage station (owned 81% by CL&P and 19% by WMECO) and the Cabot and Turners Falls No. 1 hydroelectric stations located in Massachusetts and owned by WMECO (1,179 MW in aggregate). NGC has sold the capacity and output of the plants to Select Energy for a period of six years.

NGS was formed in 1999 to provide energy-related operation and maintenance services to owners of generation facilities and the industrial market in the Northeast. NGS currently focuses on providing turnkey management and operation services and also a full range of industrial and consulting services. NGS has entered into contracts to operate the generating facilities of NGC and HWP.

NGS's industrial services include maintenance, permitting, and environmental and specialized electrical testing services to large and medium-sized industrial businesses. NGS also provides consulting services to these customers, including engineering and design, construction management, asset development, due diligence reviews and environmental regulatory compliance and permitting services. During 1999, NGS's revenues were approximately $5.3 million, but are expected to grow significantly in 2000 as a result of the NGC and HWP contracts referenced above, which are expected to account for over 60 percent of NGS's revenues in 2000.

ENERGY MANAGEMENT SERVICES

In general, HEC contracts to reduce its customers' energy costs, improve their facilities and conserve energy and other resources. HEC's energy management and consulting services have primarily been directed to the commercial, industrial and institutional markets and utilities in the eastern United States. HEC has been awarded energy-saving contracts for federal installations throughout the United States. In competitive procurements by the U.S. Departments of Energy and Defense, HEC has been selected as an "Energy Saving Performance Contractor" (ESPC) for all 50 states and overseas bases. Specific task orders have been placed with HEC to date by Fort Huachuca in Arizona, Portsmouth Naval Shipyard in Maine and Tobyhanna Army Depot in Pennsylvania. The Tobyhanna award is the largest and calls for HEC to build a 13.5-mile gas pipeline, replace the inefficient central plant, upgrade controls and lighting, and provide gas and maintenance services for 22 years. In 1999, federal ESPC work constituted 38% of HEC's revenues. NU's aggregate equity investment in HEC was approximately $19 million as of December 31, 1999. HEC's 1999 revenues were approximately $46.6 million, double their 1998 total revenues.

In August 1999, HEC acquired through a wholly owned subsidiary, Select Energy Contracting, Inc., the name and substantially all of the assets of Denron Plumbing and HVAC, Inc. of Manchester, New Hampshire, the largest mechanical contractor in northern New England. HEC's revenues from the acquisition were $6.3 million in 1999.

TELECOMMUNICATIONS

Mode 1 was established in 1996 to participate in a wide range of telecommunications activities both within and outside New England. NU's cumulative, total investment in Mode 1 was approximately $6.3 million as of December 31, 1999. Mode 1 is a licensed competitive local exchange carrier authorized to provide local phone service within the state of Connecticut.

In 1999, Mode 1 constructed a fiber optic network called "HELPNET" connecting 41 public schools and libraries in the city of Hartford. Mode 1 was awarded a $3.3 million contract from the city for the HELPNET project, under a grant from the federal government.

Mode 1 currently owns approximately 26 percent, fully diluted, or approximately 4.8 million, of the common shares of NorthEast Optic Network, Inc. (NEON), which is constructing a fiber optic communications network through New England, New York, Philadelphia, and Washington, D.C., utilizing a portion of the NU system companies' transmission and distribution facilities. An officer of NU and an officer of NUSCO are members of the Board of Directors of NEON. In addition, NU is a party to an agreement with Central Maine Power Company (CMP), an owner of approximately 33 percent of NEON's common shares, fully diluted, wherein NU and CMP each agree that, as long as NU owns at least 10 percent of the outstanding common stock of NEON, fully diluted, and the cumulative holdings of NU and CMP are at least 33 1/3 percent, fully diluted, neither NU nor CMP will take any action which will allow NEON to merge, consolidate, liquidate or sell, lease or transfer substantially all of its assets or commence or acquiesce to any action or proceeding under any bankruptcy laws.

In November 1999, NEON entered into subscription agreements with Consolidated Edison Communications, Inc. (CEC), a subsidiary of Con Edison, and another unaffiliated company for NEON to issue stock in exchange for contributions to NEON by each utility of telecommunications assets in kind and cash. Under the agreements, CEC and the other party, subject to certain vesting conditions, ultimately would receive 10.75 and 9.25 percent of NEON stock, respectively, and would each nominate one member to the NEON board of directors. The agreements are subject to regulatory approvals, which are expected by the spring of 2000.

FINANCING PROGRAM

1999 FINANCINGS

On April 14, 1999, PSNH entered into two letters of credit and reimbursement agreements totaling $115.4 million, which support its Series D and E pollution control revenue bonds (PCRBs). The new letters of credit, which replaced similar letters of credit that were set to expire on April 22, 1999, allow the PCRBs to remain in their flexible, floating interest rate mode and expire on April 12, 2000. In connection with these letter of credit transactions, on April 14, 1999, PSNH terminated its $75 million revolving credit facility that was set to expire on April 22, 1999.

On November 19, 1999, NU entered into a $350 million, 364-day revolving credit facility which allows NU access to $200 million in cash and allows Select Energy and other competitive subsidiaries, subject to the overall $350 million limit, access to $250 million in letters of credit.

On November 19, 1999, CL&P and WMECO entered into a new 364-day revolving credit facility for $500 million, replacing the previous $313.75 million facility which was to expire on November 21, 1999. Under this agreement, CL&P and WMECO may draw up to $300 million and $200 million, respectively. Once CL&P and WMECO receive the proceeds of securitization, the borrowing limits will be reduced to $300 million, with a $200 million limit for CL&P and a $100 million limit for WMECO.

In connection with the sale of CL&P's fossil units, CL&P redeemed in December 1999, the following series of first mortgage bonds: 1994 Series B 6 1/8%, Series YY 7 1/2% and Series ZZ 7 3/8% and a portion of its Series XX 5 3/4%.

On September 14, 1999, the NU Board of Trustees approved the payment of NU's first common share dividend since March 1997. NU paid a dividend of 10 cents per share on December 30, 1999, to shareholders of record as of the close of business December 1, 1999. On January 11, 2000, the NU Board of Trustees declared a regular quarterly dividend of 10 cents per share, payable March 31, 2000, to shareholders of record of March 1, 2000. The record date for this dividend was changed on January 31, 2000 to March 6, 2000, to provide Yankee shareholders who received NU common shares the opportunity to receive the dividend following the Yankee merger.

Total NU system debt, including short-term and capitalized lease obligations, was $3.3 billion as of December 31, 1999, compared with $3.9 billion as of December 31, 1998. For more information regarding NU system financing, see "Notes to Consolidated Statements of Capitalization" in NU's financial statements, other footnotes related to long-term debt, short-term debt and the sale of accounts receivables, as applicable, in the notes to NU's, CL&P's, PSNH's, WMECO's, and NAEC's financial statements and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

2000 FINANCING REQUIREMENTS

The NU system's aggregate capital requirements for 2000 are approximately as follows:

	CL&P	PSNH	WMECO	NAEC	Other	NU system
			(Millions)			
Construction	$205.8	$ 51.6	$24.2	$ 4.5	$23.6	$309.7
Nuclear Fuel	47.5	1.2	10.7	14.8	-	74.2
Maturities	159.0	-	60.0	200.0	-	419.0
Cash Sinking Funds	19.8	25.0	1.5	70.0	28.1	144.4
Total	$432.1	$ 77.8	$96.4	$289.3	$51.7	$947.3

For further information on the NU system's 2000 and five-year financing requirements, see "Notes to Consolidated Statements of Capitalization" in NU's financial statements, "Long-Term Debt" in the notes to CL&P's, PSNH's, WMECO's, and NAEC's financial statements and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

2000 FINANCING PLANS

As a result of industry restructuring and new business initiatives, the NU system companies are likely to undertake a much higher level of financing, refinancing, and debt and preferred stock retirement in 2000 than they have in previous years. CL&P, PSNH and WMECO all intend to work with authorities in their respective states in 2000 to securitize stranded costs. More than $2.5 billion could become available to those three regulated companies and NAEC to retire debt and preferred stock and return common equity to the parent company. Additionally, the transfer of 1,329 MW of generating assets to NGC in March 2000 provided CL&P and WMECO with $681 million and $184 million, respectively, of additional proceeds, approximately $390 million of which is expected to be returned to NU in the form of stock repurchases ($300 million from CL&P and $90 million from WMECO) and the balance was used primarily to pay off debt and preferred stock. By the end of 2000, assuming securitization occurs in each state, NU anticipates that the total

capitalization of CL&P, PSNH, WMECO, and NAEC will be materially reduced from levels at the start of the year. Each of the regulated subsidiaries' construction needs, nuclear fuel purchases, maturities, and sinking funds is expected to be largely met through internally generated funds and short-term borrowings.

NU's merger with Yankee on March 1, 2000, was financed with a combination of 11.1 million newly issued NU shares and a $263 million senior term loan credit facility. NGC expects to finance the acquisition of certain of CL&P's and WMECO's hydroelectric assets with a $430 million credit facility that will mature on December 29, 2000. NGC is examining various options for refinancing that facility prior to its maturity.

As discussed above, PSNH has approximately $110 million of letters of credit that support certain variable-rate pollution control bonds. These letters of credit will expire on April 12, 2000. On March 1, 2000, the NHPUC approved PSNH's application to renew them for a 12-month period from April 4, 2000.

FINANCING LIMITATIONS

Many of the NU system companies' charters and borrowing facilities contain financial limitations that must be satisfied before borrowings can be made and for outstanding borrowings to remain outstanding.

Under their current revolving credit agreement, CL&P and WMECO are required to maintain a ratio of common equity to total capitalization of at least 28 percent through December 31, 1999, and 30 percent thereafter. At December 31, 1999, CL&P's and WMECO's common equity ratios were 34.61 percent and 34.65 percent, respectively. This agreement also requires, beginning in the fourth quarter of 1999, both CL&P and WMECO to maintain a quarterly ratio of 12-month operating income to interest expense (interest coverage ratio) of at least 2 to 1. For the quarter ended December 31, 1999, CL&P's and WMECO's interest coverage ratios were 3.44 to 1 and 2.69 to 1, respectively.

Under NU's revolving short-term credit agreement and its Yankee-related short-term loan agreement, NU is required to maintain a consolidated common equity ratio of at least 28 percent through December 31, 1999, and 30 percent thereafter. At December 31, 1999, NU's consolidated common equity ratio was 35.31 percent. In addition, NU is required to maintain a consolidated quarterly interest coverage ratio of 2 to 1. For the quarter ended December 31, 1999, NU's consolidated interest coverage ratio was 2.67 to 1. NU is also required to maintain as of the end of each quarter commencing with the quarter ending March 31, 2000, a ratio of operating cash flow to fixed charges of at least 1.50 to 1.

These agreements also limit NU's ability, without creditor approval, to incur additional debt, except for debt incurred in connection with pending matters, and limit NU's ability to make future investments, including investments in Select Energy and other subsidiaries in excess of $100 million and $50 million, respectively.

PSNH and NAEC are parties to a variety of financing agreements which provide that the credit thereunder can be terminated or accelerated if each does not maintain specified minimum ratios of common equity to capitalization (as defined in each agreement). For PSNH, the minimum common equity ratio required in certain letters of credit and reimbursement agreements is not less than 32.5 percent. At December 31, 1999, PSNH's common equity ratio was 56.6 percent. For NAEC, the minimum common equity ratio required under its term loan agreement is 25 percent; at December 31, 1999, NAEC's common equity ratio was 30.02 percent.

In addition, PSNH's letters of credit and reimbursement agreements require that for PSNH to obtain and maintain borrowings thereunder, it must demonstrate that its ratio of operating income to interest expense will be at least 2.35 to 1 at the end of each fiscal quarter for the remaining term of the agreements. The NAEC term loan agreement requires a ratio of adjusted net income to interest expense of 1.50 to 1 at the end of each fiscal quarter for the remaining term of the agreement. For the 12-month period ended December 31, 1999, the corresponding ratios for PSNH and NAEC were 4.98 to 1 and 2.84 to 1, respectively.

PSNH's letters of credit and reimbursement agreements limit PSNH's unsecured debt to $25 million. In addition, these financing agreements provide in effect that the credit thereunder can be terminated or accelerated if there are actions taken, either by PSNH or NAEC or by the state of New Hampshire, that deprive PSNH and/or NAEC of the benefits of the Rate Agreement and/or the Seabrook Power Contracts.

The amount of short-term debt that may be incurred by NU, CL&P, WMECO, HWP, and NAEC are also subject to periodic approval by the SEC under the 1935 Act. PSNH's short-term debt is regulated by the NHPUC. The following table shows the amount of short-term borrowings authorized by the SEC or the NHPUC for each company, as the case may be, as of December 31, 1999, and the net amounts of outstanding short-term debt and cash investments of those

companies at the end of 1999 and as of March 1, 2000:

	Maximum Authorized Short-Term Debt	Short-Term Debt Outstanding and (Cash Investments)*	
		December 31, 1999	March 1, 2000
		(Millions)	
NU	$400.0	$ 19.7	$ 34.7
CL&P	375.0	101.7	9.6
PSNH**	68.3	(180.1)	(237.1)
WMECO	250.0	132.4	133.4
HWP	5.0	(15.5)	(17.2)
NAEC	60.0	(56.4)	(61.0)
OTHER	N/A	45.1	74.5
Total		$ 46.9	$(63.1)

* These columns include borrowings of or cash investments by various NU system companies from NU and other NU system companies. Total NU system short-term indebtedness to unaffiliated lenders was $278 million at December 31, 1999, and $288 million at March 1, 2000.

** Under applicable NHPUC provisions, PSNH can incur short-term debt up to 10 percent of net fixed plant. As of December 31, 1999, PSNH's net fixed plant as measured by FERC was approximately $683 million, so PSNH could borrow up to $68.3 million of short-term debt.

The supplemental indentures under which NU issued $175 million in principal amount of 8.58 percent amortizing notes in December 1991 and $75 million in principal amount of 8.38 percent amortizing notes in March 1992 contain restrictions on dispositions of certain NU system companies' stock, limitations of liens on NU assets and restrictions on distributions on and acquisitions of NU stock. Under these provisions, NU, CL&P, PSNH, and WMECO may not dispose of voting stock of CL&P, PSNH or WMECO other than to NU or another NU system company, except that CL&P may sell voting stock for cash to third persons if so ordered by a regulatory agency so long as the amount sold is not more than 19 percent of CL&P's voting stock after the sale. The restrictions also generally prohibit NU from pledging voting stock of CL&P, PSNH or WMECO or granting liens on its other assets in amounts greater than five percent of the total common equity of NU. Many of the NU system companies' loan agreements have similar restrictions. As of December 31, 1999, no NU debt was secured by liens on NU assets. Furthermore, NU may not declare or make distributions on its capital stock, acquire its capital stock (or rights thereto), or permit a NU system company to do the same, at times when there is an event of default under the supplemental indentures under which the amortizing notes were issued.

Pursuant to its revolving short-term credit agreement and the Yankee credit agreement, NU may not declare dividends or make distributions, except for dividends not to exceed $53 million during any 12-month period and stock repurchases of up to $215 million in connection with the Yankee merger. Similar restrictions are found in NU's merger agreement with Con Edison.

The charters of CL&P and WMECO contain preferred stock provisions restricting the amount of unsecured debt those companies may incur. As of December 31, 1999, CL&P's and WMECO's charters permit CL&P and WMECO to incur an additional $322 million and $132 million, respectively, of unsecured debt.

The indentures securing the outstanding first mortgage bonds of CL&P, PSNH, WMECO, and NAEC provide that additional bonds may not be issued, except for certain refunding purposes, unless earnings (as defined in each indenture and before income taxes, and, in the case of PSNH, without deducting the amortization of PSNH's regulatory asset), are at least twice the pro forma annual interest charges on outstanding bonds, and certain prior lien obligations and bonds to be issued. While CL&P's and WMECO's 1999 earnings permit them to meet those earnings coverage tests, their loan agreements prohibit the issuance of additional first mortgage bonds.

The preferred stock provisions of CL&P's and WMECO's charters also prohibit the issuance of additional preferred stock (except for refinancing purposes) unless income before interest charges (as defined and after income taxes and depreciation) is at least 1.5 times the pro forma annual interest charges on indebtedness and the annual dividend requirements on preferred stock that will be outstanding after the additional stock is issued. CL&P and WMECO are currently unable to issue additional preferred stock under these provisions.

The supplemental indentures under which CL&P's first mortgage bonds have been issued limit the amount of cash dividends and other distributions these subsidiaries can make to NU out of their retained earnings. As of December

31, 1999, CL&P had an accumulated deficit of approximately $359 million that must be made up before it is able to make such distributions to NU. CL&P, however, has requested approval from the SEC permitting it to make up to $310 million of distributions to NU arising out of restructuring. The indenture under which NAEC's Series A Bonds have been issued also limits the amount of cash dividends or distributions NAEC can make to NU to retained earnings plus $10 million. At December 31, 1999, approximately $23 million was available to be paid under this provision.

PSNH's letters of credit and reimbursement agreements prohibit it from declaring or paying any cash dividends or distributions on any of its capital stock, except for dividends on preferred stock, unless minimum interest coverage and common equity ratio tests discussed above are satisfied. These agreements also require creditor approval for PSNH to pay more than an aggregate of $40 million of certain restricted payments (dividends or other distributions to NU and NUG settlement payments). PSNH's preferred stock provisions also limit the amount of cash dividends and other distributions PSNH can make to NU if, after taking the dividend or other distribution into account, PSNH's common stock equity is less than 20 percent of total capitalization. At December 31, 1999, approximately $1,047 million was available to be paid under these provisions. NAEC is also subject to a similar test under its term note agreement. At December 31, 1999, $29 million was available to be paid by NAEC under this provision.

In March 2000, in connection with the approval of PSNH's extension of certain letter of credit and reimbursement agreements, the NHPUC restated a previous order requiring PSNH to obtain NHPUC approval before paying any dividends on its common stock and before investing any PSNH funds in the NU system money pool during the expected 364-day term of the facilities. It is expected that the NHPUC will address this issue in connection with its decision on the Settlement Agreement.

Applicable merger accounting rules require that upon acquisition by NU, Yankee's and its subsidiaries' retained earnings are converted to capital surplus. Also, the merger premium NU paid to acquire Yankee will be allocated among Yankee and its subsidiaries, "pushed down" to their balance sheets and amortized to expense. The majority of the merger premium will be amortized over 40 years. Under the 1935 Act, subsidiaries of registered holding companies are only allowed to pay dividends out of retained earnings unless the SEC allows otherwise. The effect of this rule would be to prevent Yankee from paying dividends to NU from any source other than post-merger earnings, as reduced by the merger premium amortization. NU has sought permission from the SEC for Yankee and its subsidiaries to pay dividends up to the amount of Yankee's pre-merger retained earnings and post-merger retained earnings and without regard to merger premium amortization thereafter, and expects to receive this authorization during the second quarter of 2000.

NU also intends to apply to the SEC for waivers of these rules so that, following the merger with Con Edison, it and its subsidiaries, including Yankee, will be able to pay dividends utilizing the pre-merger retained earnings of the NU system and compute current earnings without regard to the amortization of the NU merger premium. If this order is not granted NU's ability to pay dividends to Con Edison would be constrained.

NU is required under the 1935 Act to maintain its consolidated common equity at a level equal to at least 30 percent of its consolidated capitalization. Following the issuance of rate reduction bonds by its subsidiaries, NU will temporarily be unable to meet this standard because such bonds, although nonrecourse to the NU system company issuers, are considered to be indebtedness of the companies under generally accepted accounting principles. The SEC has granted a waiver to NU allowing it to maintain its consolidated common equity ratio below 30 percent for one year following the date all of the NU system companies have issued the maximum amount of rate reduction bonds. The 30 percent test also applies to NU's electric operating subsidiaries. The SEC has granted them a waiver of this test for 12 years following the issuance of their respective rate reduction bonds.

NU provides credit assurance in the form of guarantees, letters of credit, performance guarantees and other assurances for the financial performance obligation of certain of its unregulated subsidiaries, particularly Select Energy. NU currently has authorization from the SEC to provide up to $500 million of guarantees, but is limited under certain loan agreements to $350 million of such arrangements without creditor approval. As of December 31, 1999, NU had provided approximately $190 million of such credit assurances.

Certain NU system financing agreements also have covenants or trigger events tied to credit ratings of certain NU system companies.

CONSTRUCTION PROGRAM

The NU system's construction program expenditures, including allowance for funds used during construction (AFUDC), in the period 2000 through 2004

are estimated to be as follows:

	2000	2001	2002	2003	2004
	(Millions of Dollars)				
CL&P	$205.8	$217.2	$268.2	$302.3	$271.0
PSNH	51.6	48.1	68.2	79.1	67.3
WMECO	24.2	21.0	22.0	23.5	21.9
NAEC	4.5	5.1	-	-	-
NGC	3.3	9.1	8.9	12.4	1.3
Other	20.3	19.6	17.3	13.4	11.6
NU System Total	$309.7	$320.1	$384.6	$430.7	$373.1

The construction program data shown above includes all anticipated capital costs necessary for committed projects and for those reasonably expected to become committed, regardless of whether the need for the project arises from environmental compliance, nuclear safety, reliability requirements, or other causes. While the data assumes the sale of Millstone and Seabrook by June 30, 2001 and December 31, 2001, respectively, the companies hope to close the Millstone sale by April 1, 2001. The construction program's main focus is maintaining and upgrading the existing transmission and distribution system and nuclear and hydroelectric generating assets.

REGULATED ELECTRIC OPERATIONS

DISTRIBUTION AND SALES

CL&P, PSNH and WMECO furnish retail franchise service in 149, 198 and 59 cities and towns in Connecticut, New Hampshire and Massachusetts, respectively. In December 1999, CL&P furnished retail franchise service to approximately 1.12 million customers in Connecticut, PSNH provided retail service to approximately 428,000 customers in New Hampshire and WMECO served approximately 198,000 retail franchise customers in Massachusetts. HWP serves 32 retail customers in Holyoke, Massachusetts.

The following table shows the sources of 1999 electric franchise retail revenues based on categories of customers:

	CL&P	PSNH	WMECO	Total NU system
Residential.....	46%	42%	41%	45%
Commercial.....	39%	35%	37%	37%
Industrial.....	13%	22%	21%	17%
Other.....	2%	1%	1%	1%
Total.....	100%	100%	100%	100%

The actual changes in retail kWh sales for the last two years and the forecasted retail sales growth estimates for the ten-year period 1999 through 2009 for CL&P, PSNH and WMECO are set forth below:

	1999 over 1998	1998 over 1997	Forecast 1999-2009 Compound Rate of Growth
NU system.....	3.8%	1.9%	1.4%
CL&P.....	2.9%	2.2%	1.5%
PSNH.....	5.3%	2.3%	1.6%
WMECO.....	3.6%	1.3%	1.1%

Consolidated NU retail sales grew by 3.8 percent in 1999, compared with 1998, primarily due to the continued strengthening of the regional economy and weather that was both hotter in the summer and colder in the winter than in 1998. Residential electric sales were up 6.2 percent. Commercial sales were up by 3 percent for the year and industrial sales increased by 1.5 percent. Retail sales for all of the NU system electric operating companies increased in 1999 with CL&P, WMECO and PSNH sales up 2.9 percent, 3.6 percent and 5.3 percent, respectively.

REGIONAL AND SYSTEM COORDINATION

The NU system companies and most other New England utilities are parties to an agreement (NEPOOL Agreement), which provides for coordinated planning and operation of the region's generation and transmission facilities. The NEPOOL Agreement was restated and revised as of March 1997 to provide for a pool-wide open access transmission tariff and for the creation of an Independent System Operator (ISO). Under these new arrangements: (i) the ISO, a nonprofit corporation whose board of directors and staff are not controlled by or affiliated with market participants, ensures the reliability of the NEPOOL transmission system, administers the NEPOOL tariff and oversees the efficient and competitive functioning of the regional power market; (ii)

the NEPOOL tariff provides for nondiscriminatory open access to the regional transmission network at one rate regardless of transmitting distance for all transactions; and (iii) a broader governance structure for NEPOOL and a more open, competitive market structure are established.

On April 7, 1999, the NEPOOL Executive Committee filed a comprehensive settlement of all issues set for hearing concerning the NEPOOL transmission tariff. The settlement resolves disputes concerning the calculation of revenue requirements for transmission over NEPOOL facilities and resolves disputes over alleged "double charges" under grandfathered transmission contracts retained by individual transmission providers, including NU. The settlement also includes a rate of return on equity ("ROE") component which sets the ROE for each individual transmission provider owning NEPOOL transmission facilities with respect to those facilities from March 1, 1997 through at least June 1, 2000, provided no changes to individual network transmission tariff rates are made after December 31, 1999. NU's ROE has been set at 11.75 percent.

There are two agreements that determine the manner in which costs and savings are allocated among the NU system electric operating companies. Under an agreement (NUG&T) among CL&P, WMECO and HWP, these companies pool their electric production costs and the costs of their principal transmission facilities. Pursuant to the merger agreement between NU and PSNH, these companies and PSNH entered into a ten-year sharing agreement (Sharing Agreement), expiring in June 2002, that provides, among other things, for the allocation of the capability responsibility savings and energy expense savings resulting from a single-system dispatch through NEPOOL.

On June 10, 1999, NUSCO, on behalf of CL&P, HWP and WMECO submitted a filing at the FERC to amend the NUG&T in order to eliminate the generation aspects of the agreement. Interventions were submitted by the Massachusetts attorney general and the DTE. While the DTE raised no issues with the proposed amendment, the Massachusetts attorney general protested the amendment, claiming that it would result in stranded costs being transferred unfairly to WMECO. On July 28, 1999, the FERC approved the proposed amendment subject to the outcome of a hearing which was held in abeyance pending the outcome of state restructuring proceedings. The DTE rejected the Massachusetts attorney general's arguments in an order dated December 1, 1999. While the FERC hearing continues to be held in abeyance, NUSCO and the Massachusetts attorney general filed pleadings on February 1, 2000, regarding the final disposition of the FERC proceeding.

Under the Settlement Agreement between PSNH and the state of New Hampshire, if approved, the Sharing Agreement would be terminated.

TRANSMISSION ACCESS AND FERC REGULATORY CHANGES

Pursuant to FERC Order 888 (issued in April 1996) NU system companies operate their transmission system under an open access, nondiscrimatory transmission tariff.

In December 1999, the FERC issued an order calling on all transmission owners to voluntarily join Regional Transmission Organizations (RTOs) in order to boost competition in electric markets. In general, these organizations would be an independent operator over all transmission facilities, and would perform, among other functions, tariff administration, construction planning and reliability management for the particular regional transmission system. NU's active voting interest in such an organization would be limited to 5 percent under the proposal.

NU system companies and other parties have requested rehearing of this order. Of primary concern to NU is the ratemaking authority granted to RTOs and its impact on the ability of transmission owners to earn appropriate returns on their transmission investment under the organizational structure and the minimum functions proposed in the order. The NU system companies are required to participate in a collaborative process established by the FERC beginning in March of 2000. NU is also required to notify the FERC of its plans with regard to joining one of these organizations no later than January 15, 2001.

NUCLEAR GENERATION

GENERAL

Certain NU system companies have ownership interests in four nuclear units, Millstone 1, 2 and 3 and Seabrook, and equity interests in four regional nuclear companies (the Yankee companies) that separately own the Connecticut Yankee nuclear unit (CY), the Maine Yankee nuclear unit (MY), the Vermont Yankee nuclear unit (VY), and the Yankee Rowe nuclear unit (Yankee Rowe). NU system companies operate the two Millstone units and Seabrook. Yankee Rowe, CY, MY, and Millstone 1 have been permanently removed from service.

CL&P and WMECO own 100 percent of Millstone 1 and 2 as tenants in common. Their respective ownership interests in each unit are 81 percent and

19 percent.

CL&P, PSNH and WMECO have agreements with other New England utilities covering their joint ownership as tenants in common of Millstone 3. CL&P's, PSNH's and WMECO's ownership interests in the unit are 52.93, 2.85 and 12.24 percent, respectively. NAEC and CL&P have 35.98 percent and 4.06 percent ownership interests, respectively, in Seabrook.

In 1996, one of the joint owners of Millstone 3, the Vermont Electric Generation and Transmission Cooperative, Inc. (VEG&T), filed for bankruptcy. The subsequent liquidation resulted in the offering of VEG&T's .35 percent share of Millstone 3 for sale to the joint owners of Millstone 3. None of the non-NU joint owners accepted the offer. CL&P intends, subject to approval of the bankruptcy court and the DPUC, to include the VEG&T share in its planned Millstone auction.

The Millstone 3 and Seabrook joint ownership agreements provide for pro-rata sharing by the owners of each unit of the construction and operating costs, the electrical output and the associated transmission costs. CL&P and WMECO, through NNECO as agent, operate Millstone 3 at cost, and without profit, under a sharing agreement that obligates them to utilize good utility operating practice and requires the joint owners to share the risk of employee negligence and other risks pro-rata in accordance with their ownership shares. The sharing agreement provides that CL&P and WMECO would only be liable for damages to the minority owners for a deliberate breach of the agreement pursuant to authorized corporate action.

For information regarding lawsuits filed against NU by the minority owners of Millstone 3 regarding the sharing agreement and certain arbitration proceedings related to the ongoing Millstone outages, see "Item 3. Legal Proceedings."

CL&P, PSNH, WMECO, and other New England electric utilities are the stockholders of the Yankee companies. Each Yankee company owns a single nuclear generating unit. The stockholder-sponsors of each Yankee company are responsible for proportional shares of the operating and decommissioning costs of the respective Yankee company and are entitled to proportional shares of the electrical output in the case of VY, which is the only operating unit of the four Yankee companies set forth below. The relative rights and obligations with respect to the Yankee companies are approximately proportional to the stockholders' percentage stock holdings, but vary slightly to reflect arrangements under which nonstockholder electric utilities have contractual rights to some of the output of particular units.

CL&P's, PSNH's and WMECO's stock ownership percentages in the Yankee companies are set forth below:

	CL&P	PSNH	WMECO	NU system
Connecticut Yankee Atomic Power Company (CYAPC).....	34.5%	5.0%	9.5%	49.0%
Maine Yankee Atomic Power Company (MYAPC).....	12.0%	5.0%	3.0%	20.0%
Vermont Yankee Nuclear Power Corporation (VYNPC)...	9.5%	4.0%	2.5%	16.0%
Yankee Atomic Electric Company (YAEC).....	24.5%	7.0%	7.0%	38.5%

On October 15, 1999, VYNPC agreed to sell VY for $22 million to AmerGen Energy Company LLC (AmerGen). AmerGen, among other commitments, agreed to assume the decommissioning cost of the unit after it is taken out of service, and the VYNPC owners have agreed to fund the uncollected decommissioning cost to a negotiated amount at the time of the closing of the sale. VYNPC's owners have also agreed either to enter into a new purchased-power agreement with AmerGen or to buy out such future power payment obligations by making a fixed payment to AmerGen. CL&P, WMECO and PSNH have elected the buyout option. The owners' obligations to close and pay such amounts are conditioned upon their receipt of satisfactory regulatory approval of the transaction, including provision for adequate recovery of these payments.

The operators of Millstone 2 and 3, VY and Seabrook hold full term operating licenses from the NRC and are subject to the jurisdiction of the NRC. The NRC has broad jurisdiction over the design, construction and operation of nuclear generating stations, including matters of public health and safety, financial qualifications, antitrust considerations, and environmental impact. The NRC issues 40-year initial operating licenses to nuclear units and NRC regulations permit renewal of licenses for an additional 20-year period. The NRC also has jurisdiction over the decommissioning activities at Yankee Rowe, CY, MY, and Millstone 1.

The NRC also regularly conducts generic reviews of technical and other issues, a number of which may affect the nuclear plants in which NU system companies have interests. The cost of complying with any new requirements that may result from these reviews cannot be estimated at this time, but such costs could be substantial.

NUCLEAR PLANT PERFORMANCE

MILLSTONE 3

Millstone 3 has a license expiration date of November 25, 2025. In 1999, Millstone 3 operated at a capacity factor of 81.7 percent. After a 60-day refueling and maintenance outage, Millstone 3 returned to service on June 29, 1999, and achieved a 98.1 percent capacity factor from that date to December 31, 1999.

MILLSTONE 2

Millstone 2 has a license expiration date of July 31, 2015. Millstone 2 returned to service on May 11, 1999, following an extended outage, which began in February 1996 and achieved a 90.3 percent capacity factor from that date to December 31, 1999. For the full year 1999, Millstone 2 operated at a capacity factor of 57.9 percent.

SEABROOK

Seabrook has a license expiration date of October 17, 2026. In 1999, Seabrook operated at a capacity factor of 86.4 percent. However, since returning to service on May 13, 1999, after a 48-day refueling and maintenance outage, Seabrook achieved a 99 percent capacity factor through December 31, 1999.

VERMONT YANKEE

VY has a license expiration date of March 21, 2012. In 1999, VY operated at a capacity factor of 88.8 percent.

NUCLEAR INSURANCE

For information regarding nuclear insurance, see "Commitments and Contingencies - Nuclear Insurance Contingencies" in the notes to NU's, CL&P's, PSNH's, WMECO's, and NAEC's financial statements.

NUCLEAR FUEL

GENERAL

The supply of nuclear fuel for the NU system's existing units requires the procurement of uranium concentrates, followed by the conversion, enrichment and fabrication of the uranium into fuel assemblies suitable for use in the NU system's units. Fuel may also be purchased at a point after any of the above processes are completed. The NU system expects that uranium concentrates and related services for the units operated by the NU system and for the other units in which the NU system companies are participating that are not covered by existing contracts, will be available for the foreseeable future on reasonable terms and prices.

As a result of the Energy Policy Act, the United States commercial nuclear power industry is required to pay the United States Department of Energy (DOE), through a special assessment, for the costs of the decontamination and decommissioning of uranium enrichment plants owned by the United States government, no more than $150 million per annum for 15 years beginning in 1993. Each domestic nuclear utility's payment is based on its pro-rata share of all enrichment services received by the United States commercial nuclear power industry from the United States government through October 1992. Each year, the DOE adjusts the annual assessment using the Consumer Price Index. The Energy Policy Act provides that the assessments are to be treated as reasonable and necessary current costs of fuel, which costs shall be fully recoverable in rates in all jurisdictions. The NU system's remaining share to be recovered, assuming no escalation, is approximately $36.7 million as of December 31, 1999. Management believes that the DOE assessments against CL&P, WMECO, PSNH, and NAEC will be recoverable in future rates. Accordingly, each of these companies has recognized these costs as a regulatory asset, with a corresponding obligation on its balance sheet.

On October 22, 1998, an action was initiated by the owners of Millstone in the U.S. Court of Federal Claims against the DOE regarding the special annual assessment that the DOE imposes on purchasers of enriched uranium to meet the future costs of decontaminating and decommissioning (D&D) government owned uranium enrichment facilities. Similar actions for Seabrook and CY were filed on October 23, 1998. The lawsuits challenge the imposition of the D&D assessment on federal constitutional grounds, and are similar to actions filed by a number of other utilities against DOE. Proceedings in the Millstone, Seabrook and CY cases are stayed pending the final resolution of a similar claim brought against the DOE by MYAPC. In July 1999, the claims court dismissed MYAPC's complaint. MYAPC has appealed this decision. As of December 31, 1999, the NU system companies had paid approximately $32.6 million into the fund.

Nuclear fuel costs associated with nuclear plant operations include amounts for disposal of spent nuclear fuel. The NU system companies include in their nuclear fuel expense spent fuel disposal costs accepted by the DPUC, NHPUC and DTE in rate case or fuel adjustment decisions. Spent fuel disposal costs also are reflected in the FERC-approved wholesale charges.

HIGH-LEVEL RADIOACTIVE WASTE

The Nuclear Waste Policy Act of 1982 (NWPA) provides that the federal government is responsible for the permanent disposal of spent nuclear reactor fuel (SNF) and high-level waste. As required by the NWPA, electric utilities generating SNF and high-level waste are obligated to pay fees into a fund which would be used to cover the cost of siting, constructing, developing, and operating a permanent disposal facility for this waste. The NU system companies have been paying for such services for fuel burned on or after April 7, 1983, on a quarterly basis since July 1983. The DPUC, NHPUC and DTE permit the fee to be recovered through rates. For nuclear fuel used to generate electricity prior to April 7, 1983 (prior-period fuel), payment must be made prior to the first delivery of spent fuel to the DOE. The DOE's current estimate for an available site is 2010.

In return for payment of the fees prescribed by the NWPA, the federal government is to take title to and dispose of the utilities' high-level wastes and SNF. There have been numerous litigation proceedings involving the DOE's statutory and contractual obligation to accept high-level waste and SNF. While the courts have declined to order the DOE to begin accepting spent fuel for disposal on January 31, 1998, the courts left open the utilities' ability to bring damage claims against the DOE.

On February 18, 1998, YAEC filed a complaint against the DOE in the United States Court of Federal Claims seeking damages in excess of $70 million resulting from the DOE's failure to accept spent nuclear fuel for disposal. CYAPC and MYAPC filed similar complaints on March 4, 1998 and June 2, 1998, seeking damages of over $90 million and $128 million, respectively. On October 29, 1998, the court found liability on the part of the DOE to YAEC for breach of the standard contract, based upon the DOE's failure to begin disposal of SNF. In separate orders dated October 30, 1998 and November 3, 1998, respectively, the court extended its rulings in the YAEC case to the damage claim cases filed by CYAPC and MYAPC. The DOE has appealed the claims court decisions.

Until the federal government begins accepting nuclear waste for disposal, nuclear generating plants will need to retain high-level waste and spent fuel onsite or make some other provisions for their storage. With the addition of new storage racks, storage facilities for Millstone 3 are expected to be adequate for the projected life of the unit. With the implementation of currently planned modifications, the storage facilities for Millstone 2 are expected to be adequate (maintaining the capacity to accommodate a full-core discharge from the reactor) until 2005. Fuel consolidation, which has been licensed for Millstone 2, could provide adequate storage capability for its projected life. Seabrook is expected to have spent fuel storage capacity until at least 2010.

The available capacity of the VY spent fuel pool is expected to be able to accommodate full-core removal through 2001. In 1999, VYNPC received an NRC license amendment allowing the installation of additional storage racks in the existing spent fuel pool. When installed, the additional storage racks will increase the capacity of the spent fuel pool to allow full core discharge capability through the 2008 refueling outage.

Adequate storage capacity exists to accommodate all of the SNF at Millstone 1, CY, MY, and Yankee Rowe until that fuel is removed by the DOE.

LOW-LEVEL RADIOACTIVE WASTE

The NU system currently has contracts to dispose of its low-level radioactive waste (LLRW) at two privately operated facilities in Clive, Utah, and in Barnwell, South Carolina. The NU system is also supporting efforts by the Northeast Interstate Low Level Radioactive Waste Management Compact, consisting of Connecticut and New Jersey, to accept South Carolina as a new member. If successful, this arrangement would entitle Millstone and CY access to Barnwell through their decommissioning. Such an arrangement may exclude other nuclear plants from accessing Barnwell. This option is expected to be decided by mid 2000. Because access to LLRW disposal may be lost at any time, the NU system has plans that will allow for onsite storage of LLRW for at least five years.

DECOMMISSIONING

Based upon the NU system's most recent comprehensive site-specific updates of the decommissioning costs for each of the three Millstone units and for Seabrook, the recommended decommissioning method continues to be immediate and complete dismantlement of those units as soon as practical after their retirement. The table below sets forth the estimated Millstone and Seabrook decommissioning costs for the NU system companies. The

estimates are based on the latest site studies, stated in December 31, 1999 dollars.

	CL&P	PSNH	WMECO	NAEC	NU system
			(Millions)		
Millstone 1*....	$ 580.3	$ -	$136.1	$ -	$ 716.4
Millstone 2.....	334.9	-	78.5	-	413.4
Millstone 3.....	327.9	17.6	75.8	-	421.3
Seabrook.....	22.9	-	-	203.3	226.2
Total.....	$1,266.0	$17.6	$290.4	$203.3	$1,777.3

* The costs shown include all of the expected future billings associated with the funding of decommissioning, recovery of remaining assets and other closure costs associated with the early retirement of Millstone 1 as of December 31, 1999, which have been recorded as an obligation on the books of the NU system companies.

In 1986, the DPUC approved the establishment of separate external trusts for the currently tax-deductible portions of decommissioning expense accruals for Millstone 1 and 2 and for all expense accruals for Millstone 3. WMECO has established independent trusts to hold all decommissioning expense collections from customers. The DTE has authorized WMECO to collect its current decommissioning estimate for the three Millstone units.

New Hampshire enacted a law in 1981 requiring the creation of a state-managed fund to finance decommissioning of any units in that state. NAEC's costs for decommissioning Seabrook are billed by it to PSNH and recovered by PSNH under the Rate Agreement. During April 1999, the Nuclear Decommissioning Finance Committee (NDFC) issued an order that adjusted the decommissioning collection period and funding levels. The NDFC's order concluded that Seabrook's anticipated energy producing life was 25 years from the date it went into commercial operation, and accordingly Seabrook will end its energy producing life in October 2015. This is 11 years earlier than the service life established by Seabrook's NRC operating license. The order also updated Seabrook's decommissioning estimate to $513 million (in 1998 dollars). The cost of funding the decommissioning of Seabrook is now accrued over the expected remaining service life of the plant, as determined by the NDFC, and is included in depreciation expense.

As of December 31, 1999, the NU system recorded balances (at market) in its external decommissioning trust funds are as follows:

	CL&P	PSNH	WMECO	NAEC	NU system
			(Millions)		
Millstone 1...	$234.6	$ -	$ 67.1	$ -	$301.7
Millstone 2...	164.3	-	47.3	-	211.6
Millstone 3...	113.1	6.9	30.1	-	150.1
Seabrook.....	4.8	-	-	43.7	48.5
Total.....	$516.8	$6.9	$144.5	$43.7	$711.9

The decommissioning cost estimates for the NU system nuclear units are reviewed and updated regularly to reflect inflation and changes in decommissioning requirements and technology. Changes in requirements or technology, or adoption of a different decommissioning method could change these estimates. CL&P, PSNH and WMECO expect to recover sufficient amounts through their allowed rates to cover their expected decommissioning costs. Based on present estimates, and assuming its nuclear units operate to the end of their respective license periods, the NU system expects that the decommissioning trust funds will be substantially funded when those expenditures have to be made.

Under the restructuring legislation in Connecticut and Massachusetts, CL&P and WMECO are permitted to recover their decommissioning obligations as a stranded cost. It is not clear at this time how decommissioning will be treated in connection with the auction of the Millstone units.

Pursuant to the PSNH Settlement Agreement, upon a successful sale of NAEC's share of Seabrook, the existing Seabrook Power Contract between PSNH and NAEC will be terminated. However, subsequent to such sale, PSNH shall continue to be responsible for funding NAEC's former ownership share of its decommissioning liability, calculated on the basis of full funding by December 31, 2015, using an estimated decommissioning date of 2015 or as otherwise determined by the NDFC. PSNH may enter into a new contract to provide for the payment of Seabrook nuclear decommissioning costs, with full recovery of the costs of that contract to be recoverable from PSNH's customers. Under no circumstances will PSNH's customers have any responsibility for increases in decommissioning funding above the amount calculated based upon the payment schedule as of the sale date.

In June 1999, NNECO filed with the NRC the Post-Shutdown Decommissioning Activities Report for Millstone 1. The total estimated decommissioning costs, which have been updated to reflect the early shutdown of the unit, are approximately $716.4 million as of December 31, 1999 ($580.3 million for CL&P and $136.1 million for WMECO).

CYAPC, YAEC, VYNPC, and MYAPC are all collecting revenues for decommissioning from their power purchasers. The table below sets forth the NU system companies' estimated share of decommissioning costs (and closure costs where applicable) of the Yankee units. The estimates are based on the latest site studies. For information on the equity ownership of the NU system companies in each of the Yankee units and the proposed sale of VY, see "Electric Operations - Nuclear Generation - General."

	CL&P	PSNH	WMECO	NU system
		(Millions)		
VY.....	$ 40.8	$17.1	$10.7	$ 68.6
Yankee Rowe*..	8.0	2.3	2.3	12.7
CY*.....	153.2	22.2	42.2	217.5
MY*.....	76.9	32.1	19.2	128.2
Total.....	$278.9	$73.7	$74.4	$427.0

* The costs shown include all of the expected future billings associated with the funding of decommissioning, recovery of remaining assets and other closure costs associated with the early retirement of Yankee Rowe, CY and MY as of December 31, 1999, which have been recorded as an obligation on the books of the NU system companies.

As of December 31, 1999, the NU system's share of the external decommissioning trust fund balances (at market), which have been recorded on the books of the Yankee nuclear companies, is as follows:

	CL&P	PSNH	WMECO	NU system
		(Millions)		
VY.....	$ 23.5	$ 9.9	$ 6.2	$ 39.5
Yankee Rowe.....	39.3	11.2	11.2	61.8
CY.....	64.3	9.3	17.7	91.3
MY.....	21.7	9.1	5.4	36.2
Total.....	$148.8	$39.5	$40.5	$228.8

In August 1998, the FERC released an initial decision regarding CY decommissioning. If upheld, CYAPC's management has estimated the effect of the ALJ decision on CYAPC's earnings to be approximately $37.5 million, of which the NU's share would be approximately $18.4 million. NU continues to support CYAPC's efforts to contest this initial decision.

On June 1, 1999, the FERC accepted an offer of settlement, which resolved all the issues in the FERC decommissioning rate case proceeding related to MY. The settlement provides, among other things, the following: (1) MYAPC will collect $33.1 million annually to pay for decommissioning and spent fuel; (2) its return on equity will be set at 6.5 percent; (3) MYAPC is permitted full recovery of all of its unamortized investment in MY, including fuel; and (4) an incentive budget for decommissioning is set at $436.3 million.

Effective January 1996, YAEC began billing its sponsors, including CL&P, WMECO and PSNH, amounts based on a revised decommissioning cost estimate approved by the FERC. Under the terms of its rate settlement agreement with the FERC, YAEC filed a revised decommissioning cost estimate, which was approved as of March 1, 2000. The YAEC filing assumes NRC license termination and completion of decommissioning activities by 2004.

OTHER REGULATORY AND ENVIRONMENTAL MATTERS

ENVIRONMENTAL REGULATION

GENERAL

The NU system and its subsidiaries are subject to federal, state and local regulations with respect to water quality, air quality, toxic substances, hazardous waste, and other environmental matters. Additionally, the NU system's major generation and transmission facilities may not be constructed or significantly modified without a review by the applicable state agency of the environmental impact of the proposed construction or modification. Compliance with environmental laws and regulations, particularly air and water pollution control requirements, may limit operations or require substantial investments in new equipment at existing facilities.

SURFACE WATER QUALITY REQUIREMENTS

The federal Clean Water Act requires every "point source" discharger of pollutants into navigable waters to obtain a National Pollutant Discharge Elimination System (NPDES) permit from the United States Environmental Protection Agency (EPA) or state environmental agency specifying the allowable quantity and characteristics of its effluent. NU system facilities are in the process of obtaining or renewing all required NPDES permits in effect. Compliance with NPDES and state water discharge permits has necessitated substantial expenditures, which are difficult to estimate, and may require further expenditures because of additional requirements that could be imposed in the future. For information regarding civil lawsuits related to alleged violations of certain facilities' NPDES permits, see "Item 3. Legal Proceedings."

The Federal Oil Pollution Act of 1990 (OPA 90) sets out the requirements for facility response plans and periodic inspections of spill response equipment at facilities that can cause substantial harm to the environment by discharging oil or hazardous substances into the navigable waters of the United States and onto adjoining shorelines. The NU system companies are currently in compliance with the requirements of OPA 90. OPA 90 includes limits on the liability that may be imposed on persons deemed responsible for release of oil. The limits do not apply to oil spills caused by negligence or violation of laws or regulations. OPA 90 also does not preempt state laws regarding liability for oil spills. In general, the laws of the states in which the NU system owns facilities and through which the NU system transports oil could be interpreted to impose strict liability for the cost of remediating releases of oil and for damages caused by releases. The NU system currently carries general liability insurance in the total amount of $100 million annual coverage for oil spills. This amount may decrease in the future as a result of generation asset sales due to restructuring.

AIR QUALITY REQUIREMENTS

The Clean Air Act Amendments of 1990 (CAAA) impose stringent requirements on emissions of sulfur dioxide (SO2) and nitrogen oxide (NOX) for the purpose of controlling acid rain and ground level ozone. In addition, the CAAA address the control of toxic air pollutants. Installation of continuous emissions monitors and expanded permitting provisions also are included. Compliance with CAAA requirements has cost the NU system approximately $48 million as of December 31, 1999: $11 million for CL&P, $33 million for PSNH, $1 million for WMECO, and $3 million for HWP. In addition, PSNH expects to spend approximately $2 million a year for SO2 allowances.

Further requirements for NOX reductions became effective in 1999. PSNH spent approximately $20 million for improvements at its Merrimack and Schiller Stations to meet these requirements. These costs were offset by the sale of $16 million of emission credits. Following divestiture of the NU system's fossil units, these federal and state air quality regulations are not expected to have a material impact on the NU system companies.

HAZARDOUS WASTE REGULATIONS

As many other industrial companies have done in the past, the NU system companies disposed of residues from operations by depositing or burying such materials on-site or disposing of them at off-site landfills or facilities. Typical materials disposed of include coal gasification waste, fuel oils, gasoline, and other hazardous materials that might contain polychlorinated biphenyls (PCBs). It has since been determined that deposited or buried wastes, under certain circumstances, could cause groundwater contamination or create other environmental risks. The NU system has recorded a liability for what it believes is, based upon currently available information, its estimated environmental remediation costs for waste disposal sites for which the NU system companies expect to bear legal liability, and continues to evaluate the environmental impact of its former disposal practices. Under federal and state law, government agencies and private parties can attempt to impose liability on NU system companies for such past disposal. At December 31, 1999, the liability recorded by the NU system for its estimated environmental remediation costs for known sites needing remediation including those sites described below, exclusive of recoveries from insurance or from third parties, was approximately $24.8 million. These costs could be significantly higher if alternative remedies become necessary.

Under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, commonly known as Superfund, the EPA has the authority to clean up or order the clean up of hazardous waste sites and to impose the clean up costs on parties deemed responsible for the hazardous waste activities on the sites. Responsible parties include the current owner of a site, past owners of a site at the time of waste disposal, waste transporters, and waste generators. The NU system currently is involved in one Superfund site in New Jersey, one in New York, one in New Hampshire, and one in Kentucky, which could have a material impact on the NU system. The NU system has committed in the aggregate approximately $1.9 million to its share of the clean up of these sites.

As discussed below, in addition to the remediation efforts for the above-mentioned Superfund sites, the NU system has been named as a potentially responsible party (PRP) and is monitoring developments in connection with several state environmental actions. The level of study of each site and the information about the waste contributed to the site by the NU system and other parties differs from site to site. Where reliable information is available that permits the NU system to make a reasonable estimate of the expected total costs of remedial action and/or the NU system's likely share of remediation costs for a particular site, those cost estimates are provided below. All cost estimates were made in accordance with generally accepted accounting principles where remediation costs were probable and reasonably estimable.

In 1987, the Connecticut Department of Environmental Protection (CDEP) published a list of 567 hazardous waste disposal sites in Connecticut. The NU system owns two sites, in Stamford and Rockville, which are on this list. Both sites were formerly used by CL&P predecessor companies for the manufacture of coal gas (also known as town gas sites) from the late 1800s to the 1950s. Site investigations have been completed at these sites and discussions with state regulators are in progress to address the need for and extent of remediation necessary to protect public health and the environment. The total reserve established for these two sites is $6.5 million.

CL&P owns a section of an abandoned railroad bed in Ridgefield, Connecticut. Past studies of portions of the railroad bed have indicated elevated levels of arsenic in the upper two to three feet of soil at the location. The NU system has reserved approximately $1.2 million for future remediation efforts. A similar site in Portland, Connecticut has been remediated.

PSNH contacted the New Hampshire Department of Environmental Services (NHDES) in December 1993 concerning possible coal tar contamination in Laconia, New Hampshire, in Lake Opechee and the Winnipesaukee River near an area where PSNH and a second PRP formerly owned and operated a coal gasification plant from the late 1800's to the 1950's. A comprehensive site investigation was completed in December 1996. This study has shown that byproducts from the operation of the former manufactured gas plant are present in groundwater, subsurface soil and in the sediments of the adjacent Winnipesaukee River. A remediation action plan was approved by the NHDES in March of 1999. PSNH entered into a cash settlement with the other PRP at the site. A reserve of $8.4 million has been established for this site, including amounts received in the settlement.

PSNH has also received requests from NHDES to conduct site investigations at three additional former manufactured gas plant sites. These sites are located in Keene, Nashua, and Dover, New Hampshire. Studies are now being planned to understand site conditions and any environmental impacts. PSNH is also involved in other site studies to assess contamination, but PSNH's liability at these sites is not expected to be material.

Environmental contaminants have been identified at the former Manchester Steam generating station in Manchester, New Hampshire. A reserve of $4.1 million has been established to abate and remediate this station.

In Massachusetts, NU system companies have been designated by the Massachusetts Department of Environmental Protection (MDEP) as PRPs for 12 sites under the MDEP's hazardous waste and spill remediation program. At two sites, the NU system may incur remediation costs that may be material to HWP depending on the remediation requirements. At one site, HWP has been identified by the MDEP as one of three PRPs in a coal tar site in Holyoke, Massachusetts. HWP owned and operated the Holyoke Gas Works from 1859 to 1902. The site is located on the east side of Holyoke, adjacent to the Connecticut River and immediately downstream of HWP's Hadley Falls Station. MDEP has designated both the land and river deposit areas as priority waste disposal sites. The PRPs have been notified of the need to remove tar deposits from the river. The total estimated costs for removal of tar patches in the river range from $2 million to $3 million. HWP has agreed to complete the removal of tar patches subject to negotiations of an acceptable consent decree with various state and federal regulatory agencies.

The second site is a former manufactured gas plant facility in Easthampton, Massachusetts. WMECO predecessor companies owned and operated the Easthampton Gas Works from 1864 to 1924. Previous investigations have identified coal tar deposits on the land portion of the site. An analysis of the human, health and ecological risks at the site and a remedial action plan was submitted to the MDEP in 1999. WMECO has reserved approximately $4.3 million for remediation costs for the site.

Environmental contaminants have been identified at the former Riverside generating station in Holyoke, Massachusetts. A reserve of $2.3 million has been established for HWP to abate and remediate fuel oil outside the former generating station, asbestos inside the station and to demolish a section of the existing structure.

In the past, the NU system has received other claims from government agencies and third parties for the cost of remediating sites not currently owned by the NU system but affected by past NU system disposal activities and may receive more such claims in the future. The NU system expects that the costs of resolving claims for remediating sites about which it has been notified will not be material, but cannot estimate the costs with respect to sites about which it has not been notified.

ELECTRIC AND MAGNETIC FIELDS

Published reports have discussed the possibility of adverse health effects from electric and magnetic fields (EMF) associated with electric transmission and distribution facilities and appliances and wiring in buildings and homes. Most researchers, as well as numerous scientific review panels considering all significant EMF epidemiological and laboratory studies to date, agree that current information remains inconclusive, inconsistent and insufficient for characterizing EMF as a health risk.

Based on this information, management does not believe that a causal relationship between EMF exposure and adverse health effects has been established or that significant capital expenditures are appropriate to minimize unsubstantiated risks. The NU system companies have closely monitored research and government policy developments for many years and will continue to do so.

If further investigation were to demonstrate that the present electricity delivery system is contributing to increased risk of cancer or other health problems, the industry could be faced with the difficult problem of delivering reliable electric service in a cost-effective manner while managing EMF exposures. To date, no courts have concluded that individuals have been harmed by EMF from electric utility facilities, but if utilities were to be found liable for damages, the potential monetary exposure for all utilities, including the NU system companies, could be enormous. Without definitive scientific evidence of a causal relationship between EMF and health effects, and without reliable information about the kinds of changes in utilities' transmission and distribution systems that might be needed to address the problem, if one is found, no estimates of the cost impacts of remedial actions and liability awards are available.

FERC HYDROELECTRIC PROJECT LICENSING

Federal Power Act licenses may be issued for hydroelectric projects for terms of 30 to 50 years as determined by the FERC. Upon the expiration of a license, any hydroelectric project so licensed is subject to reissuance by the FERC to the existing licensee or to others upon payment to the licensee of the lesser of fair value or the net investment in the project plus severance damages less certain amounts earned by the licensee in excess of a reasonable rate of return.

The NU system companies currently hold FERC licenses for 12 hydroelectric projects aggregating approximately 1,411 MW of capacity, located in Connecticut, Massachusetts and New Hampshire. CL&P's and WMECO's five licenses with approximately 1,302 MW of capacity were transferred to NGC in March 2000. As part of the Settlement Agreement, PSNH has proposed to auction its six hydroelectric projects with approximately 65 MW of capacity upon approval of the agreement.

The license for HWP's Holyoke Project expired in late 1999. On August 20, 1999, the FERC issued a new 40-year license to HWP. HWP was the successful co-applicant in a contested license application proceeding for the project, winning over co-applicants, the City of Holyoke Gas & Electric Department, the Massachusetts Municipal Wholesale Electric Company and the Ashburnham Municipal Light Plant. HWP filed a motion for stay and motion for rehearing of the FERC's order, requesting that the FERC reconsider various aspects of the license, including mandatory Section 18 fishway prescriptions, bypass reach minimum flows and compliance schedules. Motions for rehearing of the FERC's order were also filed by various other parties. The FERC issued an order granting rehearing. HWP is awaiting further action by the FERC. In a separate but related proceeding, HWP filed an appeal of the state water quality certificate conditions and requested an adjudicatory hearing with the MDEP. Settlement discussions in this proceeding are ongoing.

NGC's FERC licenses for operation of the Falls Village and Housatonic hydroelectric projects expire in 2001. A license application, which proposed to combine both projects under one license, was submitted to the FERC on August 31, 1999.

The FERC has issued a notice indicating that it has authority to order project licensees to decommission projects that are no longer economic to operate. The potential costs of decommissioning a project, however, could be substantial. The FERC has recently ordered its first project decommissioning under this authority. It is likely that this FERC decision will be appealed.

EMPLOYEES

As of December 31, 1999, the NU system companies had 9,099 full and part-time employees on their payrolls, of which 2,377 were employed by CL&P, 1,258 by PSNH, 482 by WMECO, 78 by HWP, 1,859 by NNECO, 2,220 by NUSCO, and 825 by NAESCO. NU, NAEC, Mode 1, NUEI, NGC, NGS, SEPPI, and Select Energy have no employees. On March 5, 2000, approximately 119 employees of NUSCO were transferred to Select Energy.

Approximately 2,379 employees of CL&P, PSNH, WMECO, NAESCO, and HWP are covered by ten union agreements, which expire between October 1, 2000 and May 31, 2002.

YEAR 2000

For information regarding the NU system's efforts to address this issue, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

ITEM 2. PROPERTIES

The physical properties of the NU system are owned or leased by subsidiaries of NU. CL&P's principal plants and other properties are located either on land which is owned in fee or on land, as to which CL&P owns perpetual occupancy rights adequate to exclude all parties except possibly state and federal governments, which has been reclaimed and filled pursuant to permits issued by the United States Army Corps of Engineers. The principal properties of PSNH are held by it in fee. In addition, PSNH leases space in an office building under a 30-year lease expiring in 2002. WMECO's principal plants and a major portion of its other properties are owned in fee, although one hydroelectric plant is leased. NAEC owns a 35.98 percent interest in Seabrook and approximately 560 acres of exclusion area land located around the unit. In addition, CL&P, PSNH and WMECO have certain substation equipment, data processing equipment, nuclear fuel, nuclear control room simulators, vehicles, and office space that are leased. With few exceptions, the NU system companies' lines are located on or under streets or highways, or on properties either owned or leased, or in which the company has appropriate rights, easements or permits from the owners.

CL&P's and PSNH's properties are subject to the lien of each company's respective first mortgage indenture. WMECO's properties are subject to the lien of its first mortgage indenture. NAEC's First Mortgage Bonds are secured by a lien on the Seabrook interest described above, and all rights of NAEC under the Seabrook Power Contracts. In addition, CL&P's and WMECO's interests in Millstone 1 are subject to second liens for the benefit of lenders under agreements related to pollution control revenue bonds. Also, CL&P and WMECO granted, as collateral, their second mortgage ownership interests in Millstone 2 and 3 that secure their borrowings under the New Credit Agreement. Various of these properties are also subject to minor encumbrances which do not substantially impair the usefulness of the properties to the owning company.

The NU system companies' properties are well maintained and are in good operating condition.

TRANSMISSION AND DISTRIBUTION SYSTEM

At December 31, 1999, the NU system companies owned 104 transmission and 373 distribution substations that had an aggregate transformer capacity of 23,573,489 kilovoltamperes (kVa) and 8,933,772 kVa, respectively; 3,075 circuit miles of overhead transmission lines ranging from 69 kilovolt (kV) to 345 kV, and 196 cable miles of underground transmission lines ranging from 69 kV to 138 kV; 33,069 pole miles of overhead and 2,119 conduit bank miles of underground distribution lines; and 419,651 line transformers in service with an aggregate capacity of 18,068,000 kVa.

ELECTRIC GENERATING PLANTS

As of December 31, 1999, the electric generating plants of the NU system companies and the NU System companies' entitlement in the generating plant of the VYnpc were as follows (See "Item 1. Business - Electric Operations - Nuclear Generation" for information on ownership and operating results for the year):

Owner	Plant Name (Location)	Type	Year Installed	Claimed Capability* (kilowatts)
CL&P	Millstone (Waterford, CT)			
	Unit 2	Nuclear	1975	705,814
	Unit 3	Nuclear	1986	603,436
	Seabrook (Seabrook, NH)	Nuclear	1990	47,135
	VT Yankee (Vernon, VT)	Nuclear	1972	45,189
	Total Nuclear-Steam Plants	(4 units)		1,401,574
	Total Hydro-Conventional	(25 units)	1903-55	98,970

	Total Hydro-Pumped Storage	(7 units)	1928-73	905,200
	Total Internal Combustion	(5 units)	1969-70	216,400
	Total CL&P Generating Plant	(41 units)		2,622,144
PSNH	Millstone (Waterford, CT)			
	Unit 3	Nuclear	1986	32,461
	VT Yankee (Vernon, VT)	Nuclear	1972	18,999
	Total Nuclear-Steam Plants	(2 units)		51,460
	Total Fossil-Steam Plants	(7 units)	1952-78	1,060,398
	Total Hydro-Conventional	(20 units)	1917-83	67,930
	Total Internal Combustion	(5 units)	1968-70	104,530
	Total PSNH Generating Plant	(34 units)		1,284,318
WMECO	Millstone (Waterford, CT)			
	Unit 2	Nuclear	1975	165,561
	Unit 3	Nuclear	1986	139,519
	VT Yankee (Vernon, VT)	Nuclear	1972	11,904
	Total Nuclear-Steam Plants	(3 units)		316,984
	Total Hydro-Conventional	(14 units)	1905-30	93,210**
	Total Hydro-Pumped Storage	(4 units)	1972-73	205,200
	Total WMECO Generating Plant	(21 units)		615,394
NAEC	Seabrook (Seabrook, NH)	Nuclear	1990	417,751
HWP	Mt. Tom (Holyoke, MA)	Fossil-Steam	1960	147,000
	Total Hydro-Conventional	(15 units)	1905-1983	43,560
	Total HWP Generating Plant	(16 units)		190,560
NU System	Millstone (Waterford, CT)			
	Unit 2	Nuclear	1975	871,375
	Unit 3	Nuclear	1986	775,416
	Seabrook (Seabrook, NH)	Nuclear	1990	464,886
	VT Yankee (Vernon, VT)	Nuclear	1972	76,092
	Total Nuclear-Steam Plants	(4 units)		2,187,769
	Total Fossil-Steam Plants	(8 units)	1952-78	1,207,398
	Total Hydro-Conventional	(74 units)	1903-83	303,670
	Total Hydro-Pumped Storage	(7 units)	1928-73	1,110,400
	Total Internal Combustion	(10 units)	1968-70	320,930
	Total NU system Generating Plant Including Vermont Yankee	(103 units)		5,130,167
	Excluding Vermont Yankee	(102 units)		5,054,075

* Claimed capability represents winter ratings as of December 31, 1999.

** Total Hydro-Conventional capability includes the Cobble Mtn. plant's 33,960 kW which is leased from the City of Springfield, MA.

FRANCHISES

CL&P. Subject to the power of alteration, amendment or repeal by the General Assembly of Connecticut and subject to certain approvals, permits and consents of public authority and others prescribed by statute, CL&P has, subject to certain exceptions not deemed material, valid franchises free from burdensome restrictions to provide electric transmission and distribution services, and, until January 2000, to sell electricity, in the respective areas in which it is now supplying such service.

In addition to the right to provide electric transmission and distribution services as set forth above, the franchises of CL&P include, among others, limited rights and powers, as set forth in Title 16 of the Connecticut General Statutes and the special act of the General Assembly constituting its charter, to manufacture, generate, purchase, and sell electricity at retail, including to provide standard offer, backup and default service, to sell electricity at wholesale to other utility companies and municipalities and to erect and maintain certain facilities on public highways and grounds, all subject to such consents and approvals of public authority and others as may be required by law. The franchises of CL&P include the power of eminent domain.

PSNH. The NHPUC, pursuant to statutory requirement, has issued orders granting PSNH exclusive franchises free from burdensome restrictions to sell

electricity in the respective areas in which it is now supplying such service.

In addition to the right to sell electricity as set forth above, the franchises of PSNH include, among others, rights and powers to manufacture, generate, purchase, transmit, and distribute electricity, to sell electricity at wholesale to other utility companies and municipalities and to erect and maintain certain facilities on certain public highways and grounds, all subject to such consents and approvals of public authority and others as may be required by law. The franchises of PSNH include the power of eminent domain.

NNECO. Subject to the power of alteration, amendment or repeal by the General Assembly of Connecticut and subject to certain approvals, permits and consents of public authority and others prescribed by statute, NNECO has a valid franchise free from burdensome restrictions to sell electricity to utility companies doing an electric business in Connecticut and other states.

In addition to the right to sell electricity as set forth above, the franchise of NNECO includes, among others, rights and powers to manufacture, generate and transmit electricity, and to erect and maintain facilities on certain public highways and grounds, all subject to such consents and approvals of public authority and others as may be required by law.

WMECO. WMECO is authorized by its charter to conduct its electric business in the territories served by it, and has locations in the public highways for transmission and distribution lines. Such locations are granted pursuant to the laws of Massachusetts by the Department of Public Works of Massachusetts or local municipal authorities and are of unlimited duration, but the rights thereby granted are not vested. Such locations are for specific lines only, and, for extensions of lines in public highways, further similar locations must be obtained from the Department of Public Works of Massachusetts or the local municipal authorities. In addition, WMECO has been granted easements for its lines in the Massachusetts Turnpike by the Massachusetts Turnpike Authority.

Pursuant to the Massachusetts restructuring legislation, the DTE is required to define service territories for each distribution company, including WMECO, based on the service territories actually served on July 1, 1997, and following to the extent possible municipal boundaries. The DTE has not yet defined service territories. After established by the DTE, until terminated by effect of law or otherwise, the distribution company shall have the exclusive obligation to provide distribution service to all retail customers within its service territory, and no other person shall provide distribution service within such service territory without the written consent of such distribution company.

HWP and Holyoke Power and Electric Company (HP&E). HWP, and its wholly owned subsidiary HP&E, are authorized by their charters to conduct their businesses in the territories served by them. HWP's electric business is subject to the restriction that sales be made by written contract in amounts of not less than 100 horsepower to purchasers who use the electricity in their own business in the counties of Hampden or Hampshire, Massachusetts and cities and towns in these counties, and customers who occupy property in which HWP has a financial interest, by ownership or purchase money mortgage. HWP also has certain dam and canal and related rights, all subject to such consents and approvals of public authorities and others as may be required by law. The two companies have locations in the public highways for their transmission and distribution lines. Such locations are granted pursuant to the laws of Massachusetts by the Department of Public Works of Massachusetts or local municipal authorities and are of unlimited duration, but the rights thereby granted are not vested. Such locations are for specific lines only and, for extensions of lines in public highways, further similar locations must be obtained from the Department of Public Works of Massachusetts or the local municipal authorities. HP&E has no retail service territory area and sells electric power exclusively at wholesale.

ITEM 3. LEGAL PROCEEDINGS

1. Connecticut Attorney General - Civil Environmental Lawsuit

On October 5, 1998, the Connecticut Superior Court, after hearing arguments, approved a settlement which resolved a civil lawsuit by the CDEP against NNECO and NUSCO for violations of the Millstone water permit and Connecticut water discharge regulations. The settlement required NNECO to pay a $700,000 civil penalty and expend $500,000 to fund three supplemental environmental projects. NNECO is also required to perform and have a third-party review of two environmental audits of its water compliance program and to inform the CDEP of major changes to its environmental management system. An intervening party has appealed the approval of the settlement to Connecticut Appellate Court. On March 3, 2000, the Connecticut Supreme Court assumed jurisdiction over this matter.

2. Connecticut Superior Court - Fish Unlimited Lawsuits

On March 11, 1999, Fish Unlimited and several other parties brought a civil suit in Connecticut Superior Court against NNECO and NUSCO seeking a temporary and a permanent injunction to prevent the restart of Millstone 2 until a fish return system and cooling tower are installed. On April 27, 1999, a temporary restraining order (TRO) was issued to prevent NNECO from starting up Millstone 2 until the temporary injunction request was heard. On May 7, 1999, the TRO was dissolved and the applications for both temporary and permanent injunctions were denied. Fish Unlimited has appealed to the Connecticut Appellate Court.

On June 2, 1999, Fish Unlimited and eight other plaintiffs filed another suit in Connecticut Superior Court against NNECO and NUSCO. The plaintiffs' primary claim was that Millstone is discharging pollutants into navigable waters without a valid NPDES permit. On July 15, 1999, NUSCO and NNECO's motion to dismiss this lawsuit was granted. Fish Unlimited has appealed the decision to the Connecticut Appellate Court.

On March 3, 2000, the Connecticut Supreme Court assumed jurisdiction over these matters.

3. Shareholder Securities Class Actions - Nuclear Matters

Consolidated Federal Court Actions: Pursuant to a court order dated October 1, 1997, the six class actions separately filed against NU in 1996 were consolidated for pre-trial and trial purposes. The actions are based on various federal securities law and common law theories alleging misrepresentations and omissions in public disclosures related to the NU system's nuclear problems, which resulted in extended outages at Millstone and impacted the financial condition of NU and certain of its subsidiaries. These complaints represent classes of plaintiffs who purchased or otherwise acquired NU common stock during periods ranging from March 1994 to April 1996.

The parties have reached an agreement in principal to settle all of the shareholder class actions. Final settlement is subject to the plaintiffs' completion of discovery to confirm the reasonableness of the proposed settlement and approval by the court. Discovery has been completed, and court approval is expected in the spring of 2000.

State Court Actions: NU has been served with two separately filed class actions based on various state securities law and common law theories alleging misrepresentations and omissions in public disclosures related to the NU system's nuclear problems. These complaints represent classes of plaintiffs who purchased or otherwise acquired NU common stock during periods ranging from December 1993 to April 1996. Plaintiffs' counsel in both state actions agreed to stay the actions pending the outcome of the consolidated federal court actions described above.

4. Shareholder Securities Class Actions - Con Edison Merger

On October 13, 1999 and October 19, 1999, virtually identical complaints were filed in the Supreme Court of New York against NU and its trustees. Both complaints purport to be "class action complaints" and allege that the trustees have breached their fiduciary duties to the plaintiffs and other members of the class by not (i) obtaining the best price for NU's assets and businesses and (ii) entrenching themselves and their corporate offices. The plaintiffs seek equitable relief, including an order that the trustees maximize shareholder value and award attorneys' fees. NU removed the cases from the state court to federal court in New York City and has filed motions to dismiss the actions on various grounds. NU believes that all of these class actions are without merit and intends to vigorously defend against all such actions.

5. Millstone 3 - Joint Owner Litigation

CL&P and WMECO, through NNECO as agent, operate Millstone 3, at cost and without profit, under a sharing agreement. On August 7, 1997, the non-NU owners of Millstone 3 (minority owners) filed demands for arbitration with CL&P and WMECO as well as three lawsuits in Massachusetts Superior Court against NU and its current and many of its former trustees. The minority owners raise a number of contract, tort and statutory claims, arising out of the operation of Millstone 3. The demands and lawsuits seek to recover compensatory damages totaling approximately $300 million, punitive damages, treble damages, and attorneys' fees.

Hearings in the arbitration proceeding commenced on November 16, 1999, and an initial decision on liability is not expected before the third quarter of 2000. One of the three lawsuits has been dismissed as a result of the settlements discussed below. The remaining lawsuits have been consolidated, but no firm trial date has been set.

NU, CL&P and WMECO have reached settlements with three of the minority owners, who hold approximately 58 percent of the minority owners' interest. The agreements involve the payment of $36.4 million and certain contingent payments, and provide for the inclusion of their Millstone 3 interests in

CL&P's nuclear auction process. No agreements have been reached with the other seven minority owners.

6. Maine Yankee - Secondary Purchasers Dispute

A number of municipalities and cooperatives (Secondary Purchasers) notified the sponsors of MY, including CL&P, WMECO and PSNH, that they consider their purchase and payment obligations under their purchase agreements to have been terminated as a result of the August 6, 1997 decision by the MYAPC Board of Directors (MY Board) to retire MY. Accordingly, these Secondary Purchasers informed the sponsors that they would be making no further payments under the contracts for the period following the MY Board's decision. Through such contracts, the sponsors agreed to deliver a portion of the capacity and electrical output from MY until the year 2003 in exchange for payment by the Secondary Purchasers of a pro-rata share of the plant's costs and expenses.

Following a series of regulatory and legal proceedings related to this matter at the FERC and in Maine state courts, on February 5, 1999, the parties have filed settlements with the FERC in this matter, which the FERC accepted on June 1, 1999. As a result, the Secondary Purchasers will make a total settlement payment of $16.5 million in full satisfaction of their obligations with respect to all past and future MY-related operations and decommissioning costs.

7. Amended Partial Requirements Agreement

On September 30, 1999, PSNH announced that it reached a settlement agreement with the New Hampshire Electric Cooperative (NHEC), the state's second largest utility. The agreement resolves all outstanding issues between PSNH and NHEC, its largest wholesale electric customer. As part of the agreement, PSNH has opened its transmission and distribution facilities to NHEC, which provides NHEC members the opportunity to purchase power from a competitive energy supplier. NHEC paid PSNH a one-time payment of $18 million as a contract termination payment which will be used to reduce PSNH's stranded costs. In connection with the settlement, PSNH recorded a loss of approximately $6 million.

8. Other Legal Proceedings

The following sections of Item 1. "Business" discuss additional legal proceedings: See "Rates and Electric Industry Restructuring" for information about various state restructuring proceedings and civil lawsuits related thereto; "Regulated Electric Operations- Transmission Access and FERC Regulatory Changes" for information about proceedings relating to power and transmission issues; "Regulated Electric Operations - Nuclear Generation" and "Regulated Electric Operations - Nuclear Plant Performance" for information related to nuclear plant performance, nuclear fuel enrichment pricing, high-level and low-level radioactive waste disposal, decommissioning matters, and NRC regulation; "Other Regulatory and Environmental Matters" for information about proceedings involving surface water and air quality, toxic substances and hazardous waste, electric and magnetic fields, licensing of hydroelectric projects, and other matters.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No event that would be described in response to this item occurred with respect to NU, CL&P, PSNH, WMECO, or NAEC.

PART II

ITEM 5. MARKET FOR THE REGISTRANTS' COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

NU. The common shares of NU are listed on the New York Stock Exchange. The ticket symbol is "NU," although it is frequently presented as "Noeast Util" and/or "NE Util" in various financial publications. The high and low sales prices for the past two years, by quarters, are shown below.

Year	Quarter	High	Low
1999	First	$16 7/16	$ 13 3/4
	Second	18 5/16	13 9/16
	Third	19	17 3/8
	Fourth	22	17 3/4
1998	First	$14 5/16	$ 11 11/16
	Second	17	13 5/8
	Third	17 1/16	14 3/8
	Fourth	17 1/4	15 7/16

As of January 31, 2000, there were 81,132 common shareholders of record of NU. As of the same date, there were a total of 137,388,633 common shares issued, including 5,483,268 million unallocated ESOP shares held in the ESOP trust.

On September 14, 1999, the NU Board of Trustees approved the payment of NU's first common share dividend since March 1997. NU paid a dividend of 10 cents per share on December 30, 1999, to shareholders of record as of the close of business December 1, 1999.

No dividends were declared or paid in 1998.

Information with respect to dividend restrictions for NU and its subsidiaries is contained in Item 1. Business under the caption "Financing Program - Financing Limitations" and in Note (a) to the "Consolidated Statements of Shareholders' Equity" on page 34 of NU's 1999 Annual Report to Shareholders, which information is incorporated herein by reference.

CL&P, PSNH, WMECO, and NAEC. The information required by this item is not applicable because the common stock of CL&P, PSNH, WMECO, and NAEC, is held solely by NU.

ITEM 6. SELECTED FINANCIAL DATA

NU. Reference is made to information under the heading "Selected Consolidated Financial Data" contained on page 54 of NU's 1999 Annual Report to Shareholders, which information is incorporated herein by reference.

CL&P. Reference is made to information under the heading "Selected Financial Data" contained on page 44 of CL&P's 1999 Annual Report, which information is incorporated herein by reference.

PSNH. Reference is made to information under the heading "Selected Financial Data" contained on page 43 of PSNH's 1999 Annual Report, which information is incorporated herein by reference.

WMECO. Reference is made to information under the heading "Selected Financial Data" contained on page 41 of WMECO's 1999 Annual Report, which information is incorporated herein by reference.

NAEC. Reference is made to information under the heading "Selected Financial Data" contained on page 30 of NAEC's 1999 Annual Report, which information is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS; AND

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

NU. Reference is made to information under the heading "Management's Discussion and Analysis and Results of Operations" contained on pages 21 through 29 in NU's 1999 Annual Report to Shareholders, which information is incorporated herein by reference.

CL&P. Reference is made to information under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained on pages 1 through 11 in CL&P's 1999 Annual Report, which information is incorporated herein by reference.

PSNH. Reference is made to information under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained on pages 1 through 9 in PSNH's 1999 Annual Report, which information is incorporated herein by reference.

WMECO. Reference is made to information under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained on pages 1 through 10 in WMECO's 1999 Annual Report, which information is incorporated herein by reference.

NAEC. Reference is made to information under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained on pages 1 through 7 in NAEC's 1999 Annual Report, which information is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

NU. Reference is made to information under the headings "Company Report," "Report of Independent Public Accountants," "Consolidated Statements of Income," "Consolidated Statements of Comprehensive Income," "Consolidated Balance Sheets," "Consolidated Statements of Shareholders' Equity," "Consolidated Statements of Cash Flows," "Consolidated Statements of Income Taxes," "Consolidated Statements of Capitalization," "Notes to Consolidated Financial Statements," and "Consolidated Statements of Quarterly Financial Data" contained on pages 30 through 53 in NU's 1999 Annual Report to Shareholders, which information is incorporated herein by reference.

CL&P. Reference is made to information under the headings "Report of Independent Public Accountants," "Consolidated Statements of Income," "Consolidated Statements of Comprehensive Income," "Consolidated Balance

Sheets," "Consolidated Statements of Common Stockholder's Equity," "Consolidated Statements of Cash Flows," "Notes to Consolidated Financial Statements," and "Statements of Quarterly Financial Data" contained on pages 12 through 44 in CL&P's 1999 Annual Report, which information is incorporated herein by reference.

PSNH. Reference is made to information under the headings "Report of Independent Public Accountants," "Statements of Income," "Statements of Comprehensive Income," "Balance Sheets," "Statements of Common Stockholder's Equity," "Statements of Cash Flows," "Notes to Financial Statements," and "Statements of Quarterly Financial Data" contained on pages 10 through 43 in PSNH's 1999 Annual Report, which information is incorporated herein by reference.

WMECO. Reference is made to information under the headings "Report of Independent Public Accountants," "Consolidated Statements of Income," "Consolidated Statements of Comprehensive Income," "Consolidated Balance Sheets," "Consolidated Statements of Common Stockholder's Equity," "Consolidated Statements of Cash Flows," "Notes to Consolidated Financial Statements," and "Statements of Quarterly Financial Data" contained on pages 11 through 41 in WMECO's 1999 Annual Report, which information is incorporated herein by reference.

NAEC. Reference is made to information under the headings "Report of Independent Public Accountants," "Statements of Income," "Statements of Comprehensive Income," "Balance Sheets," "Statements of Common Stockholder's Equity," "Statements of Cash Flows," "Notes to Financial Statements," and "Statements of Quarterly Financial Data" contained on pages 8 through 30 in NAEC's 1999 Annual Report, which information is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

No event that would be described in response to this item has occurred with respect to NU, CL&P, PSNH, WMECO, or NAEC.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANTS

NU.

In addition to the information provided below concerning the executive officers of NU, incorporated herein by reference is the information contained in the sections "Proxy Statement," "Committee Composition and Responsibility," "Common Stock Ownership of Certain Beneficial Owners," "Common Stock Ownership of Management," "Compensation of Trustees," "Executive Compensation," "Pension Benefits," and "Report on Executive Compensation" of the definitive proxy statement for solicitation of proxies by NU's Board of Trustees, dated March 31, 2000, which will be filed with the Commission pursuant to Rule 14a-6 under the Securities Exchange Act of 1934 (the Act).

Name	Positions Held	First Elected an Officer	First Elected a Trustee
John H. Forsgren	EVP, CFO	02/01/96	n/a
William T. Frain, Jr.	OTH	02/01/94	n/a
Cheryl W. Grise	SVP, SEC, GC	06/01/91	n/a
Bruce D. Kenyon	P	09/03/96	n/a
Hugh C. MacKenzie	P	07/01/88	n/a
Michael G. Morris	CHB, P, CEO, T	08/19/97	08/19/97
Gary D. Simon	OTH	04/15/98	n/a
Lisa J. Thibdaue	OTH	01/01/98	n/a

CL&P.

Name	Positions Held	First Elected an Officer	First Elected a Trustee
David H. Boguslawski	VP, D	09/09/96	06/30/99
John H. Forsgren (1)	OTH	02/10/96	n/a
Cheryl W. Grise (2)	OTH	06/01/91	n/a
Bruce D. Kenyon (3)	OTH	09/03/96	n/a
Hugh C. MacKenzie	P, D	07/01/88	06/06/90
Michael G. Morris (4)	OTH	08/19/97	n/a
Rodney O. Powell	VP, D	10/18/98	06/30/99
Lisa J. Thibdaue (5)	OTH	01/01/98	n/a

PSNH.

Name	Positions Held	First Elected an Officer	First Elected a Trustee

David H. Boguslawski	VP, D	06/05/92	06/30/99
John C. Collins	D	n/a	10/19/92
John H. Forsgren (1)	OTH, D	02/01/96	08/05/96
William T. Frain, Jr.	P, COO, D	03/18/71	02/01/94
Cheryl W. Grise (2)	OTH	06/01/91	n/a
Bruce D. Kenyon (3)	OTH	09/03/96	n/a
Gerald Letendre	D	n/a	10/19/92
Hugh C. MacKenzie (6)	D	n/a	02/01/94
Michael G. Morris	CH, CEO, D	08/19/97	08/19/97
Jane E. Newman	D	n/a	10/19/92
Lisa J. Thibdaue (5)	OTH	01/01/98	n/a

WMECO.

Name	Positions Held	First Elected an Officer	First Elected a Trustee
David H. Boguslawski	VP, D	09/09/96	06/30/99
James E. Byrne	D	n/a	09/17/99
John H. Forsgren (1)	OTH, D	Note 1	06/10/96
Cheryl W. Grise (2)	OTH	06/01/91	n/a
Bruce D. Kenyon (3)	OTH	09/03/96	n/a
Kerry J. Kuhlman	P, COO, D	10/18/98	04/01/99
Hugh C. MacKenzie (6)	OTH, D	Note 2	06/06/90
Paul J. McDonald	D	n/a	09/17/99
Michael G. Morris	CH, CEO, D	08/19/97	08/19/97
Melinda M. Phelps	D	n/a	09/17/99
Lisa J. Thibdaue (5)	OTH	01/01/98	n/a

NAEC.

Name	Positions Held	First Elected an Officer	First Elected a Trustee
William A. DiProfio	D	n/a	06/30/99
Ted C. Feigenbaum	EVP, CNO, D	10/21/91	06/30/99
John H. Forsgren (1)	OTH	02/01/96	n/a
Cheryl W. Grise (2)	OTH	06/01/91	n/a
Bruce D. Kenyon	P, CEO, D	09/03/96	09/03/96
Michael G. Morris (4)	OTH	08/19/97	n/a

1. Mr. Forsgren resigned as Executive Vice President and Chief Financial Officer of CL&P, PSNH, WMECO, and NAEC and as a Director of CL&P and NAEC, effective June 30, 1999. He is considered an Executive Officer of CL&P, PSNH, WMECO, and NAEC because of his policy-making function for the NU system.

2. Mrs. Grise resigned as Senior Vice President, Secretary and General Counsel of CL&P, PSNH and NAEC and as Senior Vice President, Secretary, Assistant Clerk, and General Counsel of WMECO, effective June 30, 1999. She is considered an Executive Officer of CL&P, PSNH, WMECO, and NAEC because of her policy-making function for the NU system.

3. Mr. Kenyon resigned as President-Generation Group and as a Director of CL&P, PSNH and WMECO, effective June 30, 1999. He is considered an Executive Officer of CL&P, PSNH and WMECO because of his policy-making function for the NU system.

4. Mr. Morris resigned as Chairman and as a Director of CL&P and NAEC, effective June 30, 1999. He is considered an Executive Officer of CL&P and NAEC because of his policy-making function for the NU system.

5. Ms. Thibdaue resigned as Vice President of CL&P, PSNH and WMECO, effective June 30, 1999. She is considered an Executive Officer of CL&P, PSNH and WMECO because of her policy-making function for the NU system.

6. Mr. MacKenzie resigned as President of WMECO, effective April 1, 1999. He is considered an Executive Officer of PSNH and WMECO because of his policy-making function for the NU system.

Key:

AC - Assistant Clerk	EVP - Executive Vice President
CAO - Chief Administrative Officer	GC - General Counsel
CEO - Chief Executive Officer	OTH - Executive Officer of Registrant because of policy-making function for NU System
CFO - Chief Financial Officer	P - President
CH - Chairman	SEC - Secretary
CHB - Chairman of the Board	SVP - Senior Vice President
COO - Chief Operating Officer	T - Trustee
D - Director	VP - Vice President

Name	Age	Business Experience During Past 5 Years

David H. Boguslawski	45	Vice President-Energy Delivery of CL&P, PSNH and WMECO, since 1996; previously Vice President-Customer Operations of PSNH from January 1994 to September 1996.
James E. Byrne	45	Partner, Finneran, Byrne & Dreshsler, L.L.P., since 1982.
John C. Collins (1)	54	Chief Executive Officer, Dartmouth-Hitchcock Clinic, Dartmouth - Hitchcock Medical Center since 1977.
William A. DiProfio	57	Seabrook Station Director, North Atlantic Energy Service Corporation since 1992.
Ted C. Feigenbaum (2)	49	Executive Vice President and Chief Nuclear Officer of NAEC since February, 1996; previously Senior Vice President of NAEC since 1991; Senior Vice President and Chief Nuclear Officer of PSNH from June 1992 to August 1992; President and Chief Executive Officer-New Hampshire Yankee Division of PSNH from 1990 to 1992 and Chief Nuclear Production Officer of PSNH from 1990 to 1992.
John H. Forsgren (3)	53	Executive Vice President and Chief Financial Officer of NU since February 1996; previously Executive Vice President and Chief Financial Officer of CL&P, PSNH, WMECO, and NAEC from February 1996 to June 1999; Managing Director of the Chase Manhattan Bank from 1995 to 1996 and Senior Vice President of The Walt Disney Company from 1990 to 1994.
William T. Frain, Jr.(4)	58	President and Chief Operating Officer of PSNH since February 1994; previously Senior Vice President of PSNH from 1992 to 1994.
Cheryl W. Grise	47	Senior Vice President, Secretary and General Counsel of NU since July 1998; previously Senior Vice President, Secretary and General Counsel of CL&P, PSNH and NAEC and Senior Vice President, Secretary, Assistant Clerk and General Counsel of WMECO from July 1998 to June 1999; Senior Vice President and Chief Administrative Officer of CL&P, PSNH and NAEC, and Senior Vice President of WMECO from 1995 to 1998; Senior Vice President-Human Resources and Administrative Services of CL&P, WMECO and NAEC from 1994 to 1995 and Vice President-Human Resources of CL&P, WMECO and NAEC from 1992 to 1994.
Bruce D. Kenyon (5)	57	President and Chief Executive Officer of NAEC since September 1996 and President-Generation Group of NU since March 1999; previously President-Generation Group of CL&P, PSNH and WMECO from March 1999 to June 1999; President-Nuclear Group of NU, CL&P, PSNH, and WMECO from September 1996 to March 1999; President and Chief Operating Officer of South Carolina Electric and Gas Company from 1990 to 1996.
Kerry J. Kuhlman	49	President and Chief Operating Officer of WMECO since April 1999; previously Vice President-Customer Operations of WMECO from October 1998 to April 1999; Vice President-Central Region of CL&P from August 1997 to October 1998; and Vice President-Eastern Region of CL&P from July 1994 to August 1997.
Gerald Letendre	58	President, Diamond Casting & Machine Co., Inc. since 1972.
Hugh C. MacKenzie	57	President-Retail Business Group of NU since February 1996 and President of CL&P since January 1994; previously President of WMECO from January 1994 to April 1999; Senior Vice President-Customer Service Operations of CL&P and WMECO from 1990 to 1994.
Paul J. McDonald (6)	56	Advisor to the Board of Directors, Friendly Ice Cream Corporation since January 2000;

		previously Senior Executive Vice President and Chief Financial Officer, Friendly Ice Cream Corporation, from 1986 to 1999.
Michael G. Morris	53	Chairman of the Board, President and Chief Executive Officer of NU, Chairman and Chief Executive Officer of PSNH, and Chairman of WMECO since August 1997; previously Chairman of CL&P and NAEC from August 1997 to June 1999; President and Chief Executive Officer of Consumers Power Company from 1994 to 1997 and Executive Vice President and Chief Operating Officer of Consumers Power Company from 1992 to 1994.
Jane E. Newman (7)	54	Managing Director, The CommerceGroup, LLC, since January 1999; previously Dean, Whittemore School of Business and Economics of the University of New Hampshire from January 1998 to January 1999; Executive Vice President and Director, Exeter Trust Company from 1995 to 1997 and President, Coastal Broadcasting Corporation from 1992 to 1995.
Melinda M. Phelps	56	Partner, Keyes and Donnellan, P.C., since 1992 and Police Commissioner, City of Springfield, Massachusetts since 1998.
Rodney O. Powell	47	Vice-President-Central Region of CL&P since October 1998; previously General Manager-Simsbury of CL&P from October 1997 to October 1998; Manager-Regulatory Relations of NUSCO from December 1995 to October 1997 and Senior Customer Engineering and Marketing Services Consultant of NUSCO from January 1994 to December 1995.
Gary D. Simon (8)	51	Senior Vice President-Strategy and Development of NUSCO since April 1998.
Lisa J. Thibdaue	46	Vice President-Rates, Regulatory Affairs and Compliance of Northeast Utilities Service Company since January 1998; previously Vice President-Rates, Regulatory Affairs and Compliance of CL&P, PSNH and WMECO from January 1998 to June 1999; Executive Director, Rates and Regulatory Affairs, Consumers Power Company from 1996 to 1998 and Director of Regulatory Affairs, Consumers Power Company from 1991 to 1996.

(1) Director of Blue Cross and Blue Shield of Vermont, Fleet Bank - New Hampshire, Hamden Assurance Company Limited and the Business and Industry Association of New Hampshire.
(2) Director of Connecticut Yankee Atomic Power Company, Maine Yankee Atomic Power Company, Vermont Yankee Nuclear Power Corporation, and Yankee Atomic Electric Company.
(3) Director of NorthEast Optic Network, Inc.
(4) Director of the Business and Industry Association of New Hampshire and the Greater Manchester Chamber of Commerce; Trustee of Saint Anselm College.
(5) Trustee of Columbia College and Director of Connecticut Yankee Atomic Power Company.
(6) Director of CIGNA Investments, Inc.
(7) Director of Exeter Trust Company and Perini Corporation.
(8) Director of NorthEast Optic Network, Inc.

There are no family relationships between any director or executive officer and any other director or executive officer of NU, CL&P, PSNH, WMECO, or NAEC.

ITEM 11. EXECUTIVE COMPENSATION

NU.

Incorporated herein by reference is the information contained in the sections "Executive Compensation," "Summary Compensation Table," "Option/SAR Grants in Last Fiscal Year," "Fiscal Year End Option/SAR Values," "Pension Benefits," and "Report on Executive Compensation" of the definitive proxy statement for solicitation of proxies by NU, dated March 31, 2000, which will be filed with the Commission pursuant to Rule 14a-6 under the Act.

CL&P, PSNH, WMECO, AND NAEC SUMMARY COMPENSATION TABLE

The following tables present the cash and non-cash compensation received by the Chief Executive Officer and the next four highest paid executive officers of CL&P, PSNH, WMECO and NAEC, in accordance with rules of the SEC:

Name and Principal Position	Year	Annual Compensation: Salary ($)	Annual Compensation: Bonus ($)	Annual Compensation: Other Annual Compensation ($) Note 1)	Long-Term Compensation: Awards: Restricted Stock Award(s) ($) (Note 2)	Long-Term Compensation: Awards: Securities Underlying Options/Stock Appreciation Rights (#)	Long-Term Compensation: Payouts: Long-Term Incentive Program Payouts ($)	All Other Compen-sation ($) (Note 3)
Michael G. Morris Chairman of the Board, President and Chief Executive Officer	1999	783,173	1,253,300	92,243	348,611	118,352	-	23,210
	1998	757,692	891,000	134,376	255,261	64,574	-	22,731
	1997	258,333	1,350,000	-	-	500,000	-	-
Bruce D. Kenyon President - Generation Group	1999	500,000	-	-	77,690	20,804	462,500	15,000
	1998	500,000	300,000	-	-	21,236	-	14,800
	1997	500,000	300,000	-	306,522	139,745	-	-
John H. Forsgren Executive Vice President and Chief Financial Officer	1999	429,904	400,000	-	122,682	32,852	87,003	12,888
	1998	373,077	-	-	-	73,183	-	104,800
	1997	350,000	-	-	378,787	184,382	-	50,000
Hugh C. MacKenzie President - Retail Business Group	1999	270,000	250,000	-	73,612	19,712	-	108,100
	1998	270,000	-	-	-	15,496	42,972	7,500
	1997	270,000	-	-	189,778	142,549	26,998	4,800
Cheryl W. Grise Senior Vice President, Secretary and General Counsel (in CL&P, PSNH and WMECO tables only)	1999	244,712	250,000	-	73,612	19,712	-	82,247
	1998	209,231	-	-	-	12,916	20,720	6,123
	1997	200,000	-	-	119,109	89,467	15,188	4,800
Ted C. Feigenbaum Executive Vice President and Chief Nuclear Officer of NAEC (in NAEC table only)	1999	260,000	130,000	-	28,620	7,664	24,827	5,849
	1998	260,000	48,750	-	40,961	10,044	20,723	7,800
	1997	260,000	30,119	-	-	-	21,498	4,800

OPTION/SAR GRANTS IN LAST FISCAL YEAR

Name	Individual Grants: Number of Securities Underlying Options/SARs Granted (#)	Individual Grants: % of Total Options/SARs Granted to Employees in Fiscal Year	Individual Grants: Exercise or Base Price ($/sh)	Individual Grants: Expiration Date	Grand Date Value: Grant Date Present Value ($)
Michael G. Morris	93,352 (Note 4)	14.7%	14.9375	2/23/2009	620,791
	25,000 (Note 5)	3.9%	17.5625	9/13/2009	198,000
Bruce D. Kenyon	20,804 (Note 5)	3.3%	14.9375	2/23/2009	138,347
John H. Forsgren	32,852 (Note 4)	5.2%	14.9375	2/23/2009	218,466
Hugh C. MacKenzie	19,712 (Note 4)	3.1%	14.9375	2/23/2009	131,085
Cheryl W. Grise	19,712 (Note 4)	3.1%	14.9375	2/23/2009	131,085
Ted C. Feigenbaum	7,664 (Note 4)	1.2%	14.9375	2/23/2009	50,966

AGGREGATED OPTIONS/SAR EXERCISES IN LAST
FISCAL YEAR AND FY-END OPTION/SAR VALUES

Name	Shares With Respect to Which SARs Were Exercised (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options/SARs at Fiscal Year End (#)		Value of Unexercised In-the-Money Options/SARs at Fiscal Year End ($)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Michael G. Morris	-	-	318,049	364,877	2,992,333	3,350,961
Bruce D. Kenyon	98,509	332,468	52,410	27,883	344,674	147,108
John H. Forsgren	129,974	438,662	99,259	57,247	582,727	288,471
Hugh C. MacKenzie	100,486	339,140	49,351	24,877	334,118	132,831
Cheryl W. Grise	63,067	212,851	33,101	24,017	218,741	129,176
Ted C. Feigenbaum	-	-	6,696	11,012	28,458	57,339

Notes to Summary Compensation and Option/SAR Grants Tables:

1. Other annual compensation for Mr. Morris consists of 1998 and 1999 relocation expense reimbursements.

2. At December 31, 1999, the aggregate restricted stock holdings by the five individuals named in the table for CL&P, WMECO and PSNH were 51,989 shares with a value of $1,069,024 and for NAEC were 49,814 shares with a value of $1,024,301. Awards shown for 1997 have vested. Awards shown for 1999 vest one-third on February 23, 2000, one-third on February 23, 2001, and one-third on February 23, 2002. During 1999, a total of 51,989 restricted shares were awarded to the individuals shown in the table for CL&P, WMECO and PSNH, and a total of 48,977 restricted shares were awarded to the individuals shown in the table for NAEC. Dividends paid on restricted stock are either paid out or reinvested into additional shares.

3. "All Other Compensation" for 1999 consists of employer matching contributions under the Northeast Utilities Service Company 401k Plan, generally available to all eligible employees ($4,800 for each named officer), matching contributions under the Deferred Compensation Plan for Executives (Mr. Morris - $18,710, Mr. Kenyon - $10,200, Mr. Forsgren - $8,088, Mr. MacKenzie - $3,300, Mrs. Grise - $2,447, and Mr. Feigenbaum - $1,049), and retention payments (Mr. MacKenzie - $100,000 and Mrs. Grise - $75,000).

4. These options were granted on February 23, 1999, under the Incentive Plan. All options granted vest one-third on February 23, 2000, one-third on February 23, 2001, and one-third on February 23, 2002. Valued using the Black-Scholes option pricing model, with the following assumptions: Volatility: 36.52 percent (36 months of monthly data); Risk-free rate: 5.61 percent; Dividend yield: 1.89 percent; Exercise date: February 23, 2009.

5. These options were granted on September 14, 1999, and were fully exercisable on the date of grant. Valued using the Black-Scholes option pricing model, with the following assumptions: Volatility: 34.66 percent (36 months of monthly data); Risk-free rate: 6.45 percent; Dividend yield: 1.89 percent; Exercise date: September 13, 2009.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

Overview and Strategy

The Compensation Committee of the Board of Trustees (the Committee) is the administrator of executive compensation for the executives of the Northeast Utilities system (the Company) with authority to establish and interpret the terms of the Company's executive salary and incentive programs. The goal of the Committee's executive compensation program for 1999 was to provide a competitive compensation package to enable the Company to attract and retain key executives with an eye towards the future in a more competitive environment. The Committee further sought to align executive interests with those of Northeast Utilities' shareholders and with Company performance by continuing with the increased use of share-based incentives.

To help achieve these goals, the Committee drew upon information from a variety of sources, including compensation consultants, utility and general industry surveys, and other publicly available information, including proxy statements. In 1999, the Company's comparison groups for purposes of executive compensation consisted of a consultant's database of roughly 1,000 companies from a broad variety of industries, a consultant's database of over 75 electric and combination electric and gas utilities, and a smaller group of ten electric utilities whose operating characteristics were substantially similar to those of the Company in terms of generation mix and customer size. Nine of the ten companies are included in the Standard & Poor's (S&P) Electric Companies Index, which is the index used in the share performance

chart shown in the NU Proxy Statement.

Base Salary

The Committee sets the annual base salary for each executive officer except for the Chief Executive Officer (CEO), whose base salary is set by the Board of Trustees following a recommendation by the Committee pursuant to an evaluation process developed by the Committee in conjunction with the Corporate Governance Committee of the Board of Trustees. In 1999 the Committee reviewed the base salary levels of the Company's entire officer group against those of the 75 utility market comparison group with a goal of targeting aggregate officer base salary to the median. The Committee periodically adjusts officers' base salaries to reflect considerations such as changes in responsibility, market sensitivity, individual performance and internal equity. The CEO's base salary was increased by 3.23 percent in 1999 based on the market review and the Committee's judgment as to his past and expected future performance.

Annual Incentive Awards

The Committee again implemented an Annual Incentive Program during 1999. The incentive payout target was 80 percent of base salary for the CEO, and varied from 25 to 50 percent of base salary for the other officers. The Annual Incentive Program was designed to calculate actual aggregate payouts based on the Company's performance against an earnings per share goal and pre-established individual goals. Individual awards were made in cash in February 2000. The CEO received an award under this program of $1,253,300, or 20 percent of target, determined solely on the fulfillment of the earnings-per-share goal. In addition, during September 1999, the Board approved an award of 25,000 stock options for the CEO on account of a highly successful year in 1999 including the sale of the fossil/hydroelectric plants and the restart of Millstone Unit 2.

Long-Term Incentive Grants

Long-term stock-based incentive grants were made in February 1999 to each executive officer and other officers and certain key employees of the Company. The Committee targeted these awards such that the total of base pay, target annual incentive awards, and long-term incentive awards for the officer group would be at the 75th percentile of the utility market comparison group. Approximately one-half of the grants' intended value was made in restricted stock and one-half was made in stock options. The CEO's grant was targeted at 110 percent of base salary based upon the consultant's survey database of utilities and general industry and the Committee's goal of making long-term incentive awards competitive with these companies.

Internal Revenue Service Limitation on Deductibility of Executive Compensation

The Committee believes that its compensation program adequately responds to issues raised by the deductibility cap placed on executive salaries by Section 162(m) of the Internal Revenue Code because of the use of stock options and qualified performance-based compensation in Company incentive programs.

Respectfully submitted,

Robert E. Patricelli, Chairman
William J. Pape II, Vice Chairman
Cotton Mather Cleveland
E. Gail de Planque
Elizabeth T. Kennan
John F. Swope

Dated: February 22, 2000

PENSION BENEFITS

The following table shows the estimated annual retirement benefits payable to an executive officer of Northeast Utilities upon retirement, assuming that retirement occurs at age 65 and that the officer is at that time not only eligible for a pension benefit under the Northeast Utilities Service Company Retirement Plan (the Retirement Plan) but also eligible for the make-whole benefit and the target benefit under the Supplemental Executive Retirement Plan for Officers of Northeast Utilities System Companies (the Supplemental Plan). The Supplemental Plan is a non-qualified pension plan providing supplemental retirement income to system officers. The make-whole benefit under the Supplemental Plan, available to all officers, makes up for benefits lost through application of certain tax code limitations on the benefits that may be provided under the Retirement Plan, and includes as "compensation" awards under the executive incentive plans and deferred compensation (as earned). The target benefit further supplements these benefits and is available to officers at the Senior Vice President level and higher who are selected by the Board of Trustees to participate in the target benefit and who remain in the employ of Northeast Utilities

companies until at least age 60 (unless the Board of Trustees sets an earlier age).

The benefits presented below are based on a straight life annuity beginning at age 65 and do not take into account any reduction for joint and survivorship annuity payments. Final average compensation for purposes of calculating the target benefit is the highest average annual compensation of the participant during any 36 consecutive months compensation was earned. Compensation taken into account under the target benefit described above includes salary, bonus, restricted stock awards, and long-term incentive payouts shown in the Summary Compensation Table, but does not include employer matching contributions under the 401k Plan. In the event that an officer's employment terminates because of disability, the retirement benefits shown above would be offset by the amount of any disability benefits payable to the recipient that are attributable to contributions made by Northeast Utilities and its subsidiaries under long term disability plans and policies.

	ANNUAL BENEFIT				
Final Average Compensation	Years of Credited Service				
	15	20	25	30	35
$200,000	$ 72,000	$96,000	$120,000	$120,000	$120,000
250,000	90,000	120,000	150,000	150,000	150,000
300,000	108,000	144,000	180,000	180,000	180,000
350,000	126,000	168,000	210,000	210,000	210,000
400,000	144,000	192,000	240,000	240,000	240,000
450,000	162,000	216,000	270,000	270,000	270,000
500,000	180,000	240,000	300,000	300,000	300,000
600,000	216,000	288,000	360,000	360,000	360,000
700,000	252,000	336,000	420,000	420,000	420,000
800,000	288,000	384,000	480,000	480,000	480,000
900,000	324,000	432,000	540,000	540,000	540,000
1,000,000	360,000	480,000	600,000	600,000	600,000
1,100,000	396,000	528,000	660,000	660,000	660,000
1,200,000	432,000	576,000	720,000	720,000	720,000

Each of the executive officers of Northeast Utilities named in the Summary Compensation Table is currently eligible for a target benefit, except Messrs. Morris and Kenyon, whose Employment Agreements provide specially calculated retirement benefits, based on their previous arrangements with CMS Energy/Consumers Energy Company (CMS) and South Carolina Electric and Gas, respectively. Mr. Morris's agreement provides that upon retirement after reaching the fifth anniversary of his employment date (or upon disability or termination without cause or following a change in control, as defined) he will be entitled to receive a special retirement benefit calculated by applying the benefit formula of the CMS Supplemental Executive Retirement Plan to all compensation earned from the NU system and to all service rendered to the Company and CMS. If Mr. Kenyon retires with at least three years of service with the Company, he will be deemed to have two extra years of service for purpose of his special retirement benefit. If after achieving three years of service he voluntarily terminates employment following a "substantial change, in responsibilities resulting from a material change in the business of Northeast Utilities", he will be deemed to have an additional year of service for purpose of his special retirement benefit, and if he retires with at least three years of service with the Company, he will receive a lump sum payment of $500,000.

In addition, Mr. Forsgren's Employment Agreement provides for supplemental pension benefits based on crediting up to ten years additional service and providing payments equal to 25 percent of salary for up to 15 years following retirement, reduced by four percentage points for each year that his age is less than 65 years at retirement.

As of December 31, 1999, the executive officers named in the Summary Compensation Table had the following years of credited service for purposes of calculating target benefits under the Supplemental Plan (or in the case of Messrs. Morris and Kenyon, for purposes of calculating the special retirement benefits under their respective Employment Agreements): Mr. Morris - 21, Mr. Kenyon - 5, Mr. Forsgren - 3, Mr. MacKenzie - 34, Mrs. Grise - 19, and Mr. Feigenbaum - 14. In addition, Mr. Forsgren had 6 years of service for purposes of his supplemental pension benefit and would have 25 years of service for such purpose if he were to retire at age 65. Assuming that retirement were to occur at age 65 for these officers, retirement would occur with 33, 13, 15, 41, 37, and 29 years of credited service, respectively.

EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT ARRANGEMENTS

NUSCO has entered into employment agreements (the Officer Agreements) with each of the named executive officers. The Officer Agreements are also binding on Northeast Utilities and on each majority-owned subsidiary of Northeast Utilities.

Each Officer Agreement obligates the officer to perform such duties as may be directed by the NUSCO Board of Directors or the Northeast Utilities Board of Trustees, protect the Company's confidential information, and refrain, while employed by the Company and for a period of time thereafter, from competing with the Company in a specified geographic area. Each Officer Agreement provides that the officer's base salary will not be reduced below certain levels without the consent of the officer, and that the officer will participate in specified benefits under the Supplemental Executive Retirement Plan or other supplemental retirement programs (see Pension Benefits, above) and/or in certain executive incentive programs at specified incentive opportunity levels.

Each Officer Agreement provides for a specified employment term and for automatic one-year extensions of the employment term unless at least six months' notice of non-renewal is given by either party. The employment term may also be ended by the Company for "cause", as defined, at any time (in which case no supplemental retirement benefit, if any, shall be due), or by the officer on 30 days' prior written notice for any reason. Absent "cause", the Company may remove the officer from his or her position on 60 days' prior written notice, but in the event the officer is so removed and signs a release of all claims against the Company, the officer will receive one or two years' base salary and annual incentive payments, specified employee welfare and pension benefits, and vesting of stock appreciation rights, options and restricted stock.

Under the terms of an Officer Agreement, upon any termination of employment following a change of control, as defined, between (a) the earlier of the date shareholders approve a change of control transaction or a change of control transaction occurs and (b) the earlier of the date, if any, on which the Board of Trustees abandons the transaction or the date two years following the change of control, if the officer signs a release of all claims against the Company, the officer will be entitled to certain payments including a multiple (not to exceed four) of annual base salary, annual incentive payments, specified employee welfare and pension benefits, and vesting of stock appreciation rights, options and restricted stock. Certain of the change in control provisions may be modified by the Board of Trustees prior to a change in control, on at least two years' notice to the affected officer(s).

Besides the terms described above, the Officer Agreements of Messrs. Morris, Kenyon and Forsgren provide for a specified salary, cash, restricted stock and/or stock options upon employment, special incentive programs, and/or special retirement benefits. See Pension Benefits, above, for further description of these provisions. During 1999, the Officer Agreements of Messrs. Morris, Kenyon and Forsgren and Mrs. Grise were amended to provide that a termination of employment initiated by such officer upon the imposition of a limitation of scope of the officer's responsibilities following a change of control such that the officer's responsibilities relate primarily to a company whose common equity is not publicly held shall constitute a termination upon a change of control. Mr. Kenyon's Officer Agreement also provides for a special short term incentive compensation program in lieu of a portion of the Stock Price Recovery Incentive Program. Under this special program Mr. Kenyon is eligible to receive a payment up to 100 percent of base salary depending on his fulfillment of certain incentive goals for each of the years ending August 31, 1997 and August 31, 1998, and for the 16 month period ending December 31, 1999.

The descriptions of the various agreements set forth above are for purpose of disclosure in accordance with the proxy and other disclosure rules of the SEC and shall not be controlling on any party; the actual terms of the agreements themselves determine the rights and obligations of the parties.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

NU.

Incorporated herein by reference is the information contained in the sections "Common Stock Ownership of Certain Beneficial Owners," "Common Stock Ownership of Management," "Compensation of Trustees," "Executive Compensation," "Pension Benefits," and "Report on Executive Compensation" of the definitive proxy statement for solicitation of proxies by NU, dated March 31, 1999 which will be filed with the Commission pursuant to Rule 14a-6 under the Act.

CL&P, PSNH, WMECO, and NAEC.

NU owns 100% of the outstanding common stock of registrants CL&P, PSNH, WMECO, and NAEC. As of February 24, 2000, the Directors and Executive Officers of CL&P, PSNH, WMECO, and NAEC beneficially owned the number of shares of each class of equity securities of NU listed below. No equity securities of CL&P, PSNH, WMECO, or NAEC are owned by the Directors and Executive Officers of CL&P, PSNH, WMECO, and NAEC. Unless otherwise noted, each Director and Executive Officer of CL&P, PSNH, WMECO, and NAEC has sole voting and investment power with respect to the listed shares.

CL&P, PSNH, WMECO, and NAEC DIRECTORS AND EXECUTIVE OFFICERS

Title of Class	Name	Amount and Nature of Beneficial Ownership	Percent of Class (1)
NU Common	David H. Boguslawski	14,981	(2)
NU Common	James E. Byrne	0	
NU Common	John C. Collins	0	
NU Common	William A. DiProfio	4,648	(3)
NU Common	Ted C. Feigenbaum	36,357	(4)
NU Common	John H. Forsgren	78,746	(5)
NU Common	William T. Frain, Jr.	17,516	(6)
NU Common	Cheryl W. Grise	32,347	(7)
NU Common	Bruce D. Kenyon	87,377	(8)
NU Common	Kerry J. Kuhlman	9,457	(9)
NU Common	Gerald Letendre	0	
NU Common	Hugh C. MacKenzie	35,034	(10)
NU Common	Paul J. McDonald	500	
NU Common	Michael G. Morris	400,496	(11)
NU Common	Jane E. Newman	0	
NU Common	Melinda M. Phelps	0	
NU Common	Rodney O. Powell	4,094	(12)

Amount beneficially owned by Directors and Executive Officers as a group:

Company	Number of Persons	Amount and Nature of Beneficial Ownership	
CL&P	8	667,240	(13)
PSNH	11	680,027	(13)
WMECO	11	671,968	(13)
NAEC	6	639,971	

(1) As of February 24, 2000, there were 137,388,633 common shares of NU outstanding. The percentage of such shares beneficially owned by any Director or Executive Officer, and by all Directors and Executive Officers of CL&P, PSNH, WMECO, and NAEC as a group, does not exceed one percent.

(2) Includes 2,016 restricted shares, as to which Mr. Boguslawski has sole voting power but no dispositive power. Includes 7,368 shares that could be acquired by Mr. Boguslawski pursuant to currently exercisable options.

(3) Includes 879 shares that could be acquired by Mr. DiProfio pursuant to currently exercisable options.

(4) Includes 2,114 restricted shares, as to which Mr. Feigenbaum has sole voting power but no dispositive power. Includes 9,251 shares that could be acquired by Mr. Feigenbaum pursuant to currently exercisable options.

(5) Includes 174 shares held in an employee stock ownership plan and 5,475 restricted shares, as to which Mr. Forsgren has sole voting power but no dispositive power. Includes 59,739 shares that could be acquired by Mr. Forsgren pursuant to currently exercisable options.

(6) Includes 2,149 restricted shares, as to which Mr. Frain has sole voting power but no dispositive power. Includes 7,892 shares that could be acquired by Mr. Frain pursuant to currently exercisable options.

(7) Includes 3,285 restricted shares, as to which Mrs. Grise has sole voting power, but no dispositive power. Includes 15,182 shares that could be acquired by Mrs. Grise pursuant to currently exercisable options. Includes 261 shares held by Mrs. Grise's husband as custodian for her children, with whom she shares voting and dispositive power.

(8) Includes 305 shares held in an employee stock ownership plan and 3,467 restricted shares, as to which Mr. Kenyon has sole voting power but no dispositive power. Includes 21,092 shares that could be acquired by Mr. Kenyon pursuant to currently exercisable options.

(9) Includes 947 restricted shares, as to which Ms. Kuhlman has sole voting power but no dispositive power. Includes 3,474 shares that could be acquired by Ms. Kuhlman pursuant to currently exercisable options.

(10) Includes 3,285 restricted shares, as to which Mr. MacKenzie has sole voting power but no dispositive power. Includes 16,902 shares that could be acquired by Mr. MacKenzie pursuant to currently exercisable options.

(11) Includes 265 shares held in an employee stock ownership plan and 20,939 restricted shares, as to which Mr. Morris has sole voting power but no dispositive power. Includes 349,167 shares that could be acquired by Mr. Morris pursuant to currently exercisable options. Includes 13,095 shares held jointly by Mr. Morris and his wife, who share voting and

investment power.

(12) Includes 631 restricted shares, as to which Mr. Powell has sole voting power but no dispositive power. Includes 2,946 shares that could be acquired by Mr. Powell pursuant to currently exercisable options.

(13) Includes 196 shares held in an employee stock ownership plan and 1,995 restricted shares held by an executive officer other than those named in the table above as to which such officer has sole voting power but no dispositive power. Includes 7,759 shares that could be acquired by such officer pursuant to currently exercisable options.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

NU.

Incorporated herein by reference is the information contained in the section "Certain Relationships and Related Transactions" of the definitive proxy statement for solicitation of proxies by NU's Board of Trustees, dated March 31, 2000, which will be filed with the Commission pursuant to Rule 14a-6 under the Act.

CL&P, PSNH, WMECO, and NAEC.

No relationships or transactions that would be described in response to this item exist now or existed during 1999 with respect to CL&P, PSNH, WMECO, and NAEC.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) 1. Financial Statements:

The Report of Independent Public Accountants and financial statements of NU, CL&P, PSNH, WMECO, and NAEC are hereby incorporated by reference and made a part of this report (see "Item 8. Financial Statements and Supplementary Data").

Report of Independent Public Accountants on Schedules S-1

Consent of Independent Public Accountants S-3

2. Schedules:

Financial Statement Schedules for NU (Parent), NU and Subsidiaries, CL&P and Subsidiaries, PSNH, and WMECO and Subsidiary are listed in the Index to Financial Statements Schedules S-4

3. Exhibits Index E-1

(b) Reports on Form 8-K:

NU and CL&P filed 8-Ks dated January 28, 1999, disclosing terms contained within the January 1999 issued Connecticut DPUC draft decision, and its proposed effects on the NU system companies.

NU filed a Form 8-K dated February 23, 1999, disclosing the NU Board of Trustees adopted a shareholder rights plan (subject to regulatory approval) together with a brief summary of the terms of the Rights Plan.

NU, CL&P and WMECO filed Form 8-Ks dated April 27, 1999, disclosing:

- On April 27, 1999, the Connecticut Superior Court granted a plaintiff's request for a temporary restraining order to prevent Millstone 2 from resuming operations until at least June 15, 1999;

- On April 29, 1999, the NRC notified NNECO that it could restart Millstone 2; although NNECO received NRC approval, the unit could not commence operations, until the temporary restraining order initiated by Fish Unlimited is lifted.

- NU filed a Form 8-K dated May 7, 1999, announcing the distribution of rights to shareholders under its shareholder rights plan dated February 23, 1999.

NU filed a Form 8-K dated June 14, 1999, disclosing:

- On June 15, 1999, NU and Yankee announced that they have agreed to a merger in which Yankee will become a subsidiary of NU.

NU, PSNH and NAEC filed Form 8-Ks dated June 14, 1999, disclosing:

- NU, its subsidiary, PSNH, and the state of New Hampshire signed a Memorandum of Understanding intended to settle a number of

pending regulatory and court proceedings related to PSNH.

NU, CL&P and WMECO filed Form 8-Ks dated July 6, 1999, disclosing:

- The results of the auction of CL&P's and the remainder of WMECO's nonnuclear generation assets held in conformity with the electric utility restructuring laws of Connecticut and Massachusetts, respectively.

NU filed a Form 8-K dated September 14, 1999, disclosing:

- On September 14, 1999, the NU Board of Trustees approved the payment of NU's first common stock dividend since March 1997.

NU, CL&P, PSNH, and WMECO filed Form 8-Ks dated September 14, 1999, disclosing:

- On September 15, 1999, NU announced that the Millstone Station nuclear power plant assets of its subsidiaries, CL&P and WMECO, will be put up for public auction as soon as practical. The 35.98 percent share of the Seabrook Nuclear Station in New Hampshire owned by NU's subsidiary NAEC also will put up for public auction.

NU filed a Form 8-K dated October 13, 1999, disclosing:

- On October 13, 1999, NU and Con Edison announced that they have agreed to a merger to combine the two companies.

- On October 13, 1999, a NU shareholder class action complaint was filed in New York Supreme Court for the County of New York. An additional class action complaint was filed with the same court on October 18, 1999. The complaints name as defendants NU and ten individual Trustees of NU.

NU, CL&P and WMECO filed Form 8-Ks dated October 27, 1999, disclosing:

- On October 27, 1999, NU and its subsidiaries, CL&P and WMECO, agreed to settle various arbitration and litigation claims arising out of the operation of the Millstone 3 nuclear power plant.

- NU, CL&P, WMECO, and PSNH filed Form 8-Ks dated December 2, 1999, disclosing:

- On December 2, 1999, NU and its subsidiaries CL&P, WMECO and PSNH, agreed in principle with a non-NU joint owner to settle various arbitration and litigation claims arising out of the operation of Millstone 3.

- On December 15, 1999, CL&P completed the sale of 2,235 MW of fossil-fueled generation in Connecticut to an unaffiliated company.

- On December 15, 1999, the DPUC issued a supplemental decision in Docket No. 99-03-36 approving the components of CL&P's rates for standard offer service commencing on January 1, 2000.

- On December 20, 1999, the DTE issued an order related to WMECO's October 18, 1999, compliance filing.

- On December 29, 1999, the DPUC approved the merger between NU and Yankee.

- As of January 11, 2000, NU and Con Edison entered into an amended and restated agreement and plan of merger replacing the agreement and plan of merger executed on October 12, 1999.

NU filed Form 8-K dated February 29, 2000, disclosing:

- The 1999 financial statements for NU Consolidated and notes thereto. In addition, it includes, Management's Discussion and Analysis of Financial Condition and Results of Operations relating to the 1999 financial statements.

- The completion of the merger of NU and Yankee.

NORTHEAST UTILITIES

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed

on its behalf by the undersigned, thereunto duly authorized.

NORTHEAST UTILITIES
(Registrant)

Date: March 15, 2000 By /s/ Michael G. Morris
Michael G. Morris
Chairman of the Board,
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date	Title	Signature
March 15, 2000	Chairman of the Board, President and Chief Executive Officer and a Trustee	/s/ Michael G. Morris Michael G. Morris
March 15, 2000	Executive Vice President and Chief Financial Officer	/s/ John H. Forsgren John H. Forsgren
March 15, 2000	Vice President and Controller	/s/ John J. Roman John J. Roman
March 15, 2000	Trustee	/s/ Cotton M. Cleveland Cotton M. Cleveland
March 15, 2000	Trustee	/s/ William F. Conway William F. Conway
March 15, 2000	Trustee	/s/ E. Gail de Planque E. Gail de Planque
March 15, 2000	Trustee	/s/ Raymond L. Golden Raymond L. Golden
March 15, 2000	Trustee	/s/ Elizabeth T. Kennan Elizabeth T. Kennan
March 15, 2000	Trustee	/s/ William J. Pape II William J. Pape II
March 15, 2000	Trustee	/s/ Robert E. Patricelli Robert E. Patricelli
March 15, 2000	Trustee	/s/ John F. Swope John F. Swope
March 15, 2000	Trustee	/s/ John F. Turner John F. Turner

THE CONNECTICUT LIGHT AND POWER COMPANY

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE CONNECTICUT LIGHT AND POWER COMPANY
(Registrant)

March 15, 2000 By /s/ Hugh C. MacKenzie
Hugh C. MacKenzie
President

Pursuant to the requirements of the Securities Exchange Act of 1934,

this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date	Title	Signature
March 15, 2000	President and Director	/s/ Hugh C. MacKenzie Hugh C. MacKenzie
March 15, 2000	Treasurer	/s/ Randy A. Shoop Randy A. Shoop
March 15, 2000	Controller	/s/ John P. Stack John P. Stack
March 15, 2000	Director	/s/ David H. Boguslawski David H. Boguslawski
March 15, 2000	Director	/s/ Rodney O. Powell Rodney O. Powell

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
(Registrant)

Date: March 15, 2000

By /s/ Michael G. Morris
Michael G. Morris
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date	Title	Signature
March 15, 2000	Chairman and Chief Executive Officer and a Director	/s/ Michael G. Morris Michael G. Morris
March 15, 2000	President and Chief Operating Officer and a Director	/s/ William T. Frain, Jr. William T. Frain, Jr.
March 15, 2000	Vice President and Treasurer	/s/ David R. McHale David R. McHale
March 15, 2000	Vice President and Controller	/s/ John J. Roman John J. Roman
March 15, 2000	Director	/s/ David H. Boguslawski David H. Boguslawski
March 15, 2000	Director	/s/ John C. Collins John C. Collins
March 15, 2000	Director	/s/ Gerald Letendre Gerald Letendre
March 15, 2000	Director	/s/ John H. Forsgren John H. Forsgren
March 15, 2000	Director	/s/ Hugh C. MacKenzie Hugh C. MacKenzie
March 15, 2000	Director	/s/ Jane E. Newman Jane E. Newman

WESTERN MASSACHUSETTS ELECTRIC COMPANY

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WESTERN MASSACHUSETTS ELECTRIC COMPANY
(Registrant)

Date: March 15, 2000 By /s/ Michael G. Morris
Michael G. Morris
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date	Title	Signature
March 15, 2000	Chairman and Chief Executive Officer and a Director	/s/ Michael G. Morris Michael G. Morris
March 15, 2000	President and Chief Operating Officer and a Director	/s/ Kerry J. Kuhlman Kerry J. Kuhlman
March 15, 2000	Vice President and Treasurer	/s/ David R. McHale David R. McHale
March 15, 2000	Vice President and Controller	/s/ John J. Roman John J. Roman
March 15, 2000	Director	/s/ David H. Boguslawski David H. Boguslawski
March 15, 2000	Director	/s/ James E. Byrne James E. Byrne
March 15, 2000	Director	/s/ John H. Forsgren John H. Forsgren
March 15, 2000	Director	/s/ Hugh C. MacKenzie Hugh C. MacKenzie
March 15, 2000	Director	/s/ Paul J. McDonald Paul J. McDonald
March 15, 2000	Director	/s/ Melinda M. Phelps Melinda M. Phelps

NORTH ATLANTIC ENERGY CORPORATION

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NORTH ATLANTIC ENERGY CORPORATION
(Registrant)

Date: March 15, 2000 By /s/ Bruce D. Kenyon
Bruce D. Kenyon
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the

Registrant and in the capacities and on the dates indicated.

Date	Title	Signature
March 15, 2000	President and Chief Executive Officer and a Director	/s/ Bruce D. Kenyon Bruce D. Kenyon
March 15, 2000	Vice President and Treasurer	/s/ David R. McHale David R. McHale
March 15, 2000	Vice President and Controller	/s/ John J. Roman John J. Roman
March 15, 2000	Director	/s/ William A. DiProfio William A. DiProfio
March 15, 2000	Director	/s/ Ted C. Feigenbaum Ted C. Feigenbaum

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULES

We have audited in accordance with generally accepted auditing standards, the financial statements included in Northeast Utilities' annual report to shareholders and The Connecticut Light and Power Company's and Western Massachusetts Electric Company's annual reports, incorporated by reference in this Form 10-K, and have issued our reports thereon dated January 25, 2000. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the accompanying Index to Financial Statements Schedules are the responsibility of the companies' management and are presented for purposes of complying with the Securities and Exchange Commission's rules and are not a part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP
Arthur Andersen LLP

Hartford, Connecticut
January 25, 2000

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULES

We have audited in accordance with generally accepted auditing standards, the financial statements included in North Atlantic Energy Corporation's and Public Service Company of New Hampshire's annual reports, incorporated by reference in this Form 10-K and have issued our reports thereon dated January 25, 2000. Our reports on the financial statements included an explanatory paragraph regarding the existence of conditions which raise substantial doubt about the companies' abilities to continue as going concerns. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the accompanying Index to Financial Statements Schedules are the responsibility of the companies' management and are presented for purposes of complying with the Securities and Exchange Commission's rules and are not a part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP
Arthur Andersen LLP

Hartford, Connecticut
January 25, 2000

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated January 25, 2000, included (or incorporated by reference) in this Form 10-K into the Company's previously filed Registration Statements No. 33-55279 of The Connecticut Light and Power Company, No. 33-56537 of CL&P Capital, LP and No. 33-34622, No. 33-44814, No. 33-63023, No. 33-40156, No. 333-52413, No. 333-52415, and No. 333-85613 of Northeast Utilities. It should be noted that we have not audited any financial statements of the Company subsequent to December 31, 1999 or performed any audit procedures subsequent to the date of our report.

/s/ Arthur Andersen LLP
Arthur Andersen LLP

Hartford, Connecticut
March 23, 2000

INDEX TO FINANCIAL STATMENTS SCHEDULES

Schedule

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Northeast Utilities (Parent) Balance Sheets 1999 and 1998 S-5

Northeast Utilities (Parent) Statements of Income 1999, 1998, and 1997 S-6

Northeast Utilities (Parent) Statements of Cash Flows 1999, 1998, and 1997 S-7

II. Valuation and Qualifying Accounts and Reserves 1999, 1998, and 1997:

Northeast Utilities and Subsidiaries S-8 - S-10
The Connecticut Light and Power Company and Subsidiaries S-11 - S-13
Public Service Company of New Hampshire S-14 - S-16
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All other schedules of the companies' for which provision is made in the applicable regulations of the SEC are not required under the related instructions or are not applicable, and therefore have been omitted.

SCHEDULE I
NORTHEAST UTILITIES (PARENT)

FINANCIAL INFORMATION OF REGISTRANT

BALANCE SHEETS

AT DECEMBER 31, 1999 AND 1998

(Thousands of Dollars)

	1999	1998
ASSETS		
Other Property and Investments:		
Investments in subsidiary companies, at equity	$2,252,175	$2,161,901
Investments in transmission companies, at equity	16,460	17,692
Other, at cost	54	67
	2,268,689	2,179,660
Current Assets:		
Notes receivable from affiliated companies	45,300	34,400
Notes and accounts receivable	625	723
Receivables from affiliated companies	8,351	1,033

Taxes receivable	418	7,969
Prepayments	1,192	96
	55,886	44,221
Deferred Charges:		
Accumulated deferred income taxes	-	5,236
Unamortized debt expense	6	101
Other	122	256
Deferred Yankee Energy System, Inc. acquisition expenses	3,427	-
	3,555	5,593
Total Assets	$2,328,130	$2,229,474
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common Shareholders' Equity:		
Common shares, $5 par value--Authorized 225,000,000 shares; 137,393,829 shares issued and 131,870,284 shares outstanding in 1999 and 137,031,264 shares issued and 130,954,740 outstanding in 1998	$ 686,969	$ 685,156
Capital surplus, paid in	940,726	940,661
Deferred contribution plan--employee stock ownership plan	(127,725)	(140,619)
Retained earnings	581,817	560,769
Accumulated other comprehensive income	1,524	1,405
Total common shareholders' equity	2,083,311	2,047,372
Long-term debt	138,000	158,000
Total capitalization	2,221,311	2,205,372
Current Liabilities:		
Long-term debt--current portion	20,000	19,000
Notes payable to banks	65,000	-
Accounts payable	7,258	1,882
Accounts payable to affiliated companies	1,201	714
Accrued taxes	-	15
Accrued interest	1,705	2,097
Accrued Con Edison/Northeast Utilities merger fees	6,143	-
	101,307	23,708
Accumulated deferred income taxes	5,302	-
Other Deferred Credits	210	394
	5,512	394
Total Capitalization and Liabilities	$2,328,130	$2,229,474

SCHEDULE I
NORTHEAST UTILITIES (PARENT)

FINANCIAL INFORMATION OF REGISTRANT

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 1999, 1998, AND 1997

(Thousands of Dollars Except Share Information)

	1999	1998	1997
Operating Revenues	$ -	$ -	$ -
Operating Expenses:			
Other	19,126	7,674	8,657
Federal income taxes	(4,849)	1,569	(10,697)
Total operating expenses	14,277	9,243	(2,040)
Operating (Loss)/Income	(14,277)	(9,243)	2,040

Other Income/(Loss):			
Equity in earnings of subsidiaries	56,812	(145,874)	(118,195)
Equity in earnings of transmission companies	2,608	2,903	2,968
Other, net	2,628	21,995	2,184
Income taxes	2,057	-	-
Other income/(loss), net	64,105	(120,976)	(113,043)
Income/(loss) before interest charges	49,828	(130,219)	(111,003)
Interest Charges	15,612	16,534	18,959
Earnings/(Loss) for Common Shares.	$ 34,216	$ (146,753)	$ (129,962)
Earnings/(Loss) Per Common Share-- Basic and Diluted	$ 0.26	$ (1.12)	$ (1.01)
Common Shares Outstanding (average)	131,415,126	130,549,760	129,567,708

SCHEDULE I
NORTHEAST UTILITIES (PARENT)
FINANCIAL INFORMATION OF REGISTRANT
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1999, 1998, AND 1997
(Thousands of Dollars)

	1999	1998	1997
Operating Activities:			
Net income\(loss)	$ 34,216	$ (146,753)	$ (135,708)
Adjustments to reconcile to net cash provided by operating activities:			
Equity in earnings of subsidiary companies	(56,812)	145,874	123,941
Cash dividends received from subsidiary companies	66,000	47,000	132,994
Deferred income taxes	74	777	1,558
Other sources of cash	16,655	20,926	9,637
Changes in working capital:			
Receivables	(7,220)	(84)	6,247
Accounts payable	5,863	523	(14,031)
Other working capital (excludes cash)	12,191	(15,981)	5,490
Net cash flows provided by operating activities	70,967	52,282	130,128
Financing Activities:			
Issuance of common shares	5,318	2,659	6,502
Net increase/(decrease) in short-term debt	65,000	-	(38,750)
Reacquisitions and retirements of long-term debt	(19,000)	(17,000)	(16,000)
Cash dividends on common shares	(13,168)	-	(32,134)
Net cash flows used in financing activities	38,150	(14,341)	(80,382)
Investment Activities:			
NU system Money Pool	(10,900)	(200)	(28,725)
Investment in subsidiaries	(99,462)	(40,029)	(22,583)
Other investment activities, net	1,245	2,278	1,562
Net cash flows used in investing activities	(109,117)	(37,951)	(49,746)
Net decrease in cash for the period	0	(10)	0
Cash - beginning of period	0	10	10
Cash - end of period	$ 0	$ 0	$ 10
Supplemental Cash Flow Information			
Cash paid/(refunded) during the year for:			
Interest, net of amounts capitalized	$ 15,724	$ 16,610	$ 18,960
Income taxes	$ 28,982	$ 16,929	$ (16,000)

NORTHEAST UTILITIES AND SUBSIDIARIES SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
YEAR ENDED DECEMBER 31, 1999
(Thousands of Dollars)

Column A	Column B	Column C		Column D	Column E
		Additions			
		(1)	(2)		
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts-describe	Deductions-describe	Balance at end of period
RESERVES DEDUCTED FROM ASSETS TO WHICH THEY APPLY:					
Reserves for uncollectible accounts	$ 2,417	$ 8,026	$ -	$ 5,548 (a)	$ 4,895
RESERVES NOT APPLIED AGAINST ASSETS:					
Operating reserves	$40,438	$18,597	$ -	$14,040 (b)	$44,995

(a) Amounts written off, net of recoveries.
(b) Principally payments for environmental remediation, various injuries and damages, employee medical expenses, and expenses in connection therewith.

NORTHEAST UTILITIES AND SUBSIDIARIES SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
YEAR ENDED DECEMBER 31, 1998
(Thousands of Dollars)

Column A	Column B	Column C		Column D	Column E
		Additions			
		(1)	(2)		
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts-describe	Deductions-describe	Balance at end of period
RESERVES DEDUCTED FROM ASSETS TO WHICH THEY APPLY:					
Reserves for uncollectible accounts	$ 2,052	$ 3,042	$ -	$ 2,677 (a)	$ 2,417
RESERVES NOT APPLIED AGAINST ASSETS:					
Operating reserves	$34,437	$12,427	$ -	$ 6,426 (b)	$40,438

(a) Amounts written off, net of recoveries.
(b) Principally payments for environmental remediation, various injuries and damages, employee medical expenses, and expenses in connection therewith.

NORTHEAST UTILITIES AND SUBSIDIARIES SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
YEAR ENDED DECEMBER 31, 1997
(Thousands of Dollars)

Column A	Column B	Column C		Column D	Column E
		Additions			
		(1)	(2)		
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts-describe	Deductions-describe	Balance at end of period
RESERVES DEDUCTED FROM ASSETS TO WHICH THEY APPLY:					
Reserves for uncollectible accounts	$17,062	$14,854	$ -	$29,864 (a)	$ 2,052
RESERVES NOT APPLIED AGAINST ASSETS:					
Operating reserves	$36,260	$ 9,542	$ -	$11,365 (b)	$34,437

(a) Amounts written off, net of recoveries.
(b) Principally payments for environmental remediation, various injuries and damages, employee medical expenses, and expenses in connection therewith.

THE CONNECTICUT LIGHT AND POWER COMPANY AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
YEAR ENDED DECEMBER 31, 1999
(Thousands of Dollars)

SCHEDULE II

Column A	Column B	Column C		Column D	Column E
		Additions			
		(1)	(2)		
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts-describe	Deductions-describe	Balance at end of period
RESERVES DEDUCTED FROM ASSETS TO WHICH THEY APPLY:					
Reserves for uncollectible accounts	$ 300	$ 290	$ -	$ 290 (a)	$ 300
RESERVES NOT APPLIED AGAINST ASSETS:					
Operating reserves	$16,656	$ 5,422	$ -	$ 6,009 (b)	$16,069

(a) Amounts written off, net of recoveries.
(b) Principally payments for environmental remediation, various injuries and damages, employee medical expenses, and expenses in connection therewith.

THE CONNECTICUT LIGHT AND POWER COMPANY AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
YEAR ENDED DECEMBER 31, 1998
(Thousands of Dollars)

SCHEDULE II

Column A	Column B	Column C		Column D	Column E
		Additions			
		(1)	(2)		

Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts-describe	Deductions-describe	Balance at end of period
RESERVES DEDUCTED FROM ASSETS TO WHICH THEY APPLY:					
Reserves for uncollectible accounts	$ 300	$ 183	$ -	$ 183 (a)	$ 300
RESERVES NOT APPLIED AGAINST ASSETS:					
Operating reserves	$14,962	$ 5,612	$ -	$ 3,918 (b)	$16,656

(a) Amounts written off, net of recoveries.
(b) Principally payments for environmental remediation, various injuries and damages, employee medical expenses, and expenses in connection therewith.

THE CONNECTICUT LIGHT AND POWER COMPANY AND SUBSIDIARIES — SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
YEAR ENDED DECEMBER 31, 1997
(Thousands of Dollars)

Column A	Column B	Column C		Column D	Column E
		Additions			
		(1)	(2)		
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts-describe	Deductions-describe	Balance at end of period
RESERVES DEDUCTED FROM ASSETS TO WHICH THEY APPLY:					
Reserves for uncollectible accounts	$13,241	$10,509	$ -	$23,450 (a)	$ 300
RESERVES NOT APPLIED AGAINST ASSETS:					
Operating reserves	$18,879	$ 4,458	$ -	$ 8,375 (b)	$14,962

(a) Amounts written off, net of recoveries.
(b) Principally payments for environmental remediation, various injuries and damages, employee medical expenses, and expenses in connection therewith.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE — SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
YEAR ENDED DECEMBER 31, 1999
(Thousands of Dollars)

Column A	Column B	Column C		Column D	Column E
		Additions			
		(1)	(2)		
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts-describe	Deductions-describe	Balance at end of period
RESERVES DEDUCTED FROM ASSETS TO WHICH THEY APPLY:					

Reserves for uncollectible accounts	$ 2,041	$ 1,590	$ -	$ 2,272 (a)	$ 1,359
RESERVES NOT APPLIED AGAINST ASSETS:					
Operating reserves	$ 9,906	$ 7,268	$ -	$ 5,769 (b)	$11,405

(a) Amounts written off, net of recoveries.
(b) Principally payments for environmental remediation, various injuries and damages, employee medical expenses, and expenses in connection therewith.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE — SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
YEAR ENDED DECEMBER 31, 1998
(Thousands of Dollars)

Column A	Column B	Column C		Column D	Column E
		Additions			
		(1)	(2)		
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts-describe	Deductions-describe	Balance at end of period
RESERVES DEDUCTED FROM ASSETS TO WHICH THEY APPLY:					
Reserves for uncollectible accounts	$ 1,702	$ 2,726	$ -	$ 2,387 (a)	$ 2,041
RESERVES NOT APPLIED AGAINST ASSETS:					
Operating reserves	$ 7,788	$ 4,136	$ -	$ 2,018 (b)	$ 9,906

(a) Amounts written off, net of recoveries.
(b) Principally payments for environmental remediation, various injuries and damages, employee medical expenses, and expenses in connection therewith.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE — SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
YEAR ENDED DECEMBER 31, 1997
(Thousands of Dollars)

Column A	Column B	Column C		Column D	Column E
		Additions			
		(1)	(2)		
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts-describe	Deductions-describe	Balance at end of period
RESERVES DEDUCTED FROM ASSETS TO WHICH THEY APPLY:					
Reserves for uncollectible accounts	$ 1,700	$ 3,259	$ -	$ 3,257 (a)	$ 1,702
RESERVES NOT APPLIED AGAINST ASSETS:					
Operating reserves	$ 7,265	$ 1,647	$ -	$ 1,124 (b)	$ 7,788

(a) Amounts written off, net of recoveries.
(b) Principally payments for environmental remediation, various injuries and damages, employee medical expenses, and expenses in connection therewith.

WESTERN MASSACHUSETTS ELECTRIC COMPANY
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
YEAR ENDED DECEMBER 31, 1999
(Thousands of Dollars)

SCHEDULE II

Column A	Column B	Column C		Column D	Column E
		Additions			
		(1)	(2)		
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts-describe	Deductions-describe	Balance at end of period
RESERVES DEDUCTED FROM ASSETS TO WHICH THEY APPLY:					
Reserves for uncollectible accounts	$ 50	$ 4,564	$ -	$ 2,974 (a)	$ 1,640
RESERVES NOT APPLIED AGAINST ASSETS:					
Operating reserves	$ 5,960	$ 3,085	$ -	$ 1,857 (b)	$ 7,188

(a) Amounts written off, net of recoveries.
(b) Principally payments for environmental remediation, various injuries and damages, employee medical expenses, and expenses in connection therewith.

WESTERN MASSACHUSETTS ELECTRIC COMPANY
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
YEAR ENDED DECEMBER 31, 1998
(Thousands of Dollars)

SCHEDULE II

Column A	Column B	Column C		Column D	Column E
		Additions			
		(1)	(2)		
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts-describe	Deductions-describe	Balance at end of period
RESERVES DEDUCTED FROM ASSETS TO WHICH THEY APPLY:					
Reserves for uncollectible accounts	$ 50	$ 106	$ -	$ 106 (a)	$ 50
RESERVES NOT APPLIED AGAINST ASSETS:					
Operating reserves	$ 5,503	$ 816	$ -	$ 359 (b)	$ 5,960

(a) Amounts written off, net of recoveries.
(b) Principally payments for environmental remediation, various injuries and damages, employee medical expenses, and expenses in connection therewith.

WESTERN MASSACHUSETTS ELECTRIC COMPANY
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
YEAR ENDED DECEMBER 31, 1997
(Thousands of Dollars)

SCHEDULE II

Column A	Column B	Column C	Column D	Column E

Description	Balance at beginning of period	Additions (1) Charged to costs and expenses	Additions (2) Charged to other accounts-describe	Deductions-describe	Balance at end of period
RESERVES DEDUCTED FROM ASSETS TO WHICH THEY APPLY:					
Reserves for uncollectible accounts	$ 2,121	$ 1,086	$ -	$ 3,157 (a)	$ 50
RESERVES NOT APPLIED AGAINST ASSETS:					
Operating reserves	$ 5,575	$ 1,093	$ -	$ 1,165 (b)	$ 5,503

(a) Amounts written off, net of recoveries.
(b) Principally payments for environmental remediation, various injuries and damages, employee medical expenses, and expenses in connection therewith.

EXHIBIT INDEX

Each document described below is incorporated by reference to the files of the Securities and Exchange Commission, unless the reference to the document is marked as follows:

* - Filed with the 1999 Annual Report on Form 10-K for NU and herein incorporated by reference from the 1999 NU Form 10-K, File No. 1-5324 into the 1999 Annual Reports on Form 10-K for CL&P, PSNH, WMECO, and NAEC.

- Filed with the 1999 Annual Report on Form 10-K for NU and herein incorporated by reference from the 1999 NU Form 10-K, File No. 1-5324 into the 1999 Annual Report on Form 10-K for CL&P.

@ - Filed with the 1999 Annual Report on Form 10-K for NU and herein incorporated by reference from the 1999 NU Form 10-K, File No. 1-5324 into the 1999 Annual Report on Form 10-K for PSNH.

** - Filed with the 1999 Annual Report on Form 10-K for NU and herein incorporated by reference from the 1999 NU Form 10-K, File No. 1-5324 into the 1999 Annual Report on Form 10-K for WMECO.

- Filed with the 1999 Annual Report on Form 10-K for NU and herein incorporated by reference from the 1999 Form 10-K, File No. 1-5324 into the 1999 Annual Report on Form 10-K for NAEC.

Exhibit Number — Description

2 Plan of acquisition, reorganization, arrangement, liquidation or succession

2.1 Agreement and Plan of Merger (Exhibit 1 in NU's Current Report on Form 8-K dated June 14, 1999, File No. 1-5324)

2.2 Agreement and Plan of Merger (Exhibit 1 to NU's Current Report on Form 8-K dated October 13, 1999, File No. 1-5324).

3 Articles of Incorporation and By-Laws

3.1 Northeast Utilities

3.1.1 Declaration of Trust of NU, as amended through May 24, 1988. (Exhibit 3.1.1, 1988 NU Form 10-K, File No. 1-5324)

3.2 The Connecticut Light and Power Company

3.2.1 Certificate of Incorporation of CL&P, restated to March 22, 1994. (Exhibit 3.2.1, 1993 NU Form 10-K, File No. 1-5324)

3.2.2 Certificate of Amendment to Certificate of Incorporation of CL&P, dated December 26, 1996. (Exhibit 3.2.2, 1996 NU Form 10-K, File No. 1-5324)

3.2.3 Certificate of Amendment to Certificate of

Incorporation of CL&P, dated April 27, 1998. (Exhibit 3.2.3, 1998 NU Form 10-K, File No. 1-5324)

3.2.4 By-laws of CL&P, as amended to January 1, 1997. (Exhibit 3.2.3, 1996 NU Form 10-K, File No. 1-5324)

3.3 Public Service Company of New Hampshire

3.3.1 Articles of Incorporation, as amended to May 16, 1991. (Exhibit 3.3.1, 1993 NU Form 10-K, File No. 1-5324)

3.3.2 By-laws of PSNH, as amended to November 1, 1993. (Exhibit 3.3.2, 1993 NU Form 10-K, File No. 1-5324)

3.4 Western Massachusetts Electric Company

3.4.1 Articles of Organization of WMECO, restated to February 23, 1995. (Exhibit 3.4.1, 1994 NU Form 10-K, File No. 1-5324)

3.4.2 By-laws of WMECO, as amended to April 1, 1999. (Exhibit 3.1, 1999 NU Form 10-Q for the Quarter Ended June 30, 1999, File No. 1-5324)

3.5 North Atlantic Energy Corporation

3.5.1 Articles of Incorporation of NAEC dated September 20, 1991. (Exhibit 3.5.1, 1993 NU Form 10-K, File No. 1-5324)

3.5.2 Articles of Amendment dated October 16, 1991, and June 2, 1992, to Articles of Incorporation of NAEC. (Exhibit 3.5.2, 1993 NU Form 10-K, File No. 1-5324)

3.5.3 By-laws of NAEC, as amended to November 8, 1993. (Exhibit 3.5.3, 1993 NU Form 10-K, File No. 1-5324)

4 Instruments defining the rights of security holders, including indentures

4.1 Northeast Utilities

4.1.1 Indenture dated as of December 1, 1991, between Northeast Utilities and IBJ Schroder Bank & Trust Company, with respect to the issuance of Debt Securities. (Exhibit 4.1.1, 1991 NU Form 10-K, File No. 1-5324)

4.1.2 First Supplemental Indenture dated as of December 1, 1991, between Northeast Utilities and IBJ Schroder Bank & Trust Company, with respect to the issuance of Series A Notes. (Exhibit 4.1.2, 1991 NU Form 10-K, File No. 1-5324)

4.1.3 Second Supplemental Indenture dated as of March 1, 1992 between Northeast Utilities and IBJ Schroder Bank & Trust Company with respect to the issuance of 8.38% Amortizing Notes. (Exhibit 4.1.3, 1992 NU Form 10-K, File No. 1-5324)

4.1.4 Credit Agreements among NU, CL&P, WMECO, and the Co-Agents and Banks named therein, dated as of November 19, 1999 (includes Open End Mortgages), (Exhibits No. B.13, B.14, B.15, and B.16, File No. 70-8875)

4.1.5 First Amendment and Waiver dated as of May 30, 1997, to Credit Agreement dated as of November 21, 1996, among NU, CL&P, WMECO, and the Co-Agents and Banks named therein. (Exhibit B.4(a) (Execution Copy), File No. 70-8875)

4.1.6 Second Amendment and Waiver dated as of September 11, 1998, to Credit Agreement dated as of November 21, 1996, among NU, CL&P, WMECO, and the Co-Agents and Banks named therein. (Exhibit B.10 (Execution Copy), File No. 70-8875)

4.1.7 Third Amendment and Waiver dated as of March 3, 1999 to Credit Agreement dated as of November 21, 1996 among NU, CL&P, WMECO, and the Co-Agents and Banks named therein. (Exhibit B.11 (Execution Copy), File No. 70-8875)

4.1.8 Credit Agreement dated as of February 10, 1998, among NU, the Lenders named therein, and Toronto Dominion

(Texas), Inc., as Administrative Agent, TD Securities (USA) Inc., as Arranger. (Exhibit B.9 (Execution Copy), File No. 70-8875)

4.1.9 First Amendment dated as of February 8, 1999, to Credit Agreement dated as of February 10, 1998, among NU, the Lenders named therein, and Toronto Dominion (Texas), Inc., as Administrative Agent, TD Securities (USA) Inc., as Arranger. (Exhibit A (Execution Copy), File No. 70-8875)

4.1.10 Second Amendment dated as of March 9, 1999 to Credit Agreement dated as of February 10, 1998 among NU, the Lenders named therein, and Toronto Dominion (Texas), Inc., as Administrative Agent, TD Securities (USA) Inc., as Arranger. (Exhibit B.12 (Execution Copy), File No. 70-8875)

4.2 The Connecticut Light and Power Company

4.2.1 Indenture of Mortgage and Deed of Trust between CL&P and Bankers Trust Company, Trustee, dated as of May 1, 1921. (Composite including all twenty-four amendments to May 1, 1967.) (Exhibit 4.1.1, 1989 NU Form 10-K, File No. 1-5324)

Supplemental Indentures to the Composite May 1, 1921, Indenture of Mortgage and Deed of Trust between CL&P and Bankers Trust Company, dated as of:

4.2.2 December 1, 1969. (Exhibit 4.2.2, 1998 NU Form 10-K, File No. 1-5324)

4.2.3 June 30, 1982. (Exhibit 4.33, File No. 2-79235)

4.2.4 December 1, 1989. (Exhibit 4.1.26, 1989 NU Form 10-K, File No. 1-5324)

4.2.5 July 1, 1992. (Exhibit 4.31, File No. 33-59430)

4.2.6 July 1, 1993. (Exhibit A.10(b), File No. 70-8249)

4.2.7 July 1, 1993. (Exhibit A.10(b), File No. 70-8249)

4.2.8 December 1, 1993. (Exhibit 4.2.14, 1993 NU Form 10-K, File No. 1-5324)

4.2.9 February 1, 1994. (Exhibit 4.2.16, 1993 NU Form 10-K, File No. 1-5324)

4.2.10 June 1, 1994. (Exhibit 4.2.15, 1994 NU Form 10-K, File No. 1-5324)

4.2.11 October 1, 1994. (Exhibit 4.2.16, 1994 NU Form 10-K, File No. 1-5324)

4.2.12 June 1, 1996. (Exhibit 4.2.16, 1996 NU Form 10-K, File No. 1-5324)

4.2.13 January 1, 1997. (Exhibit 4.2.17, 1996 NU Form 10-K, File No. 1-5324)

4.2.14 May 1, 1997. (Exhibit 4.19, File No. 333-30911)

4.2.15 June 1, 1997. (Exhibit 4.20, File No. 333-30911)

4.2.16 June 1, 1997. (Exhibit 4.2.17, 1997 NU Form 10-K, File No. 1-5324)

4.2.17 May 1, 1998. (Exhibit 4.2.17, 1998 NU Form 10-K, File No. 1-5324)

4.2.18 May 1, 1998. (Exhibit 4.2.18, 1998 NU Form 10-K, File No. 1-5324)

4.2.19 Financing Agreement between Industrial Development Authority of the State of New Hampshire and CL&P (Pollution Control Bonds, 1986 Series) dated as of December 1, 1986. (Exhibit C.1.47, 1986 NU Form U5S, File No. 30-246)

4.2.20 Financing Agreement between Industrial Development Authority of the State of New Hampshire and CL&P (Pollution Control Bonds, 1988 Series) dated as of October 1, 1988. (Exhibit C.1.55, 1988 NU Form U5S,

File No. 30-246)

4.2.21 Financing Agreement between Industrial Development Authority of the State of New Hampshire and CL&P (Pollution Control Bonds) dated as of December 1, 1989. (Exhibit C.1.39, 1989 NU Form U5S, File No. 30-246)

4.2.22 Loan and Trust Agreement among Business Finance Authority of the State of New Hampshire, CL&P and the Trustee (Pollution Control Bonds, 1992 Series A) dated as of December 1, 1992. (Exhibit C.2.33, 1992 NU Form U5S, File No. 30-246)

4.2.23 Loan Agreement between Connecticut Development Authority and CL&P (Pollution Control Bonds - Series A, Tax Exempt Refunding) dated as of September 1, 1993. (Exhibit 4.2.21, 1993 NU Form 10-K, File No. 1-5324)

4.2.24 Loan Agreement between Connecticut Development Authority and CL&P (Pollution Control Bonds - Series B, Tax Exempt Refunding) dated as of September 1, 1993. (Exhibit 4.2.22, 1993 NU Form 10-K, File No. 1-5324)

4.2.25 Amended and Restated Loan Agreement between Connecticut Development Authority and CL&P (Pollution Control Revenue Bond - 1996A Series) dated as of May 1, 1996 and Amended and Restated as of January 1, 1997. (Exhibit 4.2.24, 1996 NU Form 10-K, File No. 1-5324)

4.2.25.1 Amended and Restated Indenture of Trust between Connecticut Development Authority and the Trustee (CL&P Pollution Control Revenue Bond-1996A Series), dated as of May 1, 1996, and Amended and Restated as of January 1, 1997. (Exhibit 4.2.24.1, 1996 NU Form 10-K, File No. 1-5324)

4.2.25.2 Standby Bond Purchase Agreement among CL&P, Societe Generale, New York Branch and the Trustee, dated January 23, 1997. (Exhibit 4.2.24.2, 1996 NU Form 10-K, File No. 1-5324)

4.2.25.3 Amendment No. 1, dated January 21, 1998, to the Standby Bond Purchase Agreement, dated January 23, 1997. (Exhibit 4.2.24.3, 1997 NU Form 10-K, File No. 1-5324)

4.2.25.4 Amendment No. 2, dated December 9, 1998, to the Standby Bond Purchase Agreement, dated January 23, 1997. (Exhibit 4.2.25.4, 1998 NU Form 10-K, File No. 1-5324)

4.2.25.5 Amendment No. 3, dated November 5, 1999, to the Standby Bond Purchase Agreement, dated January 23, 1997.

4.2.25.6 AMBAC Municipal Bond Insurance Policy issued by the Connecticut Development Authority (CL&P) Pollution Control Revenue Bond-1996A Series), effective January 23, 1997. (Exhibit 4.2.24.3, 1996 NU Form 10-K, File No. 1-5324)

4.2.26 Amended and Restated Limited Partnership Agreement (CL&P Capital, L.P.) among CL&P, NUSCO, and the persons who became limited partners of CL&P Capital, L.P. in accordance with the provisions thereof dated as of January 23, 1995 (MIPS). (Exhibit A.1 (Execution Copy), File No. 70-8451)

4.2.27 Indenture between CL&P and Bankers Trust Company, Trustee (Series A Subordinated Debentures), dated as of January 1, 1995 (MIPS). (Exhibit B.1 (Execution Copy), File No. 70-8451)

4.2.28 Payment and Guaranty Agreement of CL&P dated as of January 23, 1995 (MIPS). (Exhibit B.3 (Execution Copy), File No. 70-8451)

4.3 Public Service Company of New Hampshire

4.3.1 First Mortgage Indenture dated as of August 15, 1978, between PSNH and First Fidelity Bank, National Association, New Jersey, Trustee, (Composite including all amendments to May 16, 1991). (Exhibit 4.4.1, 1992 NU Form 10-K, File No. 1-5324)

4.3.1.1 Tenth Supplemental Indenture dated as of May 1, 1991, between PSNH and First Fidelity Bank, National Association. (Exhibit 4.1, PSNH Current Report on Form 8-K dated February 10, 1992, File No. 1-6392)

4.3.3 Series A (Tax Exempt New Issue) PCRB Loan and Trust Agreement dated as of May 1, 1991. (Exhibit 4.2, PSNH Current Report on Form 8-K dated February 10, 1992, File No. 1-6392)

4.3.4 Series B (Tax Exempt Refunding) PCRB Loan and Trust Agreement dated as of May 1, 1991. (Exhibit 4.3, PSNH Current Report on Form 8-K dated February 10, 1992, File No. 1-6392)

4.3.5 Series C (Tax Exempt Refunding) PCRB Loan and Trust Agreement dated as of May 1, 1991. (Exhibit 4.4, PSNH Current Report on Form 8-K dated February 10, 1992, File No. 1-6392)

4.3.6 Series D (Taxable New Issue) Amended and Restated PCRB Loan and Trust Agreement dated as of April 1, 1999.

4.3.6.1 Third Series D Letter of Credit and Reimbursement Agreement dated as of April 14, 1999.

4.3.6.2 Amended and Restated Second Series D (May 1, 1991 Taxable New Issue) PCRB Letter of Credit and Reimbursement Agreement dated as of April 23, 1998. (Exhibit 4.3.6.3, 1998 NU Form 10-K, File No. 1-5324)

4.3.7 Series E (Taxable New Issue) Amended & Restated PCRB Loan and Trust Agreement dated as of April 14, 1999.

4.3.7.1 Third Series E Letter of Credit and Reimbursement Agreement dated as of April 14, 1999.

4.3.7.2 Amended and Restated Second Series E (May 1, 1991 Taxable New Issue) PCRB Letter of Credit and Reimbursement Agreement dated as of April 23, 1998. (Exhibit 4.3.7.3, 1998 NU Form 10-K, File No. 1-5324)

4.4 Western Massachusetts Electric Company

4.4.1 First Mortgage Indenture and Deed of Trust between WMECO and Old Colony Trust Company, Trustee, dated as of August 1, 1954. (Exhibit 4.4.1, 1993 NU Form 10-K, File No. 1-5324)

Supplemental Indentures thereto dated as of:

4.4.2 October 1, 1954. (Exhibit 4.4.2, 1998 NU Form 10-K, File No. 1-5324)

4.4.3 March 1, 1967. (Exhibit 4.4.3, 1997 NU Form 10-K, File No. 1-5324)

4.4.4 July 1, 1973. (Exhibit 2.10, File No. 2-68808)

4.4.5 December 1, 1992. (Exhibit 4.15, File No. 33-55772)

4.4.6 January 1, 1993. (Exhibit 4.5.13, 1992 NU Form 10-K, File No. 1-5324)

4.4.7 March 1, 1994. (Exhibit 4.4.12, 1993 NU Form 10-K, File No. 1-5324)

4.4.8 May 1, 1997. (Exhibit 4.11, File No. 33-51185)

4.4.9 July 1, 1997. (Exhibit 4.4.10, 1997 NU Form 10-K, File No. 1-5324)

4.4.10 May 1, 1998. (Exhibit 4.4.10, 1998 NU Form 10-K, File No. 1-5324)

4.4.11 May 1, 1998. (Exhibit 4.4.11, 1998 NU Form 10-K, File No. 1-5324)

4.4.12 Loan Agreement between Connecticut Development Authority and WMECO, (Pollution Control Bonds - Series A, Tax Exempt Refunding) dated as of September 1, 1993. (Exhibit 4.4.13, 1993 NU Form 10-K, File No. 1-5324)

4.5 North Atlantic Energy Corporation

4.5.1 First Mortgage Indenture and Deed of Trust between NAEC and United States Trust Company of New York, Trustee, dated as of June 1, 1992. (Exhibit 4.6.1, 1992 NU Form 10-K, File No. 1-5324)

4.5.2 Term Credit Agreement dated as of November 9, 1995. (Exhibit 4.5.2, 1995 NU Form 10-K, File No. 1-5324)

10 Material Contracts

10.1 Stockholder Agreement dated as of July 1, 1964, among the stockholders of Connecticut Yankee Atomic Power Company (CYAPC). (Exhibit 10.1, 1994 NU Form 10-K, File No. 1-5324)

10.2 Form of Power Contract dated as of July 1, 1964, between CYAPC and each of CL&P, HELCO, PSNH, and WMECO. (Exhibit 10.2, 1994 NU Form 10-K, File No. 1-5324)

10.2.1 Form of Additional Power Contract dated as of April 30, 1984, between CYAPC and each of CL&P, PSNH and WMECO. (Exhibit 10.2.1, 1994 NU Form 10-K, File No. 1-5324)

10.2.2 Form of 1987 Supplementary Power Contract dated as of April 1, 1987, between CYAPC and each of CL&P, PSNH and WMECO. (Exhibit 10.2.6, 1987 NU Form 10-K, File No. 1-5324)

10.3 Capital Funds Agreement dated as of September 1, 1964, between CYAPC and CL&P, HELCO, PSNH, and WMECO. (Exhibit 10.3, 1994 NU Form 10-K, File No. 1-5324)

10.4 Stockholder Agreement dated December 10, 1958, between Yankee Atomic Electric Company (YAEC) and CL&P, HELCO, PSNH, and WMECO. (Exhibit 10.4, 1993 NU Form 10-K, File No. 1-5324)

10.5 Form of Amendment No. 3, dated as of April 1, 1985, to Power Contract between YAEC and each of CL&P, PSNH and WMECO, including a composite restatement of original Power Contract dated June 30, 1959 and Amendment No. 1 dated April 1, 1975, and Amendment No. 2 dated October 1, 1980. (Exhibit 10.5, 1988 NU Form 10-K, File No. 1-5324.)

10.5.1 Form of Amendment No. 4 to Power Contract, dated May 6, 1988, between YAEC and each of CL&P, PSNH and WMECO. (Exhibit 10.5.1, 1989 NU Form 10-K, File No. 1-5324)

10.5.2 Form of Amendment No. 5 to Power Contract, dated June 26, 1989, between YAEC and each of CL&P, PSNH and WMECO. (Exhibit 10.5.2, 1989 NU Form 10-K, File No. 1-5324)

10.5.3 Form of Amendment No. 6 to Power Contract, dated July 1, 1989, between YAEC and each of CL&P, PSNH and WMECO. (Exhibit 10.5.3, 1989 NU Form 10-K, File No. 1-5324)

10.5.4 Form of Amendment No. 7 to Power Contract, dated February 1, 1992, between YAEC and each of CL&P, PSNH and WMECO. (Exhibit 10.5.4, 1993 NU Form 10-K, File No. 1-5324)

10.6 Stockholder Agreement dated as of May 20, 1968 among stockholders of MYAPC. (Exhibit 10.6, 1997 NU Form 10-K, File No. 1-5324)

10.7 Form of Power Contract dated as of May 20, 1968, between MYAPC and each of CL&P, HELCO, PSNH, and WMECO. (Exhibit 10.7, 1997 Form 10-K, File No. 1-5324)

10.7.1 Form of Amendment No. 1 to Power Contract dated as of March 1, 1983 between MYAPC and each of CL&P, PSNH and WMECO. (Exhibit 10.7.1, 1993 NU Form 10-K, File No. 1-5324)

10.7.2 Form of Amendment No. 2 to Power Contract dated as of January 1, 1984, between MYAPC and each of CL&P, PSNH and WMECO. (Exhibit 10.7.2, 1993 NU Form 10-K, File No. 1-5324)

10.7.3 Form of Amendment No. 3 to Power Contract dated as of October 1, 1984, between MYAPC and each of CL&P, PSNH and WMECO. (Exhibit No. 10.7.3, 1994 NU Form 10-K, File No. 1-5324)

10.7.4 Form of Additional Power Contract dated as of February 1, 1984, between MYAPC and each of CL&P, PSNH and WMECO. (Exhibit 10.7.4, 1993 NU Form 10-K, File No. 1-5324)

10.8 Capital Funds Agreement dated as of May 20, 1968 between MYAPC and CL&P, PSNH, HELCO, and WMECO. (Exhibit 10.8, 1997 NU Form 10-K, File No. 1-5324)

10.8.1 Amendment No. 1 to Capital Funds Agreement, dated as of August 1, 1985, between MYAPC, CL&P, PSNH, and WMECO. (Exhibit No. 10.8.1, 1994 NU Form 10-K, File No. 1-5324)

10.9 Sponsor Agreement dated as of August 1, 1968, among the sponsors of Vermont Yankee Nuclear Power Corporation (VYNPC). (Exhibit 10.9, 1997 NU Form 10-K, File No. 1-5324)

10.10 Form of Power Contract dated as of February 1, 1968, between VYNPC and each of CL&P, HELCO, PSNH, and WMECO. (Exhibit 10.10, 1997 NU Form 10-K, File No. 1-5324)

10.10.1 Form of Amendment to Power Contract dated as of June 1, 1972, between VYNPC and each of CL&P, HELCO, PSNH, and WMECO. (Exhibit 5.22, File No. 2-47038)

10.10.2 Form of Second Amendment to Power Contract dated as of April 15, 1983, between VYNPC and each of CL&P, PSNH and WMECO. (Exhibit 10.10.2, 1993 NU Form 10-K, File No. 1-5324)

10.10.3 Form of Third Amendment to Power Contract dated as of April 24, 1985, between VYNPC and each of CL&P, PSNH and WMECO. (Exhibit No. 10.10.3, 1994 NU Form 10-K, File No. 1-5324)

10.10.4 Form of Fourth Amendment to Power Contract dated as of June 1, 1985, between VYNPC and each of CL&P, PSNH and WMECO. (Exhibit No. 10.10.4, 1996 NU Form 10-K, File No. 1-5324)

10.10.5 Form of Fifth Amendment to Power Contract dated as of May 6, 1988, between VYNPC and each of CL&P, PSNH and WMECO. (Exhibit 10.10.5, 1990 NU Form 10-K, File No. 1-5324)

10.10.6 Form of Sixth Amendment to Power Contract dated as of May 6, 1988. between VYNPC and each of CL&P, PSNH and WMECO. (Exhibit 10.10.6, 1990 NU Form 10-K, File No. 1-5324)

10.10.7 Form of Seventh Amendment to Power Contract dated as of June 15, 1989, between VYNPC and each of CL&P, PSNH and WMECO. (Exhibit 10.10.7, 1990 NU Form 10-K, File No. 1-5324)

10.10.8 Form of Eighth Amendment to Power Contract dated as of December 1, 1989, between VYNPC and each of CL&P, PSNH and WMECO. (Exhibit 10.10.8, 1990 NU Form 10-K, File No. 1-5324)

10.10.9 Form of Additional Power Contract dated as of February 1, 1984, between VYNPC and each of CL&P, PSNH and WMECO. (Exhibit 10.10.9, 1993 NU Form 10-K, File No. 1-5324)

10.11 Capital Funds Agreement dated as of February 1, 1968, between VYNPC and CL&P, HELCO, PSNH, and WMECO. (Exhibit 10.11, 1997 NU Form 10-K, File No. 1-5324)

10.11.1 Form of First Amendment to Capital Funds Agreement dated as of March 12, 1968, between VYNPC and CL&P, HELCO, PSNH, and WMECO. (Exhibit 10.11.1, 1997 NU Form 10-K, File No. 1-5324)

10.11.2 Form of Second Amendment to Capital Funds Agreement dated as of September 1, 1993, between VYNPC and CL&P, HELCO, PSNH, and WMECO. (Exhibit 10.11.2, 1993 NU Form 10-K, File No. 1-5324)

10.12 Amended and Restated Millstone Plant Agreement dated as of December 1, 1984, by and among CL&P, WMECO and Northeast Nuclear Energy Company (NNECO). (Exhibit 10.12, 1994 NU Form 10-K, File No. 1-5324)

10.13 Sharing Agreement dated as of September 1, 1973, with respect to 1979 Connecticut nuclear generating unit (Millstone 3). (Exhibit 6.43, File No. 2-50142)

10.13.1 Amendment dated August 1, 1974, to Sharing Agreement - 1979 Connecticut Nuclear Unit. (Exhibit 5.45, File No. 2-52392)

10.13.2 Amendment dated December 15, 1975, to Sharing Agreement - 1979 Connecticut Nuclear Unit. (Exhibit 7.47, File No. 2-60806)

10.13.3 Amendment dated April 1, 1986, to Sharing Agreement - 1979 Connecticut Nuclear Unit. (Exhibit 10.17.3, 1990 NU Form 10-K, File No. 1-5324)

10.14 Agreement dated July 19, 1990, among NAESCO and Seabrook Joint owners with respect to operation of Seabrook. (Exhibit 10.53, 1990 NU Form 10-K, File No. 1-5324)

10.15 Sharing Agreement between CL&P, WMECO, HP&E, HWP, and PSNH dated as of June 1, 1992. (Exhibit 10.17, 1992 NU Form 10-K, File No. 1-5324)

10.16 Rate Agreement by and between NUSCO, on behalf of NU, and the Governor of the State of New Hampshire and the New Hampshire Attorney General dated as of November 22, 1989. (Exhibit 10.44, 1989 NU Form 10-K, File No. 1-5324)

10.16.1 First Amendment to Rate Agreement dated as of December 5, 1989. (Exhibit 10.16.1, 1995 NU Form 10-K, File No. 1-5324)

10.16.2 Second Amendment to Rate Agreement dated as of December 12, 1989. (Exhibit 10.16.2, 1995 NU Form 10-K, File No. 1-5324)

10.16.3 Third Amendment to Rate Agreement dated as of December 3, 1993. (Exhibit 10.16.3, 1995 NU Form 10-K, File No. 1-5324)

10.16.4 Fourth Amendment to Rate Agreement dated as of September 21, 1994. (Exhibit 10.16.4, 1995 NU Form 10-K, File No. 1-5324)

10.16.5 Fifth Amendment to Rate Agreement dated as of September 9, 1994. (Exhibit 10.16.5, 1995 NU Form 10-K, File No. 1-5324)

10.17 Agreement to Settle PSNH Restructuring (Exhibit 10.2, 1999 NU Form 10-Q for the Quarter Ended June 30, 1999, File No. 1-5324)

10.18 Form of Seabrook Power Contract between PSNH and NAEC, as amended and restated. (Exhibit 10.45, 1992 NU Form 10-K, File No. 1-5324)

10.19 Agreement (composite) for joint ownership, construction and operation of New Hampshire nuclear unit, as amended through the November 1, 1990 twenty-third amendment. (Exhibit No. 10.17, 1994 NU Form 10-K, File No. 1-5324)

10.19.1 Memorandum of Understanding dated November 7, 1988, between PSNH and Massachusetts Municipal Wholesale Electric Company (Exhibit 10.17, PSNH 1989 Form 10-K, File No. 1-6392)

10.19.2 Agreement of Settlement among Joint Owners dated as of January 13, 1989. (Exhibit 10.13.21, 1988 NU Form 10-K, File No. 1-5324)

10.19.2.1 Supplement to Settlement Agreement, dated as of February 7, 1989, between PSNH and Central Maine Power Company. (Exhibit 10.18.1, PSNH 1989 Form 10-K, File No. 1-6392)

10.20 Amended and Restated Agreement for Seabrook Project Disbursing Agent dated as of November 1, 1990. (Exhibit 10.4.7, File No. 33-35312)

10.20.1 Form of First Amendment to Exhibit 10.19. (Exhibit 10.4.8, File No. 33-35312)

10.20.2 Form (Composite) of Second Amendment to Exhibit 10.19. (Exhibit 10.18.2, 1993 NU Form 10-K, File No. 1-5324)

10.21 Agreement dated November 1, 1974, for Joint Ownership, Construction and Operation of William F. Wyman Unit No. 4 among PSNH, Central Maine Power Company and other utilities. (Exhibit 5.16 , File No. 2-52900)

10.21.1 Amendment to Exhibit 10.20 dated June 30, 1975. (Exhibit 5.48, File No. 2-55458)

10.21.2 Amendment to Exhibit 10.20 dated as of August 16, 1976. (Exhibit 5.19, File No. 2-58251)

10.21.3 Amendment to Exhibit 10.20 dated as of December 31, 1978. (Exhibit 5.10.3, File No. 2-64294)

10.22 Form of Service Contract dated as of July 1, 1966 between each of NU, CL&P and WMECO, and the Service Company. (Exhibit 10.20, 1993 NU Form 10-K, File No. 1-5324)

10.22.1 Service Contract dated as of June 5, 1992 between PSNH and the Service Company. (Exhibit 10.12.4, 1992 NU Form 10-K, File No. 1-5324)

10.22.2 Service Contract dated as of June 5, 1992 between NAEC and the Service Company. (Exhibit 10.12.5, 1992 NU Form 10-K, File No. 1-5324)

10.22.3 Form of Service Agreement dated as of June 29, 1992, between PSNH and North Atlantic Energy Service Corporation, and the First Amendment thereto. (Exhibits B.7 and B.7.1, File No. 70-7787)

10.22.4 Form of Annual Renewal of Service Contract. (Exhibit 10.20.3, 1993 NU Form 10-K, File No. 1-5324)

10.23 Memorandum of Understanding between CL&P, HELCO, HP&E, HWP, and WMECO dated as of June 1, 1970, with respect to pooling of generation and transmission. (Exhibit 13.32, File No. 2-38177)

10.23.1 Amendment to Memorandum of Understanding between CL&P, HELCO, HP&E, HWP and WMECO dated as of February 2, 1982, with respect to pooling of generation and transmission. (Exhibit 10.21.1, 1993 NU Form 10-K, File No. 1-5324)

10.23.2 Amendment to Memorandum of Understanding between CL&P, HELCO, HP&E, HWP, and WMECO dated as of January 1, 1984, with respect to pooling of generation and transmission. (Exhibit 10.21.2, 1994 NU Form 10-K, File No. 1-5324)

#** 10.23.3 Second Amendment to Memorandum of Understanding between CL&P, HELCO, HP&E, HWP, and WMECO dated as of June 8, 1999 with respect to pooling of generation and transmission.

10.24 New England Power Pool (NEPOOL) Agreement effective as of November 1, 1971, as amended to December 1, 1996. (Exhibit 10.15, 1988 NU Form 10-K, File No. 1-5324.)

10.24.1 Form of Interim Independent System Operator (ISO) Agreement (Attachment to Thirty-third Amendment to Exhibit 10.23 dated as of December 31, 1996). (Exhibit 10.23.6, 1996 NU Form 10-K, File No. 1-5324)

10.24.2 Restated NEPOOL Power Pool Agreement (restated by the Thirty-Sixth Agreement dated as of July 20, 1998, and includes the Restated NEPOOL Open Access Transmission Tariff). (Exhibit 10.23.2, 1998 NU Form 10-K, File

No. 1-5324)

10.24.3 Thirty-Seventh Agreement dated as of August 15, 1998, amending Exhibit 10.23.2. (Exhibit 10.23.3, 1998 NU Form 10-K, File No. 1-5324)

10.24.4 Thirty-Eighth Agreement dated as of October 30, 1998, amending Exhibit 10.23.2. (Exhibit 10.23.4, 1998 NU Form 10-K, File No. 1-5324)

10.24.5 Thirty-Ninth Agreement dated as of November 13, 1998, amending Exhibit 10.23.2. (Exhibit 10.23.5, 1998 NU Form 10-K, File No. 1-5324)

10.24.6 Fortieth Agreement dated as of December 15, 1998, amending Exhibit 10.23.2. (Exhibit 10.23.6, 1998 NU Form 10-K, File No. 1-5324)

10.24.7 ISO New England Inc., FERC Tariff for Transmission Dispatch and Power Administration Services. (Exhibit 10.23.7, 1998 NU Form 10-K, File No. 1-5324)

* 10.24.8 Restated NEPOOL Power Pool Agreement (restated by the fifty-first Agreement dated as of May 7, 1999, and includes the Restated NEPOOL Open Access Transmission Tariff).

10.25 Agreements among New England Utilities with respect to the Hydro-Quebec interconnection projects. (See Exhibits 10(u) and 10(v); 10(w), 10(x), and 10(y), 1990 and 1988, respectively, Form 10-K of New England Electric System, File No. 1-3446.)

10.26 Trust Agreement dated February 11, 1992, between State Street Bank and Trust Company of Connecticut, as Trustor, and Bankers Trust Company, as Trustee, and CL&P and WMECO, with respect to NBFT. (Exhibit 10.23, 1991 NU Form 10-K, File No. 1-5324)

10.26.1 Nuclear Fuel Lease Agreement dated as of February 11, 1992, between Bankers Trust Company, Trustee, as Lessor, and CL&P and WMECO, as Lessees. (Exhibit 10.23.1, 1991 NU Form 10-K, File No. 1-5324)

#** 10.26.2 Modification and Amendment to Nuclear Fuel Lease Agreement dated as of May 17, 1999, between Bankers Trust Company, Trustee, as Lessor, and CL&P and WMECO, as Lessees.

10.27 Simulator Financing Lease Agreement, dated as of February 1, 1985, by and between ComPlan and NNECO. (Exhibit 10.25, 1994 NU Form 10-K, File No. 1-5324)

10.28 Simulator Financing Lease Agreement, dated as of May 2, 1985, by and between The Prudential Insurance Company of America and NNECO. (Exhibit No. 10.26, 1994 NU Form 10-K, File No. 1-5324)

10.29 Lease dated as of April 14, 1992, between The Rocky River Realty Company (RRR) and Northeast Utilities Service Company (NUSCO) with respect to the Berlin, Connecticut headquarters (office lease). (Exhibit 10.29, 1992 NU Form 10-K, File No. 1-5324)

10.29.1 Lease dated as of April 14, 1992, between RRR and NUSCO with respect to the Berlin, Connecticut headquarters (project lease). (Exhibit 10.29.1, 1992 NU Form 10-K, File No. 1-5324)

10.30 Millstone Technical Building Note Agreement dated as of December 21, 1993, between, by and between The Prudential Insurance Company of America and NNECO. (Exhibit 10.28, 1993 NU Form 10-K, File No. 1-5324)

10.31 Lease and Agreement, dated as of December 15, 1988, by and between WMECO and Bank of New England, N.A., with BNE Realty Leasing Corporation of North Carolina. (Exhibit 10.63, 1988 NU Form 10-K, File No. 1-5324.)

10.32 Note Agreement dated April 14, 1992, by and between The Rocky River Realty Company (RRR) and Purchasers named therein (Connecticut General Life Insurance Company, Life Insurance Company of North America, INA Life Insurance Company of New York, Life Insurance Company of Georgia), with respect to RRR's sale of $15 million of guaranteed senior secured notes due 2007 and $28 million of guaranteed senior secured notes due 2017. (Exhibit 10.52, 1992 NU Form 10-K, File No. 1-5324)

10.32.1 Amendment to Note Agreement, dated September 26, 1997.

(Exhibit 10.31.1, 1997 NU Form 10-K, File No. 1-5324)

10.32.2 Note Guaranty dated April 14, 1992, by Northeast Utilities pursuant to Note Agreement dated April 14, 1992 between RRR and Note Purchasers, for the benefit of The Connecticut National Bank as Trustee, the Purchasers and the owners of the notes. (Exhibit 10.52.1, 1992 NU Form 10-K, File No. 1-5324)

10.32.2.1 Extension of Note Guaranty, dated September 26, 1997. (Exhibit 10.31.2.1, 1997 NU Form 10-K, File No. 1-5324)

10.32.3 Assignment of Leases, Rents and Profits, Security Agreement and Negative Pledge, dated as of April 14, 1992 among RRR, NUSCO and The Connecticut National Bank as Trustee, securing notes sold by RRR pursuant to April 14, 1992 Note Agreement. (Exhibit 10.52.2, 1997 NU Form 10-K, File No. 1-5324)

10.32.3.1 Modification of and Confirmation of Assignment of Leases, Rents and Profits, Security Agreement and Negative Pledge, dated as of September 26, 1997. (Exhibit 10.31.3.1, 1997 NU Form 10-K, File No. 1-5324)

10.32.4 Purchase and Sale Agreement, dated July 28, 1997, by and between RRR and the Sellers and Purchasers named therein. (Exhibit 10.31.4, 1997 NU Form 10-K, File No. 1-5324)

10.32.5 Purchase and Sale Agreement, dated September 26, 1997, by and between RRR and the Purchaser named therein. (Exhibit 10.31.5, 1992 NU Form 10-K, File No. 1-5324)

10.33 Master Trust Agreement dated as of September 2, 1986, between CL&P and WMECO and Colonial Bank as Trustee, with respect to reserve funds for Millstone 1 decommissioning costs. (Exhibit No. 10.32, 1996 NU Form 10-K, File No. 1-5324)

10.33.1 Notice of Appointment of Mellon Bank, N.A. as Successor Trustee, dated November 20, 1990, and Acceptance of Appointment. (Exhibit 10.41.1, 1992 NU Form 10-K, File No. 1-5324)

10.34 Master Trust Agreement dated as of September 2, 1986, between CL&P and WMECO and Colonial Bank as Trustee, with respect to reserve funds for Millstone 2 decommissioning costs. (Exhibit No. 10.33, 1996 NU Form 10-K, File No. 1-5324)

10.34.1 Notice of Appointment of Mellon Bank, N.A. as Successor Trustee, dated November 20, 1990, and Acceptance of Appointment. (Exhibit 10.42.1, 1992 NU Form 10-K, File No. 1-5324)

10.35 Master Trust Agreement dated as of April 23, 1986, between CL&P and WMECO and Colonial Bank as Trustee, with respect to reserve funds for Millstone 3 decommissioning costs. (Exhibit No. 10.34, 1996 NU Form 10-K, File No. 1-5324)

10.35.1 Notice of Appointment of Mellon Bank, N.A. as Successor Trustee, dated November 20, 1990, and Acceptance of Appointment. (Exhibit 10.43.1, 1992 NU Form 10-K, File No. 1-5324)

10.36 Rights Agreement dated as of February 23, 1999, between Northeast Utilities and Northeast Utilities Service Company, as Rights Agent (Exhibit 1 to NU's Registration Statement on Form 8-A, filed on 4/12/99, File No. 001-05324).

10.36.1 Amendment to Rights Agreement (Exhibit 3 to NU's Current Report on Form 8-K dated October 13, 1999, File No. 1-5324).

10.37 NU Executive Incentive Plan, effective as of January 1, 1991. (Exhibit 10.44, NU 1991 Form 10-K, File No. 1-5324)

10.37.1 NU Incentive Plan, effective as of January 1, 1998. (Exhibit 10.35.1, 1998 NU Form 10-K, File No. 1-5324)

10.37.1.1 Amendment to Exhibit 10.35.1, effective as of February 23, 1999. (Exhibit 10.35.1.1, 1998 NU Form 10-K, File No. 1-5324)

10.38 Supplemental Executive Retirement Plan for Officers of NU system companies, Amended and Restated effective as of January 1, 1992. (Exhibit 10.45.1, NU Form 10-Q for the Quarter Ended June 30, 1992, File No. 1-5324)

10.38.1 Amendment 1 to Exhibit 10.38, effective as of August 1, 1993. (Exhibit 10.35.1, 1993 NU Form 10-K, File No. 1-5324)

10.38.2 Amendment 2 to Exhibit 10.38, effective as of January 1, 1994. (Exhibit 10.35.2, 1993 NU Form 10-K, File No. 1-5324)

10.38.3 Amendment 3 to Exhibit 10.38, effective as of January 1, 1996. (Exhibit 10.36.3, 1995 NU Form 10-K, File No. 1-5324)

10.39 Special Severance Program for Officers of NU system companies, as adopted on July 15, 1998. (Exhibit 10.37, 1998 NU Form 10-K, File No. 1-5324)

10.39.1 Amendment to Exhibit 10.39, effective as of February 23, 1999. (Exhibit 10.37.1, 1998 NU Form 10-K, File No. 1-5324)

10.39.2 Amendment to Exhibit 10.39, effective as of September 14, 1999. (Exhibit 10.3, 1999 NU Form 10-Q for the Quarter Ended September 30, 1999, File No. 1-5324)

10.40 Loan Agreement dated as of December 2, 1991, by and between NU and Mellon Bank, N.A., as Trustee, with respect to NU's loan of $175 million to an ESOP Trust. (Exhibit 10.46, 1991 NU Form 10-K, File No. 1-5324)

10.40.1 First Amendment to Exhibit 10.40 dated February 7, 1992. (Exhibit 10.36.1, 1993 NU Form 10-K, File No. 1-5324)

10.40.2 Loan Agreement dated as of March 19, 1992, by and between NU and Mellon Bank, N.A., as Trustee, with respect to NU's loan of $75 million to the ESOP Trust. (Exhibit 10.49.1, 1992 NU Form 10-K, File No. 1-5324)

10.40.3 Second Amendment to Exhibit 10.40 dated April 9, 1992. (Exhibit 10.36.3, 1993 NU Form 10-K, File No. 1-5324)

10.41 Employment Agreement with Michael G. Morris. (Exhibit 10.39, 1997 NU Form 10-K, File No. 1-5324)

10.41.1 Amendment to Exhibit 10.41, dated as of February 23, 1999. (Exhibit 10.39.1, 1998 NU Form 10-K, File No. 1-5324)

10.42 Transition and Retirement Agreement with Bernard M. Fox. (Exhibit 10.39, 1996 NU Form 10-K, File No. 1-5324)

10.43 Employment Agreement with Bruce M. Kenyon. (Exhibit 10.40, 1996 NU Form 10-K, File No. 1-5324)

10.43.1 Amendment to Exhibit 10.43, dated as of January 13, 1998. (Exhibit 10.41.1, 1998 NU Form 10-K, File No. 1-5324)

10.43.2 Amendment to Exhibit 10.43, dated as of February 23, 1999. (Exhibit 10.41.2, 1998 NU Form 10-K, File No. 1-5324)

10.43.3 Amendment to Exhibit 10.43, dated as of May 14, 1999. (Exhibit 10.3, 1999 NU Form 10-Q for the Quarter Ended June 30, 1999, File No. 1-5324)

10.44 Employment Agreement with John H. Forsgren. (Exhibit 10.41, 1996 NU Form 10-K, File No. 1-5324)

10.44.1 Amendment to Exhibit 10.44, dated as of January 13, 1998. (Exhibit 10.42.1, 1998 NU Form 10-K, File No. 1-5324)

10.44.2 Amendment to Exhibit 10.44, dated as of February 23, 1999. (Exhibit 10.42.2, 1998 NU Form 10-K, File No. 1-5324)

10.44.3 Amendment to Exhibit 10.44, dated as of May 10, 1999. (Exhibit 10.1, 1999 NU Form 10-Q for the Quarter Ended March 31, 1999, File No. 1-5324)

10.44.4 Amendment to Exhibit 10.44, dated as of September 14, 1999. (Exhibit 10.4, 1999 NU Form 10-Q for the Quarter Ended September 30, 1999, File No. 1-5324)

10.45 Employment Agreement with Hugh C. MacKenzie. (Exhibit 10.42, 1996 NU Form 10-K, File No. 1-5324)

10.45.1 Amendment to Exhibit 10.45, dated as of January 13, 1998. (Exhibit 10.43.1, 1998 NU Form 10-K, File No. 1-5324)

10.45.2 Amendment to Exhibit 10.45, dated as of February 23, 1999. (Exhibit 10.43.2, 1998 NU Form 10-K, File No. 1-5324)

10.46 Employment Agreement with Cheryl W. Grise. (Exhibit 10.44, 1998 NU Form 10-K, File No. 1-5324)

10.46.1 Amendment to Exhibit 10.46, dated as of January 13, 1998. (Exhibit 10.44.1, 1998 NU Form 10-K, File No. 1-5324)

10.46.2 Amendment to Exhibit 10.46, dated as of February 23, 1999. (Exhibit 10.44.2, 1998 NU Form 10-K, File No. 1-5324)

10.46.3 Amendment to Exhibit 10.46, dated as of September 14, 1999. (Exhibit 10.5, 1999 NU Form 10-Q for the Quarter Ended September 30, 1999, File No. 1-5324)

10.47 Northeast Utilities Deferred Compensation Plan for Trustees, Amended and Restated December 13, 1994. (Exhibit 10.39, 1995 NU Form 10-K, File No. 1-5324)

10.48 Deferred Compensation Plan for Officers of Northeast Utilities system companies adopted September 23, 1986. (Exhibit 10.40, 1995 NU Form 10-K, File No. 1-5324)

10.49 Northeast Utilities Deferred Compensation Plan for Executives, adopted January 13, 1998. (Exhibit A.5, File No. 70-09185)

10.50 Reciprocal Support Agreement Among NNECO, NAESCO, CYAPC, YAEC, and NUSCO dated January 1, 1996. (Exhibit 10.41, 1995 NU Form 10-K, File No. 1-5324)

10.51 Receivables Purchase and Sale Agreement (CL&P and CL&P Receivables Corporation), dated as of September 30, 1997. (Exhibit 10.49, 1997 NU Form 10-K, File No. 1-5324)

10.51.1 Amendment to Exhibit 10.51 dated September 29, 1998. (Exhibit 10.49.1, 1998 NU Form 10-K, File No. 1-5324)

10.51.2 Purchase and Contribution Agreement (CL&P and CL&P Receivables Corporation), dated as of September 30, 1997. (Exhibit 10.49.1, 1997 NU Form 10-K, File No. 1-5324)

10.52 Receivables Purchase Agreement (WMECO and WMECO Receivables Corporation), dated as of May 22, 1997. (Exhibit 10.50, 1997 NU Form 10-K, File No. 1-5324)

10.52.1 Purchase and Sale Agreement (WMECO and WMECO Receivables Corporation), dated as of May 22, 1997. (Exhibit 10.50.1, 1997 NU Form 10-K, File No. 1-5324)

10.53 Master Lease Agreement between General Electric Capital Corporation and CL&P, dated as of June 21, 1996. (Exhibit 10.50, 1996 NU Form 10-K, File No. 1-5324)

10.53.1 Amendment No. 1 to Master Lease Agreement, dated as of August 29, 1997. (Exhibit 10.51.1, 1997 NU Form 10-K, File No. 1-5324)

10.54 NU Guaranty, dated as of November 30, 1998, made by NU, in favor of the Participating Banks, the Issuing Banks and the Administrative Agent, all named in a $50,000,000 Letter of Credit and Reimbursement Agreement, dated as of November 30, 1998, among Select Energy, Inc., the Participating Banks, the Administrative Agent, the Issuing Bank and Documentation Agent, and the Syndication Agent named therein. (Exhibit B.1 (Execution Copy), File No. 70-9343)

10.54.1 Amendment No. 1 dated as of November 30, 1998 to Exhibit 10.52. (Exhibit B.1 (Execution Copy), File No. 70-9343)

*10.55 Confirmation Agreement between Credit Suisse First Boston and NU, dated as of November 3, 1999.

*10.56 Confirmation Agreement between Bank One and NU, dated as of December 9, 1999.

13 Annual Report to Security Holders (Each of the Annual Reports is filed only with the Form 10-K of that respective registrant.)

* 13.1 Portions of the Annual Report to Shareholders of NU (pages 21-55) that have been incorporated by reference into this Form 10-K.

13.2 Annual Report of CL&P.

13.3 Annual Report of WMECO.

13.4 Annual Report of PSNH.

13.5 Annual Report of NAEC.

*21 Subsidiaries of the Registrant.

27 Financial Data Schedules (Each Financial Data Schedule is filed only with the Form 10-K of that respective registrant.)

27.1 Financial Data Schedule of NU.

27.2 Financial Data Schedule of CL&P.

27.3 Financial Data Schedule of WMECO.

27.4 Financial Data Schedule of PSNH.

27.5 Financial Data Schedule of NAEC.

AMENDMENT NO. 3
TO THE
STANDBY BOND PURCHASE AGREEMENT

AMENDMENT NO. 3, DATED NOVEMBER 5, 1999 ("AMENDMENT NO. 3"), to the Standby Bond Purchase Agreement, dated January 23, 1997, as amended by Amendment No. 1, dated January 21, 1998, and Amendment No. 2, dated December 9, 1998 (the "ORIGINAL AGREEMENT"), among THE CONNECTICUT LIGHT AND POWER COMPANY, a corporation organized and existing and qualified to do business as a public utility in the State of Connecticut (the "COMPANY"), SOCIETE GENERALE, a banking corporation organized under the laws of France, acting though its New York Branch (the "BANK"), and STATE STREET BANK AND TRUST COMPANY, a national banking association, as successor trustee under the Indenture referred to below (including any successor trustee, the "TRUSTEE").

W I T N E S S E T H:

WHEREAS, the liquidity facility (the "LIQUIDITY FACILITY") provided by the Bank pursuant to the Original Agreement is scheduled to expire on December 7, 1999;

WHEREAS, the Company has requested that the Bank extend the Stated Expiration Date for an additional period, to expire 364 days from the date hereof, on November 3, 2000 (the "Third Extension"), and the Bank has agreed to do so on the terms and conditions contained herein and, to the extent applicable and not superseded by this Amendment No. 3, according to the terms and conditions of the Original Agreement;

WHEREAS, certain conditions precedent to the effectiveness of this Amendment No. 3 have been or will be fulfilled to the satisfaction of the Bank and its counsel as of the date of this Amendment No. 3;

NOW, THEREFORE, in consideration of the premises herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS. Unless otherwise defined herein, all capitalized terms used herein shall have the same respective meanings as in the Original Agreement. From and after the date of this Amendment No. 3, the term "Agreement" shall be deemed to mean the Original Agreement as amended by this Amendment No. 3. References in the Original Agreement to "this Agreement" and the words "hereof", "herein", "hereto" and the like shall refer to the Original Agreement, Amendment No. 1, Amendment No. 2 and the Original Agreement as amended by this Amendment No. 3; PROVIDED, that, except as provided in Section 3 of this Amendment No. 3, the words "the date of this Agreement" and "the date hereof" shall continue to refer to the date of the Original Agreement.

2. AMENDMENTS TO THE ORIGINAL AGREEMENT. Effective upon fulfillment of the conditions specified in Section 4 hereof, the Original Agreement is hereby amended as follows:

A. The Stated Expiration Date is hereby extended for an additional period, to expire 364 days from the date hereof, on November 3, 2000, and the definition of "Stated Expiration Date" contained in Section 1.1 of the Original Agreement is amended to read in its entirety as follows:

> "Stated Expiration Date" means the later of (i) November 3, 2000, or if such day is not a Business Day, the next preceding Business Day, and (ii) the last day of any extension of such date pursuant to Section 2.6 or, if such day is not a Business Day, the next preceding Business Day.

B. The definition of "Bank Purchase Period" contained in Section 1.1 of the Original Agreement is amended to read in its entirety as follows:

> "BANK PURCHASE PERIOD" means the period from the date of this Amendment No. 3 to and including the earliest of (a) the Stated Expiration Date then in effect, (b) the close of business on the fifth

Business Day following the Conversion Date on which all of the Bonds shall have been converted to a Fixed Rate or a Multiannual Rate (provided, however, that if less than all of the Bonds shall have been converted to a Fixed Rate or Multiannual Rate, the Bank's Available Commitment shall extend only to those Bonds not bearing interest at the Fixed Rate or the Multiannual Rate), (c) the fifth Business Day following the mandatory tender for purchase in connection with a Substitution Date, or (d) the Purchase Termination Date.

C. The definition of "Applicable Margin" contained in Section 1.1 of the Original Agreement is amended to read in its entirety as follows:

"APPLICABLE MARGIN" means, for any day, the percentage set forth below in the column below such term and in the row corresponding to the "Level" status in existence on such day:

	APPLICABLE MARGIN
Level 1	0.45%
Level 2	0.50%
Level 3	0.55%
Level 4	0.78%
Level 5	1.05%
Level 6	1.37%

3. REPRESENTATIONS AND WARRANTIES. The Company hereby represents and warrants that all of the representations and warranties contained in Article 5 of the Original Agreement are true and correct, including any statements made regarding the Related Documents as they may have been or will be amended, supplemented or otherwise modified in connection with this Third Extension, as of the date hereof (except that (i) the dates contained in Section 5.5 shall be deemed to refer to the end of the Company's most recently completed fiscal year and most recently completed fiscal quarter, respectively, (ii) the references in Section 5.5 to the Company's Annual Report, Quarterly Report and Current Reports shall be deemed to refer to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1999 and the Company's Current Reports on Form 8-K dated January 28, 1999, April 27, 1999, July 6, 1999, September 14, 1999 and October 29, 1999, and (iii) "prior to the date hereof" in Section 5.6 shall be deemed to refer to on or prior to the date of this Amendment No. 3). The Company further represents and warrants that no Event of Default or Event of Termination has occurred or is occurring, and that no event has occurred which, with notice or the lapse of time or both, would become an Event of Default or Event of Termination, as the case may be.

4. CONDITIONS PRECEDENT TO THE EFFECTIVENESS OF THIS AMENDMENT NO. 3. The Bank's obligation to enter into and perform its obligations under this Amendment No. 3 is subject to the fulfillment, to the satisfaction of the Bank and its counsel, of each of the following conditions as of the date of this Amendment No. 3:

(a) THE ACT; THE RESOLUTION. Neither the Act nor the Resolution shall have been revoked or rescinded, or modified or amended in any material respect adverse to the interests of the Bank or the holders of the Bonds.

(b) RECEIPT OF DOCUMENTS. The Bank shall have received an executed copy of this Amendment No. 3 as well as any other documents and instruments as the Bank shall reasonably request.

(c) CERTIFICATE. The Bank shall have received a certificate from the Company, dated the date of this Agreement and duly executed by an Authorized Officer, stating that on and as of the date thereof, except as otherwise disclosed to the Bank as of the date of this Amendment No. 3:

(i) the Company has obtained all consents, permits, licenses and approvals of, has made all registrations and declarations with, and has taken all other actions with respect to, governmental authorities required under law to be obtained, made or taken by the

Company, to maintain the Bonds and to execute, deliver and perform this Amendment No. 3;

(ii) that the Insurance Policy is currently effective and provides for (i) the payment of interest on the Bank Bonds at the Bank Rate and (ii) amortization of the Bank Bonds in equal semi-annual installments during the Amortization Period.

(iii) to the best knowledge of the Authorized Officer executing the certificate, no Event of Default or event which, with the giving of notice or the passage of time or both would constitute an Event of Default, has occurred or would occur after giving effect to the issuance of the Bonds or this Amendment No. 3 or the Original Agreement as amended by this Amendment No. 3.

(iv) all representations and warranties of the Company set forth in the Original Agreement and the Related Documents to which the Company is a party are true and correct in all material respects, except to the extent that any such representation or warranty relates solely to a prior date;

(v) the Company is not in default of its obligations under this Amendment No. 3 or the Original Agreement or any of the Related Documents to which it is a party;

(vi) except for any pending or threatened action, suit, investigation or proceeding disclosed in the Reoffering Circular or otherwise disclosed to the Bank in writing on or prior to the date hereof (as to which certification is not being made), there is no action, suit, investigation or proceeding pending or, to the best knowledge of the Authorized Officer executing the certificate, threatened (A) in connection with the Bonds, the replacement of the Letter of Credit, the Original Agreement, this Amendment No. 3 or any of the other transactions contemplated by this Amendment No. 3 or the Related Documents, or (B) against or affecting the Company, the result of which is reasonably likely to have a materially adverse effect on the business, financial condition or operations of the Company or the ability of the Company to perform or observe any of its duties, liabilities or obligations under this Amendment No. 3 or any of the Related Documents.

(d) PROCEEDINGS AND CERTIFICATIONS. The Bank shall have received a copy, certified by an Authorized Officer, of all proceedings taken by the Company authorizing the transactions hereunder and contemplated hereby, including, without limitation, the execution and delivery of this Amendment No. 3 and all other documents and agreements contemplated hereby, together with such other certifications as to matters of fact as shall reasonably be requested by the Bank or its counsel.

(e) INCUMBENCY CERTIFICATE. The Bank shall have received a certificate of the Secretary or Assistant Secretary of the Company certifying the names and true signatures of the officials of the Company authorized to sign this Amendment No. 3 and the other documents to be delivered by the Company hereunder, and shall also cover such other matters incident to the transactions contemplated by this Agreement as the Bank or its counsel may request.

(f) OPINION OF COMPANY COUNSEL. The Bank shall have received an opinion addressed to it of in-house counsel of the Company, dated the closing date on which the extension of the Liquidity Facility provided by this Amendment No. 3 shall have become effective, in form and substance satisfactory to the Bank and its counsel.

(g) OTHER DOCUMENTS, ETC. The Bank shall have received such other documents, certificates, and opinions as the Bank or its counsel may reasonably request, including, without limitation, organizational documents of the Authority, the Company, and the Bond Insurer, and all matters relating to this Amendment No. 3 and the Bonds shall be satisfactory to the Bank.

5. FEES AND EXPENSES.

(a) EXPENSES RELATING TO AMENDMENT NO. 3. The Company hereby agrees to pay all reasonable costs and expenses of the Bank (including, without limitation, reasonable attorneys' fees and disbursements, but excluding overhead and other internal costs of the Bank) in connection with the negotiation, preparation, review, execution and delivery of this Amendment No. 3. The Company hereby also agrees to pay on demand all costs and expenses paid or incurred by the Bank, if any, in connection with the enforcement of this Amendment No. 3 and in connection the amendment or enforcement of any Related Documents, and the protection of the rights of the Bank hereunder and thereunder (including reasonable counsel fees and disbursements but excluding overhead and other internal costs of the Bank).

(b) AMENDMENT AND EXTENSION FEE. The Company hereby also agrees to pay a one time amendment and extension fee (the "Amendment and Extension

Fee"), calculated at 7.5 basis points on the total Liquidity Facility amount of sixty-two million nine hundred eighteen thousand dollars ($62,918,000) for a total Amendment and Extension Fee of forty-seven thousand one hundred eighty-eight dollars and fifty cents ($47,188.50).

6. CONTINUED EFFECTIVENESS. This Amendment No. 3 is to be narrowly construed. Except as expressly amended by this Amendment No. 3, all terms and provisions of the Original Agreement are and shall continue in full force and effect. Any references to the Original Agreement in any of the Related Documents shall hereafter be deemed to refer to the Original Agreement, as amended by this Amendment No. 3.

7. GOVERNING LAW. This Amendment No. 3 shall be governed by, and construed in accordance with, the laws of the State of New York.

9. COUNTERPARTS. This Amendment No. 3 may be executed by the parties hereto in any number of counterparts.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 3 to be duly executed and delivered by their respective officers thereunto authorized as of the date first written above.

THE CONNECTICUT LIGHT AND POWER COMPANY

By:_____
Name:
Title:

Payment Instructions:
Societe Generale
New York
ABA No. 026004226
Re: The Connecticut Light and Power Company
Acct. No. 902 5855

SOCIETE GENERALE,
New York Branch

By:_____
Name:
Title:

STATE STREET BANK AND TRUST COMPANY, as Trustee

By:_____
Name:
Title:

AMENDED AND RESTATED
SERIES D LOAN AND TRUST AGREEMENT

among

BUSINESS FINANCE AUTHORITY OF THE
STATE OF NEW HAMPSHIRE

(formerly known as The Industrial Development Authority
of the State of New Hampshire)

and

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

and

STATE STREET BANK AND TRUST COMPANY, as Trustee
Dated as of April 1, 1999
Amending and Restating

Series D Loan and Trust Agreement Dated as of May 1, 1991,
as amended by First Supplement Dated as of December 1, 1992
and Second Supplement Dated as of May 1, 1995
And Providing for the Issue of:

$114,500,000

($39,500,000 outstanding at the time of amendment and restatement)
The Industrial Development Authority of the State of New Hampshire
Pollution Control Revenue Bonds

(Public Service Company of New Hampshire Project - 1991 Taxable Series D)

and

$75,000,000

Business Finance Authority of the State of New Hampshire
Pollution Control Refunding Revenue Bonds

(Public Service Company of New Hampshire Project - 1992 Tax-Exempt Series D)

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ARTICLE I: INTRODUCTION AND DEFINITIONS(1)

Section 101. Description of this Agreement and the Parties. This AMENDED AND RESTATED SERIES D LOAN AND TRUST AGREEMENT (this "Agreement") is entered into as of April 1, 1999 by the Business Finance Authority of the State of New Hampshire (with its successors, the "Authority"), a body corporate and politic created under New Hampshire Revised Statutes Annotated 162-A:3 formerly known as The Industrial Development Authority of the State of New Hampshire; Public Service Company of New Hampshire (with its successors, the "Company"), a New Hampshire corporation; and State Street Bank and Trust Company, a Massachusetts trust company, as Trustee (with its successors, the "Trustee"). This Agreement amends and restates the Series D Loan and Trust Agreement dated as of May 1, 1991 (the "Original Agreement") among the Authority, the Company and the Trustee, as previously amended by a First Supplement dated as of December 1, 1992 (the "First Supplement") and a Second Supplement dated as of May 1, 1995 (the "Second Supplement"), and is entered into pursuant to Clauses 1101(a)(i) and (viii) of the Original Agreement. This Agreement is a financing document combined with a security document as one instrument in accordance with New Hampshire Revised Statutes Annotated Chapter 162-I (the "Act") and relates to industrial facilities as defined in Paragraphs 2, VII(d) and (e) of the Act and located in the Town of Seabrook, Rockingham County, New Hampshire.

This Agreement provides for the following transactions:

(a) the Authority's issue of the Bonds, including the 1991 Series D Bonds, the 1992 Series D Bonds (which are Tax-Exempt Refunding Bonds), any other Tax-Exempt Refunding Bonds and any bond or bonds duly issued in exchange or replacement therefor;

(b) the Authority's loan of the proceeds of the Bonds to the Company for the purpose of financing the acquisition, construction and installation of the Project Facilities, including the Authority's loan of the proceeds of the 1992 Series D Bonds to the Company for the purpose of refunding the principal of $75,000,000 of the 1991 Series D Bonds;

(c) the Company's repayment of the loan of Bond proceeds from the Authority through payment to the Trustee of all amounts necessary to pay the Bonds issued by the Authority, including the Company's repayment of the loan of 1992 Series D Bond proceeds from the Authority through payment to the Trustee of all amounts necessary to pay the 1992 Series D Bonds;

(d) the Company's agreement to evidence and secure its repayment obligations hereunder and its reimbursement obligations under the Reimbursement Agreement by the issuance of the Series F First Mortgage Bonds and the Company's confirmation of its agreement to evidence and secure its repayment obligations hereunder and its reimbursement obligations under the Reimbursement Agreement with the Series F First Mortgage Bonds;

(e) the Authority's assignment to the Trustee in trust for the benefit and security of the Bondowners of the Authority's rights in respect of the loan to the Company hereunder, including repayment of the loan to be received from the Company; and

(f) the amendment and restatement of the Original Agreement, as previously amended by the First Supplement and the Second Supplement.

At the time that this Agreement is being executed and delivered, the Company will cause an irrevocable, transferable Letter of Credit of Barclays Bank PLC, New York Branch in the maximum aggregate amount of $41,748,000 to be issued to the Paying Agent to be drawn upon to pay the Purchase Price of, principal of, premium, if any, and interest on the Bonds (other than the 1992 Series D Bonds).

In consideration of the mutual promises contained in this Agreement, the rights conferred and the obligations assumed hereby, and other good and valuable consideration, the receipt of which is hereby acknowledged, each of the Company, the Authority and the Trustee agree, assign, covenant, grant, pledge, promise, represent and warrant as set forth herein for their own benefit and for the benefit of the Bondowners and the Bank.

Section 102. Definitions.

(a) Words. In addition to terms defined elsewhere herein, the following terms have the following meanings in this Agreement, unless the context otherwise requires:

(1) "Act" has the meaning set forth in Section 101.

(2) "Assumption Agreement" has the meaning given such term in Section 505.

(3) "Authority's Service Charge" means payments to the Authority for its own use which consist of (i) with respect to the 1991 Series D Bonds (A) a payment of $5,000 on the date of the issue of the 1991 Series D Bonds and (B) annual payments commencing on the first anniversary of the date hereof and continuing on each subsequent anniversary, which are each equal to 1/40th of 1% of the average principal balance of the 1991 Series D Bonds on which interest was accruing during the prior twelve-month period, or $250, whichever is greater, with a final payment due upon the redemption or payment of the 1991 Series D Bonds in full prorated to the date of such redemption or payment, as the case may be, (ii) with respect to the 1992 Series D Bonds, (A) a payment of $62,500 on the date of the issue of the 1992 Series D Bonds and (B) annual payments commencing on the first anniversary of the date of this First Supplement and continuing on each subsequent anniversary, which are each equal to 1/20th of 1% of the average principal balance of the 1992 Series D Bonds on which interest was accruing during the prior twelve-month period, or $250, whichever is greater, with a final payment due upon the redemption or payment of the 1992 Series D Bonds in full prorated to the date of such redemption or payment, as the case may be, and (iii) payment of such service charges or other fees of the Authority, as and when the Authority may require, in connection with the issuance of any other Tax-Exempt Refunding Bonds.(2)

(4) "Bank" means Barclays Bank PLC, acting through its New York Branch, in its capacity as issuer of the Letter of Credit and any other issuer of a Credit Facility.(3)

(5) "Bond Counsel" means Palmer & Dodge or such other nationally recognized bond counsel selected by the Company and reasonably satisfactory to the Trustee.

(6) "Bond Fund" means the fund established pursuant to Section 304.

(7) "Bondowners", "owners" or words of similar import means the registered owners of the Bonds from time to time as shown in the books kept by the Paying Agent as bond registrar and transfer agent, except that wherever appropriate the term "owners" shall mean the owners of the Bonds for federal income tax purposes.

(8) "Bonds" means the 1991 Series D Bonds, the 1992 Series D Bonds, any other Tax-Exempt Refunding Bonds and any bond or bonds duly issued in exchange or replacement therefor.(4)

(9) "Business Day" means a day (i) that is not a Sunday or legal holiday or a day on which banking institutions are authorized pursuant to law to close, (ii) that is not a day on which the corporate trust office of the First Mortgage Bond Trustee is not open for business, (iii) that is a day on which banks are not required or authorized to close in New York, New York, and (iv) that is a day on which banking institutions in all of the cities in which the principal offices of the Trustee and the Paying Agent and, if applicable, the Remarketing Agent and the Bank are located are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

(10) "Company Bond" means any Bond registered to the Company pursuant to Subsection 311(a).

(11) "Company Representative" means the person or persons at the time designated to act on behalf of the Company in a written certificate (or any alternate or alternates at the time so designated) furnished to the Trustee, containing the specimen signature of such person or persons and signed on behalf of the Company by its Chairman, Vice Chairman, President, Chief Financial Officer, Treasurer, any Assistant Treasurer or any Vice President.

(12) "Conversion Date" means the date on which a new Mode becomes effective with respect to a Bond, and with respect to a Bond in the Multiannual Mode, the date on which a new Rate Period becomes effective.

(13) "Credit Facility" means the Letter of Credit and any substitute irrevocable transferable letter of credit delivered to the Paying Agent pursuant to this Agreement and then in effect, as each may be amended from time to time pursuant to the terms of this Agreement or any amendment or supplement to this Agreement.(5) More than one Credit Facility may be in effect from time to time.

(14) "Default" has the meaning given such term in Section 601.

(15) "Delivery Date" means, with respect to a Bond tendered for purchase, the Purchase Date or any subsequent Business Day on which such Bond is delivered to the Paying Agent as provided in the forms of Flexible, Weekly and Multiannual Bonds.

(16) "Effective Date" means, with respect to a Bond in the Flexible, Weekly and Multiannual Modes, the date on which a new Rate Period for that Bond takes effect.

(17) "Eligible Funds" means (i) amounts drawn on any Credit Facility; (ii) other amounts paid to the Trustee pursuant to this Agreement which have been held by it for a period of at least 123 days during which no Event of Bankruptcy has occurred; (iii) earnings on amounts qualifying as Eligible Funds under clause (i) or (ii) above; and (iv) other amounts which if applied to the payment of the Bonds would not, in the opinion of nationally recognized counsel experienced in bankruptcy matters selected by the Company and satisfactory to the Trustee, Moody's (if the Bonds are then rated by Moody's), and S&P (if the Bonds are then rated by S&P), be subject to avoidance as a preference under the United States Bankruptcy Code upon an Event of Bankruptcy. The Trustee shall maintain records of Eligible Funds held by it.

(18) "Event of Bankruptcy" means the filing of a petition in bankruptcy or the commencement of a proceeding under the United States Bankruptcy Code or any other applicable law concerning insolvency, reorganization or bankruptcy by or against the Authority, the Company, any affiliates thereof, or any guarantor of the Bonds (other than the Bank), as debtor.

(19) "Event of Default" has the meaning given such term in Section 601.

(20) "Federal Tax Statement" means the Statement as to Tax Status of Bonds executed by the Company in connection with the original issuance of the 1991 Series D Bonds and delivered to the Trustee.

(21) "First Mortgage Bond Indenture" means the First Mortgage Indenture dated as of August 15, 1978, as amended, and the Tenth Supplemental Indenture thereto dated as of May 1, 1991 between the Company and First Fidelity Bank, National Association, New Jersey, as Trustee, as amended and supplemented from time to time.

(22) "First Mortgage Bond Trustee" means the trustee under the First Mortgage Bond Indenture.

(23) "Fixed Rate" means a rate of interest on a Bond that is fixed for the remaining term of the Bond.

(24) "Fixed Rate Conversion Date" means with respect to a Bond, the date upon which the Fixed Rate first becomes effective for the Bond.

(25) "Fixed Rate Mode" has the meaning set forth in the forms of Fixed Rate Bonds.

(26) "Flexible Mode" has the meaning set forth in the forms of Flexible Bonds.

(27) "Flexible Rate" means a rate of interest set by the Remarketing Agent for periods of from one to 270 days.

(28) "Government Obligations" means obligations issued by, or the full and timely payment of which are guaranteed by, the United States.

(29) Except in the Bonds, "here" in such words as "hereby," "herein," "hereof" or "hereunder" means this Agreement as a whole rather than the particular section, subsection, paragraph, subparagraph, clause or subclause in which the word appears; and in the Bonds it refers thereto.

(30) "IRC" means the Internal Revenue Code of 1986, as it may be amended from time to time.

(31) "Letter of Credit" means the $41,748,000 irrevocable letter of credit No. 841777 issued by Barclays Bank PLC, acting through its New York Branch, for the benefit of the Paying Agent.(6)

(32) "Loan" has the meaning given to such term in Subsection 201(a).

(33) "Maximum Interest Rate" means the maximum interest rate on Bonds in the Flexible, Weekly and, if supported by a Credit Facility, Multiannual Modes, which rate is initially 16% per annum for the 1991 Series D Bonds. The Maximum Interest Rate for any Tax-Exempt Refunding Bonds shall be established at the time such Bonds are initially issued. The Maximum Interest Rate for any Bond may be increased at any time and decreased on any Effective Date for Bonds in the Flexible or Multiannual Mode or on any Conversion Date for Bonds in the Weekly Mode by the Company filing with the Authority and the Trustee a certificate stating the new Maximum Interest Rate. There may be more than one Maximum Interest Rate in effect from time to time, but each series of

Bonds shall not have more than one Maximum Interest Rate for each Mode. In no event shall an increase in a Maximum Interest Rate be permitted to cause the amount entitled to be drawn under a Credit Facility to be less than the minimum required amount specified in Paragraph 317(b)(ii). In no event shall the Maximum Interest Rate with respect to a Tax-Exempt Refunding Bond be increased or decreased unless the Trustee has received an opinion of Bond Counsel reasonably satisfactory to it to the effect that such change in the Maximum Interest Rate will not cause interest on any Tax-Exempt Refunding Bonds to be included in gross income of the owners thereof for federal income tax purposes. The Maximum Interest Rate for the 1992 Series D Bonds shall be initially 12% per annum, subject to adjustment as provided in this Paragraph 102(a)(33).(7)

(34) "Mode" means the period for and the manner in which the interest rates on the Bonds are set and includes the Flexible Mode, the Weekly Mode, the Multiannual Mode and the Fixed Rate Mode.

(35) "Moody's" means Moody's Investors Service, Inc.

(36) "Multiannual Mode" means the Mode in which the interest rate on the Bonds is fixed for periods of one year or multiples thereof designated by the Company as described in the forms of Multiannual Bonds.

(37) "Multiannual Rate" means the rate of interest that is set on Bonds while they are in the Multiannual Mode.

(38) "1954 Code" means the Internal Revenue Code of 1954, as amended to October 22, 1986.

(39) (i) "1991 Series D Bonds" means the $114,500,000 principal amount of The Industrial Development Authority of the State of New Hampshire Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 1991 Taxable Series D) and (ii) "1992 Series D Bonds" means the $75,000,000 principal amount of Business Finance Authority of the State of New Hampshire Pollution Control Refunding Revenue Bonds (Public Service Company of New Hampshire Project - 1992 Tax-Exempt Series D).(8)

(40) "Outstanding," when used to modify Bonds, refers to Bonds issued, authenticated and delivered under this Agreement, excluding: (i) Bonds which have been exchanged or replaced; (ii) Bonds which have been paid; (iii) Bonds which have become due and for the payment of which moneys have been duly provided; (iv) Bonds deemed tendered for purchase and not delivered to the Paying Agent on the Purchase Date, provided sufficient funds for payment of the Purchase Price are on deposit with the Paying Agent; and (v) Bonds with respect to which this Agreement has been defeased pursuant to Section 204.

(41) "Paying Agent" means Security Pacific National Trust Company (New York) or any successor or successors designated from time to time pursuant to Section 313.

(42) "Permitted Investments" has the meaning given such term in Section 315.

(43) The word "person" means any individual or entity so recognized by law.

(44) "Pledged Bond" means any Bond purchased with proceeds provided by the Credit Facility which is registered to the Bank or its designee pursuant to Section 311(a).

(45) "Project Costs" means the Company's cost of acquisition or construction and installation of the Project Facilities which are "project costs" within the meaning of Paragraph 2, IX of the Act, including, but not limited to, the cost of issuing the Bonds, obtaining professional and advisory services, and certain interest on the Bonds, which may be paid from Bond proceeds pursuant to the Act.

(46) "Project Facilities" means the Company's ownership share of the sewage or solid waste disposal and air or water pollution control facilities at the Station described generally in the attached Exhibit A.

(47) "Purchase Date" means, while the Bonds are in a Flexible, Weekly or Multiannual Mode, the date on which Bonds shall be required to be purchased pursuant to a mandatory or optional tender in accordance with the provisions in the forms of Flexible, Weekly and Multiannual Rate Bonds.

(48) "Purchase Price" shall have the meaning set forth in the forms of Flexible, Weekly and Multiannual Rate Bonds.

(49) "Rate Period" or "Period" means, when used with respect to any particular rate of interest for a Bond in the Flexible, Weekly or Multiannual Mode, the period during which such rate of interest determined for such Bond will remain in effect as described herein.

(50) "Reimbursement Agreement" means the Third Series D Letter of Credit and Reimbursement Agreement dated as of April 1, 1999 among the Company, Barclays Bank PLC, New York Branch, as agent and issuing bank thereunder, and the

participating banks referred to therein, and any other agreement between the Company and a Bank under which the Company is obligated to reimburse the Bank for payments made by the Bank under a Credit Facility.(9)

(51) "Remarketing Agent" means Goldman, Sachs Money Markets Incorporated, and any successor Remarketing Agent appointed from time to time pursuant to Section 314.

(52) "Seabrook Transfer" means the transfer by the Company of its interest in the Station (including the Project Facilities) to a wholly owned subsidiary of Northeast Utilities as contemplated by the Third Amended Joint Plan of Reorganization dated December 28, 1989 of the Company as confirmed by an order of the United States Bankruptcy Court for the District of New Hampshire (Case No. BK88-00043) on April 20, 1990.

(53) "Seabrook Transferee" means the transferee of the Project Facilities pursuant to the Seabrook Transfer and its successors.

(54) "Series F First Mortgage Bonds" means the $114,500,000 in the aggregate principal amount First Mortgage Bonds, Series F issued by the Company and delivered to the Trustee pursuant to Subsection 201(a) of this Agreement and the First Mortgage Bond Indenture to evidence and secure the Company's obligation to repay the Loan and to secure the Company's reimbursement and certain other obligations under the Reimbursement Agreement.

(55) "S&P" means Standard & Poor's Corporation.

(56) "Station" means Unit No. 1 of the nuclear electric generating plant located in Seabrook, New Hampshire, of which the Company is a joint owner.

(57) "Tax-Exempt Refunding Bonds" means Bonds issued to refund the 1991 Series D Bonds pursuant to Article IV hereof, including, unless the context otherwise requires, the 1992 Series D Bonds.(10)

(58) "Tendered Bond" means any Bond tendered or deemed tendered for purchase pursuant to Paragraphs 301(d)(iii), 301(e)(iii) or (iv), or 301(f)(iii).

(59) "Trustee" means State Street Bank and Trust Company, as trustee under this Agreement and its successors in such capacity.

(60) "UCC" means the New Hampshire Uniform Commercial Code (New Hampshire Revised Statutes Annotated Chapter 382-A).

(61) "Weekly Mode" has the meaning set forth in the forms of Weekly Bonds.

(62) "Weekly Rate" means the rate of interest that is set on Bonds while they are in the Weekly Mode.

(b) Number and Gender. Wherever appropriate (1) the singular and plural forms of words and (2) words of different gender shall, within those respective classifications, be deemed interchangeable.

(c) Use of Examples. When a condition, class, category, circumstance or other concept is described in general terms herein and a list of possible examples of components of what has been described generally is associated with that description, and regardless of whether the words "include" or "including" or the like are also used, the listing shall be deemed illustrative only and shall not be construed as excluding other possible examples or components or as otherwise limiting the generality of the description in any way.

ARTICLE II: LOAN OF BOND PROCEEDS; ISSUE OF SERIES F FIRST MORTGAGE BONDS; THE ASSIGNMENT AND PLEDGE

Section 201. Issue of Series F First Mortgage Bonds; Confirmation Concerning Series F First Mortgage Bonds.

(a) Issue of Series F First Mortgage Bonds.(11) The Authority shall issue the 1991 Series D Bonds pursuant to the Act in the amount, in the form and with the terms provided herein, and shall loan to the Company such amount (the "Loan") to finance Project Costs as hereinafter provided. The Company agrees to repay the Loan of the aggregate principal amount of the 1991 Series D Bonds in the amounts and at the times necessary to pay principal of, premium, if any, and interest on the Bonds by making the payments required under Section 308, and to evidence and secure the Company's obligation to do so and to secure the Company's reimbursement and certain other obligations under the Reimbursement Agreement, the Company shall issue and deliver to the Trustee a like aggregate principal amount of its Series F First Mortgage Bonds in the form set forth in the First Mortgage Bond Indenture. Except in the case of Bonds that are paid or are to be paid by the issuance of Tax-Exempt Refunding Bonds or by funds drawn under the Credit Facility, upon payment of the principal of and premium, if any, on any of the Bonds and payment of all accrued interest in connection therewith, whether at maturity or prior to maturity by redemption or otherwise, or upon provision for the payment thereof having been made in accordance with Section 204, Series F First Mortgage Bonds in an aggregate principal amount equal to the aggregate

principal amount of the Bonds so paid, or for the payment of which such provision has been made, shall be deemed fully paid and the obligations of the Company thereunder terminated as provided in the First Mortgage Indenture and shall be surrendered by the Trustee to the First Mortgage Bond Trustee for cancellation. The Trustee shall promptly notify the First Mortgage Bond Trustee by telephone, confirmed in writing, of any payment on the Bonds. In accordance with the terms thereof, the Series F First Mortgage Bonds shall be issued to and registered in the name of the Trustee and shall not be sold, assigned, pledged or transferred, except to effect transfer to any successor Trustee hereunder. The Series F First Mortgage Bonds bear interest, have a maturity date and redemption provisions corresponding to the Bonds. Payments of principal of and premium, if any, and interest on the Series F First Mortgage Bonds shall upon receipt by the Trustee be deemed to constitute payments of corresponding amounts by the Company in respect of the Bonds pursuant to Subsection 308(a).

(b) Confirmation Concerning Series F First Mortgage Bonds(12)

The Authority shall issue the 1992 Series D Bonds pursuant to the Act in the amount, in the form and with the terms provided herein, and shall loan to the Company such amount (the "First Supplemental Loan") to refund the principal of $75,000,000 of the 1991 Series D Bonds as hereinafter provided. The Company agrees to repay the First Supplemental Loan of the aggregate principal amount of the 1992 Series D Bonds in the amounts and at the times necessary to pay principal of, premium, if any, and interest on the Bonds by making the payments required under Section 308 of this Agreement, and for such purpose the First Supplemental Loan is to be treated as part of the Loan made pursuant to this Agreement. To evidence and secure the Company's obligation to repay the Loan, including the First Supplemental Loan, and to secure the Company's reimbursement and certain other obligations under the Reimbursement Agreement, the Company issued and delivered to the Trustee on the date of issuance of the 1991 Series D Bonds a like aggregate principal amount of its Series F First Mortgage Bonds. The Company hereby confirms that the Series F First Mortgage Bonds evidence and secure the Company's obligations to make payments in amounts and at times necessary to pay principal of, premium, if any, and interest on all of the Outstanding Bonds, including the Outstanding 1992 Series D Bonds and the Outstanding 1991 Series D Bonds and the Company's reimbursement and certain other obligations under the Reimbursement Agreement.

Section 202. Assignment and Pledge of the Authority.

The Authority, for consideration paid as hereinabove acknowledged, hereby irrevocably assigns and pledges to the Trustee in trust for the security of the Bondowners and the Bank upon the terms hereof all the Authority's right, title and interest in (i) respect of the Loan and all payments thereon, (ii) all moneys and securities held by the Trustee for deposit in, or deposited in, the Bond Fund and investment earnings thereon, (iii) the Series F First Mortgage Bonds, all bonds issued in replacement thereof or in exchange or substitution therefor and all payments on, and proceeds of, the foregoing, and (iv) any collateral security for, and all proceeds of, any of the foregoing. The Trustee shall hold (a) all the rights, title and interest received under this section and (b) all revenues (exclusive of funds to which the Trustee is entitled in its own right as fees, reimbursement, indemnity or otherwise) received from the Company or derived from the exercise of the Authority's powers hereunder (which shall include all payments under Subsection 308(a) and in respect of the Series F First Mortgage Bonds) in trust for the security of the Bondowners and the Bank in accordance with the provisions hereof.

Section 203. Further Assurances
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The Company and the Authority shall from time to time execute, deliver and record and file such instruments as the Trustee may reasonably require to confirm, perfect or maintain the security created hereby and the assignment and pledge of rights hereunder.

Section 204. Defeasance.

When there are in the Bond Fund sufficient funds, or non-callable and non-prepayable Government Obligations in such principal amounts, bearing interest at such rates and with such maturities (including, with respect to any Bonds in the Weekly Mode, maturities no greater than seven (7) days to fund the payment of Purchase Price) as will provide, without reinvestment, sufficient funds to pay the Purchase Price, principal of, premium, if any, and interest on the Bonds in full as and when such amounts become due, and when all the rights hereunder of the Authority and the Trustee have been provided for (1) the Bondowners will cease to be entitled to any right, benefit or security under this Agreement except the right to receive payment of the funds deposited and held for payment and other rights set forth below or which by their nature cannot be satisfied prior to or simultaneously with termination of the lien hereof, (2) the security interests created by this Agreement (except in such funds and investments) shall terminate, and (3) the Authority and the Trustee shall execute and deliver such instruments as may be necessary to discharge the lien and security interests created hereunder;

provided, however, that (a) with respect to any Bonds that are supported by a Credit Facility, all such funds and obligations in the Bond Fund shall be Eligible Funds; (b) if, within ninety (90) days of such deposit, any Tax-Exempt Refunding Bonds are not to be redeemed in full prior to maturity or paid in full at maturity, the Trustee shall have received on the date of the deposit an opinion of Bond Counsel to the effect that such deposit and the investment thereof will not affect the exclusion of interest on such Bonds from gross income of the owners thereof for federal income tax purposes, (c) if any such Bonds are to be redeemed prior to the maturity thereof, such Bonds shall have been duly called for redemption or irrevocable instructions for such a call shall have been given to the Trustee and (d) either the Trustee shall have received written confirmation from Moody's, if the Bonds are then rated by Moody's, and from S&P, if the Bonds are then rated by S&P, that the defeasance will not result in the withdrawal or reduction of its rating on the Bonds, or, if none of the Bonds to be defeased are in the Weekly Mode, the Bonds are to be redeemed on or before the next Purchase Date. Upon such defeasance, the funds and investments required to pay or redeem the Bonds in full shall be irrevocably set aside for that purpose. If at the time established for defeasance the Bonds are then rated by Moody's, a mathematical verification that the requirements set forth in this Section 204 have been satisfied prepared by a firm of independent public accountants who are recognized on a nationwide basis for skill in the preparation of such verifications and selected by the Company shall be provided to the Trustee and to Moody's; provided, however, that Moody's may waive such verification after notification by the Company of the terms of any such defeasance. The Trustee shall cause to be mailed to all Bondowners within fifteen (15) days of the conditions of this section being met in the manner herein specified for redemption of Bonds a notice stating that such conditions have been met and that the lien of this Agreement has been discharged, and, if the Bonds are to be redeemed prior to maturity, specifying the date of redemption and the redemption price. Any funds or property held by the Trustee for payment of the Bonds under this section and not required for such payment shall (unless there is an Event of Default hereunder, in which case they shall be applied as provided in Section 604), after satisfaction of all the rights of the Authority and the Trustee, and payment of the rebate, if any, due to the United States under IRC 148(f), and upon such indemnification, if any, as the Authority or the Trustee may reasonably require, be distributed to the Company. If Bonds are not presented for final payment when due and moneys are available in the hands of the Trustee therefor, the Trustee shall, without liability for interest thereon, continue to hold the moneys held for that purpose subject to Subsection 304(c), and interest shall cease to accrue on the principal amount represented thereby.

When there are in the Bond Fund funds or securities as described in the preceding paragraph as are sufficient to pay the Purchase Price, principal of, premium, if any, and interest on, some but not all of the Bonds in full as and when such amounts become due and the other conditions in the preceding paragraph have been met with respect to such Bonds, the particular Bonds (or portions thereof) for which such provision for payment shall have been considered made shall be selected by lot by the Trustee and thereupon the Trustee and the Authority shall take similar action to release the security interests created by this Agreement in respect of such Bonds (except in such funds or securities and investments thereon), subject however to compliance with the applicable conditions set forth in the provisos above.

Notwithstanding the foregoing, those provisions relating to the maturity of Bonds, interest payments and dates thereof, the tender of Bonds for purchase and the Trustee's remedies with respect thereto, and provisions relating to exchange, transfer and registration of Bonds, replacement and cancellation of Bonds, the holding of moneys in trust and the duties of the Trustee in connection with all of the foregoing and the fees, expenses and indemnities of the Trustee and the Authority, shall remain in full force and effect and shall be binding upon the Trustee, the Authority, the Company and the Bondowners notwithstanding the release and discharge of this Agreement and the lien on the Series F First Mortgage Bonds created hereby until the Bonds have been actually paid in full.

Notwithstanding anything herein to the contrary, if moneys or governmental obligations have been deposited or set aside with the Trustee pursuant to the provisions of this Section 204 and the principal of, premium, if any, and interest on the Bonds shall not, in fact, been actually paid in full, no amendment to the provisions of this Section 204 will be made without the consent of the owner of each of the Bonds affected thereby.

ARTICLE III: THE BORROWING

Section 301. The Bonds.

(a) Forms of 1991 Series D Bonds and 1992 Series D Bonds. The 1991 Series D Bonds and the 1992 Series D Bonds shall be issued in substantially the following forms for the various Modes: (13)

(i) Form of Flexible 1991 Series D Bond. The 1991 Series D Bonds may be issued in the Flexible Mode in substantially the form attached hereto as

Exhibit C.

(ii) Form of Weekly 1991 Series D Bond. The 1991 Series D Bonds may be issued in the Weekly Mode in substantially the form attached hereto as Exhibit D.

(iii) Form of Multiannual 1991 Series D Bond. The 1991 Series D Bonds may be issued in the Multiannual Mode in substantially the form attached hereto as Exhibit E.

(iv) Form of Fixed Rate 1991 Series D Bond. The 1991 Series D Bonds may be issued in the Fixed Rate Mode in substantially the form attached hereto as Exhibit F.

(v) Form of Flexible 1992 Series D Bond. The 1992 Series D Bonds may be issued in the Flexible Mode in substantially the form attached hereto as Exhibit G.

(vi) Form of Weekly 1992 Series D Bond. The 1992 Series D Bonds may be issued in the Weekly Mode in substantially the form attached hereto as Exhibit H.

(vii) Form of Multiannual 1992 Series D Bond. The 1992 Series D Bonds may be issued in the Multiannual Mode in substantially the form attached hereto as Exhibit I.

(viii) Form of Fixed Rate 1992 Series D Bond. The 1992 Series D Bonds may be issued in the Fixed Rate Mode in substantially the form attached hereto as Exhibit J.

(ix) Form of Book-Entry Only System Flexible 1991 Series D Bond. The Book-Entry Only System 1991 Series D Bonds may be issued in the Flexible Mode in substantially the form attached hereto as Exhibit K.

(b) Details of the 1991 Series D Bonds and the 1992 Series D Bonds.

(i) Details of the 1991 Series D Bonds.(14) The 1991 Series D Bonds shall be signed on behalf of the Authority by the manual or facsimile signatures of any two of the Chairman, Vice Chairman, Treasurer, either Assistant Treasurer and Executive Director and the corporate seal of the Authority or a facsimile thereof shall be engraved or otherwise reproduced thereon. The Certificate of Authentication of the Trustee shall be manually signed by the Trustee or on behalf of the Trustee by its duly authorized agent.

In case any officer whose manual or facsimile signature shall appear on any 1991 Series D Bond shall cease to be such officer before the delivery thereof, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if he or she had remained in office until after such delivery.

The 1991 Series D Bonds shall be issued in fully registered form and shall be numbered from 1 upwards in the order of their issuance, or in any other manner deemed appropriate by the Paying Agent and the Trustee. The 1991 Series D Bonds shall be in the denomination of $100,000 or any multiple of $1,000 in excess of $100,000 in the Flexible Mode, $5,000 or any multiple thereof in the Fixed Rate and Multiannual Modes and $100,000 or any multiple thereof in the Weekly Mode. The 1991 Series D Bonds shall be dated the date of original delivery thereof and shall mature on May 1, 2021. The interest on 1991 Series D Bonds until they come due shall be payable on the interest payment dates applicable to the Mode the Bonds are in from time to time. Interest on overdue principal of any Bond shall bear interest at the rate last established for that Bond before the principal became overdue until duly paid or provided for. All of the 1991 Series D Bonds shall be initially in the Flexible Mode.

The 1991 Series D Bonds are subject to redemption as described in Section 310 and in the forms of Bonds.

(ii) Details of the 1992 Series D Bonds.(15) The 1992 Series D Bonds shall be signed on behalf of the Authority by the manual or facsimile signatures of any two of the Chairman, Vice Chairman, Treasurer and Executive Director and the corporate seal of the Authority or a facsimile thereof shall be impressed, engraved or otherwise reproduced thereon. The Certificate of Authentication shall be manually signed by the Trustee or the Paying Agent.

In case any officer whose manual or facsimile signature shall appear on any 1992 Series D Bond shall cease to be such officer before the delivery thereof, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if he or she had remained in office until after such delivery.

The 1992 Series D Bonds shall be issued in fully registered form and shall be numbered from 1 upwards in the order of their issuance, or in any other manner deemed appropriate by the Paying Agent and the Trustee. The 1992 Series D Bonds shall be in the denomination of $100,000 or any multiple of

$1,000 in excess of $100,000 in the Flexible Mode, $5,000 or any multiple thereof in the Fixed Rate and Multiannual Modes and $100,000 or any multiple thereof in the Weekly Mode. The 1992 Series D Bonds shall be dated the date of original delivery thereof and shall mature on May 1, 2021. The interest on 1992 Series D Bonds until they come due shall be payable on the interest payment dates applicable to the Mode the Bonds are in from time to time. Interest on overdue principal of any Bond shall bear interest at the rate last established for that Bond before the principal became overdue until duly paid or provided for. All of the 1992 Series D Bonds shall be initially in the Weekly Mode.

The 1992 Series D Bonds are subject to redemption as described in Sections 310 and 405 and in the forms of 1992 Series D Bonds.

(c) Tax-Exempt Refunding Bonds. Tax-Exempt Refunding Bonds that refund the 1991 Series D Bonds may be issued by the Authority at the request of the Company as provided in Article IV.

(d) Flexible Mode.

(i) Determination of Flexible Rates. The Remarketing Agent shall determine the Flexible Rate as provided in the forms of Flexible Bonds and shall notify the Paying Agent thereof electronically or by telephone not later than 1:00 P.M. on the Effective Date, and if by telephone, promptly confirmed in writing. The Paying Agent shall give written notice of the Flexible Rate to the Trustee, the Bank and the Company. Each determination and redetermination of the Flexible Rate shall be conclusive and binding on the Authority, the Trustee, the Paying Agent, the Bank, the Company and the Bondowners. If the Remarketing Agent fails for any reason to determine the Flexible Rate or Rate Period for any Bond while in the Flexible Mode, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, that Bond shall be deemed to be in a Rate Period of one day and the Flexible Rate shall be equal to (A) for the 1991 Series D Bonds, 100% of the rate on thirty (30) day high-grade unsecured commercial paper notes sold through dealers by major corporations published in the edition of The Wall Street Journal published on the day on which such rate is determined, or if such rate is not published on that day, the most recent publication of such rate, and (B) for any Tax-Exempt Refunding Bonds, 100% of the Prime Commercial Paper A-1/P-1 (30 days) rate shown in the table captioned "Short-Term Tax-Exempt Yields" in the edition of The Bond Buyer published on the day on which such rate is determined or, if such rate is not published on that day, the most recent publication of such rate.

In determining the Flexible Rate and remarketing Bonds in the Flexible Mode the Remarketing Agent shall (1) not offer Rate Periods greater than the maximum number of days of interest coverage under the Credit Facility at the Maximum Interest Rate less eight (8) days or extending beyond the expiration date of the Credit Facility less eight (8) days (2) not offer Rate Periods applicable to Bonds to be converted extending beyond the day preceding any scheduled conversion of the Bonds to another Mode or the final maturity of the Bonds, and (3) follow any written directions of the Company Representative, not inconsistent with the preceding clauses (1) and (2), as to the Rate Periods to be made available. The Company, the Trustee, the Paying Agent and the Remarketing Agent shall cooperate to ensure compliance with this requirement.

(ii) Conversions from the Flexible Mode. The Bonds in the Flexible Mode or any portion of such Bonds may be converted at the election of the Company from the Flexible Mode to the Weekly, Multiannual or Fixed Rate Mode as provided in the forms of the Flexible Bonds, so long as no Default hereunder exists as certified to the Trustee by the Company Representative. If Bonds that are to be converted to the Weekly or Multiannual Mode are to be supported by a Credit Facility in their new Mode, no such conversion shall be effective unless the Company shall have delivered to the Paying Agent by 11:00 A.M. on the Conversion Date a Credit Facility in the minimum required face amount for the applicable Mode as provided in Section 317, and with an expiration date not earlier than (i) 364 days(16) in the case of any Bonds converted to the Weekly Mode and (ii) five (5) Business Days after the end of the Rate Period in the case of Bonds in the Multiannual Mode. Any Bonds in or to be converted to the Weekly Mode shall be supported by a Credit Facility. Written notice of a conversion from the Flexible Mode shall be given by the Company to the Authority, the Trustee, the Paying Agent, the Bank, the Remarketing Agent, Moody's and S&P not fewer than twenty-five (25) nor more than one hundred and twenty (120) days before the Conversion Date, which date shall be specified by the Company in such notice and shall not be earlier than the day following the expiration of the Rate Period with the longest remaining term then in effect for the Bonds to be converted. If any of the Bonds are to be converted to the Multiannual Mode, such notice shall include the Company's election whether or not the Bonds as converted are to be supported by a Credit Facility. Prior to the proposed Conversion Date, the Remarketing Agent shall not offer Rate Periods for the Bonds to be converted extending beyond the proposed Conversion Date. Conversions to the Fixed Rate Mode shall also be governed by Subsection 301(g).

Notwithstanding the foregoing, if the preconditions to conversion to a new

Mode established by the preceding paragraph and with respect to any Tax-Exempt Refunding Bonds, Section 404, are not met by 11:00 A.M. on the Conversion Date, the Paying Agent shall deem the proposed conversion to have failed and shall immediately notify the Trustee and the Remarketing Agent. In such event, the Paying Agent shall by 1:00 P.M. on the proposed Conversion Date draw on the Credit Facility an amount which is sufficient to pay the Purchase Price on such date of all Bonds that were to have been converted. In no event shall the failure of Bonds to be converted to another Mode for any reason be deemed to be, in and of itself, a Default or Event of Default under this Agreement, so long as the Purchase Price of all Bonds required to be purchased is made available as provided above.

(iii) Mandatory Tender for Purchase. On each Effective Date, Bonds in the Flexible Mode are subject to mandatory tender for purchase as provided in the forms of Flexible Bonds.

(e) Weekly Mode.

(i) Determination of Weekly Rates. The Remarketing Agent shall determine the Weekly Rate as provided in the forms of Weekly Bonds and shall notify the Paying Agent thereof electronically or by telephone not later than 4:00 P.M. on the Business Day preceding the Effective Date, and if by telephone, promptly confirmed in writing. The Paying Agent shall give written notice of the Weekly Rate to the Trustee, the Bank, and the Company. Each determination and redetermination of the Weekly Rate shall be conclusive and binding on the Authority, the Trustee, the Paying Agent, the Bank, the Company and the Bondowners.

(ii) Conversions from Weekly Mode. The Bonds in the Weekly Mode or any portion of such Bonds may be converted on the first Business Day of any calendar month at the election of the Company from the Weekly Mode to a Multiannual, Flexible, or Fixed Rate Mode, as provided in the forms of Weekly Bonds, so long as no Default hereunder exists as certified to the Trustee by a Company Representative.(17) If Bonds that are to be converted to the Flexible or Multiannual Mode are to be supported by a Credit Facility in their new Mode, no such conversion shall be effective unless the Company shall have delivered to the Paying Agent by 11:00 A.M. on the Conversion Date a Credit Facility in the minimum required face amount for the applicable Mode as provided in Section 317 and with an expiration date not earlier than (i) 364 days(18) from the Conversion Date in the case of Bonds converted to the Flexible Mode and (ii) five (5) Business Days after the end of the Rate Period in the case of Bonds in the Multiannual Mode. Any Bonds in or to be converted to the Flexible Mode shall be supported by a Credit Facility, except in the case of a failed optional conversion which causes the Bonds to automatically convert to the Flexible Mode with a one day Rate Period. Written notice of a conversion of Bonds from the Weekly Mode shall be given by the Company to the Authority, the Trustee, the Bank, the Paying Agent, the Remarketing Agent, Moody's and S&P not fewer than forty-five (45) nor more than sixty (60) days prior to the proposed Conversion Date, which date shall be specified by the Company in such notice. If any of the Bonds are to be in the Multiannual Mode, such notice shall include the Company's election whether or not the converted Bonds are to be supported by a Credit Facility. Notice of a conversion of Bonds from the Weekly Mode and the mandatory tender of Bonds for purchase on such Conversion Date shall be given to the owners of such Bonds as provided in Subparagraph 301(e)(iv) (B) and the forms of Weekly Bonds. Conversions to the Fixed Rate Mode shall also be governed by Subsection 301(g).

Notwithstanding the foregoing, if the preconditions to conversion to another Mode established by the preceding paragraph and, with respect to any Tax-Exempt Refunding Bonds, Section 404, are not met by 11:00 A.M. on the Conversion Date, the Paying Agent shall deem the proposed conversion to have failed and shall immediately notify the Trustee and the Remarketing Agent, and the Bonds shall be subject to mandatory tender as provided in Subparagraph 301(e)(iv)(B). In such event, the Paying Agent shall by 1:00 P.M. on the proposed conversion date draw on the Credit Facility an amount which is sufficient to pay the Purchase Price on such date on all Bonds that were to have been converted. In no event shall the failure of Bonds to be converted to another Mode for any reason be, in and of itself, deemed to be a Default or Event of Default under this Agreement, so long as the Purchase Price of all Bonds required to be purchased is made available as provided above.

(iii) Bondowners' Option to Tender Bonds in Weekly Mode. Bonds in the Weekly Mode are subject to tender, at the election of the owner thereof, in the manner and subject to the limitations described in the forms of Weekly Bonds. The owners of Tendered Bonds shall receive on the Delivery Date 100% of the principal amount of the Tendered Bonds plus accrued interest to the Purchase Date, provided that if the Purchase Date is an interest payment date, accrued interest shall be paid separately, and not as part of the Purchase Price on such date. The purchase of Tendered Bonds shall not extinguish the debt represented by such Bonds which shall remain Outstanding and unpaid under this Agreement.

The Paying Agent shall accept all Tendered Bonds properly tendered to it for

purchase as provided in the forms of Weekly Bonds and in this Paragraph 301(e)(iii); provided, however, that the Paying Agent shall not accept any Tendered Bonds and the Purchase Price therefor shall not be paid if at the time of tender or on the Purchase Date the principal of the Bonds shall have been accelerated pursuant to Section 602 and such acceleration shall not have been annulled.

The Bondowner's Election Notice delivered to the Paying Agent as provided in the forms of Weekly Bonds prior to the Purchase Date of Tendered Bonds shall be in substantially the form provided in the forms of Weekly Bond.

As soon as practicable after receiving notice of a tender of Bonds under this section, the Paying Agent shall notify the Remarketing Agent, the Company, the Bank and the Trustee by telephone promptly confirmed in writing of the amount of Tendered Bonds and the specified Purchase Date.

(iv) Events Requiring Mandatory Tender of Weekly Bonds.

(A) Expiration of Credit Facility without Substitution or Replacement; Substitution of Credit Facility. The Bonds in the Weekly Mode are subject to mandatory tender for purchase as provided in the forms of Weekly Bonds in connection with the expiration or termination of the Credit Facility (other than in connection with the conversion to a new Mode) or in connection with the substitution of a Credit Facility, unless the Trustee receives written notice from Moody's, if the Bonds are then rated by Moody's, or S&P, if the Bonds are then rated by S&P, that such substitution will not result in a reduction or withdrawal (excluding a withdrawal or reduction resulting from a change in Modes) of the ratings on the Bonds. At least forty (40) days prior to the mandatory tender date, the Trustee shall give notice to the Paying Agent as to whether or not it has received the notices described in the immediately preceding sentence from Moody's and S&P, and if the Trustee has not received such notices or if the Credit Facility is expiring without substitution or replacement, the Paying Agent shall give notice to the Bondowners of the mandatory tender of the Bonds at least thirty (30) days prior to the mandatory tender date.(19)

(B) Change in Mode. In the event that Bonds in the Weekly Mode are converted to another Mode, such Bonds are subject to mandatory tender for purchase upon not less than thirty (30) days' prior written notice from the Paying Agent to the Bondowners as provided in the forms of Bonds, which notice shall state that the Bonds are subject to mandatory tender for purchase.

(f) Multiannual Mode
.
(i) Determination of Multiannual Rate. The Remarketing Agent shall determine the Multiannual Rate as provided in the forms of Multiannual Bonds and shall notify the Paying Agent thereof electronically or by telephone not later than 2:00 P.M. two (2) Business Days preceding the Effective Date, and if by telephone, promptly confirmed in writing. The Paying Agent shall give written notice of the Multiannual Rate to the Trustee, the Bank, if applicable, and the Company. Each determination and redetermination of the Multiannual Rate shall be conclusive and binding on the Authority, the Trustee, the Paying Agent, the Bank, the Company and the Bondowners.

(ii) Conversions from Multiannual Mode and Changes of Rate Period. The Bonds in the Multiannual Mode or any portion of such Bonds may be converted on any Effective Date at the election of the Company from the Multiannual Mode to the Weekly, Flexible or Fixed Rate Mode and may be converted within the Multiannual Mode to a new Rate Period with the same or a different length as provided in the forms of Multiannual Bonds so long as no Default hereunder exists as certified to the Trustee by a Company Representative. If Bonds that are to be converted to the Flexible or Weekly Mode or to another Rate Period within the Multiannual Mode are to be supported by a Credit Facility in their new Mode, no such conversion shall be effective unless the Company shall have delivered to the Paying Agent by 11:00 A.M. on the Conversion Date a Credit Facility in the minimum required face amount for the applicable Mode as provided in Section 317 and with an expiration date not earlier than (i) 364 days(20) from the Conversion Date in the case of Bonds converted to the Flexible or Weekly Modes and (ii) five (5) Business Days after the end of the Rate Period in the case of Bonds in the Multiannual Mode. Any Bonds in or to be converted to the Weekly or Flexible Mode shall be supported by a Credit Facility, except in the case of a failed optional conversion which causes the Bonds to automatically convert to the Flexible Mode with a one day Rate Period. Written notice of a change in Mode or Rate Period within the Multiannual Mode shall be given by the Company to the Authority, the Trustee, the Bank (if any), the Paying Agent, the Remarketing Agent, Moody's and S&P not fewer than twenty-five (25) nor more than sixty (60) days prior to the proposed Conversion Date. If the conversion is to a new Rate Period in the Multiannual Mode, such notice shall include the Company's election whether or not the converted Bonds are to be supported by a Credit Facility. Conversion to the Fixed Rate Mode shall also be governed by Subsection 301(g).

Notwithstanding the foregoing, if the preconditions to conversion to another Mode or a new Rate Period within the Multiannual Mode established by the

preceding paragraph and, with respect to any Tax-Exempt Refunding Bonds, Section 404, are not met by 11:00 A.M. on the Conversion Date, the Paying Agent shall deem the proposed conversion to have failed and shall immediately notify the Trustee and the Remarketing Agent. If the Bonds that were to have been converted are supported by a Credit Facility, the Paying Agent shall by 1:00 P.M. on the proposed conversion date draw on the Credit Facility an amount which is sufficient to pay the Purchase Price on such date on all Bonds that were to have been converted. If the Bonds that were to have been converted are not supported by a Credit Facility, the Company shall by 1:00 P.M. on the proposed Conversion Date deliver to the Paying Agent sufficient funds to pay the Purchase Price. In no event shall the failure of Bonds to be converted to another Mode for any reason be deemed to be, in and of itself, a Default or Event of Default under this Agreement, so long as the Purchase Price of all Bonds required to be purchased is made available as provided above.

(iii) Mandatory Tender for Purchase. On each Effective Date, Bonds in the Multiannual Mode are subject to mandatory tender for purchase as provided in the forms of Multiannual Bond.

(g) Conversion to Fixed Rate Mode. The interest rate on any portion of the Bonds may be converted by the Company to the Fixed Rate as provided in the forms of the Flexible, Weekly and Multiannual Bonds, Subsections 301(d), (e) and (f) and this Subsection 301(g). Upon receipt of the notice of conversion to the Fixed Rate Mode from the Company, the Remarketing Agent shall determine the Fixed Rate not later than 2:00 P.M. two (2) Business Days before the Conversion Date. The Fixed Rate shall be the lowest rate which in the judgment of the Remarketing Agent, on the basis of prevailing financial market conditions, would permit the sale of the Bonds being so converted at par plus accrued interest as of the Effective Date on the basis of their terms as converted.

On the date of determination thereof, the Remarketing Agent shall notify the Paying Agent, the Company and the Trustee by telephone confirmed in writing of the Fixed Rate. The Trustee shall promptly notify the Authority in writing of the Fixed Rate. The determination of the Fixed Rate shall be conclusive and binding on the Authority, the Trustee, the Paying Agent, the Company and the Bondowners. The first interest payment date of Bonds converted to the Fixed Rate shall be at least three (3) months but less than nine (9) months after the Conversion Date. The Fixed Rate shall become effective on the Fixed Rate Conversion Date and shall remain in effect for the remaining term of the Bonds.

Notwithstanding the foregoing, if the preconditions to conversion to the Fixed Rate Mode established by this Subsection 301(g) are not met by 11:00 A.M. on the Conversion Date, the Paying Agent shall immediately notify the Trustee by telephone promptly confirmed in writing. Upon such notice, the Trustee shall deem the proposed conversion to have failed and shall proceed as such under Paragraph 301(d)(ii), (e)(ii) or (f)(ii), whichever is applicable.

(h) Partial Conversions.

(i) General. The Bonds may be converted in whole or in part to the Flexible Mode, the Weekly Mode, any Rate Period in the Multiannual Mode or the Fixed Rate Mode upon compliance with the conditions set forth in this Agreement. In the event the Bonds are in (or are to be converted to) more than one Mode, the provisions of this Agreement relating to Bonds in a particular Mode (or to be converted to a particular Mode) shall apply only to the Bonds in (or to be converted to) such Mode and, where necessary or appropriate, any reference in this Agreement to the Bonds shall be construed to mean the Bonds in (or to be converted to) such Mode and any reference to Credit Facility or Bank shall be construed to mean the Credit Facility supporting the Bonds in (or to be converted to) such Mode and the Bank issuing that Credit Facility.

(ii) Selection. In the event of any partial conversion of the Bonds to a new Mode, the Bonds to be converted shall be selected by the Paying Agent from Bonds in the Mode selected by the Company. The particular Bonds (or portions thereof) to be converted shall be selected by the Paying Agent from all the Bonds in the Mode (or in the case of Bonds in the Multiannual Mode, the Rate Period) from which Bonds are to be converted. The principal amount of Bonds to be converted shall be determined so that all of the Bonds shall be in the denominations required under Subsection 301(b) for the particular Modes. Bonds (or portions thereof) in the Weekly Mode shall be selected by lot and the selection of the Bonds to be converted shall occur prior to the date notice of mandatory tender is sent by the Paying Agent pursuant to Paragraph 301(e)(iv).

(iii) Amendment. Provisions of this Agreement may be amended to permit or facilitate partial conversions of the Bonds without Bondowner consent in accordance with clause (vii) of the first paragraph of Section 1101.

(i) Cancellation and Destruction of Bonds. All Bonds paid or redeemed, either at or before maturity, shall be delivered to the Paying Agent when such payment or redemption is made, and such Bonds, together with all Bonds

purchased by the Paying Agent and all Bonds surrendered in any exchanges or transfers, shall thereupon be promptly canceled. All Bonds acquired and owned by the Company and delivered to the Paying Agent for cancellation shall be deemed paid and shall be promptly canceled. Bonds so canceled may at any time be cremated or otherwise destroyed by the Paying Agent, which shall execute a certificate of cremation or destruction in duplicate by the signature of one of its authorized officers describing the Bonds so cremated or otherwise destroyed, and one executed certificate shall be filed with the Company and the other executed certificate shall be retained by the Paying Agent. The Paying Agent shall provide written notice to Moody's, if the Bonds are then rated by Moody's, and to S&P, if the Bonds are then rated by S&P, of the final payment or redemption of any of the Bonds, either at of before maturity, upon cancellation of any such Bonds.

(j) Replacement of Bonds. Replacement Bonds shall be issued pursuant to applicable law as a result of the destruction, loss or mutilation of the Bonds. The costs of a replacement shall be paid or reimbursed by the applicant, who shall indemnify the Authority, the Trustee, the Paying Agent, the Remarketing Agent and the Company against all liability and expense in connection therewith.

(k) Interest on Overdue Principal. Any overdue principal of any Bond shall bear interest after its maturity or acceleration at the last interest rate in effect on that Bond.

Section 302. Application of 1991 Series D Bond Proceeds
.
The Authority shall loan the proceeds of the 1991 Series D Bonds to the Company by promptly causing the accrued interest, if any, to be deposited in the Bond Fund and the balance of the proceeds to be paid to or pursuant to the direction of the Company as reimbursement for Project Costs incurred prior to the date of delivery of the 1991 Series D Bonds. In connection with the reimbursement of such Project Costs, the Company represents and warrants that (i) such Project Costs were incurred by and were chargeable to the capital account of the Company; (ii) such Project Costs are costs of "sewage or solid waste disposal facilities" or "air or water pollution control facilities" within the meaning of Section 103(b)(4)(E) or (F) of the 1954 Code incurred and paid after January 14, 1976; (iii) such Project Costs are for an "industrial facility" within the meaning of Paragraphs 2, VII (d) and (e) of the Act; and (iv) such Project Costs are costs of a facility described in Section 1312(a) of the Tax Reform Act of 1986.

Section 303. Application of Tax-Exempt Refunding Bond Proceeds and of 1992 Series D Bond Proceeds
.
(a) Application of Tax-Exempt Refunding Bond Proceeds.(21) Proceeds of any Tax-Exempt Refunding Bonds shall be deposited in the Bond Fund and applied to pay principal of, premium, if any, and interest on the 1991 Series D Bonds, or if a Credit Facility is in effect, to reimburse the Bank for any draw on the Credit Facility to make such payment on the 1991 Series D Bonds or as may otherwise be provided in a supplemental Agreement executed and delivered by the parties hereto at the time of issuance of the Tax-Exempt Refunding Bonds.

(b) Application of 1992 Series D Bond Proceeds.(22) The Authority shall loan the
proceeds of the 1992 Series D Bonds to the Company by promptly causing (A) an amount equal to the accrued interest, if any, to be deposited in the Bond Fund and (B) $75,000,000 to be deposited with the Trustee, in each case in immediately available funds. Upon receipt by the Paying Agent in respect of a drawing on the Letter of Credit of an amount necessary to pay the Purchase Price due on $75,000,000 principal amount of 1991 Series D Bonds, the Paying Agent shall immediately notify the Trustee that it has received sufficient draw proceeds to pay such Purchase Price, and upon the Trustee's receipt of such notice the Trustee shall pay to the Bank the $75,000,000 deposited with the Trustee by the Authority under clause (B) of this section as partial reimbursement for such drawing. If the Trustee receives such notice from the Paying Agent before 12:00 Noon on any Business Day it shall transmit a payment order for the above-described payment by wire transfer in immediately available funds to the Bank by 2:30 P.M. on the same day, and if the Trustee receives such notice after 12:00 Noon it shall make such payment by wire transfer in immediately available funds to the Bank by 11:00 A.M. on the next Business Day. In connection with the reimbursement of the Bank, the Company represents and warrants that (i) not less than 95% of the proceeds of the 1991 Series D Bonds were spent to reimburse the Company for Project Costs; (ii) such Project Costs were incurred by and were chargeable to the capital account of the Company; (iii) such Project Costs were costs of "sewage or solid waste disposal facilities" or "air or water pollution control facilities" within the meaning of Section 103(b)(4)(E) or (F) of the 1954 Code incurred and paid after January 14, 1976; (iv) such Project Costs were for an "industrial facility" within the meaning of Paragraphs 2, VII (d) and (e) of the Act; and (v) such Project Costs were costs of a facility described in Section 1312(a) of the Tax Reform Act of 1986.

Section 304. Bond Fund

(a) Establishment and Purpose. A Bond Fund is hereby established with the Trustee and moneys shall be deposited therein as provided in this Agreement. The Company hereby grants to the Trustee for the benefit of the Bondowners and the Bank a security interest in all deposits in the Bond Fund. The Trustee acknowledges that it holds the Bond Fund as agent for the Bondowners and the Bank, as their interests may appear. The moneys in the Bond Fund and any investments held as part of such Fund shall be held in trust and, except as otherwise provided in this Agreement, shall be applied by the Trustee solely to pay principal of, premium, if any, and interest on, the Bonds. The Trustee shall keep separate accounts as to (A) Eligible Funds and (B) all other funds in the Bond Fund. When moneys in the Bond Fund are to be applied to the payment of the Bonds, the Trustee shall transfer such moneys to the Paying Agent on the payment date therefor. Proceeds of drawings upon the Credit Facility shall not be deposited in the Bond Fund, but shall be held by the Paying Agent in trust and applied as provided in this Agreement.

(b) Excess in Bond Fund. If at any time the amount of Eligible Funds in the Bond Fund exceeds the amount necessary to pay the Purchase Price or the principal of, premium, if any, and interest on the Bonds in full and all amounts owing or to be owing under this Agreement to the Authority, the Trustee and the Paying Agent, then the Trustee shall apply such excess first to the Bank, in fulfillment of any obligations owed to it under the Reimbursement Agreement, as certified by the Bank, and second, if any balance remains, to the Company.

(c) Unclaimed Moneys. Except as may otherwise be required by applicable law, in case any moneys deposited with the Paying Agent for the payment of the Purchase Price or principal of, premium, if any, or interest on any Bond remain unclaimed for two years after such Purchase Price, principal, premium or interest has been paid or has become due and payable, the Paying Agent may, and upon receipt of a written request by a Company Representative shall, pay over to the Company the amount so deposited and thereupon the Trustee, the Paying Agent and the Authority shall be released from any further liability with respect to the payment of such Purchase Price or principal, premium or interest and the owner of such Bond shall be entitled (subject to any applicable statute of limitations) to look only to the Company as an unsecured creditor for the payment thereof.

Section 305. Rebate.

The Company shall pay to the United States when due any rebate with respect to the Tax-Exempt Refunding Bonds pursuant to IRC 148(f).

Section 306. Expenses of Issue.

Not more than 2% of the proceeds of the 1991 Series D Bonds shall be used to pay the expenses of issue of the 1991 Series D Bonds, including underwriting charges.

Section 307. Application of Moneys.

If, in addition to moneys drawn on the Credit Facility (if any), available moneys in the Bond Fund are not sufficient on any day to pay all principal, premium, if any, and interest on the Outstanding Bonds then due or overdue, such moneys shall, after payment of all amounts owing to the Trustee and the Authority under this Agreement, be applied first to the payment of interest, including interest on overdue principal, in the order in which the same became due (pro rata with respect to interest which became due at the same time) and second to the payment of principal and redemption premiums, if any, without regard to the order in which the same became due in each case pro rata among Bondowners, provided, however, that amounts drawn on the Credit Facility (if any) shall be applied exclusively to pay interest, premium, if any, and principal on Bonds supported by the Credit Facility in accordance with the Credit Facility. If any Bonds are supported by a Credit Facility and the owners of such Bonds have received all payments of principal, premium, if any, and interest that have become due and payable from a draw on the Credit Facility, the Bank shall be treated as the owner of such Bonds for purposes of applying this section. In the event there exist Pledged Bonds or Company Bonds on the date of any application of moneys under this section, moneys otherwise to be paid to the Company or to the Bank pursuant to this section shall be applied (subject to Paragraph 308(c)(iii)) as follows: first, so long as all payments due on Bonds supported by a Credit Facility have been made, pro rata to all Bondowners other than the Company (but including the Bank to the extent provided in the preceding sentence), otherwise first, pro rata to all Bondowners other than the Bank and the Company, second (and irrespective of which clause first applies), if any balance remains, to the Bank in fulfillment of any obligations owed to it under the Reimbursement Agreement or any Pledged Bonds (to the extent not satisfied pursuant to clause first), and third, if any further balance remains, to the Company in respect of any Company Bonds. Whenever moneys are to be applied pursuant to this section, such moneys shall be applied at such times, and from time to time, as the Trustee in its discretion shall determine, having due regard to the amount of such moneys becoming available for such application and the likelihood of additional moneys becoming

available for such application in the future. Whenever the Trustee shall exercise such discretion it shall fix the date (which shall be the first day of a month unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal paid on such date shall cease to accrue. Whenever overdue interest is to be paid on the Bonds, the Trustee may establish a special record date as provided in the forms of Bonds. The Trustee shall promptly notify the Paying Agent of any special record date and give such other notice as it may deem appropriate of the fixing of any such date and special record date. When interest or a portion of the principal is to be paid on an overdue Bond, the Trustee or the Paying Agent may require presentation of the Bond for endorsement of the payment. Prior to any payment to be made to the Bank pursuant to clause second of the sixth preceding sentence, the Trustee may require a certificate from the Bank as to amounts due under the Reimbursement Agreement, and the Trustee may rely conclusively thereon.

Section 308. Payments by the Company.

(a) Payments of Debt Service by the Company.

(i) The Company shall make payments in immediately available funds to the Trustee for deposit in the Bond Fund on the date on which such payment of principal (including principal called for redemption) of, premium, if any, or interest on Bonds shall become due in an amount equal to the payment then coming due on such Bonds less the amounts, if any, (i) then held in the Bond Fund and available to pay the same, and (ii) amounts received by the Paying Agent to pay the same from a draw under a Credit Facility. The Company may make payments to the Bond Fund earlier than required by this section, but such payments shall not affect the accrual of interest.

(ii) The payments to be made under the foregoing paragraph shall be appropriately adjusted to reflect the date of issue of Bonds, accrued interest deposited in the Bond Fund, if any, and any purchase or redemption of Bonds so that there will be available on each payment date the amount necessary to pay the interest and principal due or coming due on the Bonds and so that accrued interest will be applied to the installments of interest to which it is applicable.

(iii) At any time when any principal of the Bonds is overdue, the Company shall also have a continuing obligation to pay to the Trustee for deposit in the Bond Fund an amount equal to interest on the overdue principal but the installment payments required under this section shall not otherwise bear interest. Redemption premiums shall not bear interest.

(b) Additional Payments.

(i) The Company shall pay when due the Authority's Service Charge and other expenses as provided in Section 803.

(ii) Within thirty (30) days after notice from the Trustee, the Company shall pay to the Trustee the reasonable fees and expenses of the Trustee as set forth in Section 703.

(iii) Within thirty (30) days after notice from the Paying Agent, the Company shall pay to the Paying Agent its reasonable fees and expenses as set forth in Section 313.

(c) Drawings on the Credit Facility.

(i) Debt Service. If a Credit Facility is available for any portion of the Bonds, the Paying Agent shall not later than 4:00 P.M. on the Business Day next preceding any date on which payments of the principal of, premium, if any, or interest on such Bonds are due, whether at maturity, on an interest payment date, by acceleration, redemption, or otherwise, draw on the Credit Facility an amount sufficient to pay in full the principal, premium, if any, and interest then coming due on such Bonds.(23) For purposes of the immediately preceding sentence, interest on the Bonds shall include the component of any Purchase Price of Bonds in the Flexible Mode representing interest on the Bonds. The Paying Agent shall immediately notify the Company and the Trustee by telephone promptly confirmed in writing if it has not been paid by the Bank for such a draw on the Letter of Credit by 11:00 A.M. on the date such payment on the Bonds is due.

(ii) Tenders for Purchase. Except as provided in Paragraph 308(c)(i), drawings on the Credit Facility for the purchase of Bonds tendered for mandatory purchase pursuant to Paragraphs 301(d)(iii), 301(e)(iv), or 301(f)(iii) or for Bonds tendered for purchase at the Bondowner's election pursuant to Paragraph 301(e)(iii) shall be made pursuant to Subsection 311(a).

(iii) Use of Credit Facility. All amounts received by the Paying Agent under any Credit Facility shall be held in a segregated account, shall remain uninvested and shall be used solely to pay the Purchase Price or principal of, premium, if any, and interest on the Bonds for which the Credit Facility

is available. Principal and Purchase Price of, premium, if any, and interest on Company Bonds, Pledged Bonds and Bonds not supported by a Credit Facility shall not be paid from amounts drawn on a Credit Facility.(24)

(iv) Failed Conversion. Whenever there is a failed conversion of Bonds supported by a Credit Facility, the Paying Agent shall draw on the Credit Facility as provided in Paragraph 301(d)(ii), 301(e)(ii) or 301(f)(ii), as appropriate.(25)

(d) Payment of Debt Service. The Trustee shall transfer Eligible Funds, and to the extent necessary other funds, from the Bond Fund to the Paying Agent for the payment of principal, premium, if any, and interest payable on the Bonds as provided in Subsection 304(a) to the extent amounts drawn on the Credit Facility are insufficient to pay the same, and in conjunction therewith shall give the Paying Agent written notice of the amount of Eligible Funds being transferred. The Paying Agent shall apply such payments received from the Trustee and amounts drawn on the Credit Facility, in the following order, (i) moneys drawn on the Credit Facility, (ii) Eligible Funds on deposit in the Bond Fund other than moneys drawn on the Credit Facility, and (iii) any other moneys in the Bond Fund; provided, however, that except as specified in the next sentence, in no event shall the Paying Agent use any moneys other than Eligible Funds to pay principal of, premium, if any, or interest on Bonds supported by a Credit Facility. If and to the extent that sufficient Eligible Funds, including moneys drawn on the Credit Facility pursuant to this section and Section 605, are not available to pay in full the principal of, premium, if any, and interest on the Bonds supported by a Credit Facility, then other available moneys shall be so used.

(e) Company's Purchase of Bonds. If the amount drawn on the Credit Facility and deposited with the Paying Agent, together with all other amounts (including remarketing proceeds) received by the Paying Agent for the purchase of Bonds supported by a Credit Facility and tendered pursuant to Paragraph 301(d)(iii), 301(e)(iii) or (iv), or 301(f)(iii), is not sufficient to pay the Purchase Price of such Bonds on the Purchase Date, the Paying Agent shall before 3:30 P.M. on such Purchase Date, notify the Company, the Remarketing Agent and the Trustee of such deficiency by telephone promptly confirmed in writing. The Company shall pay to the Paying Agent in immediately available funds by 4:00 P.M. on the Purchase Date an amount equal to the Purchase Price of such Bonds less the amount, if any, available to pay the Purchase Price in accordance with Section 311 from the proceeds of the remarketing of such Bonds or from drawings on the Credit Facility, as reported by the Paying Agent. Bonds so purchased with moneys furnished by the Company shall be Company Bonds.

Section 309. Unconditional Obligation.

The obligation of the Company to make payments under this Agreement shall be absolute and unconditional, shall be binding and enforceable in all circumstances whatsoever, shall not be subject to setoff, recoupment or counterclaim, and shall be a general obligation of the Company to which the full faith and credit of the Company are pledged. The Company shall be obligated to make such payments whether or not the Project Facilities become functional and whether or not the Project Facilities have ceased to exist or be functional to any extent from any cause whatsoever. The Company shall be obligated to make such payments regardless of whether it is in possession or entitled to be in possession of the Project Facilities.

Section 310. Redemption of the Bonds.

(a) Optional Redemption. The Bonds are redeemable prior to maturity in accordance with the written direction of the Company to the Authority and the Trustee. Such redemption of Bonds, other than Bonds in the Flexible Mode, shall be in accordance with the terms of the Bonds (provided that, if less than all the Bonds Outstanding shall be called for redemption, the Company shall designate (to the extent not otherwise prohibited) the amount of Bonds of each series and Mode to be redeemed, and if less than all of the Bonds Outstanding in any series and Mode shall be called for redemption, Bonds to be so redeemed in any series and Mode shall be selected by the Paying Agent by lot or in any customary manner of selection as determined by the Paying Agent) at the redemption prices plus accrued interest to the redemption date as described in the forms of Bonds. For purposes of this Subsection 310(a), references to the term Mode shall be deemed to include different Rate Periods within the Multiannual Mode. Redemption of Bonds in the Flexible Mode pursuant to this Subsection 310(a) shall be only on an Effective Date for the Bonds to be redeemed at the then applicable Purchase Price for such Bonds.

(b) Extraordinary Optional Redemption. The Outstanding Bonds in the Multiannual or Fixed Rate Modes may be redeemed at any time at the option of the Company in whole at a price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, if (i) all Bonds in the Weekly Mode are to be redeemed pursuant to Subsection 310(a) on or before such extraordinary optional redemption date and (ii) all Bonds in the Flexible Mode are to be redeemed pursuant to Subsection 310(a) on or before the later of (A) the first Effective Date for such Bonds after notice of the extraordinary optional redemption is given by the Company pursuant to

Subsection 310(b) or (B) such extraordinary optional redemption date and (iii) the redemption occurs within nine (9) months following the occurrence of any of the following events, as evidenced in each case by the filing with the Trustee of a certificate of a Company Representative that such event has occurred and describing the same:

(i) Damage or destruction to the Station or the Project Facilities to such extent that in the opinion of the Company (expressed in a resolution adopted by the Board of Directors of the Company (a "Board Resolution")) and of an architect or engineer acceptable to the Company (who may be an employee of the Company), both filed with the Authority and the Trustee, (1) the Station or the Project Facilities, as the case may be, cannot be reasonably repaired, rebuilt, or restored within a period of six (6) months to their condition immediately preceding such damage or destruction, or (2) normal operations are thereby prevented from being carried on at the Station for a period of not less than six (6) months.

(ii) Loss of title to or use of a substantial part of the Station or the Project Facilities as a result of the exercise of the power of eminent domain which, in the opinion of the Company (expressed in a Board Resolution) and of an architect or engineer acceptable to the Company (who may be an employee of the Company), both filed with the Authority and the Trustee, prevents or is likely to prevent normal operations from being carried on at the Station for a period of not less than six (6) months.

(iii) A change in the Constitution of the State of New Hampshire or of the United States of America or legislative or executive action (whether local, state, or federal) or a final decree, judgment or order of any court or administrative body (whether local, state, or federal) that causes this Agreement to become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed herein or, imposes unreasonable burdens or excessive liabilities upon the Company with respect to the Station or the Project Facilities or the operation thereof.

(iv) The operation of the Station or the Project Facilities shall have been enjoined or shall otherwise have been prohibited by any order, decree, rule or regulation of any court or of any local, state, or federal regulatory body, administrative agency or other governmental body for a period of not less than six (6) months.

(v) Changes which the Company cannot reasonably control in the economic availability of fuel, materials, supplies, labor, equipment, or other properties or things necessary for the efficient operation of the Station or the Project Facilities shall have occurred which, in the judgment of the Company (expressed in a Board Resolution), render the continued operation of the Station uneconomical.

The Company's right to direct the redemption of the Bonds upon the occurrence of any single event listed in this Subsection 310(b) shall expire six (6) months after such event occurs.

(c) Notice by the Company. The Company shall exercise its option to have Bonds redeemed under Subsection 310(a) or (b) by giving notice to the Trustee, the Authority, the Paying Agent, and the Remarketing Agent at least five (5) days before the redemption date in the case of Bonds in the Flexible Mode, and forty-five (45) days before the redemption date in the case of Bonds in any other Mode.(26)

(d) Payment of Redemption Price and Accrued Interest. Whenever Bonds are called for redemption, the accrued interest thereon shall become due on the redemption date. To the extent not otherwise provided, the Company shall deposit with the Trustee prior to the redemption date a sufficient sum to pay the redemption price of and accrued interest on the Bonds.

(e) Notice of Redemption. When Bonds are to be redeemed, the Paying Agent shall give notice to the Bondowners in the name of the Authority, which notice shall identify the Bonds to be redeemed, state the date fixed for redemption and specify the office of the Paying Agent at which such Bonds will be redeemed. The notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the redemption price thereof, together with interest accrued to the redemption date, and that moneys therefor having been deposited with the Paying Agent, from and after such date, interest thereon shall cease to accrue and that the Bonds or portions thereof called for redemption shall cease to be entitled to any benefit under this Agreement except the right to receive payment of the redemption price. The Paying Agent shall mail the redemption notice the number of days prior to the date fixed for redemption provided in the forms of Bond for the Mode the Bonds are in, to the registered owners of any Bonds which are to be redeemed, at their addresses shown on the registration books maintained by the Paying Agent. Failure to mail notice to a particular Bondowner, or any defect in the notice to such Bondowner, shall not affect the redemption of any other Bond. No notice shall be given of redemption of Bonds in the Flexible Mode, except for such redemption pursuant to Section 405 as and when provided in the forms of Flexible Bonds.(27)

Section 311. Purchase of Bonds Tendered.

(a) Procedure.

(i) Notice. The Remarketing Agent shall give notice to the Paying Agent electronically or by telephone, and if by telephone, promptly confirmed in writing, specifying the principal amount of Tendered Bonds as to which the Remarketing Agent has found purchasers, the amounts the Remarketing Agent has received for the purchase of Tendered Bonds, and any deficiency in amounts available to pay the Purchase Price of Tendered Bonds at or before (A) 1:00 P.M. on each Purchase Date for Tendered Bonds that are to be in the Flexible Mode immediately after the Purchase Date, (B) 3:30 P.M. one (1) Business Day before the Purchase Date for Tendered Bonds that are to be in the Weekly Mode immediately after the Purchase Date, or (C) 2:00 P.M. two (2) Business Days before the Purchase Date for Tendered Bonds that are to be in the Multiannual or Fixed Rate Mode immediately after the Purchase Date. The Remarketing Agent shall give written notice to the Paying Agent of the names, addresses and taxpayer identification numbers of the purchasers and the number and denominations of Bonds to be delivered to each purchaser, and in the case of Bonds that are to be in the Flexible or Multiannual Mode, the current rate and the next scheduled Purchase Date of each such Bond successfully remarketed at or before (A) 1:00 P.M. on each Purchase Date for Tendered Bonds that are to be in the Flexible Mode immediately after the Purchase Date, (B) 3:30 P.M. one (1) Business Day before the Purchase Date for Tendered Bonds to be in the Weekly Mode immediately after the Purchase Date, or (C) 2:00 P.M. two (2) Business Days before the Purchase Date for Tendered Bonds to be in the Multiannual Mode immediately after the Purchase Date.

(ii) Sources of Payments. If the Tendered Bonds are supported by a Credit Facility, the Paying Agent shall draw upon the Credit Facility the amount necessary to purchase the Tendered Bonds for which the Remarketing Agent has not received the Purchase Price not later than (A) 1:30 P.M. on the Purchase Date for Tendered Bonds that are to be in the Flexible Mode immediately after the Purchase Date, or (B) 4:00 P.M. one (1) Business Day before the Purchase Date for Tendered Bonds that are to be in any other Mode immediately after the Purchase Date. In determining the amount necessary to purchase such Tendered Bonds, the Paying Agent shall take into account any amounts drawn under the Credit Facility pursuant to Paragraph 308(c)(i) to pay interest on such Bonds on the Tender Date. If the Tendered Bonds are not supported by a Credit Facility, the Paying Agent shall not later than (A) 1:30 P.M. on the Purchase Date for Tendered Bonds that are to be in the Flexible Mode immediately after the Purchase Date, or (B) 4:00 P.M. one (1) Business Day before the Purchase Date for Tendered Bonds that are to be in any other Mode immediately after the Purchase Date, notify the Company of the amount necessary to purchase the Tendered Bonds for which the Remarketing Agent has not received the Purchase Price, and the Company shall pay the Paying Agent such amount not later than (A) 3:30 P.M. on the Purchase Date in the case of Tendered Bonds that are to be in the Flexible Mode immediately after the Purchase Date, or (B) 10:00 A.M. on the Purchase Date in the case of Tendered Bonds that are to be in any other Mode immediately after the Purchase Date. The Remarketing Agent shall deliver to the Paying Agent all amounts received by the Remarketing Agent as proceeds of the remarketing of Bonds at or before (A) the close of business on the Purchase Date for Tendered Bonds that are to be in the Flexible Mode immediately after the Purchase Date, (B) 2:00 P.M. on the Purchase Date for Tendered Bonds that are to be in the Weekly Mode immediately after the Purchase Date, or (C) 2:00 P.M. on the Purchase Date for Tendered Bonds that are to be in the Multiannual or Fixed Rate Mode immediately after the Purchase Date. If the Bonds are supported by a Credit Facility and the Remarketing Agent does not deliver to the Paying Agent proceeds of remarketing sufficient, together with amounts received from draws under the Credit Facility, to pay in full the Purchase Price of all Bonds due on the Purchase Date, the Paying Agent shall make an additional draw on the Credit Facility pursuant to Paragraph 602(a)(ii) and thereafter the Company shall be liable for the shortfall.

(b) Payments by the Paying Agent. At or before the close of business on the Delivery Date and upon receipt by the Paying Agent of the Purchase Price of the Tendered Bonds that are delivered to it, the Paying Agent shall pay the Purchase Price of the Bonds to the registered owners thereof as provided in the applicable form of Bonds. The Paying Agent shall apply in order, first, moneys paid to it by the Remarketing Agent or by new purchasers of the Bonds tendered as proceeds of the remarketing of such Bonds by the Remarketing Agent, second, but only with respect to Bonds supported by the Credit Facility, moneys drawn on the Credit Facility for the purpose of purchasing Tendered Bonds (including amounts drawn on the Credit Facility to pay accrued interest on the Tendered Bonds), and third, moneys paid to it by the Company. If sufficient funds are not available for the purchase of all Bonds tendered on any Delivery Date, no purchase shall be consummated.

(c) Commencement of New Mode or Rate Period. Whenever Bonds in the Flexible or Multiannual Mode are subject to mandatory tender for purchase on an Effective Date, the new Rate Period for the Bonds (including a new Rate Period in a new Mode) shall commence immediately upon the Bonds becoming subject to mandatory tender for purchase.(28)

Section 312. Remarketing of Bonds Tendered.

(a) General. While the Bonds are in the Flexible, Weekly or Multiannual Mode, the Remarketing Agent shall solicit offers to purchase and use its best efforts to find a purchaser for Tendered Bonds, Pledged Bonds and Company Bonds, provided that Bonds supported by a Credit Facility shall not be remarketed to the Authority, the Company or "insiders" of either of them as that term is defined in the United States Bankruptcy Code. Any such purchase shall be made by payment of the Purchase Price in immediately available funds (for Bonds to be in the Flexible or Weekly Mode) or in clearinghouse funds (for Bonds to be in the Multiannual Mode) to the Paying Agent at the time specified in Paragraph 311(a)(ii). The Purchase Price shall be equal to the principal amount to be purchased together with the interest accrued on such principal amount to the Purchase Date. By (i) 2:15 P.M., in the case of Bonds that are to be in the Flexible Mode immediately after the Purchase Date, (ii) 2:00 P.M., in the case of Bonds that are to be in the Weekly Mode immediately after the Purchase Date, or (iii) 2:00 P.M., in the case of Bonds that are to be in the Multiannual or Fixed Rate Mode immediately after the Purchase Date, on the Purchase Date, Bonds remarketed under this section shall be made available by the Paying Agent to the purchasers thereof (in the case of Bonds in the Flexible Mode, delivered by the Paying Agent to the Remarketing Agent) and shall be registered in the manner directed by the recipient thereof, provided that such Bonds shall not be delivered unless and until the Paying Agent has received the Purchase Price therefor, except that Bonds in the Flexible Mode may be delivered against a window receipt guaranteeing same day payment in immediately available funds. Bonds not remarketed shall be held by the Paying Agent. Bonds previously purchased with moneys drawn under the Credit Facility shall not be delivered upon remarketing unless the Credit Facility has been reinstated as provided in the following paragraph.

Bonds the Purchase Price of which is paid for with funds drawn on the Credit Facility pursuant to Paragraph 311(a)(ii) shall be registered to the Bank, or its designee, as pledgee, by the Paying Agent (whether or not such Bonds are delivered by the tendering Bondowner) as security for the reimbursement of the Bank for moneys drawn under the Credit Facility and shall be "Pledged Bonds." Bonds the Purchase Price of which is paid for with funds provided by the Company pursuant to Subsection 308(e) or Paragraph 311(a)(ii) shall be registered in the name of the Company by the Paying Agent and shall be "Company Bonds". Company Bonds shall be held by the Paying Agent for the account of the Company until transferred pursuant to this Section 312 or canceled pursuant to instructions of the Company. Any Company Bonds that remain unsold for a period of ninety (90) days (or such longer period as may be approved (under New Hampshire and federal law) in an opinion of Bond Counsel reasonably acceptable to the Trustee) shall be automatically deemed canceled. Upon receipt by the Paying Agent of notice from the Remarketing Agent that a purchaser has been found for Pledged Bonds or Company Bonds held by the Paying Agent, the Paying Agent shall register and deliver such Bonds to such purchaser (at which time such Bonds shall cease to be Pledged Bonds or Company Bonds) upon receipt by the Paying Agent of the Purchase Price of such Bonds, provided, however, that no Pledged Bond or Company Bond shall be so registered and delivered unless the Paying Agent has received from the Bank a written notice of the reinstatement of the principal and interest component of the Credit Facility, or if prior to or simultaneously with such registration or delivery, the amount available to be drawn under the Credit Facility is otherwise less than the amount described in Paragraph 317(b)(ii) determined as if Bonds which are to continue as Pledged Bonds were not Outstanding.(29) If the Paying Agent has received from the Bank a written notice
of non-reinstatement of the interest component of the Credit Facility with respect to Bonds in the Flexible Mode and has, therefore, stopped registration and delivery of remarketed Bonds, the Paying Agent may resume the registration and delivery of Bonds upon receipt from the Bank of written notice that the interest component of the Credit Facility has been fully reinstated. The Paying Agent shall immediately notify (subsequently confirmed in writing) the Remarketing Agent whenever (i) it is prohibited from registering and delivering Bonds pursuant to this Agreement and (ii) if the Paying Agent has been so prohibited, upon the restoration of its power hereunder to register and deliver Bonds. Bonds purchased with moneys drawn under the Credit Facility and registered to the Bank or its designee pursuant to the Reimbursement Agreement shall be delivered to and held by the Paying Agent as custodian for the Bank and shall not be subsequently transferred or assigned by the Bank except as provided in this Section 312 and Paragraph 313(a)(iv). No Bonds that are automatically converted to a Flexible Mode with a one day Rate Period after failure of an optional conversion from one Mode to another (or from one Rate Period to another in the Multiannual Mode) shall be remarketed until the Paying Agent notifies the Remarketing Agent (promptly confirmed in writing) that such Bonds are supported by a Credit Facility meeting the requirements of Subsection 317(b).

(b) Remarketing of Bonds in the Weekly Mode Between Notice and Redemption or Conversion Date. No Bonds in the Weekly Mode scheduled to be redeemed or converted to a different Mode may be remarketed under Subsection 312(a) after receipt by the Remarketing Agent of notice of redemption or conversion of such Bonds to a specified Mode from the Company unless the Remarketing Agent,

on or before the redemption date or Purchase Date, gives notice to the purchaser that the Bonds will be redeemed or converted, and such purchaser will be required to surrender its Bonds for payment on the applicable redemption date or to tender its Bonds for mandatory purchase on the applicable Conversion Date, as the case may be.

Section 313. Paying Agent.

(a) Appointment and Responsibilities. The initial Paying Agent shall be Security Pacific National Trust Company (New York). The Paying Agent shall be entitled to the advice of counsel (who may be counsel for any party) and shall not be liable for any action taken in good faith in reliance on such advice. The Paying Agent may rely conclusively on any telephone or written notice, certificate or other document furnished to it under this Agreement and reasonably believed by it to be genuine. The Paying Agent shall not be liable for any action taken or omitted to be taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or taken by it pursuant to any direction or instruction by which it is governed under this Agreement or omitted to be taken by it by reason of the lack of direction or instruction required for such action, or be responsible for the consequences of any error of judgment reasonably made by it. When any payment or other action by the Paying Agent is called for by this Agreement, it may defer such action pending receipt of such evidence, if any, as it may reasonably require in support thereof. A permissive right or power to act shall not be construed as a requirement to act. The Paying Agent shall not in any event be liable for the application or misapplication of funds, or for other acts or defaults, by any person, firm or corporation except by their respective directors, officers, agents and employees. No recourse shall be had by the Company, the Authority, the Trustee or any Bondowner for any claim based on this Agreement or the Bonds against any director, officer, agent or employee of the Paying Agent unless such claim is based upon the bad faith, fraud or deceit of such person. For the purposes of this Agreement matters shall not be considered to be known to the Paying Agent unless they are known to an officer in its corporate trust division. The Paying Agent shall not require indemnification either (i) prior to making a draw under the Credit Facility pursuant to Paragraphs 308(c)(i) or 308(c)(ii), or (ii) prior to making any payment when due of principal, premium or interest on any Bond to be made by the Paying Agent to any Bondowner, except and unless such drawing or payment is prohibited by or violates applicable law or any outstanding or pending court or governmental order or decree.

The Company shall pay to the Paying Agent reasonable compensation for its services and pay or reimburse the Paying Agent for its reasonable expenses and disbursements, including reasonable attorneys' fees hereunder. The Company shall indemnify and save the Paying Agent harmless against any liabilities and reasonable expenses which it may incur in the exercise of its duties hereunder and which are not due to its negligence or bad faith. Any fees, expenses, reimbursements or other charges which the Paying Agent may be entitled to receive from the Company hereunder shall be due and payable 30 days after a request for payment has been made by the Paying Agent to the Company, and any such fees, expenses, reimbursements or other charges not paid when due shall bear interest at the "Base Rate" of the Trustee (or, if none, the nearest equivalent).

The Paying Agent shall act as such and as Bond registrar and transfer agent. The Paying Agent, which may act by means of agents, shall signify its acceptance of the duties and obligations imposed upon it hereunder by its written instrument of acceptance under which the Paying Agent will agree to:

(i) hold all sums delivered to it by the Trustee or paid to it under the Credit Facility for the payment of principal of, premium, if any, and interest on the Bonds uninvested in trust for the benefit of the Bondowners until such sums shall be paid to the Bondowners or otherwise disposed of as herein provided;

(ii) hold all Bonds tendered to it hereunder in trust for the benefit of the respective Bondowners until moneys representing the Purchase Price of such Bonds shall have been delivered to or for the account of or to the order of such Bondowners;

(iii) hold all moneys delivered to it hereunder for the purchase of Bonds (including amounts drawn on the Credit Facility and amounts received from the Company) in trust uninvested for the benefit of the Person that shall have so delivered such moneys until the Bonds purchased with such moneys shall have been delivered to or for the account of such Person;

(iv) hold all Pledged Bonds in trust for the benefit of the Bank until such Pledged Bonds have been remarketed by the Remarketing Agent, purchased by the Company, or redeemed;

(v) hold all Company Bonds in trust for the benefit of the Company until such Company Bonds have been remarketed by the Remarketing Agent, redeemed, or canceled.

(vi) keep such books and records as shall be consistent with industry practice and make such books and records, including the books of registration for the Bonds, available for inspection by the parties hereto and the Remarketing Agent at all reasonable times;

(vii) promptly report to the Trustee all authentications of Bonds transferred, exchanged or remarketed and any information received by it concerning the names and addresses of Bondowners;

(viii) give all notices required of it in this Agreement at the times and in the manner required by this Agreement and send to the Remarketing Agent copies of all such notices;

(ix) if appointed by the Trustee for such purpose, act as agent of the Trustee for the purpose of executing the Certificate of Authentication on the Bonds; and

(x) take all other actions and perform all other duties and obligations as may be required of it as Paying Agent under this Agreement.

In addition, in its instrument of acceptance the Paying Agent shall assign to the Trustee all of its rights to enforce payment under the Credit Facility after the occurrence of an Event of Default.

(b) Removal or Resignation of Paying Agent. The Company may discharge the Paying Agent from time to time and appoint a successor approved by the Trustee, the Bank and the Remarketing Agent. The Company shall also designate a successor subject to the approval of the Trustee, the Bank and the Remarketing Agent if the Paying Agent resigns or becomes ineligible. The Paying Agent may resign by giving at least sixty (60) days' written notice to the parties hereto and the Remarketing Agent. Each successor Paying Agent shall be a commercial bank or trust company having a capital and surplus of not less than $50,000,000, shall at the time of the appointment be rated at least Baa3/P-3 by Moody's or otherwise be acceptable to Moody's, shall be registered as a transfer agent with the Securities and Exchange Commission, shall have the power to authenticate bonds pursuant to the Act, and shall be capable of performing the duties prescribed for it herein in New York, New York. The Paying Agent may but need not be the same person as the Trustee. The Trustee shall give notice of the appointment of a successor Paying Agent in writing to each Bondowner. The Trustee will promptly certify to the Company that it has mailed such notice to all Bondowners, and such certificate will be conclusive evidence that such notice was given in the manner required hereby.

In the event of the resignation or removal of the Paying Agent, the Paying Agent shall pay over, assign, transfer and deliver the Credit Facility and any moneys and Bonds, including Pledged Bonds and unauthenticated Bonds, held by it and the books of registry maintained by it in such capacity to its successor. No resignation or removal of the Paying Agent shall be effective until a successor has been appointed and has accepted its appointment.

(c) Successors. Any corporation, association, partnership or firm which succeeds to the business of the Paying Agent as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of the Paying Agent under this Agreement and shall be subject to all the duties and obligations of the Paying Agent under this Agreement.

In the event that the Paying Agent shall resign or be removed, or be dissolved, or if the property or affairs of the Paying Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the Company shall not have appointed its successor within thirty (30) days, the Trustee shall appoint a successor.

The Paying Agent shall send or cause to be sent notice to Bondowners of a change of address for the delivery of Bonds or notices or the payment of principal or purchase price of Bonds.

Section 314. Remarketing Agent.

(a) Qualifications and Responsibilities. The Company shall appoint, with the consent of the Authority, and, if a Credit Facility is in effect, the Bank, a Remarketing Agent when any Bonds are in the Flexible Mode, Weekly or Multiannual Mode. The Remarketing Agent shall be authorized by law to perform all of the duties imposed upon it by this Agreement. In addition, the Remarketing Agent shall either (i) have a capitalization of at least $10,000,000 and outstanding securities rated at least Baa 3 (or a substantially equivalent rating) by Moody's if such a requirement is then necessary to the maintenance of any then existing Moody's rating on the Bonds or (ii) have a capitalization of at least $15,000,000 or have a line of credit with a commercial bank in the amount of at least $15,000,000. The Remarketing Agent, which may act by means of agents, shall signify its acceptance of the duties and obligations imposed upon it hereunder by a written agreement with the Company under which the Remarketing Agent will agree, among other things, to:

(i) determine the Flexible, Weekly, Multiannual or Fixed Rate pursuant to and in accordance with Paragraph 301(d)(i), (e)(i) or (f)(i) or Subsection 301(g) and the forms of Flexible, Weekly, Multiannual and Fixed Rate Bonds;

(ii) give all notices to the Trustee and Paying Agent regarding the determination of interest rates on the Bonds and regarding Tendered Bonds as are required of the Remarketing Agent in this Agreement;

(iii) hold all moneys received hereunder from the remarketing of Tendered Bonds for the benefit of the person or entity which shall have delivered such moneys until the Remarketing Agent shall have transferred such moneys to the Paying Agent as provided in this Agreement;

(iv) keep such books and records with respect to its duties as Remarketing Agent as shall be consistent with prudent industry practice and make such books and records available for inspection by the parties hereto and the Paying Agent at all reasonable times; and

(v) use its best efforts to remarket Bonds in accordance with this Agreement and any remarketing agreement entered into by the Remarketing Agent and the Company.

The Remarketing Agent may enter into custodial agreements with one or more banking or similar institutions for the deposit and holding of the Bonds in order to facilitate the tendering and remarketing of Bonds as provided in this Agreement, provided, however, that in no event shall the Authority, the Trustee or the Paying Agent be responsible or held liable for any action taken or not taken under any such custodial agreement and in no way shall any such custodial agreement relieve or otherwise alter the obligations and responsibilities of the Remarketing Agent set forth in this Agreement.

(b) Removal or Resignation of Remarketing Agent. The Company may remove the Remarketing Agent at any time by written notice to the Remarketing Agent, the Bank and the parties hereto and appoint a successor which meets the qualifications set forth in Subsection 314(a) and which is reputable and experienced in the remarketing of obligations similar to the Bonds. The Company shall appoint a successor with similar qualifications if the Remarketing Agent resigns or becomes ineligible. The Company shall give the Authority, the Bank, the Paying Agent and the Trustee at least two (2) days' notice prior to the appointment of a successor Remarketing Agent. The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Agreement by giving at least thirty (30) days' written notice to the parties hereto and the Bank and the Paying Agent. The Trustee shall give written notice to the Bondowners of any removal or appointment of the Remarketing Agent.

(c) Successors. Any corporation, association, partnership or firm which succeeds to the business of the Remarketing Agent as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of the Remarketing Agent under this Agreement and shall be subject to all the duties and obligations of the Remarketing Agent under this Agreement. In the event that the Remarketing Agent shall resign or be removed, or be dissolved, or if the property or affairs of the Remarketing Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the Company shall not have appointed its successor within thirty (30) days, the Trustee shall apply to a court of competent jurisdiction for such appointment.

Section 315. Investments.

(a) Pending their use under this Agreement, moneys in the Bond Fund may be invested by the Trustee in Permitted Investments (as defined below) maturing or redeemable at the option of the holder at or before the time when such moneys are expected to be needed and shall be so invested pursuant to written direction of the Company if no Default known to the Trustee then exists under this Agreement, provided that the Company shall not request, authorize or permit any investment which would cause any Tax-Exempt Refunding Bonds to be classified as "arbitrage bonds" as defined in IRC 148. Any investments pursuant to this subsection shall be held by the Trustee as a part of the Bond Fund and shall be sold or redeemed to the extent necessary to make payments or transfers or anticipated payments or transfers from such Fund.

(b) Any interest realized on investments in the Bond Fund and any profit realized upon the sale or other disposition thereof shall be credited to the Bond Fund and any loss shall be charged thereto.

(c) (1) The term "Permitted Investments" means (i) Government Obligations or shares of a so-called money market or mutual fund that has all of its assets invested in Government Obligations, (ii) tax-exempt bonds as defined in IRC

150(a)(6) rated at least AA or Aa by S&P and Moody's, respectively,
or the equivalent by any other nationally recognized rating agency at the time of acquisition thereof (and Aa by Moody's if rated by Moody's and AA by S&P if rated by S&P) or shares of a so-called money market or mutual fund that do not constitute "investment property" within the meaning of IRC 148(b)(2), provided either that the fund has all of its assets invested in
obligations of such rating quality or, if such obligations are not so rated, that the fund has comparable credit worthiness through insurance or otherwise and which fund is rated AAm or AAm-G if rated by S&P, and rated investment grade by Moody's, if rated by Moody's, or, if unrated, investment in such fund is approved in writing by S&P and Moody's, (iii) certificates of deposit of, banker's acceptances drawn on and accepted by, and interest bearing deposit accounts of, a bank or trust company which has a capital and surplus of not less than $50,000,000 and which has been rated not less than Prime-3 by Moody's, and (iv) Repurchase Agreements. The term "Repurchase Agreement" shall mean a written agreement under which a bank or trust company which has a capital and surplus of not less than $50,000,000 or a government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York sells to, and agrees to repurchase from the Trustee obligations issued by, or the full and timely payment of which is guaranteed by, the United States, provided that the market value of such obligations is at the time of entering into the agreement at least one hundred and three percent (103%) of the repurchase price specified in the agreement and that such obligations are segregated from the unencumbered assets of such bank or trust company or government bond dealer, and provided further that unless the agreement is with a bank or trust company, such agreement shall require the repurchase to occur on demand or on a date certain which is not later than one (1) year after such agreement is entered into and shall expressly authorize the Trustee to liquidate the purchased obligations in the event of the insolvency of the party required to repurchase such obligations or the commencement against such party of a case under the federal Bankruptcy Code or the appointment of or taking possession by a trustee or custodian in a case against such party under the Bankruptcy Code. Any such investments may be purchased from or through the Trustee.

(2) Notwithstanding the immediately preceding paragraph Permitted Investments shall not include the following:

(A) Government Obligations, certificates of deposit and bankers' acceptances, in each case with yields lower than the yield available on comparable obligations then offered by the United States Treasury;

(B) any demand deposit or similar account with a bank, trust company or broker, unless (i) the account is used for holding funds for a short period of time until such funds are reinvested or spent, and (ii) such account will not contain an average daily balance for any bond year (selected by the Company pursuant to Temp. Treas. Reg.
1.148-8T(b)(2) or any successor
thereto) in excess of $20,000 (disregarding the 20 days with the largest account balances); or

(C) Repurchase Agreements, unless (i) at least three (3) bids are obtained on the proposed Repurchase Agreement from persons other than those with an interest in the Bonds, (ii) the yield on the Repurchase Agreement is at least equal to the yield offered by the highest bidder, and (iii) a written record of the yield offered by each bidder is maintained.
Any of the requirements of this paragraph (2) shall not apply to moneys allocable to Bonds as to which the Trustee and the Authority shall have received an opinion of nationally recognized bond counsel to the effect that such requirements are not necessary to preserve the exclusion of interest on any Tax-Exempt Refunding Bonds from the gross income of the owner thereof for federal income tax purposes.

Section 316. Reduction of Credit Facility on Change in Mode; Release of Credit Facility upon Conversion to Multiannual or Fixed Rate Mode.

If Bonds are converted from one Mode to another Mode for which the Paying Agent is required to be entitled to draw under the Credit Facility a reduced number of days' interest, as described in Paragraph 317(b)(ii), the Paying Agent may reduce the amount available to be drawn under the Credit Facility upon such conversion in accordance with the Credit Facility.

If no Credit Facility is to be in effect for the Bonds as converted to the Multiannual or Fixed Rate Mode, the Paying Agent shall reduce (or if all the Bonds are so converted, release) the Credit Facility upon such conversion so that the Credit Facility, if any, in effect satisfies the requirements described in Paragraph 317(b)(ii).

In no event shall any reduction in or release of the Credit Facility pursuant to this Section 316 take effect until five (5) Business Days after the conversion.

Section 317. Credit Facilities.

(a) Substitution or Replacement. Upon satisfaction of the requirements set forth in this Section 317 and subject to the last sentence of this Subsection 317(a), the Company may (except during the period between the giving of notice of mandatory tender for purchase on account of the expiration of the Credit Facility and the Purchase Date) replace a Credit Facility then in effect with a substitute Credit Facility; provided, however, that (1) the Credit Facility being replaced shall in no event be terminated or released until the Company has given not less than forty-five (45) days' written notice to the Trustee, the Paying Agent and the Remarketing Agent, and the Paying Agent has received the proceeds of all outstanding drawings on the Credit Facility being replaced, (2) if any Bonds supported by the Credit Facility being replaced are in the Weekly Mode, the Paying Agent has given not less than thirty (30) days' written notice of the termination or release of the Credit Facility to owners of such Bonds in the Weekly Mode and (3) if any of the Bonds supported by the Credit Facility being replaced are in the Flexible Mode or the Multiannual Mode, such Credit Facility shall in no event be terminated or released earlier than on an Effective Date for all such Bonds.

Prior to the replacement of any Credit Facility the Company shall have delivered to the Trustee and the Paying Agent: (i) an opinion of counsel for the issuer of the substitute Credit Facility to the effect that it constitutes a legal, valid and binding obligation of the issuer enforceable in accordance with its terms; (ii) a certificate of the Bank that all amounts due under the Reimbursement Agreement have been paid and that the Company has fulfilled all its obligations arising out of such Agreement; and (iii) unless all of the Bonds to be supported by the substitute Credit Facility are in the Weekly Mode or are subject to mandatory tender for purchase on the date of replacement, written evidence from Moody's, if such Bonds are then rated by Moody's, and from S&P, if such Bonds are then rated by S&P, that the replacement of the Credit Facility will not in itself result in the reduction or withdrawal of the rating on the Bonds. Notice of the substitution or replacement of a Credit Facility shall be sent by the Trustee to Moody's and S&P.(30)

(b) Requirements. Each Credit Facility must:

(i) be an irrevocable, unconditional obligation of a financial institution;

(ii) be on terms no less favorable to the Paying Agent than the Letter of Credit and entitle the Paying Agent to draw upon or demand payment and receive in immediately available funds an amount equal to the sum of the principal amount of the Bonds supported by the Credit Facility, any premium applicable thereto, and (A) forty-five (45) days' accrued interest at the Maximum Interest Rate on the principal amount of such Bonds then Outstanding in the Weekly Mode, (B) thirty-eight (38) days' accrued interest at the Maximum Interest Rate on the principal amount of such Bonds then Outstanding in the Flexible Mode or (C) one hundred ninety (190) days' accrued interest at the Maximum Interest Rate on the principal amount of such Bonds then Outstanding in the Multiannual Mode; and

(iii) provide for a term which may not expire in less than 364 days(31) and which may not expire or be terminated prior to the fifth Business Day after the mandatory tender for purchase as provided in Paragraph 301(d)(iii), 301(e)(iv), or 301(f)(iii). The Company shall not enter into any Reimbursement Agreement or agree to any amendment of a Reimbursement Agreement which in any way limits the obligation of the Bank to provide funds under the Credit Facility without the prior written consent of 100% of the principal amount of the Bonds Outstanding and entitled to the benefit thereof.

Section 318. Tax Status of Bonds.

The Company will perform its obligations and agreements contained in the Federal Tax Statement as if they were set forth herein. All representations of the Company in the Federal Tax Statement shall be treated as if they were set forth herein. Any covenants, agreements or representations made by the Company or any transferee of the Project Facilities in connection with such a transfer shall be performed and treated as if set forth herein. The Authority will cooperate with the Bondowners and the Company to the extent deemed necessary or permitted by law in the opinion of bond counsel to the Authority in order to preserve the exclusion of interest on the Tax-Exempt Refunding Bonds from the gross income of the owners thereof for federal income tax purposes. If no Tax-Exempt Refunding Bonds are outstanding, the Company may waive the application of this Section 318 to itself (or any successors hereunder or as owner of the Project Facilities) and the Authority by written notice to the Authority and the Trustee that the Company will not request the Authority to issue any Tax-Exempt Refunding Bonds.

Section 319. Securities Laws.

Notwithstanding any other provision of this Agreement, the Purchase Price, principal of, premium, if any, and interest on the 1991 Series D Bonds shall at all times be supported by a Credit Facility issued by a national bank, or

any banking institution organized under the laws of any state, territory or the District of Columbia, the business of which is substantially confined to banking and is supervised by the State or territorial banking commission or similar official, unless the Company delivers to the Trustee an opinion of counsel expert in securities law matters to the effect that failure to provide such a Credit Facility will not cause the offering, sale or delivery of any 1991 Series D Bonds to constitute a violation of the registration requirements of the Securities Act of 1933, as amended, or qualification requirements with respect to this Agreement under the Trust Indenture Act of 1939, as amended. In any remarketing of Bonds under this Agreement, the Company shall at all times comply with applicable federal and state securities laws.

Section 320. Registration of Bonds (except the 1992 Series D Bonds) in the Book-Entry Only System.(32)

(a) Notwithstanding any provision of this Agreement to the contrary, the provisions of this Section 320 shall apply with respect to any Bonds (except the 1992 Series D Bonds) registered to CEDE & CO. or any other nominee of The Depository Trust Company ("DTC") while the Book-Entry Only System (meaning the system of registration described in this Section 320) is in effect. The Book-Entry Only System shall be in effect for any series of Bonds or portion thereof issued in or converted to any Mode or Rate Period within the Multiannual Mode if so specified by the Company prior to the issuance in or conversion to that Mode or Rate Period, subject to the provisions below concerning termination of the Book-Entry Only System. Until it revokes such specification in its discretion, the Company hereby specifies that the Book-Entry Only System shall be in effect while the 1991 Series D Bonds are in Flexible Mode. Notwithstanding any provision of this Section 320 to the contrary, the provisions of this Section 320 shall not apply to the 1992 Series D Bonds, which are subject to the Book-Entry Only System described in Section 321.

(b) The Bonds in or to be in the Book-Entry Only System shall be issued in the form of a separate single authenticated fully registered Bond for each separate Mode or Rate Period. Any legend required to be on the Bonds by DTC may be added by the Trustee or Paying Agent. The form of Book-Entry Only System 1991 Series D Bond in the Flexible Mode is attached hereto as Exhibit K. On the date of original delivery thereof or date of conversion of any Bonds to a Mode or Rate Period in which the Book-Entry Only System is in effect, as applicable, such Bonds shall be registered in the registry books of the Paying Agent in the name of CEDE & CO., as nominee of The Depository Trust Company as agent for the Authority in maintaining the Book-Entry Only System. With respect to Bonds registered in the registry books kept by the Paying Agent in the name of CEDE & CO., as nominee of DTC, the Authority, the Paying Agent, the Company, the Remarketing Agent and the Trustee shall have no responsibility or obligation to any Participant (which means securities brokers and dealers, banks, trust companies, clearing corporations and various other entities, some of whom or their representatives own DTC) or to any Beneficial Owner (which means, when used with reference to the Book-Entry Only System, the person who is considered the beneficial owner of the Bonds pursuant to the arrangements for book entry determination of ownership applicable to DTC) with respect to the following: (A) the accuracy of the records of DTC, CEDE & CO. or any Participant with respect to any ownership interest in the Bonds, (B) the delivery to or from any Participant, any Beneficial Owner or any other person, other than DTC, of any notice with respect to the Bonds, including any notice of redemption or tender (whether mandatory or optional), or (C) the payment to any Participant, any Beneficial Owner or any other person, other than DTC, of any amount with respect to the principal or premium, if any, or interest on the Bonds. The Paying Agent shall pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of DTC, and all such payments shall be valid and effective fully to satisfy and discharge the Authority's obligations with respect to the principal of and premium, if any, and interest on Bonds to the extent of the sum or sums so paid. No person other than DTC shall be entitled to receive an authenticated Bond evidencing the obligation of the Authority to make payments of principal and premium, if any, and interest pursuant to this Agreement. Upon delivery by DTC to the Paying Agent of written notice to the effect that DTC has determined to substitute a new nominee in place of CEDE & CO., the words "CEDE & CO." in this Agreement shall refer to such new nominee of DTC.

(c) Upon receipt by the Trustee or the Paying Agent of written notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities with respect to any Bonds, the Authority shall issue and the Paying Agent shall transfer and exchange such Bonds as requested by DTC in appropriate amounts and in authorized denominations, and whenever DTC requests the Authority, the Paying Agent and the Trustee to do so, the Trustee, the Paying Agent and the Authority will, at the expense of the Company, cooperate with DTC in taking appropriate action after reasonable notice (A) to arrange for a substitute bond depository willing and able upon reasonable and customary terms to maintain custody of such Bonds or (B) to make available for transfer and exchange such Bonds registered in whatever name or names and in whatever authorized denominations as DTC shall designate.

(d) In the event the Company determines that the Beneficial Owners of any Bonds in the Book-Entry Only System should be able to obtain Bond certificates, the Company may so notify DTC, the Paying Agent and the Trustee, whereupon DTC will notify the Participants of the availability through DTC of such Bond certificates. In such event, the Authority shall issue and the Paying Agent shall transfer and exchange Bond certificates as requested by DTC in appropriate amounts and in authorized denominations. Whenever DTC requests the Paying Agent to do so, the Paying Agent will cooperate with DTC in taking appropriate action after reasonable notice to make available for transfer and exchange Bonds registered in whatever name or names and in whatever authorized denominations as DTC shall designate.

(e) Notwithstanding any other provision of this Agreement to the contrary, so long as any 1991 Series D Bond is registered in the name of CEDE & CO., as nominee of DTC, all payments with respect to the principal of, Purchase Price, premium, if any, and interest on such 1991 Series D Bond and all notices with respect to such 1991 Series D Bond shall be made and given, respectively, to DTC as provided in the Letter of Representation (the "Representation Letter"), the form of which is included as Exhibit L attached hereto. The form of such Representation Letter may be modified or replaced in a manner consistent with the provisions of this Agreement upon conversion or reconversion of the 1991 Series D Bonds to a Mode or Rate Period in which the Book-Entry Only System is in effect.

(f) Notwithstanding any provision in Subsection 301(h) or Section 310 to the contrary, so long as any of the Bonds outstanding are held in the Book-Entry Only System, if less than all of such Bonds are to be converted or redeemed upon any conversion or redemption of Bonds hereunder, the particular Bonds or portions of Bonds to be converted or redeemed shall be selected by DTC in such manner as DTC may determine.

(g) So long as the Book-Entry Only System is in effect, a Beneficial Owner who elects to have its Bonds purchased or tendered pursuant to this Agreement shall effect delivery by causing a Participant to transfer the Beneficial Owner's interest in the Bonds pursuant to the Book-Entry Only System. The requirement for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred in accordance with the Book-Entry Only System.

(h) So long as the Book-Entry Only System is in effect, the Remarketing Agent shall communicate to DTC information concerning the purchasers of Tendered Bonds as may be necessary or appropriate, and, notwithstanding any provision in the Representation Letter to the contrary, the Remarketing Agent shall continue to remit to the Paying Agent interest rate determination information pursuant to the terms of this Agreement.

Section 321. Registration of 1992 Series D Bonds in the Book-Entry Only System.(33)

(a) Notwithstanding any provision herein to the contrary, the provisions of this Subsection 321 and the 1992 Series D Bonds Representation Letter (as defined below) shall apply with respect to any 1992 Series D Bond registered to CEDE & CO. or any other nominee of The Depository Trust Company ("DTC") while the Book-Entry Only System (meaning the system of registration described in Section 321) is in effect. The Book-Entry Only System shall be in effect for any Mode or Rate Period within the Multiannual Mode if so specified by the Company prior to conversion to that Mode or Rate Period, subject to the provisions below concerning termination of the Book-Entry Only System. Until it revokes such specification in its discretion, the Company hereby specifies that the Book-Entry Only System shall be in effect while the 1992 Series D Bonds are in Weekly, Multiannual and Fixed Rate Modes.

(b) The 1992 Series D Bonds in or to be in the Book-Entry Only System shall be issued in the form of a separate single authenticated fully registered 1992 Series D Bond for each separate Mode or Rate Period in substantially the forms provided for in Section 301. Any legend required to be on the Bonds by DTC may be added by the Trustee or Paying Agent. On the date of original delivery thereof or date of conversion of the 1992 Series D Bonds to a Mode or Rate Period in which the Book-Entry Only System is in effect, as applicable, the 1992 Series D Bonds shall be registered in the registry books of the Paying Agent in the name of CEDE & CO., as nominee of The Depository Trust Company as agent for the Authority in maintaining the Book-Entry Only System. With respect to 1992 Series D Bonds registered in the registry books kept by the Paying Agent in the name of CEDE & CO., as nominee of DTC, the Authority, the Paying Agent, the Company, the Remarketing Agent and the Trustee shall have no responsibility or obligation to any Participant (which means securities brokers and dealers, banks, trust companies, clearing corporations and various other entities, some of whom or their representatives own DTC) or to any Beneficial Owner (which means, when used with reference to the Book-Entry Only System, the person who is considered the beneficial owner of the 1992 Series D Bonds pursuant to the arrangements for book entry determination of ownership applicable to DTC) with respect to the following: (A) the accuracy of the records of DTC, CEDE & CO. or any

Participant with respect to any ownership interest in the 1992 Series D Bonds, (B) the delivery to or from any Participant, any Beneficial Owner or any other person, other than DTC, of any notice with respect to the 1992 Series D Bonds, including any notice of redemption or tender (whether mandatory or optional), or (C) the payment to any Participant, any Beneficial Owner or any other person, other than DTC, of any amount with respect to the principal or premium, if any, or interest on the 1992 Series D Bonds. The Paying Agent shall pay all principal of and premium, if any, and interest on the 1992 Series D Bonds only to or upon the order of DTC, and all such payments shall be valid and effective fully to satisfy and discharge the Authority's obligations with respect to the principal of and premium, if any, and interest on 1992 Series D Bonds to the extent of the sum or sums so paid. No person other than DTC shall be entitled to receive an authenticated 1992 Series D Bond evidencing the obligation of the Authority to make payments of principal and premium, if any, and interest pursuant to this Agreement. Upon delivery by DTC to the Paying Agent of written notice to the effect that DTC has determined to substitute a new nominee in place of CEDE & CO., the words "CEDE & CO." in this Agreement shall refer to such new nominee of DTC.

(c) Upon receipt by the Trustee or the Paying Agent of written notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities, the Authority shall issue and the Paying Agent shall transfer and exchange 1992 Series D Bonds as requested by DTC in appropriate amounts and in authorized denominations, and whenever DTC requests the Authority, the Paying Agent and the Trustee to do so, the Trustee, the Paying Agent and the Authority will, at the expense of the Company, cooperate with DTC in taking appropriate action after reasonable notice (A) to arrange for a substitute bond depository willing and able upon reasonable and customary terms to maintain custody of the 1992 Series D Bonds or (B) to make available for transfer and exchange 1992 Series D Bonds registered in whatever name or names and in whatever authorized denominations as DTC shall designate.

(d) In the event the Company determines that the Beneficial Owners should be able to obtain 1992 Series D Bond certificates, the Company may so notify DTC, the Paying Agent and the Trustee, whereupon DTC will notify the Participants of the availability through DTC of 1992 Series D Bond certificates. In such event, the Authority shall issue and the Paying Agent shall transfer and exchange 1992 Series D Bond certificates as requested by DTC in appropriate amounts and in authorized denominations. Whenever DTC requests the Paying Agent to do so, the Paying Agent will cooperate with DTC in taking appropriate action after reasonable notice to make available for transfer and exchange 1992 Series D Bonds registered in whatever name or names and in whatever authorized denominations as DTC shall designate.

(e) Notwithstanding any other provision of this Agreement to the contrary, so long as any 1992 Series D Bond is registered in the name of CEDE & CO., as nominee of DTC, all payments with respect to the principal of, Purchase Price, premium, if any, and interest on such 1992 Series D Bond and all notices with respect to such 1992 Series D Bond shall be made and given, respectively, to DTC as provided in the Letter of Representation (the "1992 Series D Bonds Representation Letter"), the form of which is included as Exhibit M attached hereto. The form of such 1992 Series D Bonds Representation Letter may be modified in a manner consistent with the provisions of this Agreement upon conversion or reconversion of the 1992 Series D Bonds to a Mode or Rate Period in which the Book-Entry Only System is in effect.

(f) Notwithstanding any provision in Subsection 301(h) or Section 310 of this Agreement to the contrary, so long as any of the 1992 Series D Bonds outstanding are held in the Book-Entry Only System, if less than all of such 1992 Series D Bonds are to be converted or redeemed upon any conversion or redemption of 1992 Series D Bonds hereunder, the particular 1992 Series D Bonds or portions of 1992 Series D Bonds to be converted or redeemed shall be selected by DTC in such manner as DTC may determine.

(g) So long as the Book-Entry Only System is in effect, a Beneficial Owner who elects to have its 1992 Series D Bonds purchased or tendered pursuant to this Agreement shall effect delivery by causing a Participant to transfer the Beneficial Owner's interest in the 1992 Series D Bonds pursuant to the Book-Entry Only System. The requirement for physical delivery of 1992 Series D Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the 1992 Series D Bonds are transferred in accordance with the Book-Entry Only System.

(h) So long as the Book-Entry Only System is in effect, the Remarketing Agent shall communicate to DTC information concerning the purchasers of Tendered Bonds as may be necessary or appropriate, and, notwithstanding any provision in the 1992 Series D Bonds Representation Letter to the contrary, the Remarketing Agent shall continue to remit to the Paying Agent interest rate determination information pursuant to the terms of this Agreement.

ARTICLE IV: TAX-EXEMPT REFUNDING BONDS

Section 401. Issuance of Tax-Exempt Refunding Bonds.

Unless the Company has delivered the written notice described in Sections 318 and 502 that it will not request the Authority to issue Tax-Exempt Refunding Bonds, the Authority may from time to time at the request of the Company issue and sell Tax-Exempt Refunding Bonds to refund all or any portion of the 1991 Series D Bonds, subject to the requirements of the Act and the requirements of this Article IV. Such Tax-Exempt Refunding Bonds shall have substantially the same terms as the 1991 Series D Bonds, but with such changes as provided in Section 403. A series of Tax-Exempt Refunding Bonds may be initially issued in any Mode or Modes designated by the Company and approved by the Authority prior to their delivery. All Tax-Exempt Refunding Bonds shall be of the same rank and shall be entitled to the same security, including the Series F First Mortgage Bonds, as the 1991 Series D Bonds. Each of the series of Tax-Exempt Refunding Bonds shall mature on the date, be subject to optional redemption pursuant to Section 310(a) at the times and at the prices, and shall initially bear interest at such rate or rates as determined by the Company and approved by the Authority. Each series of Tax-Exempt Refunding Bonds shall be issued in fully registered form and shall be numbered from 1 upwards in the order of their issuance, or in any other manner deemed appropriate by the Paying Agent and the Trustee. Tax-Exempt Refunding Bonds shall be in the denomination of $5,000 each or any multiple thereof in the Fixed Rate or Multiannual Mode, $100,000 or any multiple thereof in the Weekly Mode and $100,000 or any multiple of $1,000 in excess of $100,000 in the Flexible Mode. Each series of Tax-Exempt Refunding Bonds shall be dated the date of original delivery thereof. The interest on Tax-Exempt Refunding Bonds until they come due shall be payable on the interest payment dates applicable to the Mode of Bonds are in from time to time.

Section 402. Execution and Delivery of the Tax-Exempt Refunding Bonds

Each Tax-Exempt Refunding Bond shall be signed on behalf of the Authority by the manual or facsimile signatures of any two of the Chairman, Vice Chairman, Treasurer, either Assistant Treasurer and Executive Director and the corporate seal of the Authority or a facsimile thereof shall be engraved or otherwise reproduced thereon. The Certificate of Authentication shall be manually signed by the Trustee or on behalf of the Trustee by its duly authorized agent for such purpose.

In case any officer whose manual or facsimile signature shall appear on the Tax-Exempt Refunding Bond shall cease to be such officer before the delivery thereof, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if he or she had remained in office until after such delivery.

The Trustee or its duly authorized agent for such purpose shall not authenticate and deliver any series of Tax-Exempt Refunding Bonds until the Trustee has received the following:

(1) A certificate signed by a Company Representative designating the intended Mode or Modes, the maturity date, the optional redemption dates and prices under Subsection 310(a), and the initial interest rate or rates, with respect to the Tax-Exempt Refunding Bonds;

(2) A certificate signed by an officer of the Authority approving the terms of the Tax-Exempt Refunding Bonds designated by the Company in the certificate described in Paragraph (1);

(3) A copy, certified by the Executive Director of the Authority, of the resolution of the Authority authorizing the issuance of the Tax-Exempt Refunding Bonds;

(4) A copy, certified by the Secretary or Assistant Secretary of State of New Hampshire, of the resolution adopted by the Governor and Council of New Hampshire pursuant to Section 9 of the Act with respect to the Tax-Exempt Refunding Bonds;

(5) An originally executed copy of any supplemental Agreement entered into by the parties hereto in connection with the issuance of the Bonds of that series;

(6) A certificate of a Company Representative (A) stating that no Default (in reliance upon a certificate of the Trustee as to such matters as the Company shall reasonably request) hereunder has occurred and is continuing, (B) designating the 1991 Series D Bonds to be refunded (the "Refunded Bonds"), (C) that the Refunded Bonds will no longer be Outstanding upon the issuance of the Tax-Exempt Refunding Bonds, (D) that the Series F First Mortgage Bonds evidence and secure the Company's obligation to pay the Tax-Exempt Refunding Bonds and (E) that the Series F First Mortgage Bonds have maturities, interest rates, interest and principal payments and prepayment or redemption provisions and other terms properly corresponding to the terms of the Tax-Exempt Refunding Bonds and any other Bonds the payment of which they evidence and secure;

(7) An opinion or opinions of Bond Counsel reasonably satisfactory to the Trustee that:

(i) the Tax-Exempt Refunding Bonds may be issued under the Act and this Agreement,

(ii) the Tax-Exempt Refunding Bonds have been validly authorized and executed and, when authenticated and delivered pursuant to the request of the Authority, will be valid and binding obligations of the Authority entitled to the benefit of the trust created hereby,

(iii) any supplemental agreement entered into by the Authority in connection with the issuance of the Tax-Exempt Refunding Bonds has been duly authorized, executed and delivered by the Authority, is a valid and binding obligation of the Authority and is enforceable against the Authority in accordance with its terms subject to principles of equity and to applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting creditors' rights generally,

(iv) all necessary consents or approvals of government authorities required in connection with the issue of the Tax-Exempt Refunding Bonds by the Authority have been obtained, and

(v) interest on the Tax-Exempt Refunding Bonds will be excluded from gross income of the owners thereof for federal income tax purposes; and

(8) An opinion of counsel reasonably satisfactory to the Trustee, who may be counsel to the Company, that:

(i) the Series F First Mortgage Bonds evidencing and securing the Company's obligation to pay the Tax-Exempt Refunding Bonds have been duly issued under the First Mortgage Bond Indenture and are valid and binding obligations of the Company entitled to the benefits and security of the First Mortgage Bond Indenture; and

(ii) any supplemental agreement entered into by the Company in connection with the issuance of the Tax-Exempt Refunding Bonds has been duly authorized, executed and delivered by the Company, is a valid and binding obligation of the Company, and is enforceable against the Company in accordance with its terms subject to principles of equity and to applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting creditors' rights generally.

(9) The Trustee or its duly authorized agent for such purpose shall not authenticate and deliver any series of Tax-Exempt Refunding Bonds unless immediately after the delivery of such Bonds there is in effect a Credit Facility meeting the requirements of Subsection 317(b) supporting all of the Bonds required to be supported by a Credit Facility pursuant to this Agreement.

Section 403. Form of Tax-Exempt Refunding Bonds.

(a) General. Each series of Tax-Exempt Refunding Bonds shall bear substantially the designation "Pollution Control Refunding Revenue Bonds (Public Service Company of New Hampshire Project - [Year] Tax-Exempt Series [Letter])." Tax-Exempt Refunding Bonds shall be in substantially the same form as the 1991 Series D Bonds, but with such additions or deletions as described herein or as otherwise may be appropriate.

(b) Redemption Upon Taxability. In each Tax-Exempt Refunding Bond, there shall be inserted the following:

The Tax-Exempt Refunding Bonds are subject to mandatory redemption at any time at a redemption price of 100% of the principal amount of the Tax-Exempt Refunding Bonds so redeemed plus accrued interest in the event (i) the Company delivers to the Trustee an opinion of nationally recognized bond counsel selected by the Company and reasonably satisfactory to the Trustee ("Bond Counsel") stating that interest on the Tax-Exempt Refunding Bonds is or will become includable in gross income of the owners thereof for federal income tax purposes, or (ii) it is finally determined by the Internal Revenue Service or a court of competent jurisdiction, as a result of (A) a proceeding in which the Company has participated or been given notice and an opportunity to participate, and, (B) either (1) a failure by the Company (or the Seabrook Transferee as defined in the Agreement) to observe any covenant or agreement undertaken in or pursuant to the Agreement, or the inaccuracy of any representation made by the Company (or the Seabrook Transferee) in or pursuant to the Agreement, or (2) the Seabrook Transfer (as defined in the Agreement), that interest payable on the Tax-Exempt Refunding Bonds is includable for federal income tax purposes in the gross income of any owner thereof (other than an owner which is a "substantial user" or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986). Any determination under clause (ii) above will not be considered final for this purpose until the earliest of the conclusion of any appellate review, the denial of appellate review or the expiration of the period for seeking appellate review. Redemption under this paragraph shall be in whole unless not less than forty-five (45) days prior to the redemption date the Company delivers to the Trustee an opinion of Bond Counsel reasonably

satisfactory to the Trustee to the effect that a redemption of less than all of the Tax-Exempt Refunding Bonds will preserve the tax-exempt status of interest on the remaining Tax-Exempt Refunding Bonds outstanding subsequent to such redemption. Except as provided in the next sentence, any such redemption shall be made on the 90th day after the date on which the opinion described in clause (i) is delivered or the determination described in clause (ii) becomes final or on such earlier date as the Company may designate by notice given to the Trustee at least forty-five (45) days prior to such designated date. Any Tax-Exempt Refunding Bond in the Flexible Mode that has a Purchase Date prior to the redemption date established for that Bond pursuant to the preceding sentence shall be redeemed on that Purchase Date. If such redemption shall occur in accordance with the terms of the Agreement, then such failure by the Company (or the Seabrook Transferee as described above) to observe such covenant or agreement, or the inaccuracy of any such representation will not, in and of itself, constitute a default thereunder.

If the Trustee receives written notice from any Bondowner stating that (i) such Bondowner has been notified in writing by the Internal Revenue Service that it proposes to include the interest on the Tax-Exempt Refunding Bonds in the gross income of such owner for federal income tax purposes, or any other proceeding has been instituted against such owner which may lead to a like determination, and (ii) such owner will afford the Company the opportunity to participate at its own expense in the proceeding, either directly or in the name of such owner, until the conclusion of any appellate review, and the Trustee has examined such written notice and it appears to be accurate on its face, then the Trustee shall promptly give notice thereof to the Company, the Authority, and each Bondowner whose Bonds may be affected. The Trustee shall thereafter keep itself reasonably informed of the progress of any administrative proceedings or litigation relating to such notice. Under the Agreement the Company is required to give the Trustee written notice of such a final determination within forty-five (45) days of such final determination.

The foregoing two paragraphs shall be inserted immediately before the paragraph describing the manner of selection of Bonds for redemption in the forms of Weekly, Multiannual and Fixed Rate Bonds and immediately after the paragraph describing the manner of payment of the Bonds in the forms of Flexible Bonds. In addition, immediately after the foregoing additional paragraphs in the forms of Flexible Bond there shall be added the following:

If the Purchase Date of this bond is after the redemption date, notice of redemption of this bond will be given by first class mail, postage prepaid, not more than forty-five (45) nor less than thirty (30) days prior to the redemption date to the REGISTERED OWNER at its registered address. Failure to mail notice to the owner of any other Bond or any defect in the notice to such other owner shall not affect the redemption of this bond.

(c) Day Counting. While Tax-Exempt Refunding Bonds are in the Flexible Mode interest shall be computed on the basis of actual days elapsed divided by 365 or 366 as appropriate, and each Tax-Exempt Refunding Bond in the Flexible Mode shall so state. Tax-Exempt Refunding Bonds in any other Mode shall have interest computed on the basis described in the applicable form of Bonds.

Section 404. Conversion.(34)

No conversion of Tax-Exempt Refunding Bonds from one Mode to another Mode, including for this purpose the conversion to a new Rate Period in the Multiannual Mode, shall be effective unless on or prior to the Conversion Date the Company shall provide the Authority and the Trustee with an opinion of Bond Counsel reasonably satisfactory to the Trustee to the effect that the conversion will not affect the exclusion of interest on the Tax-Exempt Refunding Bonds from gross income for federal income tax purposes.

Section 405. Mandatory Taxability Redemption.

The Outstanding Tax-Exempt Refunding Bonds are subject to mandatory redemption at any time at a redemption price of 100% of the principal amount of the Bonds so redeemed plus accrued interest in the event (i) the Company delivers to the Trustee an opinion of Bond Counsel stating that interest on the Tax-Exempt Refunding Bonds is or will become includable in gross income of the owners thereof for federal income tax purposes, or (ii) it is finally determined by the Internal Revenue Service or a court of competent jurisdiction, as a result of (A) a proceeding in which the Company has participated or been given notice and an opportunity to participate, and, (B) either (1) a failure by the Company (or the Seabrook Transferee) to observe any covenant or agreement undertaken in or pursuant to this Agreement, or the inaccuracy of any representation made by the Company (or the Seabrook Transferee) in or pursuant to this Agreement, or (2) the Seabrook Transfer, that interest payable on the Bonds is includable for federal income tax purposes in the gross income of any owner thereof (other than an owner which is a "substantial user" or a "related person" within the meaning of IRC Section 147(a)). Any determination under clause (ii) above will not be considered final for this purpose until the earliest of the conclusion of any appellate review, the denial of appellate review or the expiration of the period for seeking appellate review. Redemption under this Section 405 shall

be in whole unless not later than forty-five (45) days prior to the redemption date the Company delivers to the Trustee an opinion of Bond Counsel to the effect that a redemption of less than all of the Tax-Exempt Refunding Bonds will preserve the tax-exempt status of interest on the remaining Tax-Exempt Refunding Bonds outstanding subsequent to such redemption. Except as provided in the next sentence, any redemption under this Section 405 shall be made on the 90th day after the date on which the opinion described in clause (i) is delivered or the determination described in clause (ii) becomes final or on such earlier date as the Company may designate by notice given to the Trustee at least forty-five (45) days prior to such designated date. Any Tax-Exempt Refunding Bond in the Flexible Mode that has a Purchase Date prior to the redemption date established for that Bond pursuant to the preceding sentence shall be redeemed on that Purchase Date. If such redemption shall occur in accordance with the terms of this Agreement, then such failure by the Company (or the Seabrook Transferee) to observe such covenant or agreement, or the inaccuracy of any such representations will not, in and of itself, constitute a Default hereunder.

If the Trustee receives written notice from any Bondowner stating that (I) such Bondowner has been notified in writing by the Internal Revenue Service that it proposes to include the interest on the Tax-Exempt Refunding Bonds in the gross income of such owner for federal income tax purposes, or any other proceeding has been instituted against such owner which may lead to a like determination, and (II) such owner will afford the Company the opportunity to participate at its own expense in the proceeding, either directly or in the name of such owner, until the conclusion of any appellate review, and the Trustee has examined such written notice and it appears to be accurate on its face, then the Trustee shall promptly give notice thereof to the Company, the Authority, and each Bondowner whose Tax-Exempt Refunding Bonds may be affected. The Trustee shall thereafter keep itself reasonably informed of the progress of any administrative proceedings or litigation relating to such notice.

The Company shall keep the Trustee informed of the progress of any proceeding referred to in subclause (ii)(A) of the first paragraph of this Section 405 and shall give written notice to the Trustee within forty-five (45) days after it has actual knowledge of a final determination as described in clause (ii) of the first paragraph of this Section 405. At least forty (40) days prior to any redemption pursuant to this Section 405, the Trustee shall notify the Paying Agent of the redemption date and the principal amount of Tax-Exempt Refunding Bonds to be redeemed.(35)

Section 406. Additional Limitations on Conversions of 1992 Series D Bonds to New Modes.(36)

(a) Conversions to Multiannual Mode. 1992 Series D Bonds converted to the Multiannual Mode shall not be supported by a Credit Facility.

(b) Conversions from Multiannual Mode to Flexible or Weekly Mode. Any Bank issuing a Credit Facility in connection with a conversion of 1992 Series D Bonds from the Multiannual Mode to the Flexible or Weekly Mode shall have a long-term corporate debt rating of Aa from Moody's or AA from S&P, or their equivalent.

Section 407. Tax Status of 1992 Series D Bonds.(37)

The Company will perform its obligations and agreements contained in the First Supplemental Federal Tax Statement as if they were set forth herein. All representations of the Company in the First Supplemental Federal Tax Statement shall be treated as if they were set forth herein. Any covenants, agreements or representations made by the Company or the Seabrook Transferee in the Assumption Agreement shall be performed and treated as if set forth herein. As used in this Section 407, (a) "Assumption Agreement" means the Assumption Agreement dated as of June 5, 1992 among the Authority, the Company, the Trustee and the Seabrook Transferee, (b) "First Supplemental Federal Tax Statement" means the Statement as to Tax Status of Bonds executed by the Company and the Seabrook Transferee in connection with the original issuance of the 1992 Series D Bonds and delivered to the Trustee and (c) "Seabrook Transferee" means North Atlantic Energy Corporation, the transferee of the Project Facilities pursuant to the Seabrook Transfer, and its successors.

ARTICLE V. THE PROJECT

Section 501. Company not to Impair Tax Status; Use of Project Facilities.

Notwithstanding any provision herein to the contrary, the Company will not use any of the proceeds of the Loan (or the income earned through the investment thereof, if any) or operate the Project Facilities in any manner, and will not take or omit any action or permit any action to be taken or omitted with the result that interest on any Tax-Exempt Refunding Bonds is included in the gross income of the owners thereof for federal income tax purposes. The Company's use of the Project Facilities (or facilities replacing the same) shall be in furtherance of the purpose of air or water pollution control or sewage or solid waste disposal and in compliance with

the Act.

Section 502. Qualification of the Project Facilities.

Notwithstanding any provision herein to the contrary, the Company shall not permit the Project Facilities to fail to qualify as (a) "industrial facilities" under the Act, (b) a facility described in Section 1312(a) of the Tax Reform Act of 1986, or (c) "sewage or solid waste disposal facilities" or "air or water pollution control facilities" within the meaning of Section 103(b)(4)(E) and (F) of the 1954 Code; provided, however, that if no Tax-Exempt Refunding Bonds are outstanding, the Company may waive the application of clauses (b) and (c) by written notice to the Authority and the Trustee that it will not request the Authority to issue Tax-Exempt Refunding Bonds. No funds of the Authority, other than the proceeds of the Bonds, shall be available to pay Project Costs. The Company acknowledges that it is fully familiar with the physical condition of the Project Facilities and that it is not relying on any representation of any kind by the Authority or the Trustee concerning the nature or condition thereof. Neither the Authority nor the Trustee shall be liable to the Company or any other person for any latent or patent defect in the Project Facilities.

Section 503. Compliance with Law.

In the acquisition, construction, maintenance, improvement and operation of the Project Facilities, the Company has and will comply in all material respects with all applicable building, subdivision, zoning and land use, environmental protection, sanitary and safety and other laws, rules and regulations and will not permit any nuisance thereat and will to the extent of its ownership and control, permit no nuisance to be committed thereat by others while the Company is, or is entitled to be, in possession thereof. It shall not be a breach of this section if the Company fails to comply with such laws, rules and regulations during any period in which the Company shall in good faith be diligently contesting the validity thereof.

Section 504. Current Expenses.

The Company shall pay in a timely manner all costs of maintaining and operating the Project Facilities, including without limitation all taxes, excises and other governmental charges lawfully levied thereon or with respect to its interests therein or use thereof to the extent of the Company's interest therein. It shall not be a breach of this section if the Company fails to pay any such costs, taxes or charges during any period in which the Company shall in good faith be contesting the validity or amount thereof and no foreclosure proceedings have been commenced, unless the procedures applicable to such contest require payment thereof and proceedings for their refund or abatement.

Section 505. Disposition and Use of Project Facilities.

The Company shall not sell, lease, transfer or otherwise dispose of the Project Facilities (other than the grant of a mortgage pursuant to a financing transaction) unless (i) it obtains the consent of the Authority, which consent shall not be unreasonably withheld, provided, however, that no such consent shall be required if the sale, lease, transfer or disposition is the Seabrook Transfer, or if such transaction has been approved by or consented to by the New Hampshire Public Utilities Commission; (ii) if there are any Outstanding Tax-Exempt Refunding Bonds, it obtains an opinion of Bond Counsel addressed to and reasonably satisfactory to the Trustee and the Authority that such sale, lease, transfer or other disposition will not affect the exclusion of the interest on any Outstanding Tax-Exempt Refunding Bonds from the gross income of the owners thereof for federal income tax purposes, provided, however, that no such opinion shall be required in connection with the Seabrook Transfer; and (iii) if the sale, lease, transfer or disposition is the Seabrook Transfer, the Company and the Seabrook Transferee each executes and delivers an Assumption Agreement substantially in the form attached hereto as Exhibit B (the "Assumption Agreement"). No sale, lease, transfer or other disposition of the Project Facilities or the Station shall relieve the Company of any of its obligations under this Agreement.

The Company shall not make any material change in the purposes for which the Project Facilities are used without the consent of the Authority, which consent shall not be unreasonably withheld. The Company at its own expense may alter, remodel or improve the Project Facilities and construct other facilities at the site of the Project Facilities, provided such action shall not result in any substantial change in the Project Facilities or the character of the activities conducted by the Company at the Project Facilities site without the consent of the Authority, which consent shall not be unreasonably withheld.

Section 506. Books and Records.

The Authority and the Trustee and their respective duly authorized agents shall have the right at all reasonable times and upon the furnishing of reasonable notice under the circumstances to examine the books and records of

the Company relating to the Project Facilities.

Section 507. Undivided Interest.
The undertakings of the Company contained in Sections 502, 503, 504 and 505 are limited to those consistent with the Company's undivided percentage interest in the facilities of which the Project Facilities are a part.

ARTICLE VI: DEFAULT AND REMEDIES

Section 601. Default by the Company.

(a) Events of Default; Default. "Event of Default" in this Agreement means any one of the events set forth below and "Default" means any Event of Default without regard to any lapse of time or notice.

(i) Debt Service on Bonds; Required Purchase. Any principal of, premium, if any, or interest on any Bond shall not be paid when due, whether at maturity, by acceleration, upon redemption or otherwise or any Purchase Price for Bonds shall not be paid as provided in Sections 301, 308, 311 or 312, except that it shall not be an Event of Default if interest (other than interest due at maturity, by acceleration, or upon redemption, or interest included in the Purchase Price) on any Bond not supported by a Credit Facility is paid within thirty (30) days after it becomes due.

(ii) Other Obligations. The Company (or the Seabrook Transferee) shall fail to observe or perform any of its other covenants or agreements contained herein or in the Assumption Agreement and such failure shall continue for a period of sixty (60) days after written notice given to the Company by the Trustee or the Bondowners of at least 25% in principal amount of the Bonds Outstanding; provided, however, that if such default cannot be cured by the Company or the Seabrook Transferee within such sixty (60) day period, it shall not constitute an Event of Default if curative action is instituted by the Company or the Seabrook Transferee within such sixty (60) day period and thereafter is diligently pursued until such Default is cured.

(iii) First Mortgage Bond Default. The occurrence of any "event of default" as defined in the First Mortgage Bond Indenture.

(iv) Reimbursement Agreement. The Trustee and the Paying Agent shall have received written notice from the Bank of the occurrence of an event of default under the Reimbursement Agreement and of the Bank's determination to terminate the Credit Facility on the fifth Business Day following receipt by the Trustee and the Paying Agent of such notice.

(v) Non-Reinstatement under the Credit Facility. If any Bonds are in the Weekly or Multiannual Mode, the Paying Agent shall receive written notice from the Bank within five (5) days after a drawing under the Credit Facility that the Bank has not reinstated the amount so drawn, and such non-reinstatement causes the total amount of the obligation of the Bank under the Credit Facility to be less than the principal amount of the Outstanding Bonds supported by the Credit Facility, plus accrued interest (1) for a period of forty-five (45) days at the Maximum Interest Rate with respect to the principal amount of such Bonds then Outstanding in the Weekly Mode, and (2) for a period of one hundred ninety (190) days at the Maximum Interest Rate with respect to the principal amount of such Bonds then Outstanding in the Multiannual Mode.

Immediately upon receipt of written notice from the Bank of the non-reinstatement of an amount drawn under the Credit Facility, the Paying Agent shall determine whether such non-reinstatement causes the total amount of the obligation of the Bank under the Credit Facility to be less than the principal amount of the Outstanding Bonds supported by the Credit Facility plus accrued interest thereon calculated in the manner set forth in the preceding sentence. Notwithstanding the outcome of such determination, the Paying Agent shall immediately notify the Trustee of the Bank's failure to reinstate the full amount drawn under the Credit Facility.

The Company agrees to notify the Authority, the Bank, the Remarketing Agent, the Paying Agent and the Trustee promptly in writing of the occurrence of any Default or Event of Default of which it has knowledge. Within seven (7) days after becoming aware of a Default or an Event of Default the Paying Agent will give notice to the Bondowners and, in the case of a Default or Event of Default under (i), (ii), (iv), or (v) above, the Trustee shall give notice to the First Mortgage Bond Trustee.

Notwithstanding anything in this section to the contrary, no action or failure to act by the Company (or the Seabrook Transferee) which results in interest on any Tax-Exempt Refunding Bonds becoming includable in gross income of the owners thereof for federal income tax purposes shall constitute a Default or Event of Default under this Agreement so long as (I) the Company shall have delivered the opinion described in clause (i) of the first paragraph of Section 405 or shall have complied with the last paragraph of Section 405 and (II) the redemption provided by Section 405 occurs. In such event, no owner of Tax-Exempt Refunding Bonds shall be entitled to any claim for monetary damages hereunder and the redemption of the Bonds as provided

under Section 405 shall be the exclusive recourse of owners of Tax-Exempt Refunding Bonds.

(b) Waiver. At any time before an acceleration pursuant to Paragraph 602(a)(i), the Trustee may waive a Default (other than a Default in the payment of the Purchase Price, principal of, premium, if any, or interest on the Bonds) and its consequences with respect to Bonds subject to acceleration pursuant to Paragraph 602(a)(i), by written notice to the Company, and in the absence of inconsistent instructions from Bondowners pursuant to Sections 606 or 901 shall do so upon written instruction of the owners of at least twenty-five per cent (25%) in principal amount of such Bonds Outstanding. No waiver under this section shall affect the right of the Trustee or the Authority to enforce the payment of any amounts owing to it. The Trustee shall not waive any Event of Default under Paragraphs 601(a)(i), 601(a)(iv) or 601(a)(v).

Any cure or waiver of any "event of default" under the First Mortgage Bond Indenture and a rescission and annulment of its consequences shall constitute a cure or waiver of the corresponding Event of Default under Paragraph 601(a)(iii) and a rescission and annulment of the consequences thereof, and the Trustee, upon obtaining knowledge thereof, shall give written notice of such cure or waiver, rescission or annulment to the Authority and the Company, and shall give notice thereof by mail to all Bondowners; but no such cure or waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

Section 602. Remedies for Events of Default.

If an Event of Default occurs and is continuing:

(a) Acceleration.

(i) Bonds Not Supported by a Credit Facility. If the Event of Default is one described in Paragraph 601(a)(i), (ii) or (iii), the Trustee may, and upon the written request of the Bondowners of at least 25% in principal amount of the Bonds Outstanding (other than Bonds that are supported by a Credit Facility, Pledged Bonds and Company Bonds) shall, by written notice to the Company, the Authority, the Paying Agent, and the Remarketing Agent declare immediately due and payable the principal of the Outstanding Bonds (other than Bonds that are supported by a Credit Facility and Pledged Bonds, but including Company Bonds) and the accrued interest thereon, whereupon the same shall become immediately due and payable without any further action or notice. If at any time after such acceleration and before any judgment or decree for the payment of moneys with respect thereto has been entered all amounts payable to the Authority and the Trustee hereunder and on Bonds subject to acceleration under this Paragraph 602(a)(i) (except principal of and interest on the Bonds which are due solely by reason of such acceleration) shall have been paid or provided for by deposit with the Trustee and all existing Defaults shall have been cured or waived, then the Bondowners representing a majority in principal amount of the Bonds subject to acceleration under this Paragraph 602(a)(i) may annul such acceleration and its consequences by written notice to the Authority, the Trustee and the Company. Such annulment shall be binding upon the Authority, the Trustee and all of the Bondowners, but no such annulment shall extend to or affect any subsequent Default or impair any right or remedy consequent thereto.

(ii) Bonds Supported by a Credit Facility. If the Event of Default is one described in Paragraph 601(a)(i), (iv) or (v), the principal of the Bonds that are supported by a Credit Facility and Pledged Bonds and accrued interest thereon shall automatically become immediately due and payable without any further notice or action, subject, however, to the proviso set forth in Section 605. Notwithstanding the foregoing, if an Event of Default described in Paragraph 601(a)(i) occurs due to the failure of the Paying Agent to receive sufficient funds for the payment of the Purchase Price of all Bonds supported by a Credit Facility tendered for purchase on any Purchase Date, the Paying Agent shall immediately draw under the Credit Facility an amount equal to such deficiency (except to the extent that one or more drawings have been made previously in respect of the same deficiency), plus one day's accrued interest on such Bonds, and only if such Event of Default is not cured by the close of business on the next Business Day shall there be such an automatic acceleration of the payment of principal of and accrued interest on the Bonds.

(b) Rights as a Secured Party. The Trustee may exercise all of the rights and remedies of a secured party under the UCC. Notice sent by registered or certified mail, postage prepaid, or delivered during business hours, to the Company at least seven (7) days before an event under UCC Section 9-504(3) or any successor provision of law shall constitute reasonable notification of such event.

Section 603. Court Proceedings.

The Trustee may enforce the provisions of this Agreement by appropriate legal proceedings for the specific performance of any covenant, obligation or agreement contained herein whether or not a Default or an Event of Default

exists, or for the enforcement of any other appropriate legal or equitable remedy, and may recover damages caused by any breach by the Company of the provisions of this Agreement, including (to the extent this Agreement may lawfully provide) court costs, reasonable attorney's fees and other costs and expenses incurred in enforcing the obligations of the Company hereunder. The Authority may likewise enforce obligations owed to it hereunder which it has not assigned to the Trustee. All rights under this Agreement and the Bonds may be enforced by the Trustee without the possession of any Bonds or the production thereof at the trial or other proceedings relative thereto, and any proceeding instituted by the Trustee shall be brought in its name for the ratable benefit of the Bondowners.

Section 604. Revenues after Default.

After the occurrence of an Event of Default, any funds pledged as security hereunder and any other moneys received by the Trustee (other than amounts irrevocably set aside to pay particular Bonds) shall be applied to amounts due under Section 308 (without regard to any grace periods), which amounts shall be applied in the order specified in Section 307.

Section 605. The Credit Facility; Acceleration.

Upon acceleration of the Bonds prior to expiration of the Credit Facility, the Trustee shall instruct the Paying Agent to draw immediately on the Credit Facility in an amount equal to the aggregate unpaid principal of and interest on the Bonds supported by the Credit Facility to the date of final payment (which shall be the date of acceleration for Bonds in the Weekly and Multiannual Modes and the next Purchase Date for each Bond in the Flexible Mode); provided, however, that the Paying Agent shall hold in trust for the benefit of owners of Bonds in the Flexible Mode any amounts so drawn in respect of such Bonds and shall release such amounts only on the applicable Purchase Date for each such Bond. The owners of such Bonds shall have no right to make any claim for such amounts until such Purchase Date. The Trustee shall not require indemnification for any instruction required by this Section 605 to be given by the Trustee to the Paying Agent to draw on the Credit Facility, prior to the time such instruction is given, except and unless such instruction is prohibited by or violates applicable law or any outstanding or pending court or governmental order or decree.

Section 606. Rights of Bondowners.

If an Event of Default occurs and is continuing, and if the Bondowners representing not less than 25% in principal amount of the Bonds Outstanding shall have requested the Trustee in writing to exercise one or more of the rights and remedies provided hereunder and offered it indemnity as provided in Subsection 702(e), the Trustee shall be required to exercise such one or more of the rights and remedies hereunder as the Trustee shall determine to be in the best interest of the Bondowners and not inconsistent with any directions given in accordance with Section 901. No Bondowner shall have any right to institute an action in law or equity or to pursue any other remedy hereunder with respect to any Bond unless (i) an Event of Default of which the Trustee has been notified has occurred and Bondowners representing not less than 25% in principal amount of the Bonds Outstanding shall have requested the Trustee in writing to exercise its rights and remedies with respect thereto and shall have offered the Trustee reasonable opportunity to do so and indemnity as provided in Subsection 702(e), and (ii) the Trustee shall within a reasonable time thereafter fail to exercise any of such rights or remedies. No Bondowner shall have any right to institute any action or pursue any other remedy if and to the extent that the surrender, impairment, waiver, or loss of the lien of this Agreement would, under applicable law, result. Notwithstanding the foregoing, each Bondowner shall have a right of action to enforce payment of the Bonds at and after the due dates thereof at the place, from the sources and in the manner expressed in the Bonds. For purposes of this Section 606, so long as a Credit Facility has paid all amounts due on Bonds it supports, the Bank issuing such Credit Facility shall be treated as owner of such Bonds.

Section 607. Performance of Company's Obligations.

If the Company shall fail to observe or perform any of its agreements or obligations hereunder, the Authority or the Trustee may perform the same in its own name or in the Company's name and each is hereby irrevocably appointed the Company's attorney-in-fact for such purpose. Unless an Event of Default exists, the Authority or the Trustee, as the case may be, shall give at least five (5) days' notice to the Company before taking action under this section, except that in case of emergency as reasonably determined by the acting party, it may act on lesser notice or give the notice promptly after rather than before taking the action. The reasonable cost of any such action performed by the Trustee or the Authority shall be paid or reimbursed by the Company within thirty (30) days after the Trustee or the Authority notify the Company of such cost.

Section 608. Remedies Cumulative; No Waiver.

The rights and remedies under this Agreement shall be cumulative and shall

not exclude any other rights and remedies allowed by law, provided there is no duplication of recovery. Neither the failure to insist upon a strict performance of any of the obligations of the Company nor the failure to exercise any remedy for any violation thereof, shall be taken as a waiver for the future of the right to insist upon strict performance of the obligation or of the right to exercise any remedy for the violation.

ARTICLE VII: THE TRUSTEE

Section 701. Corporate Organization, Authorization and Capacity.

The Trustee represents and warrants that it is a trust company duly organized and validly existing under the laws of The Commonwealth of Massachusetts and duly licensed or qualified to do business in Massachusetts, with the capacity to exercise the powers and duties of the Trustee hereunder, and that by proper corporate action it has duly authorized the execution and delivery of this Agreement.

Section 702. Rights and Duties of the Trustee.

(a) Moneys to be Held in Trust. All moneys deposited with the Trustee under this Agreement (other than amounts received for its own use) shall be held by the Trustee in trust and applied subject to the provisions of this Agreement, but need not be segregated from other funds except as required herein or by law.

(b) Accounts. The Trustee shall keep proper accounts of its transactions hereunder (separate from its other accounts), which shall be open to inspection at reasonable times by the Authority, the Company and the Bondowners and their representatives duly authorized in writing.

(c) Performance of the Authority's Obligations. If the Authority shall fail to observe or perform any agreement or obligation contained in this Agreement, the Trustee may take whatever legal proceedings may be required to compel full performance by the Authority of its obligations, and in addition, the Trustee may, to whatever extent it deems appropriate for the protection of the Bondowners, itself or the Company, perform any such obligation in the name of the Authority and on its behalf.

(d) Responsibility. The Trustee shall be entitled to the advice of counsel (who may be the Trustee's counsel, counsel for the Authority, the Company or any Bondowner) and shall be wholly protected as to any action taken or omitted to be taken in good faith in reliance on such advice. The Trustee may rely conclusively on any notice, certificate or other document furnished to it hereunder and reasonably believed by it to be genuine. The Trustee shall not be liable for any action taken by it in good faith and reasonably believed by it to be within the discretion or powers conferred upon it, in good faith omitted to be taken by it and reasonably believed to be beyond the discretion or powers conferred upon it, taken by it pursuant to any direction or instruction by which it is governed hereunder, or omitted to be taken by it by reason of the lack of direction or instruction required hereby for such action; nor shall it be responsible for the consequences of any error of judgment reasonably made by it. The duties of the Trustee are those expressly set forth in this Agreement, and no additional duties shall be implied. When any payment, consent or other action by it is called for hereby, it may defer such action pending receipt of such evidence, if any, as it may require in support thereof. The Trustee shall in no event be liable for the application or misapplication of funds, or for other acts or defaults by any person, firm, or corporation, except its own directors, officers, and employees. No recourse shall be had by the Company, the Authority or any Bondowner for any claim based on this Agreement or any Bond against any director, officer, employee, or agent of the Trustee alleging personal liability on the part of such person, unless such claim is based upon the bad faith, negligence, fraud or deceit of such person. The Trustee has no responsibility for the validity or sufficiency of this Agreement or the Bonds or any security therefor.

(e) Limitations on Actions. The Trustee shall not be required to monitor the financial condition of the Company or the physical condition of the Project Facilities and, unless otherwise expressly provided, shall not have any responsibility with respect to notices, certificates or other documents filed with it hereunder, except to make them available for inspection by the Bondowners. The Trustee shall not be deemed to have knowledge of and shall not be required to take notice of any Default or Event of Default, except for a Default or Event of Default described in Paragraph 601(a)(i) relating to the payment of principal of, premium, if any, and interest on the Bonds, unless the Trustee shall be specifically notified in writing by the Company, the Authority or Bondowners representing not less than 25% in principal amount of the Bonds Outstanding, or in the case of a Default or Event of Default described in Paragraph 601(a)(iii), the Trustee shall be notified in writing by the First Mortgage Bond Trustee, or in the case of a Default or Event of Default described in Paragraph 601(a)(iv) or (v), the Trustee shall be notified in writing by the Bank or the Paying Agent. It shall not be required to take any remedial action (other than the giving of notice) unless indemnity reasonably satisfactory to it is furnished for any expense or

liability to be incurred therein, other than liability for failure to meet the standards set forth in this section. The Trustee shall be entitled to reimbursement from the Company for its expenses reasonably incurred or advances reasonably made, which reimbursement shall be due and payable thirty (30) days after notifying the Company of such expenses or advances, in the exercise of its rights or the performance of its obligations hereunder, whether or not it acts without previously obtaining indemnity.

A permissive right or power to act shall not be construed as a requirement to act. Upon receipt of written notice, direction, instruction, and indemnity as provided above and, after making such investigation, if any, as it deems appropriate to verify the occurrence of any Default of which it is notified by the Bondowners or the Bank, the Trustee shall pursue such remedies hereunder (not contrary to such direction) as it deems appropriate for the protection of the Bondowners (including the Bank as provided in Section 901); and in its actions under this provision, the Trustee shall be required to act for the protection of the Bondowners with the same prudence as would be expected of a prudent person in the conduct of such person's affairs.

(f) Financial Obligations. Nothing contained in this Agreement shall in any way obligate the Trustee to pay any debt or meet any financial obligations to any person in relation to the Project Facilities except from moneys received under the provisions of this Agreement (including from the exercise of its rights and remedies hereunder) other than moneys received for its own purposes.

(g) Ownership of Bonds. The Trustee or any affiliate of the Trustee may be or become the owner of Bonds with the same rights as if it were not Trustee.

(h) No Surety Bond. The Trustee shall not be required to furnish any bond or surety.

(i) Requests by the Company. Upon any request by the Company to the Trustee to take any action under this Agreement (including but not limited to any proposed amendment pursuant to Section 1101) the Trustee shall be entitled to receive from the Company prior to taking such action, and to rely upon, a certificate of a Company Representative and an opinion of counsel reasonably satisfactory to the Trustee (who may be counsel to the Company), and, if applicable in the reasonable judgment of the Trustee, a certificate of an accountant satisfactory to the Company (who may be an employee of the Company), each to the effect that in the signer's opinion all conditions precedent applicable to such action under this Agreement, if any, have been satisfied (and, in the case of the certificate of the Company Representative, including but not limited to the absence of any Default or Event of Default) and such action is permitted by this Agreement.

(j) Trustee as Holder of Series F First Mortgage Bonds. So long as no Default has occurred and is continuing, the Trustee may, but shall have no obligation to, take any action in its capacity as the registered holder of the Series F First Mortgage Bonds (other than the duty to exercise reasonable care in the safekeeping thereof and the giving of notices set forth below), unless and except to the extent the Trustee is directed in writing by the Bondowners as provided in Section 901 of this Agreement. The Trustee shall promptly notify the Bondowners of the receipt of and contents of any notice it receives under the First Mortgage Bond Indenture (other than notices solely of payments being made on the Series F First Mortgage Bonds).

(k) Authentication of Bonds. The Trustee shall act as authenticating agent for the Bonds. The Trustee may either sign the Certificate of Authentication in its own name or may appoint one or more agents to sign the Certificate of Authentication on the Trustee's behalf. So long as Bonds are in the Flexible or Weekly Mode the Trustee shall use its best efforts to have the ability to cause the Certificate of Authentication to be executed in New York, New York at a location satisfactory to the Paying Agent. To satisfy this requirement, the Trustee hereby initially appoints Security Pacific National Trust Company (New York) to act as its agent for the purpose of signing the Certificate of Authentication and delivery of the Bonds. The Trustee shall have no liability for the negligence or wrongful conduct (in each case whether by act or omission) of any such agent appointed with reasonable care. The Trustee shall have no liability if, after its best efforts, it finds that it does not have the ability (either directly or through an agent) to cause the Certificate of Authentication to be executed and delivered in New York, New York on a timely basis when Bonds are in the Flexible or Weekly Mode.

Section 703. Fees and Expenses of the Trustee.

The Company shall pay to the Trustee reasonable compensation for its services and prepay or reimburse the Trustee for its reasonable expenses and disbursements, including attorney's fees, hereunder. The Company shall indemnify and save the Trustee harmless against any and all (a) claims as set forth in Section 1002, (b) costs, counsel fees, expenses or liabilities reasonably incurred in connection with such claims, and (c) expenses and liabilities which it may incur in the exercise of its duties hereunder and which are not due to the bad faith, negligence, fraud or deceit of any director, officer, employee or agent of the Trustee. Any fees, expenses,

reimbursements, or other charges which the Trustee may be entitled to receive from the Company hereunder shall be due and payable thirty (30) days after a request for payment has been made by the Trustee, and if not otherwise paid, shall be a first lien upon any funds or other property then or thereafter held hereunder by the Trustee; provided, however, that the lien of the Trustee shall be subordinate to the lien for the benefit of the Bondowners upon the moneys drawn under the Credit Facility, and the proceeds of any remarketing of the Bonds and other Eligible Funds, if any, which are the basis of the determination made by the Paying Agent of the amount to be drawn under the Credit Facility, including, without limitation, such funds held by the Trustee under Section 204 and Subsection 304(c). If any such moneys are so applied, the Company shall be immediately obligated to restore the moneys so applied. The Trustee shall not require indemnification for any payment when due of principal, premium or interest on any Bond to be made by the Trustee to any Bondowner, prior to the time such payment is made by the Trustee, except and unless such payment is prohibited by or violates applicable law or any outstanding or pending court or governmental order or decree.

Section 704. Resignation or Removal of Trustee.

The Trustee may resign on not less than sixty (60) days' notice given in writing to the Authority, the Bondowners, the Bank and the Company, but such resignation shall not take effect until a successor has been appointed and has assumed the duties hereunder. The Trustee will promptly certify to the other parties that it has mailed such notice to all Bondowners and such certificate shall be conclusive evidence that such notice was given in the manner required hereby. The Trustee may be removed by written notice to the parties from the Bondowners representing a majority in principal amount of the Bonds Outstanding, but no such removal shall take effect until a successor has been appointed and assumed the duties hereunder. A petition in a court of competent jurisdiction for removal of the Trustee and the appointment of a successor may be filed by the Bondowners representing not less than 25% in principal amount of the Bonds Outstanding.

Section 705. Successor Trustee.

Any corporation or association which succeeds to the corporate trust business of the Trustee as a whole, or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall become vested with all the property, rights and powers of the Trustee hereunder, without any further act or conveyance.

In case the Trustee resigns or is removed or becomes incapable of acting, or becomes bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property is appointed, or if a public officer takes charge or control of the Trustee, or of its property or affairs, a successor shall be appointed (but only with the consent of the Bank, if any Bonds shall then be entitled to the benefits of a Credit Facility, which consent shall not be unreasonably withheld) by written notice from the Company to the Authority. The Company shall notify the Bondowners of the appointment in writing within twenty (20) days from the appointment. The Company will promptly certify to the successor Trustee that it has mailed such notice to all Bondowners and such certificate will be conclusive evidence that such notice was given in the manner required hereby. If no appointment of a successor is made within twenty (20) days after the giving of written notice in accordance with Section 704 or after the occurrence of any other event requiring or authorizing such appointment, the outgoing Trustee or any Bondowner may apply to any court of competent jurisdiction for the appointment of such a successor, and such court may thereupon, after such notice, if any, as such court may deem proper, appoint such successor. Any successor Trustee appointed under this section shall be a trust company or a bank having the powers of a trust company that meets the requirements of the Act, shall have a capital and surplus of not less than $50,000,000 and shall at the time of the appointment be rated not less than Baa3/P-3 by Moody's or otherwise be acceptable to Moody's. Any such successor Trustee shall notify the Authority and the Company of its acceptance of the appointment and, upon giving such notice, shall become Trustee, vested with all the property, rights and powers of the Trustee hereunder, without any further act or conveyance. Such successor Trustee shall execute, deliver, record and file such instruments as are required to confirm or perfect its succession hereunder and any predecessor Trustee shall from time to time execute, deliver, record and file such instruments as the incumbent Trustee may reasonably require to confirm or perfect any succession hereunder.

ARTICLE VIII: THE AUTHORITY

Section 801. Limited Obligation.

Under no circumstances shall the Authority be obligated directly or indirectly to pay Project Costs, principal of or premium, if any, and interest on the Bonds, or expenses of operation, maintenance and upkeep of the Project Facilities except from Bond proceeds or from funds received under this Agreement, exclusive of funds received hereunder by the Authority for its own use. This Agreement does not create any debt of the State of New

Hampshire with respect to the Project Facilities other than a special obligation of the Authority acting on behalf of the State of New Hampshire pursuant to the Act. Nothing contained herein shall in any way obligate the State of New Hampshire to raise any money by taxation or use other public funds for any purpose in relation to the Project Facilities. Neither the State of New Hampshire nor the Authority shall pay or promise to pay any debt or meet any financial obligation to any person at any time in relation to the Project Facilities except (i) from moneys received or to be received under the provisions hereof or derived from the exercise of the Authority's right hereunder, other than moneys received for its own purposes, or (ii) as may be required by law other than the provisions of the Act. Nothing contained in this Agreement shall be construed to require or authorize the Authority to operate the Project Facilities itself or to conduct any business enterprise in connection therewith.

Section 802. Rights and Duties of the Authority.

(a) Remedies of the Authority. Notwithstanding any contrary provision in this Agreement, the Authority shall have the right to take any action or make any decision with respect to proceedings for indemnity against the liability of the Authority and for collection or reimbursement from sources other than moneys or property held under this Agreement or subject to the lien hereof. The Authority may enforce its rights under this Agreement which have not been assigned to the Trustee by legal proceedings for the specific performance of any obligation contained herein or for the enforcement of any other appropriate legal or equitable remedy, and may recover damages caused by any breach by the Company of its obligations to the Authority under this Agreement, including court costs, reasonable attorney's fees and other costs and expenses incurred in enforcing such obligations.

(b) Limitations on Actions. The Authority shall not be required to monitor the financial condition of the Company or the physical condition of the Project Facilities and, unless otherwise expressly provided, shall not have any responsibility with respect to notices, certificates or other documents filed with it hereunder. The Authority shall not be required to take notice of any breach or default except when given notice thereof by the Trustee. The Authority shall not be responsible for the payment of any rebate to the United States under IRC
148(f). The Authority shall not be required
to
take any action unless indemnity reasonably satisfactory to it is furnished for expenses or liability to be incurred therein (other than the giving of notice). The Authority, upon written request of the Bondowners, the Bank or the Trustee, and upon receipt of reasonable indemnity for expenses or liability, shall cooperate to the extent reasonably necessary to enable the Trustee to exercise any power granted to the Trustee by this Agreement. The Authority shall be entitled to reimbursement pursuant to Section 803 to the extent that it acts without previously obtaining full indemnity.

(c) Responsibility. The Authority shall be entitled to the advice of counsel (who may be counsel for any party, for the Bank, the Paying Agent or the Remarketing Agent, or for any Bondowner) and shall be wholly protected as to any action taken or omitted to be taken in good faith in reliance on such advice. The Authority may rely conclusively on any notice, certificate or other document furnished to it under this Agreement and reasonably believed by it to be genuine. The Authority shall not be liable for any action taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or in good faith omitted to be taken by it and reasonably believed to be beyond such discretion or power, or taken by it pursuant to any direction or instruction by which it is governed under this Agreement or omitted to be taken by it by reason of the lack of direction or instruction required for such action under this Agreement, or be responsible for the consequences of any error of judgment reasonably made by it. When any payment, consent or other action by the Authority is called for by this Agreement, the Authority may defer such action pending such investigation or inquiry or receipt of such evidence, if any, as it may require in support thereof. A permissive right or power to act shall not be construed as a requirement to act, and no delay in the exercise of a right or power shall affect the subsequent exercise thereof. The Authority shall in no event be liable for the application or misapplication of funds, or for other acts or defaults by any person or entity except by its own directors, officers and employees. No recourse shall be had by the Company, the Trustee or any Bondowner for any claim based on this Agreement or the Bonds against any director, officer, employee or agent of the Authority unless such claim is based upon the bad faith, fraud or deceit of such person. No covenant, obligation or agreement of the Authority contained in this Agreement shall be deemed to be a covenant, obligation or agreement of any present or future director, officer, employee or agent of the Authority in his individual capacity, and no person executing a Bond shall be liable personally thereon or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 803. Expenses of the Authority.

The Company shall pay when due the Authority's Service Charge and shall

prepay or reimburse the Authority within thirty (30) days after notice for all expenses (including reasonable attorney's fees) incurred by the Authority in connection with the issuance and carrying of the Bonds and all expenses reasonably incurred or advances reasonably made in the exercise of the Authority's rights or their performance of its obligations hereunder. Any fees, expenses, reimbursements or other charges which the Authority may be entitled to receive from the Company hereunder, if not paid when due, shall bear interest at 15% per annum.

Section 804. Matters to be Considered by Authority.

In approving, concurring in or consenting to action or in exercising any discretion or in making any determination under this Agreement, the Authority may consider the interests of the public, which shall include the anticipated effect of any transaction on tax revenues and employment, as well as the interests of the other parties hereto and the Bondowners; provided, however, nothing herein shall be construed as conferring on any person other than the other parties and the Bondowners any right to notice, hearing or participation in the Authority's consideration, and nothing in this section shall be construed as conferring on any of them any right additional to those conferred elsewhere herein. Subject to the foregoing, the Authority will not unreasonably withhold any approval or consent to be given by it hereunder.

Section 805. Actions by Authority.

Any action which may be taken by the Authority hereunder shall be deemed sufficiently taken if taken on its behalf by its Chairman, its Vice Chairman or its Executive Director or by any other director, officer or agent whom it may designate from time to time.

ARTICLE IX: THE BONDOWNERS

Section 901. Action by Bondowners.

Subject to Subsections 601(b), 602(a) and Section 1101 (as to the waivers and consents granted thereby), Bondowners representing a majority in principal amount of the Bonds Outstanding shall have the right at any time, by written notice to the Trustee and upon offering it indemnity as provided in Subsection 702(e), to direct the Trustee (i) in the granting of any consents, waivers or similar actions pertaining to the Bonds, (ii) in the time, method and place of conducting all proceedings, (iii) in the exercise of any rights or remedies available to the Trustee hereunder, or (iv) in the exercise of any other right or power conferred upon the Trustee for the protection of the Bondowners, provided that such direction shall be in accordance with the provisions of law and this Agreement, and the Trustee may take any other action determined proper by the Trustee which is not inconsistent with such direction.

Except with respect to the matters provided below, Bondowners representing a majority in principal amount of the Bonds Outstanding shall have the right, at any time, by written notice to the Trustee and the offering of indemnity as provided in Subsection 702(e), to direct the Trustee, as holder of all of the Series F First Mortgage Bonds, to exercise the rights available to it as holder of such bonds under the First Mortgage Bond Indenture, including, without limitation, as to rendering notice to the First Mortgage Bond Trustee of the occurrence of a default thereunder, the institution of any suit, action or proceeding to enforce payments on the Series F First Mortgage Bonds which were not paid when due or other proceeding in respect of the First Mortgage Bond Indenture which the Trustee, as holder of the Series F First Mortgage Bonds, is entitled to institute, and as to the time, place and method of any such proceeding for any remedy available to the Trustee, as holder of the Series F First Mortgage Bonds, subject however to compliance with the applicable provisions of the First Mortgage Bond Indenture.

Where the First Mortgage Bond Trustee is required or permitted to take any action under the First Mortgage Bond Indenture upon the direction, authorization, consent, notice or request of the holders of a specified percentage of principal amount of bonds outstanding thereunder or of outstanding bonds thereunder which would be adversely affected by such action, including with respect to acceleration of the maturity of such bonds under Section 10.1 of the First Mortgage Bond Indenture, the time, method and place of proceedings and waivers of events of default, as provided in Section 10.12 of the First Mortgage Bond Indenture and amendments of the First Mortgage Bond Indenture under Article 15 thereof, each Bondowner shall be deemed the holder of its pro-rata portion of the principal amount of Series F First Mortgage Bonds and shall have the right to direct the Trustee whether or not to render such direction, authorization, consent, notice or request under the First Mortgage Bond Indenture in respect of such Bondowner's pro-rata portion, whereupon the Trustee shall notify the First Mortgage Bond Trustee of the action to be taken in respect of the applicable principal amount of Series F First Mortgage Bonds.

Any request, authorization, direction, notice, consent, waiver or other action provided by this Agreement to be given or taken by Bondowners may be contained in and evidenced by one or more writings of substantially the same

tenor signed by the Bondowners of the requisite percentage of principal amount of Bonds Outstanding or their attorneys duly appointed in writing. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, shall be sufficient for any purpose of this Agreement (except as otherwise herein expressly provided) if made in the following manner, but the Authority or the Trustee may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

The fact and date of the execution by any Bondowner or his or her attorney of such instrument may be proved by the certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the Authority or to the Trustee or of any notary public or other officer authorized to take acknowledgments of the deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him or her the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondowner may be established without further proof if such instrument is signed by a person purporting to be the president or a vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its clerk or secretary or an assistant clerk or assistant secretary.

The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books for the Bonds maintained by the Trustee.

Any request, consent or vote of the owner of any Bond shall bind all future owners of such Bond. Bonds owned or held by or for the account of the Authority, the Company, or any related person to the Company within the meaning of Section 147(a) of the IRC shall not be deemed Outstanding Bonds for the purpose of any consent or other action by Bondowners, except that for such purposes Pledged Bonds shall be treated as Outstanding and shall be deemed to be owned by the Bank. So long as no Default exists under Paragraph 601(a)(i) with respect to any Bonds supported by a Credit Facility, the Bank and not the Bondowner shall be treated as the owner of all Bonds entitled to the benefits of such Credit Facility for the purpose of any consent or other action by Bondowners.

ARTICLE X: THE COMPANY

Section 1001. Existence and Good Standing; Merger; Consolidation.

The Company will maintain its corporate existence, qualification to do business and good standing under the laws of the State of New Hampshire and will maintain itself as a foreign corporation duly qualified to do business and in good standing, where applicable, in each jurisdiction in which the failure to so qualify would have a material adverse effect upon its business or properties. The Company shall not merge or consolidate with or sell all or substantially all of its assets to another entity, except that the Company may transfer the Station in connection with a transfer of the Project Facilities pursuant to Section 505 and the Company may so merge or consolidate with or sell all or substantially all of its assets to another corporation if (i) the surviving or transferee corporation is qualified to do business in New Hampshire, (ii) the surviving or transferee corporation (if not the Company) has assumed in writing all of the Company's obligations hereunder and under the Series F First Mortgage Bonds, and (iii) upon such assumption there will not be a Default hereunder or an event of default under the First Mortgage Bond Indenture (disregarding any required passage of time or giving of notice thereunder).

Section 1002. Indemnification by the Company.

The Company, regardless of any agreement to maintain insurance, will indemnify the Authority and the Trustee against (a) any and all claims by any person related to the participation of the Authority or the Trustee in the transactions contemplated by this Agreement, including without limitation claims arising out of any condition of the Project Facilities or Station or the construction, use, occupancy or management thereof; any accident, injury or damage to any person occurring in or about the Station; any breach by the Company of its obligations under this Agreement; any act or omission of the Company or any of its agents, contractors, servants, employees or licensees; or the offering, issuance, sale or any resale of the Bonds to the extent permitted by law, and (b) all costs, counsel fees, expenses or liabilities reasonably incurred in connection with any such claim or any action or proceeding brought thereon. In case any action or proceeding is brought against the Authority or the Trustee by reason of any such claim, the Company will defend the same at its expense upon notice from the Authority or the Trustee, and the Authority or the Trustee, as the case may be, will cooperate with the Company, at the expense of the Company, in connection therewith.

ARTICLE XI: MISCELLANEOUS

Section 1101. Amendments.

(a) Without Bondowners' Consent. The parties may from time to time, without the consent of any Bondowner, amend this Agreement in order to (i) cure any ambiguity, defect or omission in this Agreement that does not materially adversely affect the interests of the Bondowners, (ii) grant additional rights or security to the Trustee for the benefit of the Bondowners, (iii) add additional Events of Default as shall not be inconsistent with the provisions of this Agreement and which shall not materially adversely affect the interests of the Bondowners, (iv) qualify this Agreement under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, (v) provide for the establishment of a book entry system of registration for the Bonds through a securities depository, (vi) effective upon any Conversion Date to a new Mode, make any amendment affecting only the Bonds being converted, (vii) add provisions relating to the partial conversion of Bonds to a new Mode or the issuance of Tax-Exempt Refunding Bonds which do not impair the security for the outstanding Bonds, or (viii) make such other provisions in regard to matters or questions arising under this Agreement as shall not be inconsistent with the provisions of this Agreement and which shall not materially adversely affect the interests of the Bondowners.

(b) With Bondowners' Consent. Except as set forth in Subsection 1101(a), the parties may from time to time amend this Agreement with the consent of the owners of more than 50% in aggregate principal amount of the Bonds Outstanding; provided, that no amendment shall be made which adversely affects the rights of some but less than all the Bonds Outstanding without the consent of the owners of more than 50% in aggregate principal amount of the Bonds so affected; and provided further, that no amendment of this Agreement shall be effective to (i) change the principal, premium or interest on any Bonds, (ii) change the interest payment dates, maturity dates or purchase or redemption provisions of any Bonds, (iii) reduce the percentage of Bondowners whose consent is required for the amendment of this Agreement or (iv) modify the lien upon or pledge of the payments and other revenues assigned and pledged hereunder (including any Credit Facility), without the consent, in each case, of the owner of each Bond which would be affected by the action proposed to be taken.

When the Trustee determines that the requisite number of consents have been obtained for an amendment which requires Bondowner consents, it shall, within ninety (90) days, file a certificate to that effect in its records and mail notice to the Bondowners. No action or proceeding to invalidate the amendment shall be instituted or maintained unless it is commenced within sixty (60) days after such mailing. The Trustee will promptly certify to the Authority that it has mailed such notice to all Bondowners and such certificate will be conclusive evidence that such notice was given in the manner required hereby. A consent to an amendment may be revoked by a notice given by the Bondowner and received by the Trustee prior to the Trustee's certification that the requisite consents have been obtained.

(c) General. Any amendment of this Agreement shall be accompanied by an opinion of Bond Counsel reasonably satisfactory to the Authority and the Trustee to the effect that the amendment is permitted by this Agreement and, if there are any Tax-Exempt Refunding Bonds outstanding, that such amendment will not adversely affect the exclusion from gross income for federal income tax purposes of interest on such Tax-Exempt Refunding Bonds. So long as a Credit Facility supports any of the Bonds no amendment to this Agreement shall be made without the consent of the Bank.

Notice of any amendment of this Agreement, or any material change to the Reimbursement Agreement or any remarketing agreement entered into by the Remarketing Agent and the Company shall be sent by the Company to Moody's.

Section 1102. Notices.

Unless otherwise expressly provided, all notices to the Authority, the Trustee, the Paying Agent and the Company shall be in writing and shall be deemed sufficiently given if sent by registered or certified mail, postage prepaid, or delivered during a Business Day as follows: (a) to the Authority at its office at 14 Dixon Avenue, Suite 101, Concord, New Hampshire 03301-4954, attention of Executive Director, (b) to the Trustee at P.O. Box 778, Boston, Massachusetts 02102 (if by mail) or Two International Place - 4th Floor, Boston, Massachusetts 02110 (if by courier), in each case attention of Corporate Trust Department, (c) to the Paying Agent at 2 Rector Street, New York, New York 10006, attention of Corporate Trust Division, (d) to the Company at 1000 Elm Street, Manchester, New Hampshire 03105, attention of Treasurer with a copy to Northeast Utilities Service Company at 107 Selden Street, Berlin, Connecticut 06037, attention of the Assistant Treasurer, (e) to Moody's at 99 Church Street, New York, New York 10007, and (f) to S&P at 25 Broadway, New York, New York 10004, or, as to all of the foregoing, to such other address as the addressee shall have indicated by prior written notice to the one giving notice. All notices to a Bondowner shall be in writing and shall be deemed sufficiently given if sent by first class mail, postage prepaid, to the Bondowner at the address shown on the registration books for the Bonds maintained by the Paying Agent. A Bondowner may direct the Paying Agent to change its address as shown on the registration books by

written notice to the Paying Agent. All notices to Bondowners shall identify the Bonds by name, CUSIP number, date of original issuance, maturity date, and such other descriptive information as may be needed to identify accurately the Bonds.

All notices sent to Bondowners by the Trustee or Paying Agent shall simultaneously be sent by registered or certified mail, postage prepaid, to Moody's, S&P, at least two (2) national information services that publish or disseminate notices of redemption of obligations such as the Bonds, such as S&P's Called Bond Service and Kenney Information Systems Notification Service, and all registered securities depositories that are registered owners of the Bonds, provided that the failure to give such notice shall not affect the validity of any notice given to the Bondowners. The selection of the national information services to receive any notice shall be at the sole discretion of the Trustee or the Paying Agent, as the case may be.

Notice hereunder may be waived prospectively or retrospectively by the person entitled to the notice, but no waiver shall affect any notice requirement as to other persons.

Section 1103. Time.

All references to times of day in this Agreement are references to New York City time.

Section 1104. Agreement Not for the Benefit of Other Parties.

This Agreement is not intended for the benefit of and shall not be construed to create rights in parties other than the Company, the Authority, the Trustee and the Bondowners.

Section 1105. Severability.

In the event that any provision of this Agreement shall be held to be invalid in any circumstance, such invalidity shall not affect any other provisions or circumstances.

Section 1106. Counterparts.

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

Section 1107. Captions.

The captions and table of contents of this Agreement are for convenience only and shall not affect the construction hereof.

Section 1108. Governing Law.

This instrument shall be governed by the laws of State of New Hampshire.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Business Finance Authority of the State of New Hampshire has caused this Agreement to be signed and its official seal to be impressed hereon by its Executive Director; Public Service Company of New Hampshire has caused this Agreement to be signed and its corporate seal to be impressed hereon by an authorized officer; and State Street Bank and Trust Company, as Trustee, has caused this Agreement to be signed and its corporate seal to be impressed hereon by an authorized officer.

BUSINESS FINANCE AUTHORITY OF THE
STATE OF NEW HAMPSHIRE
(Seal)

By:

Jack Donovan
Executive Director
PUBLIC SERVICE COMPANY OF
NEW HAMPSHIRE
(Seal)

By:

Randy A. Shoop
Assistant Treasurer - Finance
STATE STREET BANK AND TRUST COMPANY,
as Trustee
(Seal)

By:

Name:

Title:
The undersigned hereby consents
to this Agreement
BARCLAYS BANK PLC, NEW YORK BRANCH

By:

Name:
Title:

EXHIBIT A
THE PROJECT FACILITIES

The Project Facilities to be financed by the Bonds consist of certain air or water pollution control and sewage or solid waste disposal facilities at the Seabrook Station Plant, Unit No. 1, in which Public Service Company of New Hampshire has a 35.56942 percent ownership interest. The Project Facilities include the following:

Waste Water Run-Off System

The Waste Water Run-Off System collects and treats yard area drainage to remove pollutants. The System includes catch basins, yard waste water drain pipes, and a site settling pond.

Chemical and Oily Waste Treatment System

The Chemical and Oily Waste Treatment System collects, stores, processes, treats and disposes of non-radioactive chemical and oily wastes. The wastes result from construction, start-up and operation of the Seabrook Station Plant. The wastes are collected and treated to remove pollutants. The System includes tanks, an acid and caustic handling system, waste lagoons, system flush piping, and oil separator, curbs and drains, pipes, valves, transfer pumps, controls and instrumentation and related support equipment.

Sanitary Waste System

Sanitary waste is collected, treated and disposed of by the Sanitary Waste System. The System includes sanitary drains, sumps and pumps, a holding tank, a pump station, a sewage treatment plant, piping, transfer pumps and related support equipment.

Radioactive Gaseous Waste System

The Radioactive Gaseous Waste System collects, processes, stores and treats radioactive gaseous waste produced during normal operations. The System includes the following components: a main gas collection header, a waste gas condenser with associated primary cooling water components, gas chiller compressor units, iodine guard beds, a regeneration subsystem for dryers, waste gas dryers, a waste gas compressor package, ambient carbon delay beds, particulate filters, an after cooler, a hydrogen surge tank, a waste gas radiation monitor, an equipment vent system, a hydrogenated vent header, and associated piping, valves, controls and instrumentation.

Exhaust Filtration System

The Exhaust Filtration System collects, filters and discharges exhaust containing low level radioactive contamination resulting from normal operations. The System includes exhaust filters, exhaust fans, exhaust ducts, plenums, dampers, piping, flow control valves, and controls and instrumentation.

Liquid Radwaste System

The Liquid Radwaste System collects, processes, treats, recycles and disposes of low level radioactive liquid waste resulting from normal operations. The System includes tanks, filters, strainers, pumps, a reboiler, an evaporator, an evaporator distillate condenser, an evaporator distillate accumulator, an evaporator distillate cooler, an evaporator bottoms cooler, a waste demineralizer and filter, equipment drains, chemical drains, a radiation monitor, and associated controls and instrumentation.

Boron Recycle System

The Boron Recycle System collects, stores, treats, recycles and disposes of reactor coolant letdown during normal operations. This System is required to maintain reactor coolant letdown in accordance with federal pollution control standards as to radioactivity. The System includes the following components: Drain tanks, a degasifier, a preheater, a degasifier regenerative heat exchanger, trim coolers, a degasifier prefilter, cesium removal ion exchangers, recovery filters, waste storage tanks, recovery evaporator packages, recovery test tanks, recovery demineralizers, recovery demineralizer filters, a letdown rehead heat exchanger, a letdown chiller heat exchanger, a letdown moderating heat exchanger, a chiller surge tank, a chiller, thermal regenerative demineralizers, radiation monitors, associated

pumps, piping and valves, and controls and instrumentation.

Steam Generator Blowdown Treatment System

The Steam Generator Blowdown Treatment System collects, processes, stores and treats steam generator blowdown for discharge or recycle during normal operation. This is necessary in compliance with pollution control requirements which limit the discharge of untreated steam generator blowdown. The System includes the following components: Blowdown evaporators, an evaporator distillate condenser, an evaporator condensate accumulator, an evaporator distillate pump, an evaporator condensate cooler, an evaporator bottoms pump, an evaporator bottoms cooler, blowdown demineralizers, acid and caustic systems, blowdown heat exchangers, and associated piping, controls and instrumentation.

Solid Radwaste System

The Solid Radwaste System collects, stores, packages and prepares solid radioactive waste for disposal. Radioactive solid wastes processed by this System include spent demineralizer resins, expended filter cartridges, evaporator concentrates as well as dry active waste consisting of rags, clothing, paper and other trash. The System includes the following components: A spent resin storage tank, an evaporator bottoms storage tank, associated collection piping, pumps and valves, a dry waste compactor, a filter transfer vehicle, and associated controls and instrumentation.

Waste Processing Building

The Waste Processing Building is a reinforced concrete structure which houses equipment used for exempt facilities. The purpose of this building is to house the air and water pollution control facilities and the solid waste disposal facilities.

Auxiliary Building

The Auxiliary Building is a reinforced concrete structure which houses both pollution control and production related equipment. Pollution control facilities located in the Auxiliary Building include portions of the liquid radwaste and gaseous radwaste systems. The cost of the Auxiliary Building and general support equipment has been allocated to the exempt facilities according to the ratio of space used for qualified equipment to the total space used in the building for all equipment.

Spent Nuclear Fuel Facility

The Spent Nuclear Fuel Facility is located in a separate building with enclosed fuel handling equipment for production functions and for spent fuel storage. The fuel handling facility includes a Seismic Category 1 structure containing a spent fuel pool with racks, spent fuel cooling and purification systems, a new fuel storage area, a spent fuel cask loading pit, and a cask washdown area. Also included are cranes and equipment supporting the fuel handling operations as well as the transfer canal leading the reactor containment. The cost of the Spent Nuclear Fuel Facility is determined through an allocation of the cost of the overall fuel facility between spent fuel facilities and production facilities.

Circulating Water System

The Circulating Water System will provide cooling water to the main condensers of Seabrook Station. The Circulating Water System is a once-through system using sea water from the Atlantic Ocean to remove the heat of condensation from the steam cycle and to dispose of that heat in an environmentally acceptable manner. The points of inlet and discharge of the cooling water are offshore, east of Hampton Beach, New Hampshire.

The System includes the following structures: Two 19-foot inside diameter tunnels, lined with reinforced concrete, which connect the plant with the offshore inlet and outlet structures; a pumphouse, located at the plant site which encloses traveling screens and pumps for the circulating water and service water systems; and a piping system at the plant site, for the most part underground, interconnecting the tunnels, the pumphouse, and the condensers.

The tunnels extend through the underlying rock in an east-west direction at an elevation between 200 and 250 feet below sea level. They end at the plant site with two 19-foot diameter vertical shafts, which reach above grade transforming at the top into two transition boxes open to the atmosphere. At the offshore end, the intake tunnel terminates with three 9-foot inside diameter vertical shafts connecting to three submerged inlet heads. The discharge tunnel terminates with eleven 5-foot inside diameter vertical shafts, each connecting to a submerged bifurcated diffuser head.

Service Water Cooling Tower System

The Service Water Cooling Tower System disposes of waste heat from the plant

service water system. Waste heat from equipment throughout the plant is collected by the service water cooling system piping. The service water transfers waste heat to the service water cooling tower, which discharges heat to the atmosphere, thereby controlling discharge of waste heat to the natural water resources adjacent to the station. The Service Water Cooling Tower System components include the service water cooling tower, service water piping, pumps and associated electrical service, mechanical equipment, controls and instrumentation.

Screen Wash System

The Screen Wash System collects, stores and disposes of debris removed from the circulating and service water systems. This debris is solid waste with no market or other value. After removal, the debris is transferred to a landfill for final disposal. The components of the Screen Wash System include the screen wash pumps, trash trough, trash container, piping and valves, associated electrical service, mechanical equipment, controls and instrumentation.

EXHIBIT B
ASSUMPTION AGREEMENT

This Assumption Agreement (the "Assumption Agreement") is entered into as of , by The Industrial Development Authority of the State of New Hampshire (with its successors, the "Authority"), a body corporate and politic created under New Hampshire Revised Statutes Annotated 162-A:3; Public Service Company of New Hampshire (with its successors, the "Company"), a New Hampshire corporation; (with its successors, the "Seabrook Transferee"), a corporation; and State Street Bank and Trust Company, a Massachusetts trust company, as Trustee (with its successors, the "Trustee") under a Series D Loan and Trust Agreement dated as of May 1, 1991 (the "LTA") among the Authority, the Company and the Trustee, which secures the Authority's $114,500,000 in aggregate principal amount Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 1991 Taxable Series D) and any Tax-Exempt Refunding Bonds issued thereunder (the "Bonds"). Capitalized terms not otherwise defined herein shall have the meaning given them in the LTA.

This Assumption Agreement is entered into pursuant to Section 505 of the LTA in connection with the transfer by the Company of its interest in the Station (including the Project Facilities) to the Seabrook Transferee. The purpose of this Assumption Agreement is to ensure the exclusion of interest on the Tax-Exempt Refunding Bonds from gross income of the owners thereof for federal income tax purposes and to satisfy certain requirements of the Authority with respect to facilities financed under the Act. This Assumption Agreement shall remain in effect until no Bonds remain Outstanding.

In consideration of the mutual promises contained in this Assumption Agreement, the rights conferred and the obligations assumed hereby, and other good and valuable consideration, the receipt of which is hereby acknowledged, each of the Company, the Seabrook Transferee, the Authority and the Trustee agree, assign, covenant, grant, pledge, promise, represent and warrant as set forth herein for their own benefit and for the benefit of the Bondowners.

Section 1. Representations and Covenants of the Company. The Company represents, warrants, covenants and agrees as follows:

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of New Hampshire; is duly qualified to do business and in good standing in each jurisdiction in which the failure so to qualify would have a material adverse affect on its business or properties; and has full corporate power to enter into this Assumption Agreement;

(b) This Assumption Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and binding obligation of the Company enforceable against the Company as provided herein and in the LTA, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and to the exercise of judicial discretion in appropriate cases.

(c) No Default or Event of Default exists, or immediately after the Seabrook Transfer, will exist under the LTA.

(d) The Company and the Seabrook Transferee are members of the same affiliated group within the meaning of IRC
1504.

(e) The Seabrook Transfer is in all material respects as contemplated by the Third Amended Joint Plan of Reorganization dated December 28, 1989 of the Company as confirmed by an order of the United States Bankruptcy Court for the District of New Hampshire (Case No. BK88-00043) on April 20, 1990.

(f) The Company has obtained all regulatory approvals necessary to enter into this Assumption Agreement and to consummate the Seabrook Transfer and

all such approvals have become final.

(g) The Company's execution and delivery of this Assumption Agreement and the consummation of the Seabrook Transfer do not violate or constitute a default under the Company's charter or by-laws, any applicable law, any order or decree of any court or governmental authority having jurisdiction over the Company, or any agreement or instrument binding on the Company or its properties.

Section 2. Representations and Covenants of the Seabrook Transferee. The Seabrook Transferee represents, warrants, covenants and agrees as follows:

(a) The Seabrook Transferee is a corporation duly organized, validly existing and in good standing under the laws of ; is duly qualified to do business and in good standing in the State of New Hampshire and in each jurisdiction in which the failure so to qualify would have a material adverse affect on its business or properties; and has full corporate power to enter into this Assumption Agreement.

(b) This Assumption Agreement has been duly authorized, executed and delivered by the Seabrook Transferee and constitutes a valid and binding obligation of the Seabrook Transferee enforceable against the Seabrook Transferee as provided herein, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and to the exercise of judicial discretion in appropriate cases.

(c) The Seabrook Transferee and the Company are members of the same affiliated group within the meaning of IRC 1504.

(d) The Seabrook Transfer is in all material respects as contemplated by the Third Amended Joint Plan of Reorganization dated December 28, 1989 of the Company as confirmed by an order of the United States Bankruptcy Court for the District of New Hampshire (Case No. BK88-00043) on April 20, 1990.

(e) The Seabrook Transferee has obtained all regulatory approvals necessary to enter into this Assumption Agreement and to consummate the Seabrook Transfer and all such approvals have become final.

(f) The Seabrook Transferee's execution and delivery of this Assumption Agreement and the consummation of the Seabrook Transfer do not violate or constitute a default under the Seabrook Transferee's charter or by-laws, any applicable law, any order or decree of any court or governmental authority having jurisdiction over the Seabrook Transferee, or any agreement or instrument binding on the Seabrook Transferee or its properties.

(g) The Seabrook Transferee will maintain its corporate existence and its qualification to do business and good standing under the laws of the State of New Hampshire and will maintain itself as a foreign corporation duly qualified to do business and in good standing, where applicable, in each jurisdiction in which the failure to so qualify would have a material adverse effect upon its business or properties. The Seabrook Transferee shall not merge or consolidate with or sell all or substantially all of its assets to another entity, except that the Seabrook Transferee may so merge or consolidate with or sell all or substantially all of its assets to another corporation if (i) the surviving or transferee corporation is qualified to do business in New Hampshire, and (ii) the surviving or transferee corporation (if not the Seabrook Transferee) has assumed in writing all of the Seabrook Transferee's obligations hereunder.

Section 3. Use of the Project. (a) Notwithstanding any provision herein or in the LTA to the contrary, the Seabrook Transferee will not operate the Project Facilities in any manner, and will not take or omit any action or permit any action to be taken or omitted with the result that interest on any Tax-Exempt Refunding Bonds is included in the gross income of the owners thereof for federal income tax purposes. The Seabrook Transferee's use of the Project Facilities (or facilities replacing the same) shall be in furtherance of the purpose of air or water pollution control or sewage or solid waste disposal and in compliance with the Act.

(b) Notwithstanding any provision herein or in the LTA to the contrary, the Seabrook Transferee shall not permit the Project Facilities to fail to qualify as (1) "industrial facilities" under the Act, (2) a facility described in Section 1312(a) of the Tax Reform Act of 1986, or (3) "sewage or solid waste disposal facilities" or "air or water pollution control facilities" within the meaning of Section 103(b)(4)(E) or (F) of the 1954 Code; provided, however, that if the Company waives the application of clauses (b) and (c) of Section 502 of the LTA as provided in said Section 502, clauses (2) and (3) of this Subsection 3(b) shall likewise be waived. The Seabrook Transferee acknowledges that it is fully familiar with the physical condition of the Project Facilities and that it is not relying on any representation of any kind by the Authority or the Trustee concerning the nature or condition thereof. Neither the Authority nor the Trustee shall be liable to the Seabrook Transferee or any other person for any latent or patent defect in the Project Facilities.

(c) In the acquisition, maintenance, improvement and operation of the Project Facilities, the Seabrook Transferee has and will comply in all material respects with all applicable building, subdivision, zoning and land use, environmental protection, sanitary and safety and other laws, rules and regulations and will not permit any nuisance thereat and will to the extent of its ownership and control, permit no nuisance to be committed thereat by others while the Seabrook Transferee is, or is entitled to be, in possession thereof. It shall not be a breach of this section if the Seabrook Transferee fails to comply with such laws, rules and regulations during any period in which the Seabrook Transferee shall in good faith be diligently contesting the validity thereof.

(d) The Seabrook Transferee shall pay in a timely manner all costs of maintaining and operating the Project Facilities, including without limitation all taxes, excises and other governmental charges lawfully levied thereon or with respect to its interests therein or use thereof to the extent of the Seabrook Transferee's interest therein. It shall not be a breach of this section if the Seabrook Transferee fails to pay any such costs, taxes or charges during any period in which the Seabrook Transferee shall in good faith be contesting the validity or amount thereof and no foreclosure proceedings have been commenced, unless the procedures applicable to such contest require payment thereof and proceedings for their refund or abatement.

(e) The Seabrook Transferee shall not sell, lease, transfer or otherwise dispose of the Project Facilities (other than the grant of a mortgage pursuant to a financing transaction) unless (i) it obtains the consent of the Authority, which consent shall not be unreasonably withheld, provided, however, that no such consent shall be required if such transaction has been approved by or consented to by the New Hampshire Public Utilities Commission; and (ii) if there are any Outstanding Tax-Exempt Refunding Bonds, it obtains an opinion of Bond Counsel addressed to and reasonably satisfactory to the Trustee and the Authority that such sale, lease, transfer or other disposition will not affect the exclusion of the interest on any Outstanding Tax-Exempt Refunding Bonds from the gross income of the owners thereof for federal income tax purposes.

The Seabrook Transferee shall not make any material change in the purposes for which the Project Facilities are used without the consent of the Authority, which consent shall not be unreasonably withheld. The Seabrook Transferee at its own expense may alter, remodel or improve the Project Facilities and construct other facilities at the site of the Project Facilities, provided such action shall not result in any substantial change in the Project Facilities or the character of the activities conducted by the Seabrook Transferee at the Project Facilities site without the consent of the Authority, which consent shall not be unreasonably withheld.

(f) The Authority and the Trustee and their respective duly authorized agents shall have the right at all reasonable times and upon the furnishing of reasonable notice under the circumstances to examine the books and records of the Seabrook Transferee relating to the Project Facilities.

(g) The undertakings of the Seabrook Transferee contained in Subsections 3(b), (c), (d) and (e) are limited to those consistent with the Seabrook Transferee's undivided percentage interest in the facilities of which the Project Facilities are a part.

Section 4. Indemnification by the Seabrook Transferee. The Seabrook Transferee, regardless of any agreement to maintain insurance, will indemnify the Authority and the Trustee against (a) any and all claims by any person related to the participation of the Authority or the Trustee in the financing of the Project Facilities, including without limitation claims arising out of any condition of the Project Facilities or Station or the construction, use, occupancy or management thereof; any accident, injury or damage to any person occurring in or about the Station; any breach by the Seabrook Transferee of its obligations under this Assumption Agreement; any act or omission of the Seabrook Transferee or any of its agents, contractors, servants, employees or licensees; and (b) all costs, counsel fees, expenses or liabilities reasonably incurred in connection with any such claim or any action or proceeding brought thereon. In case any action or proceeding is brought against the Authority or the Trustee by reason of any such claim, the Seabrook Transferee will defend the same at its expense upon notice from the Authority or the Trustee, and the Authority or the Trustee, as the case may be, will cooperate with the Seabrook Transferee, at the expense of the Seabrook Transferee, in connection therewith.

Section 5. Failure to Comply. The Seabrook Transferee shall immediately notify the Authority, the Company and the Trustee of any failure to observe or perform any of its covenants or agreements contained herein, and thereafter shall keep the Authority, the Company and the Trustee informed with respect to any curative action instituted by the Seabrook Transferee in order to cure such failure.

Section 6. Amendment. This Assumption Agreement may be amended by the

parties hereto, provided, however, that in connection with any amendment the Company or the Seabrook Transferee shall furnish the Authority and the Trustee with an opinion of Bond Counsel stating that the amendment will not impair the exclusion of interest on the Bonds from gross income of the owners thereof for federal income tax purposes.

Section 7. Agreement Not for the Benefit of Other Parties. This Assumption Agreement is not intended for the benefit of and shall not be construed to create rights in parties other than the Authority, the Company, the Seabrook Transferee, the Trustee and the Bondowners.

Section 8. Severability. In the event that any provision of this Assumption Agreement shall be held to be invalid in any circumstance, such invalidity shall not affect any other provisions or circumstances.

Section 9. Counterparts. This Assumption Agreement may be executed and delivered in any number of counterparts, each of which shall be deemed to be an original; but such counterparts together shall constitute one and the same instrument.

Section 10. Governing Law. This Assumption Agreement shall be governed by the laws of the State of New Hampshire.

IN WITNESS WHEREOF, The Industrial Development Authority of the State of New Hampshire has caused this Assumption Agreement to be signed by one of its members and directors duly designated and authorized for the purpose and its official seal to be impressed hereon and attested by its Executive Director; Public Service Company of New Hampshire has caused this Assumption Agreement to be signed and its corporate seal to be impressed hereon and attested by authorized officers; [the Seabrook Transferee] has caused this Assumption Agreement to be signed and its corporate seal impressed hereon and attested by authorized officers; and State Street Bank and Trust Company, as Trustee, has caused this Assumption Agreement to be signed and its corporate seal to be impressed hereon and attested by authorized officers.

THE INDUSTRIAL DEVELOPMENT AUTHORITY (Seal)
OF THE STATE OF NEW HAMPSHIRE Attest:
By
Title: Executive Director

PUBLIC SERVICE COMPANY (Seal)
OF NEW HAMPSHIRE Attest:
By
Title: Title:

[SEABROOK TRANSFEREE] (Seal)
Attest:
By
Title: Title:

STATE STREET BANK AND TRUST (Seal)
COMPANY, as Trustee Attest:
By
Title: Title:

EXHIBIT C
FORM OF FLEXIBLE 1991 SERIES D BOND

$ No. R-
ANY BONDHOLDER WHO FAILS TO DELIVER A BOND FOR PURCHASE AT THE TIMES AND AT THE PLACE REQUIRED HEREIN SHALL HAVE NO FURTHER RIGHTS HEREUNDER EXCEPT THE RIGHT TO RECEIVE THE PURCHASE PRICE HEREOF UPON PRESENTATION AND SURRENDER OF THIS BOND TO THE PAYING AGENT AS DESCRIBED HEREIN, AND SHALL HOLD THIS BOND AS AGENT FOR THE PAYING AGENT.

UNITED STATES OF AMERICA
STATE OF NEW HAMPSHIRE
THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE STATE OF NEW HAMPSHIRE
Pollution Control Revenue Bond
(Public Service Company of New Hampshire
Project - 1991 Taxable Series D)

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

INTEREST DUE: $
(on the Next Purchase Date)
INTEREST RATE:
(to the Next Purchase Date)
NEXT PURCHASE DATE:
COMMENCEMENT DATE OF RATE PERIOD:
MATURITY DATE: May 1, 2021
CUSIP:

DATE OF THIS BOND:
(Date as of which Bonds of this
series were initially issued.)
MODE: Flexible

THIS BOND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE STATE OF NEW HAMPSHIRE OR OF THE AUTHORITY EXCEPT TO THE EXTENT PERMITTED BY NEW HAMPSHIRE RSA CHAPTER 162-I. ALL AMOUNTS OWED HEREUNDER ARE PAYABLE ONLY FROM THE SOURCES PROVIDED IN THE LOAN AND TRUST AGREEMENT DESCRIBED BELOW, AND NO PUBLIC FUNDS MAY BE USED FOR THAT PURPOSE.

The Industrial Development Authority of the State of New Hampshire (the "Authority"), for value received, promises to pay to the REGISTERED OWNER, or registered assigns, but solely from the moneys to be provided under the Agreement mentioned below, upon presentation and surrender hereof, in lawful money of the United States of America, the PRINCIPAL AMOUNT on the MATURITY DATE, unless paid earlier as provided below, with interest from the most recent Interest Payment Date, as defined below, to which interest has been paid or duly provided for or, if no interest has been paid, from the DATE OF THIS BOND set forth above, until paid in full, at the rates set forth below, payable on each Interest Payment Date. So long as this bond is in the Flexible Mode, interest shall be due on this bond on each Purchase Date (as defined below) and on the MATURITY DATE, and when this bond is in any other Mode interest shall be due on the dates provided in the Agreement (the "Interest Payment Dates"). Until conversion to the Weekly, Multiannual or Fixed Rate Mode as provided below, this bond shall bear interest at the Flexible Rate. The Flexible Rate for this bond shall be the rate of interest determined by the Remarketing Agent designated as provided in the Agreement (herein, with its successors, the "Remarketing Agent"), for each Rate Period, as defined below, to be the lowest rate which in its judgment, on the basis of prevailing financial market conditions, is necessary on and as of the Effective Date, as defined below, to remarket each Bond having such Rate Period in a secondary market transaction at a price equal to the principal amount thereof, but not in excess of the Maximum Interest Rate. If this bond is converted to the Weekly, Multiannual or Fixed Rate Mode it shall bear interest at the Weekly, Multiannual or Fixed Rate, as the case may be, as defined in the Agreement. The Remarketing Agent shall determine the initial Flexible Rate on or before the date of issue in or of conversion to the Flexible Mode, which rate shall remain in effect as provided in the Agreement. Thereafter, the Remarketing Agent shall redetermine the Flexible Rate for each Rate Period as provided below. The amount of interest due on any Interest Payment Date shall be the amount of unpaid interest accrued on this bond through the day preceding such Interest Payment Date or, if such Interest Payment Date is not a Business Day, through the day preceding the first Business Day succeeding such Interest Payment Date.

This bond is one of a series of Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 1991 Taxable Series D) (the "Bonds") in the aggregate principal amount of $114,500,000 issued under New Hampshire RSA Chapter 162-I (the "Act"). The proceeds of the Bonds are being loaned to Public Service Company of New Hampshire (the "Company"), a New Hampshire corporation, pursuant to a Series D Loan and Trust Agreement (the "Agreement") dated as of May 1, 1991 among the Company, the Authority and State Street Bank and Trust Company, as Trustee (the "Trustee") to finance certain costs associated with the Company's ownership interest in air or water pollution control and sewage or solid waste disposal facilities installed for use by Unit No. 1 at the nuclear electric generating station (the "Station") in Seabrook, New Hampshire (the "Project Facilities"). Pursuant to the Agreement, the Company has unconditionally agreed to repay such loan in the amounts and at the times necessary to pay the principal of, premium, if any, and interest on the Bonds when due. To evidence and secure such loan and the Company's reimbursement and certain other obligations under the Reimbursement Agreement (as defined below), the Company has issued and delivered to the Trustee its First Mortgage Bonds, Series F (the "Series F First Mortgage Bonds") issued under the First Mortgage Indenture dated as of August 15, 1978, as amended, and the Tenth Supplemental Indenture thereto dated as of May 1, 1991 between the Company and First Fidelity Bank, National Association, New Jersey, as Trustee (as amended and supplemented from time to time, the "First Mortgage Bond Indenture") in an aggregate principal amount, and with an interest rate, maturity date and redemption provisions corresponding to those of the Bonds. As provided in the Agreement, payments of principal of, and premium, if any, and interest on the Series F First Mortgage Bonds shall, upon receipt by the Trustee, be deemed to constitute payments in corresponding amounts by the Company in respect of the Bonds. Reference is hereby made to the Agreement for the provisions thereof with respect to the rights, limitations of rights, duties, obligations and immunities of the Company, the Authority, the Trustee, the Paying Agent, and the Bondowners, including the order of payments in the event of insufficient funds, the disposition of unclaimed moneys held by the Trustee and restrictions on the rights of owners of the Bonds to bring suit. The Agreement may be amended to the extent and in the manner provided therein. Copies of the Agreement are available for inspection at the corporate trust office of the Trustee.

The Purchase Price (as defined below) and principal of and interest on this bond while it is in the Flexible Mode is also payable from moneys drawn by the Paying Agent on an irrevocable letter of credit for the Bonds (together with any extensions and renewals thereof, the "Letter of Credit") issued by Citibank, N.A. in the initial aggregate stated amount of $121,014,000 pursuant to the terms of a Series D Letter of Credit and Reimbursement Agreement dated as of May 1, 1991 (the "Reimbursement Agreement") by and between the Company and Citibank, N.A. (together with any other issuer of a Credit Facility, the "Bank"). The Letter of Credit initially expires on the fourth anniversary of the DATE OF THIS BOND but may be terminated earlier upon the occurrence of certain events set forth in the Agreement and the Reimbursement Agreement or extended as provided in the Reimbursement Agreement. The Company may substitute the Letter of Credit in whole or in part with one or more new letters of credit (collectively with the Letter of Credit, a "Credit Facility") as provided in the Agreement and the Reimbursement Agreement. The Company may substitute a new Letter of Credit as provided in the Agreement.

Unless otherwise defined herein, capitalized terms used in this bond shall have the meaning given them in the Agreement. The following terms are defined as follows:

"Business Day" means a day (i) that is not a Sunday or legal holiday or a day on which banking institutions are authorized pursuant to law to close, (ii) that is not a day on which the corporate trust office of the First Mortgage Bond Trustee is not open for business, (iii) that is a day on which banks are not required or authorized to close in New York, New York, and (iv) that is a day on which banking institutions in all of the cities in which the principal offices of the Trustee and the Paying Agent and, if applicable, the Remarketing Agent and the Bank are located are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

"Effective Date" means, with respect to a Bond in the Flexible, Weekly and Multiannual Modes, the date on which a new Rate Period for that Bond takes effect.

"Mode" means the period for and the manner in which the interest rates on the Bonds are set and includes the Flexible Mode, the Weekly Mode, the Multiannual Mode and the Fixed Rate Mode.

"Purchase Date" means, while this bond is in the Flexible Mode, the date on which this bond shall be required to be purchased pursuant to a mandatory tender in accordance with the provisions hereof.

"Rate Period" or "Period" means, when used with respect to any particular rate of interest for a Bond in the Flexible, Weekly or Multiannual Mode, the period during which such rate of interest determined for such Bond will remain in effect as described herein.

At the option of the Company and upon certain conditions provided for in the Agreement described below, all or a portion of the Bonds (a) may be converted or reconverted from time to time to or from the Weekly Mode or Multiannual Mode, which means that the Rate Period is, respectively, one week or one year or any multiple of one year, (b) may be converted or reconverted from time to time to or from the Flexible Mode, and will have Rate Periods of from one to 270 days as provided herein, or (c) may be converted to the Fixed Rate Mode; provided, however, that in the Multiannual Mode the first rate period occurring after conversion to such Mode may be shorter than the applicable multiple of one year as provided in the Agreement. While this bond is in the Flexible Mode, a new interest rate shall take effect on the date such Mode takes effect, and on the Effective Date of the next Flexible Rate Period, as defined herein, applicable to this bond.

While this bond is in the Flexible Mode, conversions to any other Mode may take place only on an Effective Date. Conversion of this bond to another Mode shall be subject to certain conditions set forth in the Agreement. In the event that the conditions for a proposed conversion to a new Mode are not met (i) such new Mode shall not take effect on the proposed conversion date, notwithstanding any prior notice to the Bondowners of such conversion and (ii) this bond shall remain in the Flexible Mode with a Rate Period of one day. In no event shall the failure of this bond to be converted to another Mode be deemed to be a Default or an Event of Default under the Agreement as long as the Purchase Price (as defined below) is made available on the failed conversion date to owners of all Bonds that were to have been converted.

While Bonds bear interest at Flexible Rates, the interest rate for each particular Bond in the Flexible Mode will be determined by the Remarketing Agent and will remain in effect from and including the Effective Date of the Rate Period selected for that Bond by the Remarketing Agent through the last date thereof. While the Bonds are in the Flexible Mode, Bonds may have successive Rate Periods of any duration up to 270 days each and ending on a Business Day and any Bond may bear interest at a rate and for a period different from any other Bond.

In the event that the Remarketing Agent no longer determines, or fails to

determine when required, any Rate Period or any Flexible Rate for any Bonds, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the Rate Period for any such Bond shall be deemed to be a Flexible Rate Period with a duration of one day and the Flexible Rate shall be determined as provided in the Agreement.

While this bond is in the Flexible Mode it is subject to mandatory tender for purchase on each applicable Effective Date at a price (the "Purchase Price") of par plus accrued interest to the Effective Date. THE OWNER OF THIS BOND, BY ACCEPTANCE HEREOF, AGREES TO SELL AND SURRENDER THIS BOND IN ACCORDANCE WITH THE PROVISIONS OF THE AGREEMENT AND, ON THE PURCHASE DATE, TO SURRENDER THIS BOND TO THE PAYING AGENT FOR PAYMENT OF THE PURCHASE PRICE. UPON DEPOSIT OF THE PURCHASE PRICE WITH THE PAYING AGENT ON THE PURCHASE DATE, THIS BOND SHALL BE DEEMED TENDERED FOR PURCHASE AND SHALL CEASE TO BE OUTSTANDING UNDER THE AGREEMENT, INTEREST HEREON SHALL CEASE TO ACCRUE AS OF THE PURCHASE DATE, AND THE REGISTERED OWNER HEREOF SHALL BE ENTITLED ONLY TO RECEIVE THE PURCHASE PRICE SO DEPOSITED WITH THE PAYING AGENT UPON SURRENDER OF THIS CERTIFICATE TO THE PAYING AGENT. The Purchase Price shall be paid on the Delivery Date, which shall be the Effective Date or any subsequent Business Day on which this bond is delivered to the Paying Agent. The Purchase Price of this bond shall be paid only upon surrender of this bond to the Paying Agent as provided herein. From and after the Effective Date, no further interest shall be payable to the REGISTERED OWNER during the preceding Rate Period, provided that there are sufficient funds available on the Effective Date to pay the Purchase Price.

Each determination and redetermination of the Flexible Rate shall be conclusive and binding on the Authority, the Trustee, the Paying Agent, the Bank, the Company and the Bondowners.

While this bond is in the Flexible Mode, interest shall be computed on the basis of actual days elapsed divided by 360. From and after the date on which this bond becomes due, any unpaid principal will bear interest at the then effective interest rate until paid or duly provided for.

While this bond is in the Flexible Mode, the principal of and interest on this bond due on the MATURITY DATE are payable when due by wire or bank transfer of immediately available funds within the continental United States to the REGISTERED OWNER hereof but only upon presentation and surrender of this bond at the offices of Security Pacific National Trust Company (New York), New York, New York, as Paying Agent (with its successors in such capacity, the "Paying Agent"). While this bond is in the Flexible Mode, the Purchase Price of this bond (which includes accrued interest to the Purchase Date) tendered for purchase is payable by wire or bank transfer within the continental United States from the Paying Agent to the REGISTERED OWNER at its address shown on the registration books maintained by the Paying Agent. Payment of the Purchase Price of this bond to such owner shall be made on the Purchase Date if presentation and surrender of this bond is made prior to 11:00 A.M., New York City time, on the Purchase Date or on such later Business Day upon which presentation and surrender of this bond is made prior to 11:00 A.M., New York City time. The Purchase Price of this bond shall be paid in immediately available funds. Overdue interest on this bond, or interest on overdue principal while in the Flexible Mode is payable in immediately available funds by wire or bank transfer within the continental United States from the Paying Agent to the REGISTERED OWNER, determined as of the close of business on the applicable special record date as determined by the Trustee, at its address as shown on the registration books maintained by the Paying Agent. The special record date may be not more than thirty (30) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date. The Paying Agent will promptly certify to the Authority, the Trustee and the Remarketing Agent that it has mailed such notice to all Bondowners, and such certificate will be conclusive evidence that notice was given in the manner required hereby.

This bond is transferable by the REGISTERED OWNER, in person or by its attorney duly authorized in writing, at the office of the Paying Agent, upon surrender of this bond to the Paying Agent for cancellation. Upon the transfer, a new Bond or Bonds in authorized denominations of the same aggregate principal amount will be issued to the transferee at the same office. No transfer will be effective unless represented by such surrender and reissue. This bond may also be exchanged at the office of the Paying Agent for a new Bond or Bonds in authorized denominations of the same aggregate principal amount without transfer to a new registered owner. Exchanges and transfers will be without expense to the owner except for applicable taxes or other governmental charges, if any.

The Bonds are issuable only in fully registered form and while in the Flexible Mode shall be in denominations of $100,000 or any multiple of $1,000 in excess of $100,000.

The Authority, the Trustee, the Paying Agent and the Company may treat the REGISTERED OWNER as the absolute owner of this bond for all purposes, notwithstanding any notice to the contrary.

No director, officer, employee or agent of the Authority nor any person executing this bond (by facsimile signature or otherwise) shall be personally liable, either jointly or severally, hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

This bond will not be valid until the Certificate of Authentication has been signed by the Trustee or its duly appointed agent for such purpose.

REFERENCE IS MADE TO THE FURTHER PROVISIONS OF THIS BOND ON THE BACK, WHICH HAVE THE SAME EFFECT AS IF SET FORTH HERE.

THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE STATE OF NEW HAMPSHIRE

(Seal) By:
Title:
By:
Title:

Certificate of Authentication

This bond is one of the Bonds described in the Loan and Trust Agreement.

STATE STREET BANK AND TRUST
COMPANY, as Trustee
Date of Registration:

By: , or
Authorized Signature

By: SECURITY PACIFIC NATIONAL TRUST
COMPANY (NEW YORK), as agent of the Trustee

By:
Authorized Signature

Assignment

For value received the undersigned sells, assigns and transfers this bond to

(Name and Address of Assignee)

Social Security or Other Identifying Number of Assignee

and irrevocably appoints attorney-in-fact to transfer it on the books kept for registration of the bond, with full power of substitution.

NOTE: The signature to this assignment must correspond with the name as written on the face of the bond without alteration or enlargement or other change and must be guaranteed by a national bank, trust company or member firm of a national stock exchange.

Dated:
Signature Guaranteed:

Bank, Trust Company or Brokerage Firm

By:
Authorized Signature

The following abbreviations, when used in the inscription on the face of this bond, shall be construed as though they were written out in full according to applicable law.

TEN COM - as tenants in common	UNIF GIFT MIN ACT -
TEN ENT - as tenants by the entirety	Custodian
JT TEN - as joint tenants with rights of survivorship and not as tenants in common	(Cust) (Minor)
Act	
(State)	

Additional abbreviations may also be used though not set forth in the list above.

EXHIBIT D

FORM OF WEEKLY 1991 SERIES D BOND

$ No. R-

ANY BONDHOLDER WHO FAILS TO DELIVER A BOND FOR PURCHASE AT THE TIMES AND AT THE PLACE REQUIRED HEREIN SHALL HAVE NO FURTHER RIGHTS HEREUNDER EXCEPT THE RIGHT TO RECEIVE THE PURCHASE PRICE HEREOF UPON PRESENTATION AND SURRENDER OF

THIS BOND TO THE PAYING AGENT AS DESCRIBED HEREIN, AND SHALL HOLD THIS BOND AS AGENT FOR THE PAYING AGENT.

UNITED STATES OF AMERICA
STATE OF NEW HAMPSHIRE
THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE STATE OF NEW HAMPSHIRE
Pollution Control Revenue Bond
(Public Service Company of New Hampshire
Project - 1991 Taxable Series D)

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

INTEREST PAYMENT DATES: (i) the first Business Day of each calendar month, and (ii) the Maturity Date.

MATURITY DATE: May 1, 2021
DATE OF THIS BOND:
(Date as of which Bonds of this series were initially issued.)
MODE: Weekly
CUSIP:

THIS BOND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE STATE OF NEW HAMPSHIRE OR OF THE AUTHORITY EXCEPT TO THE EXTENT PERMITTED BY NEW HAMPSHIRE RSA CHAPTER 162-I. ALL AMOUNTS OWED HEREUNDER ARE PAYABLE ONLY FROM THE SOURCES PROVIDED IN THE LOAN AND TRUST AGREEMENT DESCRIBED BELOW, AND NO PUBLIC FUNDS MAY BE USED FOR THAT PURPOSE.

The Industrial Development Authority of the State of New Hampshire (the "Authority"), for value received, promises to pay to the REGISTERED OWNER, or registered assigns, but solely from the moneys to be provided under the Agreement mentioned below, upon presentation and surrender hereof, in lawful money of the United States of America, the PRINCIPAL AMOUNT on the MATURITY DATE, unless paid earlier as provided below, with interest from the most recent INTEREST PAYMENT DATE to which interest has been paid or duly provided for or, if no interest has been paid, from the DATE OF THIS BOND set forth above, until paid in full, at the rates set forth below, payable on each INTEREST PAYMENT DATE. Until conversion to the Flexible, Multiannual or Fixed Rate Mode as provided below, this bond shall bear interest at the Weekly Rate. The Weekly Rate for this bond shall be the rate of interest determined by the Remarketing Agent designated as provided in the Agreement (herein, with its successors, the "Remarketing Agent"), for each Rate Period, as defined below, to be the lowest rate which in its judgment, on the basis of prevailing financial market conditions, would permit the sale of the Bonds (as defined below) in the Weekly Mode at par plus accrued interest on and as of the Effective Date, as defined below, but not in excess of the Maximum Interest Rate. If this bond is converted to the Flexible, Multiannual or Fixed Rate Mode it shall bear interest at the Flexible, Multiannual or Fixed Rate, as the case may be, as defined in the Agreement. The Remarketing Agent shall determine the initial Weekly Rate on or before the date of issue in or of conversion to the Weekly Mode, which rate shall remain in effect as provided in the Agreement. Thereafter, the Remarketing Agent shall redetermine the Weekly Rate for each Rate Period as provided below. The amount of interest due on any INTEREST PAYMENT DATE shall be the amount of unpaid interest accrued on this bond through the day preceding such INTEREST PAYMENT DATE.

This bond is one of a series of Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 1991 Taxable Series D) (the "Bonds") in the aggregate principal amount of $114,500,000 issued under New Hampshire RSA Chapter 162-I (the "Act"). The proceeds of the Bonds are being loaned to Public Service Company of New Hampshire (the "Company"), a New Hampshire corporation, pursuant to a Series D Loan and Trust Agreement (the "Agreement") dated as of May 1, 1991 among the Company, the Authority and State Street Bank and Trust Company, as Trustee (the "Trustee") to finance certain costs associated with the Company's ownership interest in air or water pollution control and sewage or solid waste disposal facilities installed for use by Unit No. 1 at the nuclear electric generating station (the "Station") in Seabrook, New Hampshire (the "Project Facilities"). Pursuant to the Agreement, the Company has unconditionally agreed to repay such loan in the amounts and at the times necessary to pay the principal of, premium, if any, and interest on the Bonds when due. To evidence and secure such loan and the Company's reimbursement and certain other obligations under the Reimbursement Agreement (as defined below), the Company has issued and delivered to the Trustee its First Mortgage Bonds, Series F (the "Series F First Mortgage Bonds") issued under the First Mortgage Indenture dated as of August 15, 1978, as amended, and the Tenth Supplemental Indenture thereto dated as of May 1, 1991 between the Company and First Fidelity Bank, National Association, New Jersey, as Trustee (as amended and supplemented from time to time, the "First Mortgage Bond Indenture") in an aggregate principal amount, and with an interest rate, maturity date and redemption provisions corresponding to those of the Bonds. As provided in the Agreement, payments

of principal of, and premium, if any, and interest on the Series F First Mortgage Bonds shall, upon receipt by the Trustee, be deemed to constitute payments in corresponding amounts by the Company in respect of the Bonds. Reference is hereby made to the Agreement for the provisions thereof with respect to the rights, limitations of rights, duties, obligations and immunities of the Company, the Authority, the Trustee, the Paying Agent, and the Bondowners, including the order of payments in the event of insufficient funds, the disposition of unclaimed moneys held by the Trustee and restrictions on the rights of owners of the Bonds to bring suit. The Agreement may be amended to the extent and in the manner provided therein. Copies of the Agreement are available for inspection at the corporate trust office of the Trustee.

The Purchase Price (as defined below) and principal of and interest on this bond while it is in the Weekly Mode is also payable from moneys drawn by the Paying Agent on an irrevocable letter of credit for the Bonds (together with any extensions and renewals thereof, the "Letter of Credit") issued by pursuant to the terms of a Reimbursement Agreement dated as of (the "Reimbursement Agreement") by and between the Company and (together with any other issuer of a Credit Facility, the "Bank"). The Paying Agent may draw on the Letter of Credit presently in place for the payment of up to forty-five (45) days' interest for Bonds in the Weekly Mode. The Letter of Credit initially expires on , but may be terminated earlier upon the occurrence of certain events set forth in the Agreement and the Reimbursement Agreement or extended as provided in the Reimbursement Agreement. Unless the Letter of Credit is extended or renewed or a substitute letter of credit (collectively with the Letter of Credit, a "Credit Facility") is provided in accordance with the Agreement, the Bonds will become subject to mandatory purchase as described below. The Company may substitute a new Credit Facility as provided in the Agreement.

In case any Event of Default occurs and is continuing, the principal amount of this bond together with accrued interest may become or be declared immediately due and payable in the manner and with the effect provided in the Agreement.

Unless otherwise defined herein, capitalized terms used in this bond shall have the meaning given them in the Agreement. The following terms are defined as follows:

"Business Day" means a day (i) that is not a Sunday or legal holiday or a day on which banking institutions are authorized pursuant to law to close, (ii) that is not a day on which the corporate trust office of the First Mortgage Bond Trustee is not open for business, (iii) that is a day on which banks are not required or authorized to close in New York, New York, and (iv) that is a day on which banking institutions in all of the cities in which the principal offices of the Trustee and the Paying Agent and, if applicable, the Remarketing Agent and the Bank are located are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

"Effective Date" means, with respect to a Bond in the Flexible, Weekly and Multiannual Modes, the date on which a new Rate Period for that Bond takes effect.

"Mode" means the period for and the manner in which the interest rates on the Bonds are set and includes the Flexible Mode, the Weekly Mode, the Multiannual Mode and the Fixed Rate Mode.

"Purchase Date" means, while this bond is in the Weekly Mode, the date on which this bond shall be required to be purchased pursuant to a mandatory or optional tender in accordance with the provisions hereof.

"Rate Period" or "Period" means, when used with respect to any particular rate of interest for a Bond in the Flexible, Weekly or Multiannual Mode, the period during which such rate of interest determined for such Bond will remain in effect as described herein. While this bond is in the Weekly Mode, a new interest rate shall take effect on the date such Mode takes effect and thereafter on each Wednesday.

At the option of the Company and upon certain conditions provided for in the Agreement described below, all or a portion of the Bonds (a) may be converted or reconverted from time to time to or from the Weekly Mode or Multiannual Mode, which means that the Rate Period is, respectively, one week or one year or any multiple of one year, (b) may be converted or reconverted from time to time to or from the Flexible Mode, and will have Rate Periods of from one to 270 days as provided herein, or (c) may be converted to the Fixed Rate Mode; provided, however, that in the Multiannual Mode the first rate period occurring after conversion to such Mode may be shorter than the applicable multiple of one year as provided in the Agreement.

While this bond is in the Weekly Mode, conversions to any other Mode may take place only on the first Business Day of any calendar month upon thirty (30) days' prior written notice from the Paying Agent to the REGISTERED OWNER of this bond. Conversion of this bond to another Mode shall be subject to the

conditions set forth in the Agreement. In the event that the conditions for a proposed conversion to a new Mode are not met (i) such new Mode shall not take effect on the proposed conversion date, notwithstanding any prior notice to the Bondowners of such conversion, (ii) this bond shall automatically convert to the Flexible Mode with a Rate Period of one day, and (iii) this bond shall be subject to mandatory tender for purchase as provided below. In no event shall the failure of this bond to be converted to another Mode be deemed to be a Default or an Event of Default under the Agreement as long as the Purchase Price (as defined below) is made available on the failed conversion date to owners of all Bonds that were to have been converted.

When this bond is in the Weekly Mode, the Weekly Rate in effect for each Rate Period (the "Effective Rate" for such Period) shall be determined not later than the Business Day next preceding the Effective Date. If the Remarketing Agent fails to make such determination or fails to announce the Effective Rate as required with respect to any Bonds in the Weekly Mode, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the rate on such Bonds to take effect on that Effective Date shall be the Weekly Rate in effect on the day preceding such date. The Remarketing Agent shall announce the Effective Rate by telephone to the Paying Agent on the date of determination thereof, and shall promptly confirm such notice in writing. While this bond is in the Weekly Mode, any Bondowner may ascertain the Effective Rate at any time by contacting the Paying Agent or the Remarketing Agent.

Each determination and redetermination of the Weekly Rate shall be conclusive and binding on the Authority, the Trustee, the Paying Agent, the Bank, the Company and the Bondowners.

While this bond is in the Weekly Mode, interest shall be computed on the basis of a 365- or 366-day year, as appropriate, and actual days elapsed. From and after the date on which this bond becomes due, any unpaid principal will bear interest at the then effective interest rate until paid or duly provided for.

While this bond is in the Weekly Mode the principal of this bond is payable when due by wire or bank transfer of immediately available funds within the continental United States to the REGISTERED OWNER hereof but only upon presentation and surrender of this bond at the office of Security Pacific National Trust Company (New York) New York, New York, as Paying Agent, (with its successors in such capacity, the "Paying Agent"). Interest on this bond while in the Weekly Mode is payable in immediately available funds by wire or bank transfer within the continental United States from the Paying Agent to the REGISTERED OWNER, determined as of the close of business on the applicable record date, at its address as shown on the registration books maintained by the Paying Agent. The Purchase Price (as defined below) of Bonds tendered for purchase shall be paid as provided below.

The record date for payment of interest while this bond is in the Weekly Mode is the Business Day preceding the date on which interest is to be paid. With respect to overdue interest or interest payable on redemption of this bond other than on an INTEREST PAYMENT DATE or interest on any overdue amount, the Trustee may establish a special record date. The special record date may be not more than thirty (30) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date. The Paying Agent will promptly certify to the Authority, the Trustee and the Remarketing Agent that it has mailed such notice to all Bondowners, and such certificate will be conclusive evidence that notice was given in the manner required hereby.

While this bond is in the Weekly Mode, the REGISTERED OWNER shall have the right to tender this bond for purchase in multiples of $100,000 at a price (the "Purchase Price") equal to 100% of the principal amount thereof, plus accrued interest, if any, to the Purchase Date, upon compliance with the conditions described below, provided that if the Purchase Date is an INTEREST PAYMENT DATE, accrued interest shall be paid separately, and not as part of the Purchase Price on such date. In order to exercise the right to tender, the REGISTERED OWNER must deliver to the Paying Agent a written irrevocable notice of tender substantially in the form of the Bondowner's Election Notice set forth hereon and satisfactory to the Paying Agent. While this bond is in the Weekly Mode, it will be purchased on the Business Day specified in such Bondowner's Election Notice, provided such date is at least seven calendar days after receipt by the Paying Agent of such notice. If the REGISTERED OWNER of this bond has elected to require purchase as provided above, the REGISTERED OWNER shall be deemed, by such election, to have agreed irrevocably to sell this bond to any purchaser determined in accordance with the provisions of the Agreement on the date fixed for purchase at the Purchase Price.

Tender of this bond will not be effective and this bond will not be purchased if at the time fixed for purchase an acceleration of the maturity of the Bonds shall have occurred and not have been annulled in accordance with the Agreement. Notice of tender of this bond is irrevocable. All notices of tender of Bonds shall be made to the Paying Agent at _____, New York, New York, or such other address specified in writing by the Paying

Agent to the Bondowners. All deliveries of tendered Bonds, including deliveries of Bonds subject to mandatory tender, shall be made to the Paying Agent at , New York, New York, Attention: , or such other address specified in writing by the Paying Agent to the Bondowners.

This bond is subject to mandatory tender for purchase at the Purchase Price (i) on the date of conversion or proposed conversion from one Mode to another Mode and (ii) on (a) the effective date of a substitute Credit Facility if such substitution would result in a withdrawal or reduction (excluding a withdrawal or reduction resulting from a change in Modes) of the rating of this bond, if any, by either Moody's or S&P or (b) a date that is not more than fifteen (15) or less than ten (10) days prior to the expiration or termination of the Credit Facility other than upon conversion to a new Mode. Notice of mandatory tender shall be given or caused to be given by the Trustee in writing to the REGISTERED OWNER at least thirty (30) days prior to the mandatory Purchase Date. THE OWNER OF THIS BOND, BY ACCEPTANCE HEREOF, AGREES TO SELL AND SURRENDER THIS BOND AT SUCH PRICE TO ANY PURCHASER DETERMINED IN ACCORDANCE WITH THE PROVISIONS OF THE AGREEMENT IN THE EVENT OF SUCH MANDATORY TENDER AND, ON SUCH PURCHASE DATE, TO SURRENDER THIS BOND TO THE PAYING AGENT FOR PAYMENT OF THE PURCHASE PRICE. From and after the Purchase Date, no further interest on this bond shall be payable to the REGISTERED OWNER, provided that there are sufficient funds available on the Effective Date to pay the Purchase Price.

The Purchase Price of this bond shall be paid to the REGISTERED OWNER by the Paying Agent on the Delivery Date, which shall be the Purchase Date or any subsequent Business Day on which this bond is delivered to the Paying Agent. The Purchase Price of this bond shall be paid only upon surrender of this bond to the Paying Agent as provided herein. From and after the Purchase Date, no further interest on this bond shall be payable to the REGISTERED OWNER who gave notice of tender for purchase, provided that there are sufficient funds available on the Purchase Date to pay the Purchase Price. The Purchase Price of Bonds tendered for purchase is payable for Bonds in the Weekly Mode by wire or bank transfer within the continental United States in immediately available funds from the Paying Agent to the REGISTERED OWNER at its address shown on the registration books maintained by the Paying Agent. If on any date this bond is subject to mandatory tender for purchase or is required to be purchased at the election of the REGISTERED OWNER, payment of the Purchase Price of this bond to such owner shall be made on the Purchase Date if presentation and surrender of this bond is made prior to 11:00 A.M., New York City time, on the Purchase Date or on such later Business Day upon which presentation and surrender of this bond is made prior to 11:00 A.M., New York City time.

Bonds in the Weekly Mode are subject to redemption in whole or in part at the direction of the Company on any INTEREST PAYMENT DATE at a redemption price of par plus accrued interest.

If less than all of the Outstanding Bonds are to be called for redemption, the Bonds (or portions thereof) to be redeemed shall be selected as provided in the Agreement with Bonds in the Weekly Mode being redeemed in units of $100,000.

In the event this bond is selected for redemption, notice will be mailed no more than forty-five (45) nor less than thirty (30) days prior to the redemption date to the REGISTERED OWNER at its address shown on the registration books maintained by the Paying Agent. Failure to mail notice to the owner of any other Bond or any defect in the notice to such an owner shall not affect the redemption of this bond.

If this bond is of a denomination in excess of one hundred thousand dollars ($100,000), portions of the principal amount in the amount of one hundred thousand dollars ($100,000) or any multiple thereof may be redeemed. If less than all of the principal amount is to be redeemed, upon surrender of this bond to the Paying Agent, there will be issued to the REGISTERED OWNER, without charge, a new Bond or Bonds, at the option of the REGISTERED OWNER, for the unredeemed principal amount.

Notice of redemption having been duly mailed, this bond, or the portion called for redemption, will become due and payable on the redemption date at the applicable redemption price and, moneys for the redemption having been deposited with the Paying Agent, from and after the date fixed for redemption, interest on this bond (or such portion) will no longer accrue.

IN CERTAIN CIRCUMSTANCES SET OUT HEREIN, THIS BOND (OR PORTION HEREOF) IS SUBJECT TO PURCHASE OR REDEMPTION, IN EACH CASE UPON NOTICE TO OR FROM THE OWNER HEREOF AS OF A DATE PRIOR TO SUCH PURCHASE OR REDEMPTION. IN EACH SUCH EVENT AND UPON DEPOSIT OF THE PURCHASE OR REDEMPTION PRICE WITH THE PAYING AGENT ON THE PURCHASE OR REDEMPTION DATE, AS THE CASE MAY BE, THIS BOND (OR PORTION HEREOF) SHALL CEASE TO BE OUTSTANDING UNDER THE AGREEMENT, INTEREST HEREON SHALL CEASE TO ACCRUE AS OF THE PURCHASE OR REDEMPTION DATE, AND THE REGISTERED OWNER HEREOF SHALL BE ENTITLED ONLY TO RECEIVE THE PURCHASE OR REDEMPTION PRICE SO DEPOSITED WITH THE PAYING AGENT UPON SURRENDER OF THIS CERTIFICATE TO THE PAYING AGENT.

This bond is transferable by the REGISTERED OWNER, in person or by its attorney duly authorized in writing, at the office of the Paying Agent, upon surrender of this bond to the Paying Agent for cancellation. Upon the transfer, a new Bond or Bonds in authorized denominations of the same aggregate principal amount will be issued to the transferee at the same office. No transfer will be effective unless represented by such surrender and reissue. This bond may also be exchanged at the office of the Paying Agent for a new Bond or Bonds in authorized denominations of the same aggregate principal amount without transfer to a new registered owner. Exchanges and transfers will be without expense to the owner except for applicable taxes or other governmental charges, if any. The Paying Agent will not be required to make an exchange or transfer of this bond (except in connection with any optional or mandatory tender of this bond) (i) if this bond (or any portion thereof) has been selected for redemption or (ii) during the fifteen (15) days preceding any date fixed for selection for redemption if this bond (or any portion thereof) is eligible to be selected for redemption.

The Bonds are issuable only in fully registered form and while in the Weekly Mode shall be in denominations of $100,000 or any multiple thereof.

The Authority, the Trustee, the Paying Agent and the Company may treat the REGISTERED OWNER as the absolute owner of this bond for all purposes, notwithstanding any notice to the contrary.

No director, officer, employee or agent of the Authority nor any person executing this bond (by facsimile signature or otherwise) shall be personally liable, either jointly or severally, hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

This bond will not be valid until the Certificate of Authentication has been signed by the Trustee or its duly appointed agent for such purpose.

REFERENCE IS MADE TO THE FURTHER PROVISIONS OF THIS BOND ON THE BACK, WHICH HAVE THE SAME EFFECT AS IF SET FORTH HERE.

THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE STATE OF NEW HAMPSHIRE

(Seal) By:
Title:
By:
Title:

Certificate of Authentication

This bond is one of the Bonds described in the Loan and Trust Agreement.

STATE STREET BANK AND TRUST
COMPANY as Trustee

Date of Registration: By: , or
Authorized Signature

By: SECURITY PACIFIC NATIONAL TRUST
COMPANY (NEW YORK), as agent of the
Trustee

By:
Authorized Signature

Assignment

For value received the undersigned sells, assigns and transfers this bond to

(Name and Address of Assignee)

Social Security or Other Identifying Number of Assignee
and irrevocably appoints attorney-in-fact
to transfer it on the books kept for registration of the bond, with full power of substitution.

NOTE: The signature to this assignment must correspond with the name as written on the face of the bond without alteration or enlargement or other change and must be guaranteed by a national bank, trust company or member firm of a national stock exchange.

Dated:

Signature Guaranteed:

Bank, Trust Company or Brokerage Firm

By:
Authorized Signature

The following abbreviations, when used in the inscription on the face of this bond, shall be construed as though they were written out in full according to applicable law.

TEN COM - as tenants in common	UNIF GIFT MIN ACT - Custodian
TEN ENT - as tenants by the entirety	(Cust) (Minor)
JT TEN - as joint tenants with rights of survivorship and not as tenants in common	Act
(State)	

Additional abbreviations may also be used though not set forth in the list above.

The following is the Bondowner's Election Notice described herein:

BONDOWNER'S ELECTION NOTICE

The Industrial Development Authority of the State of New Hampshire Pollution Control [Refunding] Revenue Bonds (Public Service Company of New Hampshire Project - [Year] [Tax-Exempt Refunding] [Taxable] Series)

Principal Amount	CUSIP	Principal Amount Tendered for Purchase	Bond Numbers	Purchase Date

The undersigned hereby certifies that it is the registered owner of the Bonds described above (the "Tendered Bonds"), all of which are in the Weekly Mode, and hereby agrees that the delivery of this instrument of transfer to the Paying Agent constitutes an irrevocable offer to sell the Tendered Bonds to the Company or its designee on the Purchase Date, which shall be a Business Day at least seven (7) calendar days following delivery of this instrument, at a purchase price equal to the unpaid principal balance thereof plus accrued and unpaid interest thereon to the Purchase Date (the "Purchase Price"). The undersigned acknowledges and agrees that this election notice is irrevocable and that the undersigned will have no further rights with respect to the Tendered Bonds except payment, upon presentation and surrender of the Tendered Bonds, of the Purchase Price by payment by wire or bank transfer within the continental United States from the Paying Agent to the undersigned at its address as shown on the registration books of the Paying Agent (i) on the Purchase Date if the Tendered Bonds shall have been surrendered to the Paying Agent prior to 11:00 A.M., New York City time, on the Purchase Date or (ii) on any Delivery Date subsequent to the Purchase Date on which Tendered Bonds are delivered to the Paying Agent by 11:00 A.M., New York City time.

Except as otherwise indicated herein and unless the context otherwise requires, the terms used herein shall have the meanings set forth in the Series D Loan and Trust Agreement dated as of May 1, 1991 relating to the Bonds.

Date: Signature(s)

Street City State Zip

IMPORTANT: The above signature(s) must correspond with the name(s) as set forth on the face of the Tendered Bond(s) with respect to which this Bondowner's Election Notice is being delivered without any change whatsoever. If this notice is signed by a person other than the registered owner of any Tendered Bond(s), the Tendered Bond(s) must be either endorsed on the Assignment appearing on each Bond or accompanied by appropriate bond powers, in each case signed exactly as the name or names of the registered owner or owners appear on the bond register. The method of presenting this notice to the Paying Agent is the choice of the person making such presentation. If it is made by mail, it should be by registered mail with return receipt requested.

EXHIBIT E

FORM OF MULTIANNUAL 1991 SERIES D BOND

$ No. R-

ANY BONDHOLDER WHO FAILS TO DELIVER A BOND FOR PURCHASE AT THE TIMES AND AT THE PLACE REQUIRED HEREIN SHALL HAVE NO FURTHER RIGHTS HEREUNDER EXCEPT THE RIGHT TO RECEIVE THE PURCHASE PRICE HEREOF UPON PRESENTATION AND SURRENDER OF THIS BOND TO THE PAYING AGENT AS DESCRIBED HEREIN, AND SHALL HOLD THIS BOND AS AGENT FOR THE PAYING AGENT.

UNITED STATES OF AMERICA
STATE OF NEW HAMPSHIRE
THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE STATE OF NEW HAMPSHIRE
Pollution Control Revenue Bond
(Public Service Company of New Hampshire
Project - 1991 Taxable Series D)

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

INTEREST PAYMENT DATES: (i) the first day of the sixth full calendar month after the Mode takes effect and the first day of each sixth calendar month thereafter, and (ii) the Maturity Date.

CURRENT EFFECTIVE DATE:
INTEREST RATE:
(To Next Purchase Date)
NEXT PURCHASE DATE:
COMMENCEMENT DATE OF RATE PERIOD:
MATURITY DATE: May 1, 2021
DATE OF THIS BOND:
(Date as of which Bonds of this series were initially issued.)
MODE: Multiannual
CUSIP:

THIS BOND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE STATE OF NEW HAMPSHIRE OR OF THE AUTHORITY EXCEPT TO THE EXTENT PERMITTED BY NEW HAMPSHIRE RSA CHAPTER 162-I. ALL AMOUNTS OWED HEREUNDER ARE PAYABLE ONLY FROM THE SOURCES PROVIDED IN THE LOAN AND TRUST AGREEMENT DESCRIBED BELOW, AND NO PUBLIC FUNDS MAY BE USED FOR THAT PURPOSE.

The Industrial Development Authority of the State of New Hampshire (the "Authority"), for value received, promises to pay to the REGISTERED OWNER, or registered assigns, but solely from the moneys to be provided under the Agreement mentioned below, upon presentation and surrender hereof, in lawful money of the United States of America, the PRINCIPAL AMOUNT on the MATURITY DATE, unless paid earlier as provided below, with interest from the most recent INTEREST PAYMENT DATE to which interest has been paid or duly provided for or, if no interest has been paid, from the DATE OF THIS BOND set forth above, until paid in full, at the rates set forth below, payable on each INTEREST PAYMENT DATE. Until conversion to the Flexible, Weekly or Fixed Rate as provided below, this bond shall bear interest at the Multiannual Rate. The Multiannual Rate shall be the rate of interest determined by the Remarketing Agent designated as provided in the Agreement (herein, with its successors, the "Remarketing Agent"), for each Rate Period, as defined below, to be the lowest rate which in its judgment, on the basis of prevailing financial market conditions, would permit the sale of the Bonds (as defined below) with the same Rate Period at par plus accrued interest on and as of the Effective Date, as defined below, but if the Bonds are supported by a Credit Facility (as defined below) not in excess of the Maximum Interest Rate. If this bond is converted to the Flexible, Weekly, or Fixed Rate Mode it shall bear interest at the Flexible, Weekly or Fixed Rate, as the case may be, as defined in the Agreement. The Remarketing Agent shall determine the initial Multiannual Rate on or before the date of issue in or of conversion to the Multiannual Mode, which rate shall remain in effect as provided in the Agreement. Thereafter, the Remarketing Agent shall redetermine the Multiannual Rate for each Rate Period as provided below. If any payment, redemption or maturity date for principal, premium or interest shall not be a Business Day, then the payment thereof may be made on the next succeeding Business Day 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.

This bond is one of a series of Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 1991 Taxable Series D) (the "Bonds") in the aggregate principal amount of $114,500,000 issued under New Hampshire RSA Chapter 162-I (the "Act"). The proceeds of the Bonds are being loaned to Public Service Company of New Hampshire (the "Company"), a New Hampshire corporation, pursuant to a Series D Loan and Trust Agreement (the "Agreement") dated as of May 1, 1991 among the Company, the Authority and State Street Bank and Trust Company, as Trustee (the "Trustee") to finance certain costs associated with the Company's ownership interest in air or water pollution control and sewage or solid waste disposal facilities installed for use by Unit No. 1 at the nuclear electric generating station (the "Station") in Seabrook, New Hampshire (the "Project Facilities"). Pursuant to the Agreement, the Company has unconditionally agreed to repay such loan in the amounts and at the times necessary to pay the principal of, premium, if any, and interest on the Bonds when due. To evidence and secure such loan and the Company's reimbursement and certain other obligations, if any, under the Reimbursement Agreement, (as defined [below] [in the Agreement]), the Company has issued and delivered to the Trustee its First Mortgage Bonds, Series F (the "Series F First Mortgage Bonds") issued under

the First Mortgage Indenture dated as of August 15, 1978, as amended, and the Tenth Supplemental Indenture thereto dated as of May 1, 1991 between the Company and First Fidelity Bank, National Association, New Jersey, as Trustee (as amended and supplemented from time to time, the "First Mortgage Bond Indenture") in an aggregate principal amount, and with an interest rate, maturity date and redemption provisions corresponding to those of the Bonds. As provided in the Agreement, payments of principal of, and premium, if any, and interest on the Series F First Mortgage Bonds shall, upon receipt by the Trustee, be deemed to constitute payments in corresponding amounts by the Company in respect of the Bonds. Reference is hereby made to the Agreement for the provisions thereof with respect to the rights, limitations of rights, duties, obligations and immunities of the Company, the Authority, the Trustee, the Paying Agent, and the Bondowners, including the order of payments in the event of insufficient funds, the disposition of unclaimed moneys held by the Trustee and restrictions on the rights of owners of the Bonds to bring suit. The Agreement may be amended to the extent and in the manner provided therein. Copies of the Agreement are available for inspection at the corporate trust office of the Trustee.

[Modify as appropriate; delete if bond is not supported by a Credit Facility: The Purchase Price (as defined below) and principal of, premium, if any, and interest on this bond while it is in the Multiannual Mode is also payable from moneys drawn by the Paying Agent on an irrevocable letter of credit for the Bonds (together with any extensions and renewals thereof, the "Letter of Credit") issued by pursuant to the terms of a Reimbursement Agreement dated as of , (the "Reimbursement Agreement") by and between the Company and (together with any other issuer of a Credit Facility, the "Bank"). The Paying Agent may draw on the Letter of Credit presently in place for the payment of up to 190 days' interest for Bonds in the Multiannual Mode. The Letter of Credit initially expires on , but may be terminated earlier upon the occurrence of certain events set forth in the Agreement and the Reimbursement Agreement or extended as provided in the Reimbursement Agreement. Unless the Letter of Credit is extended or renewed or a substitute letter of credit (collectively with the Letter of Credit, a "Credit Facility") is provided in accordance with the Agreement, the Bonds will become subject to mandatory purchase as described below. The Company may substitute a new Credit Facility as provided in the Agreement.]

In case any Event of Default occurs and is continuing, the principal amount of this bond together with accrued interest may become or be declared immediately due and payable in the manner and with the effect provided in the Agreement.

Unless otherwise defined herein, capitalized terms used in this bond shall have the meaning given them in the Agreement. The following terms are defined as follows:

"Business Day" means a day (i) that is not a Sunday or legal holiday or a day on which banking institutions are authorized pursuant to law to close, (ii) that is not a day on which the corporate trust office of the First Mortgage Bond Trustee is not open for business, (iii) that is a day on which banks are not required or authorized to close in New York, New York, and (iv) that is a day on which banking institutions in all of the cities in which the principal offices of the Trustee and the Paying Agent and, if applicable, the Remarketing Agent and the Bank are located are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

"Effective Date" means, with respect to a Bond in the Flexible, Weekly and Multiannual Modes, the date on which a new Rate Period for that Bond takes effect.

"Mode" means the period for and the manner in which the interest rates on the Bonds are set and includes the Flexible Mode, the Weekly Mode, the Multiannual Mode and the Fixed Rate Mode.

"Purchase Date" means, while this bond is in a Multiannual Mode, the date on which this bond shall be required to be purchased pursuant to a mandatory tender in accordance with the provisions hereof.

"Rate Period" or "Period" means, when used with respect to any particular rate of interest for a Bond in the Flexible, Weekly or Multiannual Mode, the period during which such rate of interest determined for such Bond will remain in effect as described herein.

At the option of the Company and upon certain conditions provided for in the Agreement described below, all or a portion of the Bonds (a) may be converted or reconverted from time to time to or from the Weekly Mode or Multiannual Mode, which means that the Rate Period is, respectively, one week or one year or any multiple of one year, (b) may be converted or reconverted from time to time to or from the Flexible Mode, and will have Rate Periods of from one to 270 days as provided herein, or (c) may be converted to the Fixed Rate Mode; provided, however, that in the Multiannual Mode the first rate period occurring after conversion to such Mode may be shorter or longer than the applicable multiple of one year as provided in the Agreement. While this

bond is in the Multiannual Mode, a new interest rate shall take effect on the date such Mode takes effect and thereafter on the INTEREST PAYMENT DATE ending the Rate Period designated by the Company.

While this bond is in the Multiannual Mode, conversions to any other Mode, or conversions to new Rate Periods of the same or different lengths while in the Multiannual Mode, may take place only on a date which would have been an Effective Date for this bond, or if conversion is to the Flexible or Weekly Mode and such day is not a Business Day, the first Business Day thereafter. Conversion of this bond to another Mode, or to a new Rate Period in the Multiannual Mode of the same or a different length, shall be subject to the conditions set forth in the Agreement. In the event that the conditions for a proposed conversion to a new Mode, or to a new Rate Period in the Multiannual Mode of the same or different length, are not met (i) such new Mode or Rate Period shall not take effect on the proposed conversion date, notwithstanding any prior notice to the Bondowners of such conversion and (ii) this bond shall automatically convert to the Flexible Mode with a Rate Period of one day. In no event shall the failure of this bond to be converted to another Mode or Rate Period be deemed to be a Default or an Event of Default under the Agreement as long as the Purchase Price (as defined below) is made available on the failed conversion date to owners of all Bonds that were to have been converted.

When this bond is in any Multiannual Mode, the Multiannual Rate in effect for each Rate Period (the "Effective Rate" for such Period) shall be determined not later than two (2) Business Days prior to the Effective Date. If the Remarketing Agent fails to make such determination or fails to announce the Effective Rate as required with respect to any Bonds in the Multiannual Mode, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the rate to take effect on any Effective Date shall be automatically converted to the Flexible Mode with a Rate Period of one day. The Remarketing Agent shall announce the Effective Rate by telephone to the Paying Agent on the date of determination thereof, and shall promptly confirm such notice in writing.

Each determination and redetermination of the Multiannual Rate shall be conclusive and binding on the Authority, the Trustee, the Paying Agent, the Company, the Bondowners and, if applicable, the Bank.

While this bond is in the Multiannual Mode, interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months. From and after the date on which this bond becomes due, any unpaid principal will bear interest at the then effective interest rate until paid or duly provided for. While this bond is in the Multiannual Mode, the principal of and premium, if any, on this bond are payable when due by check or draft in clearinghouse funds to the REGISTERED OWNER hereof but only upon presentation and surrender of this bond at the office of Security Pacific National Trust Company (New York), New York, New York, as Paying Agent, (with its successors in such capacity, the "Paying Agent"). Interest on this bond while in the Multiannual Mode is payable by check or draft in clearinghouse funds mailed on the applicable payment date by the Paying Agent to the REGISTERED OWNER, determined as of the close of business on the applicable record date, at its address as shown on the registration books. The Purchase Price (as defined below) of Bonds tendered for purchase shall be paid as provided below.

The record date for payment of interest while this bond is in the Multiannual Mode is the fifteenth day of the month immediately preceding the date on which the interest is to be paid, provided that with respect to overdue interest or interest payable on redemption of this bond other than on an INTEREST PAYMENT DATE or interest on any overdue amount, the Trustee may establish a special record date. The special record date may be not more than thirty (30) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date. The Paying Agent will promptly certify to the Authority, the Trustee and the Remarketing Agent that it has mailed such notice to all Bondowners, and such certificate will be conclusive evidence that notice was given in the manner required hereby.

While this bond is in the Multiannual Mode, this bond is subject to mandatory tender for purchase at a price (the "Purchase Price") equal to 100% of the principal amount thereof, plus accrued interest, if any, on each Effective Date. THE OWNER OF THIS BOND, BY ACCEPTANCE HEREOF, AGREES TO SELL AND SURRENDER THIS BOND IN ACCORDANCE WITH THE PROVISIONS OF THE AGREEMENT AND, ON THE PURCHASE DATE, TO SURRENDER THIS BOND TO THE PAYING AGENT FOR PAYMENT OF THE PURCHASE PRICE. UPON DEPOSIT OF THE PURCHASE PRICE WITH THE PAYING AGENT ON THE PURCHASE DATE, THIS BOND SHALL BE DEEMED TENDERED FOR PURCHASE AND SHALL CEASE TO BE OUTSTANDING UNDER THE AGREEMENT, INTEREST HEREON SHALL CEASE TO ACCRUE AS OF THE PURCHASE DATE, AND THE REGISTERED OWNER HEREOF SHALL BE ENTITLED ONLY TO RECEIVE THE PURCHASE PRICE SO DEPOSITED WITH THE PAYING AGENT UPON SURRENDER OF THIS CERTIFICATE TO THE PAYING AGENT. All deliveries of tendered Bonds, including deliveries of Bonds subject to mandatory tender, shall be made to the Paying Agent at , New York, New York, Attention: , or such other address specified in writing by the Paying Agent to the Bondowners.

The Purchase Price of this bond shall be paid to the REGISTERED OWNER by the Paying Agent on the Delivery Date, which shall be the Purchase Date or any subsequent Business Day on which this bond is delivered to the Paying Agent. The Purchase Price of this bond shall be paid only upon surrender of this bond to the Paying Agent as provided herein. From and after the Purchase Date, no further interest on this bond shall be payable to the REGISTERED OWNER who gave notice of tender for purchase, provided that there are sufficient funds available on the Purchase Date to pay the Purchase Price. The Purchase Price of Bonds tendered for purchase is payable for Bonds in the Multiannual Mode by check or draft in clearinghouse funds from the Paying Agent to the REGISTERED OWNER at its address shown on the registration books maintained by the Paying Agent. If on any date this bond is subject to mandatory tender for purchase, payment of the Purchase Price of this bond to such owner shall be made on the Purchase Date if presentation and surrender of this bond is made prior to 11:00 A.M., New York City time, on the Purchase Date or on such later Business Day upon which presentation and surrender of this bond is made prior to 11:00 A.M., New York City time.

In the Multiannual Mode and after the expiration of the applicable No Call Period (measured from the COMMENCEMENT DATE OF RATE PERIOD) set forth in the following schedule, the Bonds shall be subject to redemption at the direction of the Company in whole or in part at any time at the following redemption prices expressed as a percentage of the principal amount redeemed, plus interest accrued to the redemption date:

[No call periods and redemption prices are to be determined by the Company upon conversion to the Multiannual Mode or change of Rate Period within the Multiannual Mode, except that upon the issuance of a series of Tax-Exempt Refunding Bonds all redemption terms for such series of Bonds shall be fixed.]

[1991 Series D Bonds:

Redemption
No Call Period Price

years %, declining by % on each succeeding anniversary of the end of the No Call Period until reaching 100% and thereafter at 100%]

[Tax-Exempt Refunding Bonds:
Length of

Multiannual Redemption
Rate Period No Call Period Price

Greater than years years %, declining by___% on each succeeding anniversary of the end of the no call period until reaching 100% and thereafter at 100%

Greater than , but not years %, declining by greater than years % on each succeeding anniversary of the end of the no call period until reaching 100% and thereafter at 100%

Greater than , but not years %, declining by greater than years % on the next anniversary of the end of the no call period and thereafter at 100%

Greater than , but not years %, declining greater than years by % on the next anniversary of the end of the no call period and thereafter at 100%

Greater than , but not years %, declining greater than years by % on the next anniversary of the end of the no call period and thereafter at 100%

Greater than , but not year 100%
greater than years

1 year or less

Bonds not subject to optional redemption
until commencement of
next Rate Period.]

In addition, at the option of the Company, the Bonds in the Multiannual Mode are subject to redemption prior to maturity as a whole at any time at 100% of the principal amount thereof, plus accrued interest to the redemption date, within nine (9) months of the occurrence of certain extraordinary events consisting of (a) damage or destruction, or loss of title by eminent domain, to the Station or the Project Facilities, (b) changes in law affecting the enforceability of the Agreement or imposing unreasonable burdens or excessive liabilities on the Company relating to the Station or the Project Facilities or their operation, (c) the enjoining or prohibiting of the operation of the Station or the Project Facilities, or (d) changes in the economic

availability of fuel, materials, supplies, labor, equipment or other properties or things rendering the continued operation of the Station uneconomical, all as more fully described in the Agreement. The Company's right to direct the redemption of the Bonds in the Multiannual Mode upon the occurrence of any event listed above shall expire six (6) months after such event occurs.

If less than all of the outstanding Bonds are to be called for redemption, the Bonds (or portions thereof) to be redeemed shall be selected as provided in the Agreement with Bonds in the Multiannual Mode being redeemed in units of $5,000.

In the event this bond is selected for redemption, notice will be mailed no more than forty-five (45) nor less than thirty (30) days prior to the redemption date to the REGISTERED OWNER at its address shown on the registration books maintained by the Paying Agent. Failure to mail notice to the owner of any other Bond or any defect in the notice to such an owner shall not affect the redemption of this bond.

If this bond is of a denomination in excess of five thousand dollars ($5,000), portions of the principal amount in the amount of five thousand dollars ($5,000) or any multiple thereof may be redeemed. If less than all of the principal amount is to be redeemed, upon surrender of this bond to the Paying Agent, there will be issued to the REGISTERED OWNER, without charge, a new Bond or Bonds, at the option of the REGISTERED OWNER, for the unredeemed principal amount.

Notice of redemption having been duly mailed, this bond, or the portion called for redemption, will become due and payable on the redemption date at the applicable redemption price and, moneys for the redemption having been deposited with the Paying Agent, from and after the date fixed for redemption, interest on this bond (or such portion) will no longer accrue.

IN CERTAIN CIRCUMSTANCES SET OUT HEREIN, THIS BOND (OR PORTION HEREOF) IS SUBJECT TO PURCHASE OR REDEMPTION. IN EACH SUCH EVENT AND UPON DEPOSIT OF THE PURCHASE OR REDEMPTION PRICE WITH THE PAYING AGENT ON THE PURCHASE OR REDEMPTION DATE, AS THE CASE MAY BE, THIS BOND (OR PORTION HEREOF) SHALL CEASE TO BE DEEMED TO BE OUTSTANDING UNDER THE AGREEMENT, INTEREST HEREON SHALL CEASE TO ACCRUE AS OF THE PURCHASE OR REDEMPTION DATE, AND THE REGISTERED OWNER HEREOF SHALL BE ENTITLED ONLY TO RECEIVE THE PURCHASE OR REDEMPTION PRICE SO DEPOSITED WITH THE PAYING AGENT ONLY UPON SURRENDER OF THIS CERTIFICATE TO THE PAYING AGENT.

This bond is transferable by the REGISTERED OWNER, in person or by its attorney duly authorized in writing, at the office of the Paying Agent, upon surrender of this bond to the Paying Agent for cancellation. Upon the transfer, a new Bond or Bonds in authorized denominations of the same aggregate principal amount will be issued to the transferee at the same office. No transfer will be effective unless represented by such surrender and reissue. This bond may also be exchanged at the office of the Paying Agent for a new Bond or Bonds in authorized denominations of the same aggregate principal amount without transfer to a new registered owner. Exchanges and transfers will be without expense to the owner except for applicable taxes or other governmental charges, if any. The Paying Agent will not be required to make an exchange or transfer of this bond (except in connection with any optional or mandatory tender of this bond) (i) if this bond (or any portion thereof) has been selected for redemption or (ii) during the fifteen (15) days preceding any date fixed for selection for redemption if this bond (or any portion thereof) is eligible to be selected for redemption.

The Bonds are issuable only in fully registered form in denominations of five thousand dollars ($5,000) or any multiple thereof.

The Authority, the Trustee, the Paying Agent and the Company may treat the REGISTERED OWNER as the absolute owner of this bond for all purposes, notwithstanding any notice to the contrary.

No director, officer, employee or agent of the Authority nor any person executing this bond (by facsimile signature or otherwise) shall be personally liable, either jointly or severally, hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

This bond will not be valid until the Certificate of Authentication has been signed by the Trustee or its duly appointed agent for such purpose.

REFERENCE IS MADE TO THE FURTHER PROVISIONS OF THIS BOND ON THE BACK, WHICH HAVE THE SAME EFFECT AS IF SET FORTH HERE.

THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE STATE OF NEW HAMPSHIRE

(Seal) By:
Title:
By:

Title:

Certificate of Authentication

This bond is one of the Bonds described in the Loan and Trust Agreement.

STATE STREET BANK AND TRUST
COMPANY, as Trustee

Date of Registration: By: , or
Authorized Signature

By: SECURITY PACIFIC NATIONAL TRUST
COMPANY (NEW YORK), as agent of
the Trustee
By:

Authorized Signature

Assignment

For value received the undersigned sells, assigns and transfers this bond to

(Name and Address of Assignee)

Social Security or Other Identifying Number of Assignee
and irrevocably appoints attorney-in-fact to
transfer it on the books kept for registration of the bond, with full power
of substitution.

NOTE: The signature to this assignment must correspond with the name as
written on the face of the bond without alteration or enlargement or other
change and must be guaranteed by a national bank, trust company or member
firm of a national stock exchange.

Dated:

Signature Guaranteed:

Bank, Trust Company or Brokerage Firm

By:
Authorized Signature

The following abbreviations, when used in the inscription on the face of this
bond, shall be construed as though they were written out in full according to
applicable law.

TEN COM - as tenants in common UNIF GIFT MIN ACT -
TEN ENT - as tenants by the entirety Custodian
JT TEN - as joint tenants with rights (Cust) (Minor)
of survivorship and not as
tenants in common Act
(State)

Additional abbreviations may also be used though not set forth in the list
above.

EXHIBIT F
FORM OF FIXED RATE 1991 SERIES D BOND

$ No. R-

UNITED STATES OF AMERICA
STATE OF NEW HAMPSHIRE
THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE STATE OF NEW HAMPSHIRE
Pollution Control Revenue Bond
(Public Service Company of New Hampshire
Project - 1991 Taxable Series D)

INTEREST RATE: CUSIP:

MATURITY DATE: May 1, 2021
DATE OF THIS BOND:
(Date as of which Bonds of this
series were initially issued.)

INTEREST PAYMENT DATES: May 1 and November 1
(but not before
,)

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

THIS BOND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE STATE OF NEW HAMPSHIRE OR OF THE AUTHORITY EXCEPT TO THE EXTENT PERMITTED BY NEW HAMPSHIRE RSA CHAPTER 162-I. ALL AMOUNTS OWED HEREUNDER ARE PAYABLE ONLY FROM THE SOURCES PROVIDED IN THE LOAN AND TRUST AGREEMENT DESCRIBED BELOW, AND NO PUBLIC FUNDS MAY BE USED FOR THAT PURPOSE.

The Industrial Development Authority of the State of New Hampshire (the "Authority"), for value received promises to pay to the REGISTERED OWNER, or registered assigns, but solely from the moneys to be provided under the Agreement mentioned below, upon presentation and surrender hereof, in lawful money of the United States of America, the PRINCIPAL AMOUNT on the MATURITY DATE, unless paid earlier as provided below, with interest (computed on the basis of a 360-day year consisting of twelve 30-day months) from the most recent INTEREST PAYMENT DATE to which interest has been paid or duly provided for or, if no interest has been paid, from the DATE OF THIS BOND, at the INTEREST RATE per annum, payable semiannually on the INTEREST PAYMENT DATES, until the date on which this bond becomes due, whether at maturity or by acceleration or redemption. From and after that date, any unpaid principal will bear interest at the same rate until paid or duly provided for. The principal and premium, if any, of this bond is payable in clearinghouse funds at the office of , as Paying Agent (with its successors, the "Paying Agent"). Interest is payable by check or draft in clearinghouse funds mailed by the Paying Agent to the REGISTERED OWNER of this bond (or of one or more predecessor or successor Bonds (as defined below)), determined as of the close of business on the applicable record date, at its address as shown on the registration books maintained by the Paying Agent. If any payment, redemption or maturity date for principal, premium or interest 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 office of the Trustee or the First Mortgage Bond Trustee is 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.

The record date for payment of interest is the fifteenth day of the month preceding the date on which the interest is to be paid, provided that, with respect to overdue interest or interest payable on redemption of this bond other than on an INTEREST PAYMENT DATE or interest on any overdue amount, the Trustee (as defined below) may establish a special record date. The special record date may be not more than thirty (30) days before the date set for payment. The Paying Agent will mail notice of a special record date to the registered owners of the Bonds (the "Bondowners") at least ten (10) days before the special record date. The Paying Agent will promptly certify to the Authority and the Trustee that it has mailed such notice to all Bondowners, and such certificate will be conclusive evidence that such notice was given in the manner required hereby.

This bond is one of a series of Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 1991 Taxable Series D) (the "Bonds") in the aggregate principal amount of $114,500,000 issued under New Hampshire RSA Chapter 162-I (the "Act"). The proceeds of the Bonds are being loaned to Public Service Company of New Hampshire (the "Company"), a New Hampshire corporation, pursuant to a Series D Loan and Trust Agreement (the "Agreement") dated as of May 1, 1991 among the Company, the Authority and State Street Bank and Trust Company, as Trustee (the "Trustee") to finance certain costs associated with the Company's ownership interest in air or water pollution control and sewage or solid waste disposal facilities installed for use by Unit No. 1 at the nuclear electric generating station (the "Station") in Seabrook, New Hampshire (the "Project Facilities"). Pursuant to the Agreement, the Company has unconditionally agreed to repay such loan in the amounts and at the times necessary to pay the principal of, premium, if any, and interest on the Bonds when due. To evidence and secure such loan and the Company's reimbursement and certain other obligations, if any, under the Reimbursement Agreement (as defined in the Agreement), the Company has issued and delivered to the Trustee its First Mortgage Bonds, Series F (the "Series F First Mortgage Bonds") issued under the First Mortgage Indenture dated as of August 15, 1978, as amended, and the Tenth Supplemental Indenture thereto dated as of May 1, 1991 between the Company and First Fidelity Bank, National Association, New Jersey, as Trustee (as amended and supplemented from time to time, the "First Mortgage Bond Indenture") in an aggregate principal amount, and with an interest rate, maturity date and redemption provisions corresponding to those of the Bonds. As provided in the Agreement, payments of principal of, and premium, if any, and interest on the Series F First Mortgage Bonds shall, upon receipt by the Trustee, be deemed to constitute payments in corresponding amounts by the Company in respect of the Bonds. Reference is hereby made to the Agreement for the provisions thereof with respect to the rights, limitations of rights, duties, obligations and immunities of the Company, the Authority, the Trustee, the Paying Agent, and the Bondowners, including the order of payments in the event of insufficient funds, the disposition of unclaimed moneys held by the Trustee and restrictions on the rights of owners of the Bonds to bring suit. The Agreement may be amended to the extent and in the

manner provided therein. Copies of the Agreement are available for inspection at the corporate trust office of the Trustee.

In case any Event of Default (as defined in the Agreement) occurs and is continuing, the principal amount of this bond together with accrued interest may be declared due and payable in the manner and with the effect provided in the Agreement.

The Bonds are redeemable pursuant to the Agreement prior to maturity beginning on , , at the option of the Authority by direction of the Company, as a whole or in part at any time, at the following prices expressed in percentages of their principal amount, plus accrued interest to the redemption date:

Period During Which Redeemed	Redemption Price
%	

[Table to be prepared upon Fixed Rate conversion. For Tax-Exempt Refunding Bonds, the table shall be based on redemption schedule established for the bond in the Multiannual Mode.]

In addition, at the option of the Company, this bond is subject to redemption prior to maturity at 100% of the principal amount thereof, plus accrued interest to the redemption date within nine (9) months of the occurrence of certain extraordinary events consisting of (a) damage or destruction, or loss of title by eminent domain, to the Station or the Project Facilities, (b) changes in law affecting the enforceability of the Agreement or imposing unreasonable burdens or excessive liabilities on the Company relating to the Station or the Project Facilities or their operation, (c) the enjoining or prohibiting of the operation of the Station or the Project Facilities, or (d) changes in the economic availability of fuel, materials, supplies, labor, equipment or other properties or things rendering the continued operation of the Station uneconomical, all as more fully described in the Agreement. The Company's right to direct the redemption of this bond upon the occurrence of any event listed above shall expire six (6) months after such event occurs.

If less than all of the outstanding Bonds are to be called for redemption, the Bonds (or portions thereof) to be redeemed shall be selected as provided in the Agreement.

In the event this bond is selected for redemption, notice will be mailed no more than forty-five (45) nor less than thirty (30) days prior to the redemption date to the REGISTERED OWNER at its address shown on the registration books maintained by the Paying Agent. Failure to mail notice to the owner of any other Bond or any defect in the notice to such an owner shall not affect the redemption of this bond.

If this bond is of a denomination in excess of five thousand dollars ($5,000), portions of the principal amount in the amount of five thousand dollars ($5,000) or any multiple thereof may be redeemed. If less than all of the principal amount is to be redeemed, upon surrender of this bond to the Paying Agent, there will be issued to the REGISTERED OWNER, without charge, a new Bond or Bonds, at the option of the REGISTERED OWNER, for the unredeemed principal amount.

Notice of redemption having been duly mailed, this bond, or the portion called for redemption, will become due and payable on the redemption date at the applicable redemption price and, moneys for the redemption having been deposited with the Paying Agent, from and after the date fixed for redemption, interest on this bond (or such portion) will no longer accrue.

This bond is transferable by the REGISTERED OWNER, in person or by its attorney duly authorized in writing, at the office of the Paying Agent, upon surrender of this Bond to the Paying Agent for cancellation. Upon the transfer, a new Bond or Bonds in authorized denominations of the same aggregate principal amount will be issued to the transferee at the same office. No transfer will be effective unless represented by such surrender and reissue. This bond may also be exchanged at the office of the Paying Agent for a new Bond or Bonds of the same aggregate principal amount without transfer to a new registered owner. Exchanges and transfers will be without expense to the holder except for applicable taxes or other governmental charges, if any. The Paying Agent will not be required to make an exchange or transfer of this bond during the fifteen (15) days preceding any date fixed for selection for redemption if this bond (or any part thereof) is eligible to be selected or has been selected for the redemption.

This bond is issuable only in fully registered form in the denominations of five thousand dollars ($5,000) or any multiple thereof.

The Authority, the Trustee, the Paying Agent and the Company may treat the REGISTERED OWNER as the absolute owner of this bond for all purposes, notwithstanding any notice to the contrary.

No director, officer, employee or agent of the Authority nor any person

executing this bond (by facsimile signature or otherwise) shall be personally liable, either jointly or severally, hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

This bond will not be valid until the Certificate of Authentication has been signed by the Trustee or its duly appointed agent for such purpose.

REFERENCE IS MADE TO THE FURTHER PROVISIONS OF THIS BOND ON THE BACK, WHICH HAVE THE SAME EFFECT AS IF SET FORTH HERE.

THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE STATE OF NEW HAMPSHIRE
(Seal)

By:

Title:

By:

Title:

Certificate of Authentication

This bond is one of the Bonds described in the Loan and Trust Agreement.

STATE STREET BANK AND TRUST COMPANY
as Trustee

Date of Registration: By: , or
Authorized Signature

By: , as agent of the Trustee

By:

Authorized Signature

Assignment

For value received the undersigned sells, assigns and transfers this bond to

(Name and Address of Assignee)

Social Security or Other Identifying Number of Assignee
and irrevocably appoints attorney-in-fact to
transfer it on the books kept for registration of the bond, with full power of substitution.

NOTE: The signature to this assignment must correspond with the name as written on the face of the bond without alteration or enlargement or other change and must be guaranteed by a national bank, trust company or member firm of a national stock exchange.

Dated:
Signature Guaranteed:

Bank, Trust Company or Brokerage Firm

By:
Authorized Signature

The following abbreviations, when used in the inscription on the face of this bond, shall be construed as though they were written out in full according to applicable law.

TEN COM - as tenants in common
TEN ENT - as tenants by the entirety
JT TEN - as joint tenants with rights of survivorship and not as tenants in common
Act
(State)

UNIF GIFT MIN ACT -
Custodian
(Cust) (Minor)

Additional abbreviations may also be used though not set forth in the list above.

EXHIBIT G

FORM OF FLEXIBLE 1992 SERIES D BOND

$ No. R-

ANY BONDOWNER WHO FAILS TO DELIVER A BOND FOR PURCHASE AT THE TIMES AND AT

THE PLACE REQUIRED HEREIN SHALL HAVE NO FURTHER RIGHTS HEREUNDER EXCEPT THE RIGHT TO RECEIVE THE PURCHASE PRICE HEREOF UPON PRESENTATION AND SURRENDER OF THIS BOND TO THE PAYING AGENT AS DESCRIBED HEREIN, AND SHALL HOLD THIS BOND AS AGENT FOR THE PAYING AGENT.

UNITED STATES OF AMERICA
STATE OF NEW HAMPSHIRE
BUSINESS FINANCE AUTHORITY
OF THE STATE OF NEW HAMPSHIRE
Pollution Control Refunding Revenue Bond
(Public Service Company of New Hampshire
Project - 1992 Tax-Exempt Series D)

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

INTEREST DUE: $
(on the Next Purchase Date)
INTEREST RATE:
(to the Next Purchase Date)
NEXT PURCHASE DATE:
COMMENCEMENT DATE OF RATE PERIOD:
MATURITY DATE: May 1, 2021
CUSIP:

DATE OF THIS BOND:
(Date as of which Bonds of this
series were initially issued.)
MODE: Flexible

THIS BOND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE STATE OF NEW HAMPSHIRE OR OF THE AUTHORITY EXCEPT TO THE EXTENT PERMITTED BY NEW HAMPSHIRE RSA CHAPTER 162-I. ALL AMOUNTS OWED HEREUNDER ARE PAYABLE ONLY FROM THE SOURCES PROVIDED IN THE LOAN AND TRUST AGREEMENT DESCRIBED BELOW, AND NO PUBLIC FUNDS MAY BE USED FOR THAT PURPOSE.

The Business Finance Authority of the State of New Hampshire (the "Authority"), for value received, promises to pay to the REGISTERED OWNER, or registered assigns, but solely from the moneys to be provided under the Agreement mentioned below, upon presentation and surrender hereof, in lawful money of the United States of America, the PRINCIPAL AMOUNT on the MATURITY DATE, unless paid earlier as provided below, with interest from the most recent Interest Payment Date, as defined below, to which interest has been paid or duly provided for or, if no interest has been paid, from the DATE OF THIS BOND set forth above, until paid in full, at the rates set forth below, payable on each Interest Payment Date. So long as this bond is in the Flexible Mode, interest shall be due on this bond on each Purchase Date (as defined below) and on the MATURITY DATE, and when this bond is in any other Mode interest shall be due on the dates provided in the Agreement (the "Interest Payment Dates"). Until conversion to the Weekly, Multiannual or Fixed Rate Mode as provided below, this bond shall bear interest at the Flexible Rate. The Flexible Rate for this bond shall be the rate of interest determined by the Remarketing Agent designated as provided in the Agreement (herein, with its successors, the "Remarketing Agent"), for each Rate Period, as defined below, to be the lowest rate which in its judgment, on the basis of prevailing financial market conditions, is necessary on and as of the Effective Date, as defined below, to remarket each Bond having such Rate Period in a secondary market transaction at a price equal to the principal amount thereof, but not in excess of the Maximum Interest Rate. If this bond is converted to the Weekly, Multiannual or Fixed Rate Mode it shall bear interest at the Weekly, Multiannual or Fixed Rate, as the case may be, as defined in the Agreement. The Remarketing Agent shall determine the initial Flexible Rate on or before the date of issue in or of conversion to the Flexible Mode, which rate shall remain in effect as provided in the Agreement. Thereafter, the Remarketing Agent shall redetermine the Flexible Rate for each Rate Period as provided below. The amount of interest due on any Interest Payment Date shall be the amount of unpaid interest accrued on this bond through the day preceding such Interest Payment Date or, if such Interest Payment Date is not a Business Day, through the day preceding the first Business Day succeeding such Interest Payment Date.

This bond is one of a series of Pollution Control Refunding Revenue Bonds (Public Service Company of New Hampshire Project - 1992 Tax-Exempt Series D) (the "Bonds") in the aggregate principal amount of $75,000,000 issued under New Hampshire RSA Chapter 162-I (the "Act"). The proceeds of the Bonds are being loaned to Public Service Company of New Hampshire (the "Company"), a New Hampshire corporation, pursuant to a Series D Loan and Trust Agreement dated as of May 1, 1991, as supplemented and amended by a First Supplement dated as of December 1, 1992 (the "Agreement") among the Company, the Authority and State Street Bank and Trust Company, as Trustee (the "Trustee") to refund a like principal amount of the Authority's $114,500,000 Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 1991 Taxable Series D) (the "1991 Bonds"), which were originally issued to finance certain costs associated with the Company's ownership interest in air or

water pollution control and sewage or solid waste disposal facilities installed for use by Unit No.1 at the nuclear electric generating station (the "Station") in Seabrook, New Hampshire (the "Project Facilities"). Pursuant to the Agreement, the Company has unconditionally agreed to repay such loan in the amounts and at the times necessary to pay the principal of, premium, if any, and interest on the Bonds when due. To evidence and secure such loan and the Company's reimbursement and certain other obligations under the Reimbursement Agreement (as defined below), the Company has issued and delivered to the Trustee its First Mortgage Bonds, Series F (the "Series F First Mortgage Bonds") issued under the First Mortgage Indenture dated as of August 15, 1978, as amended, and the Tenth Supplemental Indenture thereto dated as of May 1, 1991 between the Company and First Fidelity Bank, National Association, New Jersey, as Trustee (as amended and supplemented from time to time, the "First Mortgage Bond Indenture") in an aggregate principal amount, and with an interest rate, maturity date and redemption provisions corresponding to those of the Bonds and certain other bonds issued under the Agreement, including the 1991 Bonds. As provided in the Agreement, payments of principal of, and premium, if any, and interest on the Series F First Mortgage Bonds shall, upon receipt by the Trustee, be deemed to constitute payments in corresponding amounts by the Company in respect of the Bonds and certain other bonds issued under the Agreement, including the 1991 Bonds. Reference is hereby made to the Agreement for the provisions thereof with respect to the rights, limitations of rights, duties, obligations and immunities of the Company, the Authority, the Trustee, the Paying Agent, and the Bondowners, including the order of payments in the event of insufficient funds, the disposition of unclaimed moneys held by the Trustee and restrictions on the rights of owners of the Bonds to bring suit. The Agreement may be amended to the extent and in the manner provided therein. Copies of the Agreement are available for inspection at the corporate trust office of the Trustee.

The Purchase Price (as defined below) and principal of and interest on this bond while it is in the Flexible Mode is also payable from moneys drawn by the Paying Agent on an irrevocable letter of credit for the Bonds and certain other bonds issued under the Agreement, including the 1991 Bonds (together with any extensions, amendments and renewals thereof, the "Letter of Credit"), issued by , pursuant to the terms of a Reimbursement Agreement dated as of (the "Reimbursement Agreement") by and between the Company and (together with any other issuer of a Credit Facility, the "Bank"). The Letter of Credit initially expires on but may be terminated earlier upon the occurrence of certain events set forth in the Agreement and the Reimbursement Agreement or extended as provided in the Reimbursement Agreement. The Company may substitute the Letter of Credit in whole or in part with one or more new letters of credit (collectively with the Letter of Credit, a "Credit Facility") as provided in the Agreement and the Reimbursement Agreement. The Company may substitute a new Credit Facility as provided in the Agreement.

Unless otherwise defined herein, capitalized terms used in this bond shall have the meaning given them in the Agreement. The following terms are defined as follows:

"Business Day" means a day (i) that is not a Sunday or legal holiday or a day on which banking institutions are authorized pursuant to law to close, (ii) that is not a day on which the corporate trust office of the First Mortgage Bond Trustee is not open for business, (iii) that is a day on which banks are not required or authorized to close in New York, New York, and (iv) that is a day on which banking institutions in all of the cities in which the principal offices of the Trustee and the Paying Agent and, if applicable, the Remarketing Agent and the Bank are located are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

"Effective Date" means, with respect to a Bond in the Flexible, Weekly and Multiannual Modes, the date on which a new Rate Period for that Bond takes effect.

"Mode" means the period for and the manner in which the interest rates on the Bonds are set and includes the Flexible Mode, the Weekly Mode, the Multiannual Mode and the Fixed Rate Mode.

"Purchase Date" means, while this bond is in the Flexible Mode, the date on which this bond shall be required to be purchased pursuant to a mandatory tender in accordance with the provisions hereof.

"Rate Period" or "Period" means, when used with respect to any particular rate of interest for a Bond in the Flexible, Weekly or Multiannual Mode, the period during which such rate of interest determined for such Bond will remain in effect as described herein.

At the option of the Company and upon certain conditions provided for in the Agreement described below, all or a portion of the Bonds (a) may be converted or reconverted from time to time to or from the Weekly Mode or Multiannual Mode, which means that the Rate Period is, respectively, one week or one year or any multiple of one year, (b) may be converted or reconverted from time to

time to or from the Flexible Mode, and will have Rate Periods of from one to 270 days as provided herein, or (c) may be converted to the Fixed Rate Mode; provided, however, that in the Multiannual Mode the first rate period occurring after conversion to such Mode may be shorter than the applicable multiple of one year as provided in the Agreement. While this bond is in the Flexible Mode, a new interest rate shall take effect on the date such Mode takes effect, and on the Effective Date of the next Flexible Rate Period, as defined herein, applicable to this bond.

While this bond is in the Flexible Mode, conversions to any other Mode may take place only on an Effective Date. Conversion of this bond to another Mode shall be subject to certain conditions set forth in the Agreement. In the event that the conditions for a proposed conversion to a new Mode are not met (i) such new Mode shall not take effect on the proposed conversion date, notwithstanding any prior notice to the Bondowners of such conversion and (ii) this bond shall remain in the Flexible Mode with a Rate Period of one day. In no event shall the failure of this bond to be converted to another Mode be deemed to be a Default or an Event of Default under the Agreement as long as the Purchase Price (as defined below) is made available on the failed conversion date to owners of all Bonds that were to have been converted.

While Bonds bear interest at Flexible Rates, the interest rate for each particular Bond in the Flexible Mode will be determined by the Remarketing Agent and will remain in effect from and including the Effective Date of the Rate Period selected for that Bond by the Remarketing Agent through the last date thereof. While the Bonds are in the Flexible Mode, Bonds may have successive Rate Periods of any duration up to 270 days each and ending on a Business Day and any Bond may bear interest at a rate and for a period different from any other Bond.

In the event that the Remarketing Agent no longer determines, or fails to determine when required, any Rate Period or any Flexible Rate for any Bonds, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the Rate Period for any such Bond shall be deemed to be a Flexible Rate Period with a duration of one day and the Flexible Rate shall be determined as provided in the Agreement.

While this bond is in the Flexible Mode it is subject to mandatory tender for purchase on each applicable Effective Date at a price (the "Purchase Price") of par plus accrued interest to the Effective Date. THE OWNER OF THIS BOND, BY ACCEPTANCE HEREOF, AGREES TO SELL AND SURRENDER THIS BOND IN ACCORDANCE WITH THE PROVISIONS OF THE AGREEMENT AND, ON THE PURCHASE DATE, TO SURRENDER THIS BOND TO THE PAYING AGENT FOR PAYMENT OF THE PURCHASE PRICE. UPON DEPOSIT OF THE PURCHASE PRICE WITH THE PAYING AGENT ON THE PURCHASE DATE, THIS BOND SHALL BE DEEMED TENDERED FOR PURCHASE AND SHALL CEASE TO BE OUTSTANDING UNDER THE AGREEMENT, INTEREST HEREON SHALL CEASE TO ACCRUE AS OF THE PURCHASE DATE, AND THE REGISTERED OWNER HEREOF SHALL BE ENTITLED ONLY TO RECEIVE THE PURCHASE PRICE SO DEPOSITED WITH THE PAYING AGENT UPON SURRENDER OF THIS CERTIFICATE TO THE PAYING AGENT. The Purchase Price shall be paid on the Delivery Date, which shall be the Effective Date or any subsequent Business Day on which this bond is delivered to the Paying Agent. The Purchase Price of this bond shall be paid only upon surrender of this bond to the Paying Agent as provided herein. From and after the Effective Date, no further interest shall be payable to the REGISTERED OWNER during the preceding Rate Period, provided that there are sufficient funds available on the Effective Date to pay the Purchase Price.

Each determination and redetermination of the Flexible Rate shall be conclusive and binding on the Authority, the Trustee, the Paying Agent, the Bank, the Company and the Bondowners.

While this bond is in the Flexible Mode, interest shall be computed on the basis of actual days elapsed divided by 365 or 366, as appropriate. From and after the date on which this bond becomes due, any unpaid principal will bear interest at the then effective interest rate until paid or duly provided for.

While this bond is in the Flexible Mode, the principal of and interest on this bond due on the MATURITY DATE are payable when due by wire or bank transfer of immediately available funds within the continental United States to the REGISTERED OWNER hereof but only upon presentation and surrender of this bond at the offices of Security Pacific National Trust Company (New York), New York, New York, as Paying Agent (with its successors in such capacity, the "Paying Agent"). While this bond is in the Flexible Mode, the Purchase Price of this bond (which includes accrued interest to the Purchase Date) tendered for purchase is payable by wire or bank transfer within the continental United States from the Paying Agent to the REGISTERED OWNER at its address shown on the registration books maintained by the Paying Agent. Payment of the Purchase Price of this bond to such owner shall be made on the Purchase Date if presentation and surrender of this bond is made prior to 11:00 A.M., New York City time, on the Purchase Date or on such later Business Day upon which presentation and surrender of this bond is made prior to 11:00 A.M., New York City time. The Purchase Price of this bond shall be paid in immediately available funds. Overdue interest on this bond, or interest on overdue principal while in the Flexible Mode is payable in immediately available funds by wire or bank transfer within the continental

United States from the Paying Agent to the REGISTERED OWNER, determined as of the close of business on the applicable special record date as determined by the Trustee, at its address as shown on the registration books maintained by the Paying Agent. The special record date may be not more than thirty (30) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date. The Paying Agent will promptly certify to the Authority, the Trustee and the Remarketing Agent that it has mailed such notice to all Bondowners, and such certificate will be conclusive evidence that notice was given in the manner required hereby.

The Bonds are subject to mandatory redemption at any time at a redemption price of 100% of the principal amount of the Bonds so redeemed plus accrued interest in the event (i) the Company delivers to the Trustee an opinion of nationally recognized bond counsel selected by the Company and reasonably satisfactory to the Trustee ("Bond Counsel") stating that interest on the Bonds is or will become includable in gross income of the owners thereof for federal income tax purposes, or (ii) it is finally determined by the Internal Revenue Service or a court of competent jurisdiction, as a result of (A) a proceeding in which the Company has participated or been given notice and an opportunity to participate, and, (B) either (1) a failure by the Company (or the Seabrook Transferee as defined in the Agreement) to observe any covenant or agreement undertaken in or pursuant to the Agreement, or the inaccuracy of any representation made by the Company (or the Seabrook Transferee) in or pursuant to the Agreement, or (2) the Seabrook Transfer (as defined in the Agreement), that interest payable on the Bonds is includable for federal income tax purposes in the gross income of any owner thereof (other than an owner which is a "substantial user" or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986). Any determination under clause (ii) above will not be considered final for this purpose until the earliest of the conclusion of any appellate review, the denial of appellate review or the expiration of the period for seeking appellate review. Redemption under this paragraph shall be in whole unless not less than forty-five (45) days prior to the redemption date the Company delivers to the Trustee an opinion of Bond Counsel reasonably satisfactory to the Trustee to the effect that a redemption of less than all of the Bonds will preserve the tax-exempt status of interest on the remaining Bonds outstanding subsequent to such redemption. Except as provided in the next sentence, any such redemption shall be made on the 90th day after the date on which the opinion described in clause (i) is delivered or the determination described in clause (ii) becomes final or on such earlier date as the Company may designate by notice given to the Trustee at least forty-five (45) days prior to such designated date. Any Bond in the Flexible Mode that has a Purchase Date prior to the redemption date established for that Bond pursuant to the preceding sentence shall be redeemed on that Purchase Date. If such redemption shall occur in accordance with the terms of the Agreement, then such failure by the Company (or the Seabrook Transferee as described above) to observe such covenant or agreement, or the inaccuracy of any such representation will not, in and of itself, constitute a default thereunder.

If the Trustee receives written notice from any Bondowner stating that (i) such Bondowner has been notified in writing by the Internal Revenue Service that it proposes to include the interest on the Bonds in the gross income of such owner for federal income tax purposes, or any other proceeding has been instituted against such owner which may lead to a like determination, and (ii) such owner will afford the Company the opportunity to participate at its own expense in the proceeding, either directly or in the name of such owner, until the conclusion of any appellate review, and the Trustee has examined such written notice and it appears to be accurate on its face, then the Trustee shall promptly give notice thereof to the Company, the Authority, and each Bondowner whose Bonds may be affected. The Trustee shall thereafter keep itself reasonably informed of the progress of any administrative proceedings or litigation relating to such notice. Under the Agreement the Company is required to give the Trustee written notice of such a final determination within forty-five (45) days of such final determination.

If the Purchase Date of this bond is after the redemption date, notice of redemption of this bond will be given by first class mail, postage prepaid, not more than forty-five (45) nor less than thirty (30) days prior to the redemption date to the REGISTERED OWNER at its registered address. Failure to mail notice to the owner of any other Bond or any defect in the notice to such other owner shall not affect the redemption of this bond.

This bond is transferable by the REGISTERED OWNER, in person or by its attorney duly authorized in writing, at the office of the Paying Agent, upon surrender of this bond to the Paying Agent for cancellation. Upon the transfer, a new Bond or Bonds in authorized denominations of the same aggregate principal amount will be issued to the transferee at the same office. No transfer will be effective unless represented by such surrender and reissue. This bond may also be exchanged at the office of the Paying Agent for a new Bond or Bonds in authorized denominations of the same aggregate principal amount without transfer to a new registered owner. Exchanges and transfers will be without expense to the owner except for applicable taxes or other governmental charges, if any.

The Bonds are issuable only in fully registered form and while in the Flexible Mode shall be in denominations of $100,000 or any multiple of $1,000 in excess of $100,000.

The Authority, the Trustee, the Paying Agent and the Company may treat the REGISTERED OWNER as the absolute owner of this bond for all purposes, notwithstanding any notice to the contrary.

No director, officer, employee or agent of the Authority nor any person executing this bond (by facsimile signature or otherwise) shall be personally liable, either jointly or severally, hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

This bond will not be valid until the Certificate of Authentication has been signed by the Trustee or the Paying Agent.

REFERENCE IS MADE TO THE FURTHER PROVISIONS OF THIS BOND ON THE BACK, WHICH HAVE THE SAME EFFECT AS IF SET FORTH HERE.

BUSINESS FINANCE AUTHORITY
OF THE STATE OF NEW HAMPSHIRE

(Seal) By:
Title:
By:
Title:

Certificate of Authentication

This bond is one of the Bonds described in the Agreement.

STATE STREET BANK AND TRUST
COMPANY
as Trustee
Date of Registration:
By: , or
Authorized Signature

By: SECURITY PACIFIC NATIONAL TRUST

COMPANY (NEW YORK), as Paying
Agent
By:
Authorized Signature

Assignment

For value received the undersigned sells, assigns and transfers this bond to

(Name and Address of Assignee)

Social Security or Other Identifying Number of Assignee
and irrevocably appoints attorney-in-fact to
transfer it on the books kept for registration of the bond, with full power of substitution.

NOTE: The signature to this assignment must correspond with the name as written on the face of the bond without alteration or enlargement or other change and must be guaranteed by a Participant in a Recognized Signature Guaranty Medallion Program.

Dated:
Signature Guaranteed:

Participant in a Recognized
Signature Guaranty Medallion Program
By:
Authorized Signature

The following abbreviations, when used in the inscription on the face of this bond, shall be construed as though they were written out in full according to applicable law.

TEN COM - as tenants in common
TEN ENT - as tenants by the entirety
JT TEN - as joint tenants with rights of survivorship and not as tenants in common
(State)

UNIF GIFT MIN ACT - Custodian (Cust) (Minor) Act

Additional abbreviations may also be used though not set forth in the list above.

EXHIBIT H

FORM OF WEEKLY 1992 SERIES D BOND

$ No. R-

ANY BONDOWNER WHO FAILS TO DELIVER A BOND FOR PURCHASE AT THE TIMES AND AT THE PLACE REQUIRED HEREIN SHALL HAVE NO FURTHER RIGHTS HEREUNDER EXCEPT THE RIGHT TO RECEIVE THE PURCHASE PRICE HEREOF UPON PRESENTATION AND SURRENDER OF THIS BOND TO THE PAYING AGENT AS DESCRIBED HEREIN, AND SHALL HOLD THIS BOND AS AGENT FOR THE PAYING AGENT.

UNITED STATES OF AMERICA
STATE OF NEW HAMPSHIRE
BUSINESS FINANCE AUTHORITY
OF THE STATE OF NEW HAMPSHIRE
Pollution Control Refunding Revenue Bond
(Public Service Company of New Hampshire
Project - 1992 Tax-Exempt Series D)

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

INTEREST PAYMENT DATES: (i) the first Business Day of each calendar month, and (ii) the Maturity Date.

MATURITY DATE: May 1, 2021
DATE OF THIS BOND:
(Date as of which Bonds of this
series were initially issued.)
MODE: Weekly
CUSIP:

THIS BOND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE STATE OF NEW HAMPSHIRE OR OF THE AUTHORITY EXCEPT TO THE EXTENT PERMITTED BY NEW HAMPSHIRE RSA CHAPTER 162-I. ALL AMOUNTS OWED HEREUNDER ARE PAYABLE ONLY FROM THE SOURCES PROVIDED IN THE LOAN AND TRUST AGREEMENT DESCRIBED BELOW, AND NO PUBLIC FUNDS MAY BE USED FOR THAT PURPOSE.

The Business Finance Authority of the State of New Hampshire (the "Authority"), for value received, promises to pay to the REGISTERED OWNER, or registered assigns, but solely from the moneys to be provided under the Agreement mentioned below, upon presentation and surrender hereof, in lawful money of the United States of America, the PRINCIPAL AMOUNT on the MATURITY DATE, unless paid earlier as provided below, with interest from the most recent INTEREST PAYMENT DATE to which interest has been paid or duly provided for or, if no interest has been paid, from the DATE OF THIS BOND set forth above, until paid in full, at the rates set forth below, payable on each INTEREST PAYMENT DATE. Until conversion to the Flexible, Multiannual or Fixed Rate Mode as provided below, this bond shall bear interest at the Weekly Rate. The Weekly Rate for this bond shall be the rate of interest determined by the Remarketing Agent designated as provided in the Agreement (herein, with its successors, the "Remarketing Agent"), for each Rate Period, as defined below, to be the lowest rate which in its judgment, on the basis of prevailing financial market conditions, would permit the sale of the Bonds (as defined below) in the Weekly Mode at par plus accrued interest on and as of the Effective Date, as defined below, but not in excess of the Maximum Interest Rate. If this bond is converted to the Flexible, Multiannual or Fixed Rate Mode it shall bear interest at the Flexible, Multiannual or Fixed Rate, as the case may be, as defined in the Agreement. The Remarketing Agent shall determine the initial Weekly Rate on or before the date of issue in or of conversion to the Weekly Mode, which rate shall remain in effect as provided in the Agreement. Thereafter, the Remarketing Agent shall redetermine the Weekly Rate for each Rate Period as provided below. The amount of interest due on any INTEREST PAYMENT DATE shall be the amount of unpaid interest accrued on this bond through the day preceding such INTEREST PAYMENT DATE.

This bond is one of a series of Pollution Control Refunding Revenue Bonds (Public Service Company of New Hampshire Project - 1992 Tax-Exempt Series D) (the "Bonds") in the aggregate principal amount of $75,000,000 issued under New Hampshire RSA Chapter 162-I (the "Act"). The proceeds of the Bonds are being loaned to Public Service Company of New Hampshire (the "Company"), a New Hampshire corporation, pursuant to a Series D Loan and Trust Agreement dated as of May 1, 1991, as supplemented and amended by a First Supplement dated as of October 1, 1992 (the "Agreement") among the Company, the Authority and State Street Bank and Trust Company, as Trustee (the "Trustee") to refund a like principal amount of the Authority's $114,500,000 Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 1991 Taxable Series D) (the "1991 Bonds"), which were originally issued to finance certain costs associated with the Company's ownership interest in air or water pollution control and sewage or solid waste disposal facilities installed for use by Unit No. 1 at the nuclear electric generating station

(the "Station") in Seabrook, New Hampshire (the "Project Facilities"). Pursuant to the Agreement, the Company has unconditionally agreed to repay such loan in the amounts and at the times necessary to pay the principal of, premium, if any, and interest on the Bonds when due. To evidence and secure such loan and the Company's reimbursement and certain other obligations under the Reimbursement Agreement (as defined below), the Company has issued and delivered to the Trustee its First Mortgage Bonds, Series F (the "Series F First Mortgage Bonds") issued under the First Mortgage Indenture dated as of August 15, 1978, as amended, and the Tenth Supplemental Indenture thereto dated as of May 1, 1991 between the Company and First Fidelity Bank, National Association, New Jersey, as Trustee (as amended and supplemented from time to time, the "First Mortgage Bond Indenture") in an aggregate principal amount, and with an interest rate, maturity date and redemption provisions corresponding to those of the Bonds and certain other bonds issued under the Agreement, including the 1991 Bonds. As provided in the Agreement, payments of principal of, and premium, if any, and interest on the Series F First Mortgage Bonds shall, upon receipt by the Trustee, be deemed to constitute payments in corresponding amounts by the Company in respect of the Bonds and certain other bonds issued under the Agreement, including the 1991 Bonds. Reference is hereby made to the Agreement for the provisions thereof with respect to the rights, limitations of rights, duties, obligations and immunities of the Company, the Authority, the Trustee, the Paying Agent, and the Bondowners, including the order of payments in the event of insufficient funds, the disposition of unclaimed moneys held by the Trustee and restrictions on the rights of owners of the Bonds to bring suit. The Agreement may be amended to the extent and in the manner provided therein. Copies of the Agreement are available for inspection at the corporate trust office of the Trustee.

The Purchase Price (as defined below) and principal of and interest on this bond while it is in the Weekly Mode is also payable from moneys drawn by the Paying Agent on an irrevocable letter of credit for the Bonds and certain other bonds issued under the Agreement, including the 1991 Bonds (together with any extensions, amendments, and renewals thereof, the "Letter of Credit"), issued by Barclays Bank PLC, acting through its New York Branch, pursuant to the terms of a Series D Letter of Credit and Reimbursement Agreement dated as of October 1, 1992 (the "Reimbursement Agreement") by and among the Company, Barclays Bank PLC, New York Branch (together with any other issuer of a Credit Facility, the "Bank") and the participating banks named therein. The Paying Agent may draw on the Letter of Credit presently in place for the payment of up to forty-five (45) days' interest for Bonds in the Weekly Mode. The Letter of Credit initially expires on October 1, 1995 but may be terminated earlier upon the occurrence of certain events set forth in the Agreement and the Reimbursement Agreement or extended as provided in the Reimbursement Agreement. Unless the Letter of Credit is extended or renewed or a substitute letter of credit (collectively with the Letter of Credit, a "Credit Facility") is provided in accordance with the Agreement, the Bonds will become subject to mandatory purchase as described below. The Company may substitute a new Credit Facility as provided in the Agreement.

In case any Event of Default occurs and is continuing, the principal amount of this bond together with accrued interest may become or be declared immediately due and payable in the manner and with the effect provided in the Agreement.

Unless otherwise defined herein, capitalized terms used in this bond shall have the meaning given them in the Agreement. The following terms are defined as follows:

"Business Day" means a day (i) that is not a Sunday or legal holiday or a day on which banking institutions are authorized pursuant to law to close, (ii) that is not a day on which the corporate trust office of the First Mortgage Bond Trustee is not open for business, (iii) that is a day on which banks are not required or authorized to close in New York, New York, and (iv) that is a day on which banking institutions in all of the cities in which the principal offices of the Trustee and the Paying Agent and, if applicable, the Remarketing Agent and the Bank are located are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

"Effective Date" means, with respect to a Bond in the Flexible, Weekly and Multiannual Modes, the date on which a new Rate Period for that Bond takes effect.

"Mode" means the period for and the manner in which the interest rates on the Bonds are set and includes the Flexible Mode, the Weekly Mode, the Multiannual Mode and the Fixed Rate Mode.

"Purchase Date" means, while this bond is in the Weekly Mode, the date on which this bond shall be required to be purchased pursuant to a mandatory or optional tender in accordance with the provisions hereof.

"Rate Period" or "Period" means, when used with respect to any particular rate of interest for a Bond in the Flexible, Weekly or Multiannual Mode, the period during which such rate of interest determined for such Bond will remain in effect as described herein. While this bond is in the Weekly Mode,

a new interest rate shall take effect on the date such Mode takes effect and thereafter on each Wednesday.

At the option of the Company and upon certain conditions provided for in the Agreement described below, all or a portion of the Bonds (a) may be converted or reconverted from time to time to or from the Weekly Mode or Multiannual Mode, which means that the Rate Period is, respectively, one week or one year or any multiple of one year, (b) may be converted or reconverted from time to time to or from the Flexible Mode, and will have Rate Periods of from one to 270 days as provided herein, or (c) may be converted to the Fixed Rate Mode; provided, however, that in the Multiannual Mode the first rate period occurring after conversion to such Mode may be shorter than the applicable multiple of one year as provided in the Agreement.

While this bond is in the Weekly Mode, conversions to any other Mode may take place only on the first Business Day of any calendar month upon thirty (30) days' prior written notice from the Paying Agent to the REGISTERED OWNER of this bond. Conversion of this bond to another Mode shall be subject to the conditions set forth in the Agreement. In the event that the conditions for a proposed conversion to a new Mode are not met (i) such new Mode shall not take effect on the proposed conversion date, notwithstanding any prior notice to the Bondowners of such conversion, (ii) this bond shall automatically convert to the Flexible Mode with a Rate Period of one day, and (iii) this bond shall be subject to mandatory tender for purchase as provided below. In no event shall the failure of this bond to be converted to another Mode be deemed to be a Default or an Event of Default under the Agreement as long as the Purchase Price (as defined below) is made available on the failed conversion date to owners of all Bonds that were to have been converted.

When this bond is in the Weekly Mode, the Weekly Rate in effect for each Rate Period (the "Effective Rate" for such Period) shall be determined not later than the Business Day next preceding the Effective Date. If the Remarketing Agent fails to make such determination or fails to announce the Effective Rate as required with respect to any Bonds in the Weekly Mode, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the rate on such Bonds to take effect on that Effective Date shall be the Weekly Rate in effect on the day preceding such date. The Remarketing Agent shall announce the Effective Rate by telephone to the Paying Agent on the date of determination thereof, and shall promptly confirm such notice in writing. While this bond is in the Weekly Mode, any Bondowner may ascertain the Effective Rate at any time by contacting the Paying Agent or the Remarketing Agent.

Each determination and redetermination of the Weekly Rate shall be conclusive and binding on the Authority, the Trustee, the Paying Agent, the Bank, the Company and the Bondowners.

While this bond is in the Weekly Mode, interest shall be computed on the basis of a 365- or 366-day year, as appropriate, and actual days elapsed. From and after the date on which this bond becomes due, any unpaid principal will bear interest at the then effective interest rate until paid or duly provided for.

While this bond is in the Weekly Mode the principal of this bond is payable when due by wire or bank transfer of immediately available funds within the continental United States to the REGISTERED OWNER hereof but only upon presentation and surrender of this bond at the office of Security Pacific National Trust Company (New York) New York, New York, as Paying Agent, (with its successors in such capacity, the "Paying Agent"). Interest on this bond while in the Weekly Mode is payable in immediately available funds by wire or bank transfer within the continental United States from the Paying Agent to the REGISTERED OWNER, determined as of the close of business on the applicable record date, at its address as shown on the registration books maintained by the Paying Agent. The Purchase Price (as defined below) of Bonds tendered for purchase shall be paid as provided below.

The record date for payment of interest while this bond is in the Weekly Mode is the Business Day preceding the date on which interest is to be paid. With respect to overdue interest or interest payable on redemption of this bond other than on an INTEREST PAYMENT DATE or interest on any overdue amount, the Trustee may establish a special record date. The special record date may be not more than thirty (30) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date. The Paying Agent will promptly certify to the Authority, the Trustee and the Remarketing Agent that it has mailed such notice to all Bondowners, and such certificate will be conclusive evidence that notice was given in the manner required hereby.

While this bond is in the Weekly Mode, the REGISTERED OWNER shall have the right to tender this bond for purchase in multiples of $100,000 at a price (the "Purchase Price") equal to 100% of the principal amount thereof, plus accrued interest, if any, to the Purchase Date, upon compliance with the conditions described below, provided that if the Purchase Date is an INTEREST PAYMENT DATE, accrued interest shall be paid separately, and not as part of the Purchase Price on such date. In order to exercise the right to tender,

the REGISTERED OWNER must deliver to the Paying Agent a written irrevocable notice of tender substantially in the form of the Bondowner's Election Notice set forth hereon or such other form as may be satisfactory to the Paying Agent. While this bond is in the Weekly Mode, it will be purchased on the Business Day specified in such Bondowner's Election Notice, provided such date is at least seven calendar days after receipt by the Paying Agent of such notice. If the REGISTERED OWNER of this bond has elected to require purchase as provided above, the REGISTERED OWNER shall be deemed, by such election, to have agreed irrevocably to sell this bond to any purchaser determined in accordance with the provisions of the Agreement on the date fixed for purchase at the Purchase Price.

Tender of this bond will not be effective and this bond will not be purchased if at the time fixed for purchase an acceleration of the maturity of the Bonds shall have occurred and not have been annulled in accordance with the Agreement. Notice of tender of this bond is irrevocable. All notices of tender of Bonds shall be made to the Paying Agent at 2 Rector Street, New York, New York, or such other address specified in writing by the Paying Agent to the Bondowners. All deliveries of tendered Bonds, including deliveries of Bonds subject to mandatory tender, shall be made to the Paying Agent at 2 Rector Street, New York, New York, Attention: Corporate Trust Department, or such other address specified in writing by the Paying Agent to the Bondowners.

This bond is subject to mandatory tender for purchase at the Purchase Price (i) on the date of conversion or proposed conversion from one Mode to another Mode and (ii) on (a) the effective date of a substitute Credit Facility unless the Trustee receives written evidence from Moody's (if this bond is rated by Moody's) and S&P (if this bond is rated by S&P) that such substitution will not result in a withdrawal or reduction (excluding a withdrawal or reduction resulting from a change in Modes) of the rating of this bond or (b) a date that is not more than fifteen (15) or less than ten (10) days prior to the expiration or termination of the Credit Facility other than upon conversion to a new Mode. Notice of mandatory tender shall be given or caused to be given by the Trustee in writing to the REGISTERED OWNER at least thirty (30) days prior to the mandatory Purchase Date. THE OWNER OF THIS BOND, BY ACCEPTANCE HEREOF, AGREES TO SELL AND SURRENDER THIS BOND AT SUCH PRICE TO ANY PURCHASER DETERMINED IN ACCORDANCE WITH THE PROVISIONS OF THE AGREEMENT IN THE EVENT OF SUCH MANDATORY TENDER AND, ON SUCH PURCHASE DATE, TO SURRENDER THIS BOND TO THE PAYING AGENT FOR PAYMENT OF THE PURCHASE PRICE. From and after the Purchase Date, no further interest on this bond shall be payable to the REGISTERED OWNER, provided that there are sufficient funds available on the Effective Date to pay the Purchase Price.

The Purchase Price of this bond shall be paid to the REGISTERED OWNER by the Paying Agent on the Delivery Date, which shall be the Purchase Date or any subsequent Business Day on which this bond is delivered to the Paying Agent. The Purchase Price of this bond shall be paid only upon surrender of this bond to the Paying Agent as provided herein. From and after the Purchase Date, no further interest on this bond shall be payable to the REGISTERED OWNER who gave notice of tender for purchase, provided that there are sufficient funds available on the Purchase Date to pay the Purchase Price. The Purchase Price of Bonds tendered for purchase is payable for Bonds in the Weekly Mode by wire or bank transfer within the continental United States in immediately available funds from the Paying Agent to the REGISTERED OWNER at its address shown on the registration books maintained by the Paying Agent. If on any date this bond is subject to mandatory tender for purchase or is required to be purchased at the election of the REGISTERED OWNER, payment of the Purchase Price of this bond to such owner shall be made on the Purchase Date if presentation and surrender of this bond is made prior to 11:00 A.M., New York City time, on the Purchase Date or on such later Business Day upon which presentation and surrender of this bond is made prior to 11:00 A.M., New York City time.

Bonds in the Weekly Mode are subject to redemption in whole or in part at the direction of the Company on any INTEREST PAYMENT DATE at a redemption price of par plus accrued interest.

The Bonds are subject to mandatory redemption at any time at a redemption price of 100% of the principal amount of the Bonds so redeemed plus accrued interest in the event (i) the Company delivers to the Trustee an opinion of nationally recognized bond counsel selected by the Company and reasonably satisfactory to the Trustee ("Bond Counsel") stating that interest on the Bonds is or will become includable in gross income of the owners thereof for federal income tax purposes, or (ii) it is finally determined by the Internal Revenue Service or a court of competent jurisdiction, as a result of (A) a proceeding in which the Company has participated or been given notice and an opportunity to participate, and, (B) either (1) a failure by the Company (or the Seabrook Transferee as defined in the Agreement) to observe any covenant or agreement undertaken in or pursuant to the Agreement, or the inaccuracy of any representation made by the Company (or the Seabrook Transferee) in or pursuant to the Agreement, or (2) the Seabrook Transfer (as defined in the Agreement), that interest payable on the Bonds is includable for federal income tax purposes in the gross income of any owner thereof (other than an owner which is a "substantial user" or a "related person" within the meaning

of Section 147(a) of the Internal Revenue Code of 1986). Any determination under clause (ii) above will not be considered final for this purpose until the earliest of the conclusion of any appellate review, the denial of appellate review or the expiration of the period for seeking appellate review. Redemption under this paragraph shall be in whole unless not less than forty-five (45) days prior to the redemption date the Company delivers to the Trustee an opinion of Bond Counsel reasonably satisfactory to the Trustee to the effect that a redemption of less than all of the Bonds will preserve the tax-exempt status of interest on the remaining Bonds outstanding subsequent to such redemption. Except as provided in the next sentence, any such redemption shall be made on the 90th day after the date on which the opinion described in clause (i) is delivered or the determination described in clause (ii) becomes final or on such earlier date as the Company may designate by notice given to the Trustee at least forty-five (45) days prior to such designated date. Any Bond in the Flexible Mode that has a Purchase Date prior to the redemption date established for that Bond pursuant to the preceding sentence shall be redeemed on that Purchase Date. If such redemption shall occur in accordance with the terms of the Agreement, then such failure by the Company (or the Seabrook Transferee as described above) to observe such covenant or agreement, or the inaccuracy of any such representation will not, in and of itself, constitute a default thereunder.

If the Trustee receives written notice from any Bondowner stating that (i) such Bondowner has been notified in writing by the Internal Revenue Service that it proposes to include the interest on the Bonds in the gross income of such owner for federal income tax purposes, or any other proceeding has been instituted against such owner which may lead to a like determination, and (ii) such owner will afford the Company the opportunity to participate at its own expense in the proceeding, either directly or in the name of such owner, until the conclusion of any appellate review, and the Trustee has examined such written notice and it appears to be accurate on its face, then the Trustee shall promptly give notice thereof to the Company, the Authority, and each Bondowner whose Bonds may be affected. The Trustee shall thereafter keep itself reasonably informed of the progress of any administrative proceedings or litigation relating to such notice. Under the Agreement the Company is required to give the Trustee written notice of such a final determination within forty-five (45) days of such final determination.

If less than all of the Outstanding Bonds are to be called for redemption, the Bonds (or portions thereof) to be redeemed shall be selected as provided in the Agreement with Bonds in the Weekly Mode being redeemed in units of $100,000.

In the event this bond is selected for redemption, notice will be mailed no more than forty-five (45) nor less than thirty (30) days prior to the redemption date to the REGISTERED OWNER at its address shown on the registration books maintained by the Paying Agent. Failure to mail notice to the owner of any other Bond or any defect in the notice to such an owner shall not affect the redemption of this bond.

If this bond is of a denomination in excess of one hundred thousand dollars ($100,000), portions of the principal amount in the amount of one hundred thousand dollars ($100,000) or any multiple thereof may be redeemed. If less than all of the principal amount is to be redeemed, upon surrender of this bond to the Paying Agent, there will be issued to the REGISTERED OWNER, without charge, a new Bond or Bonds, at the option of the REGISTERED OWNER, for the unredeemed principal amount.

Notice of redemption having been duly mailed, this bond, or the portion called for redemption, will become due and payable on the redemption date at the applicable redemption price and, moneys for the redemption having been deposited with the Paying Agent, from and after the date fixed for redemption, interest on this bond (or such portion) will no longer accrue.

IN CERTAIN CIRCUMSTANCES SET OUT HEREIN, THIS BOND (OR PORTION HEREOF) IS SUBJECT TO PURCHASE OR REDEMPTION, IN EACH CASE UPON NOTICE TO OR FROM THE OWNER HEREOF AS OF A DATE PRIOR TO SUCH PURCHASE OR REDEMPTION. IN EACH SUCH EVENT AND UPON DEPOSIT OF THE PURCHASE OR REDEMPTION PRICE WITH THE PAYING AGENT ON THE PURCHASE OR REDEMPTION DATE, AS THE CASE MAY BE, THIS BOND (OR PORTION HEREOF) SHALL CEASE TO BE OUTSTANDING UNDER THE AGREEMENT, INTEREST HEREON SHALL CEASE TO ACCRUE AS OF THE PURCHASE OR REDEMPTION DATE, AND THE REGISTERED OWNER HEREOF SHALL BE ENTITLED ONLY TO RECEIVE THE PURCHASE OR REDEMPTION PRICE SO DEPOSITED WITH THE PAYING AGENT UPON SURRENDER OF THIS CERTIFICATE TO THE PAYING AGENT.

This bond is transferable by the REGISTERED OWNER, in person or by its attorney duly authorized in writing, at the office of the Paying Agent, upon surrender of this bond to the Paying Agent for cancellation. Upon the transfer, a new Bond or Bonds in authorized denominations of the same aggregate principal amount will be issued to the transferee at the same office. No transfer will be effective unless represented by such surrender and reissue. This bond may also be exchanged at the office of the Paying Agent for a new Bond or Bonds in authorized denominations of the same aggregate principal amount without transfer to a new registered owner. Exchanges and transfers will be without expense to the owner except for

applicable taxes or other governmental charges, if any. The Paying Agent will not be required to make an exchange or transfer of this bond (except in connection with any optional or mandatory tender of this bond) (i) if this bond (or any portion thereof) has been selected for redemption or (ii) during the fifteen (15) days preceding any date fixed for selection for redemption if this bond (or any portion thereof) is eligible to be selected for redemption.

The Bonds are issuable only in fully registered form and while in the Weekly Mode shall be in denominations of $100,000 or any multiple thereof.

The Authority, the Trustee, the Paying Agent and the Company may treat the REGISTERED OWNER as the absolute owner of this bond for all purposes, notwithstanding any notice to the contrary.

No director, officer, employee or agent of the Authority nor any person executing this bond (by facsimile signature or otherwise) shall be personally liable, either jointly or severally, hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

This bond will not be valid until the Certificate of Authentication has been signed by the Trustee or the Paying Agent.

REFERENCE IS MADE TO THE FURTHER PROVISIONS OF THIS BOND ON THE BACK, WHICH HAVE THE SAME EFFECT AS IF SET FORTH HERE.

BUSINESS FINANCE AUTHORITY
OF THE STATE OF NEW HAMPSHIRE

(Seal) By:
Title:
By:
Title:

Certificate of Authentication

This bond is one of the Bonds described in the Agreement.

STATE STREET BANK AND TRUST
COMPANY
as Trustee

Date of Registration: By: , or
Authorized Signature

By: SECURITY PACIFIC NATIONAL TRUST
COMPANY (NEW YORK), as Paying
Agent

By:
Authorized Signature

Assignment

For value received the undersigned sells, assigns and transfers this bond to

(Name and Address of Assignee)

Social Security or Other Identifying Number of Assignee
and irrevocably appoints attorney-in-fact to transfer it on the books kept for registration of the bond, with full power of substitution.

NOTE: The signature to this assignment must correspond with the name as written on the face of the bond without alteration or enlargement or other change and must be guaranteed by a Participant in a Recognized Signature Guaranty Medallion Program.

Dated:
Signature Guaranteed:

Participant in a Recognized
Signature Guaranty Medallion Program

By:
Authorized Signature

The following abbreviations, when used in the inscription on the face of this bond, shall be construed as though they were written out in full according to applicable law.

TEN COM - as tenants in common UNIF GIFT MIN ACT -
TEN ENT - as tenants by the entirety Custodian

JT TEN - as joint tenants with rights (Cust) (Minor)
of survivorship and not as
tenants in common
Act
(State)

Additional abbreviations may also be used though not set forth in the list above.

The following is the Bondowner's Election Notice described herein:

BONDOWNER'S ELECTION NOTICE
Business Finance Authority of the State of New

Hampshire Pollution Control Refunding Revenue Bonds
(Public Service Company of New Hampshire Project -
1992 Tax-Exempt Series D)

Principal Amount	CUSIP	Principal Amount Tendered for Purchase	Bond Numbers	Purchase Date

The undersigned hereby certifies that it is the registered owner of the Bonds described above (the "Tendered Bonds"), all of which are in the Weekly Mode, and hereby agrees that the delivery of this instrument of transfer to the Paying Agent constitutes an irrevocable offer to sell the Tendered Bonds to the Company or its designee on the Purchase Date, which shall be a Business Day at least seven (7) calendar days following delivery of this instrument, at a purchase price equal to the unpaid principal balance thereof plus accrued and unpaid interest thereon to the Purchase Date (the "Purchase Price"). The undersigned acknowledges and agrees that this election notice is irrevocable and that the undersigned will have no further rights with respect to the Tendered Bonds except payment, upon presentation and surrender of the Tendered Bonds, of the Purchase Price by payment by wire or bank transfer within the continental United States from the Paying Agent to the undersigned at its address as shown on the registration books of the Paying Agent (i) on the Purchase Date if the Tendered Bonds shall have been surrendered to the Paying Agent prior to 11:00 A.M., New York City time, on the Purchase Date or (ii) on any Delivery Date subsequent to the Purchase Date on which Tendered Bonds are delivered to the Paying Agent by 11:00 A.M., New York City time, provided that for so long as the Bonds are in the Book-Entry Only System, physical surrender of the Bonds to the Paying Agent shall not be required and the Bonds shall be tendered pursuant to the procedures described in Subsection 303(g) of the First Supplement referred to below.

Except as otherwise indicated herein and unless the context otherwise requires, the terms used herein shall have the meanings set forth in the Series D Loan and Trust Agreement dated as of May 1, 1991 and in the First Supplement dated as of December 1, 1992 relating to the Bonds.

Date: Signature(s)

Street City State Zip

IMPORTANT: The above signature(s) must correspond with the name(s) as set forth on the face of the Tendered Bond(s) with respect to which this Bondowner's Election Notice is being delivered without any change whatsoever. If this notice is signed by a person other than the registered owner of any Tendered Bond(s), the Tendered Bond(s) must be either endorsed on the Assignment appearing on each Bond or accompanied by appropriate bond powers, in each case signed exactly as the name or names of the registered owner or owners appear on the bond register. The method of presenting this notice to the Paying Agent is the choice of the person making such presentation. If it is made by mail, it should be by registered mail with return receipt requested.

EXHIBIT I
FORM OF MULTIANNUAL 1992 SERIES D BOND

$ No. R-

ANY BONDOWNER WHO FAILS TO DELIVER A BOND FOR PURCHASE AT THE TIMES AND AT THE PLACE REQUIRED HEREIN SHALL HAVE NO FURTHER RIGHTS HEREUNDER EXCEPT THE RIGHT TO RECEIVE THE PURCHASE PRICE HEREOF UPON PRESENTATION AND SURRENDER OF THIS BOND TO THE PAYING AGENT AS DESCRIBED HEREIN, AND SHALL HOLD THIS BOND AS AGENT FOR THE PAYING AGENT.

UNITED STATES OF AMERICA
STATE OF NEW HAMPSHIRE
BUSINESS FINANCE AUTHORITY
OF THE STATE OF NEW HAMPSHIRE
Pollution Control Refunding Revenue Bond
(Public Service Company of New Hampshire

Project - 1992 Tax-Exempt Series D)

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

INTEREST PAYMENT DATES: (i) the first day of the sixth full calendar month after the Mode takes effect and the first day of each sixth calendar month thereafter, and (ii) the Maturity Date.

CURRENT EFFECTIVE DATE:
INTEREST RATE:
(To Next Purchase Date)
NEXT PURCHASE DATE:
COMMENCEMENT DATE OF RATE PERIOD:
MATURITY DATE: May 1, 2021
DATE OF THIS BOND:
(Date as of which Bonds of this

series were initially issued.)
MODE: Multiannual
CUSIP:

THIS BOND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE STATE OF NEW HAMPSHIRE OR OF THE AUTHORITY EXCEPT TO THE EXTENT PERMITTED BY NEW HAMPSHIRE RSA CHAPTER 162-I. ALL AMOUNTS OWED HEREUNDER ARE PAYABLE ONLY FROM THE SOURCES PROVIDED IN THE LOAN AND TRUST AGREEMENT DESCRIBED BELOW, AND NO PUBLIC FUNDS MAY BE USED FOR THAT PURPOSE.

The Business Finance Authority of the State of New Hampshire (the "Authority"), for value received, promises to pay to the REGISTERED OWNER, or registered assigns, but solely from the moneys to be provided under the Agreement mentioned below, upon presentation and surrender hereof, in lawful money of the United States of America, the PRINCIPAL AMOUNT on the MATURITY DATE, unless paid earlier as provided below, with interest from the most recent INTEREST PAYMENT DATE to which interest has been paid or duly provided for or, if no interest has been paid, from the DATE OF THIS BOND set forth above, until paid in full, at the rates set forth below, payable on each INTEREST PAYMENT DATE. Until conversion to the Flexible, Weekly or Fixed Rate as provided below, this bond shall bear interest at the Multiannual Rate. The Multiannual Rate shall be the rate of interest determined by the Remarketing Agent designated as provided in the Agreement (herein, with its successors, the "Remarketing Agent"), for each Rate Period, as defined below, to be the lowest rate which in its judgment, on the basis of prevailing financial market conditions, would permit the sale of the Bonds (as defined below) with the same Rate Period at par plus accrued interest on and as of the Effective Date, as defined below. If this bond is converted to the Flexible, Weekly, or Fixed Rate Mode it shall bear interest at the Flexible, Weekly or Fixed Rate, as the case may be, as defined in the Agreement. The Remarketing Agent shall determine the initial Multiannual Rate on or before the date of issue in or of conversion to the Multiannual Mode, which rate shall remain in effect as provided in the Agreement. Thereafter, the Remarketing Agent shall redetermine the Multiannual Rate for each Rate Period as provided below. If any payment, redemption or maturity date for principal, premium or interest shall not be a Business Day, then the payment thereof may be made on the next succeeding Business Day 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.

This bond is one of a series of Pollution Control Refunding Revenue Bonds (Public Service Company of New Hampshire Project - 1992 Tax-Exempt Series D) (the "Bonds") in the aggregate principal amount of $75,000,000 issued under New Hampshire RSA Chapter 162-I (the "Act"). The proceeds of the Bonds are being loaned to Public Service Company of New Hampshire (the "Company"), a New Hampshire corporation, pursuant to a Series D Loan and Trust Agreement dated as of May 1, 1991, as supplemented and amended by a First Supplement dated as of December 1, 1992 (the "Agreement") among the Company, the Authority and State Street Bank and Trust Company, as Trustee (the "Trustee") to refund a like principal amount of the Authority's $114,500,000 Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 1991 Taxable Series D) (the "1991 Bonds"), which were originally issued to finance certain costs associated with the Company's ownership interest in air or water pollution control and sewage or solid waste disposal facilities installed for use by Unit No. 1 at the nuclear electric generating station (the "Station") in Seabrook, New Hampshire (the "Project Facilities"). Pursuant to the Agreement, the Company has unconditionally agreed to repay such loan in the amounts and at the times necessary to pay the principal of, premium, if any, and interest on the Bonds when due. To evidence and secure such loan and the Company's reimbursement and certain other obligations, if any, under the Reimbursement Agreement, (as defined in the Agreement), the Company has issued and delivered to the Trustee its First Mortgage Bonds, Series F (the "Series F First Mortgage Bonds") issued under the First Mortgage Indenture dated as of August 15, 1978, as amended, and the Tenth Supplemental Indenture thereto dated as of May 1, 1991 between the Company and First Fidelity Bank, National Association, New Jersey, as Trustee (as

amended and supplemented from time to time, the "First Mortgage Bond Indenture") in an aggregate principal amount, and with an interest rate, maturity date and redemption provisions corresponding to those of the Bonds and certain other bonds issued under the Agreement, including the 1991 Bonds. As provided in the Agreement, payments of principal of, and premium, if any, and interest on the Series F First Mortgage Bonds shall, upon receipt by the Trustee, be deemed to constitute payments in corresponding amounts by the Company in respect of the Bonds and certain other bonds issued under the Agreement, including the 1991 Bonds. Reference is hereby made to the Agreement for the provisions thereof with respect to the rights, limitations of rights, duties, obligations and immunities of the Company, the Authority, the Trustee, the Paying Agent, and the Bondowners, including the order of payments in the event of insufficient funds, the disposition of unclaimed moneys held by the Trustee and restrictions on the rights of owners of the Bonds to bring suit. The Agreement may be amended to the extent and in the manner provided therein. Copies of the Agreement are available for inspection at the corporate trust office of the Trustee.

In case any Event of Default occurs and is continuing, the principal amount of this bond together with accrued interest may become or be declared immediately due and payable in the manner and with the effect provided in the Agreement.

Unless otherwise defined herein, capitalized terms used in this bond shall have the meaning given them in the Agreement. The following terms are defined as follows:

"Business Day" means a day (i) that is not a Sunday or legal holiday or a day on which banking institutions are authorized pursuant to law to close, (ii) that is not a day on which the corporate trust office of the First Mortgage Bond Trustee is not open for business, (iii) that is a day on which banks are not required or authorized to close in New York, New York, and (iv) that is a day on which banking institutions in all of the cities in which the principal offices of the Trustee and the Paying Agent and, if applicable, the Remarketing Agent and the Bank (as defined in the Agreement) are located are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

"Effective Date" means, with respect to a Bond in the Flexible, Weekly and Multiannual Modes, the date on which a new Rate Period for that Bond takes effect.

"Mode" means the period for and the manner in which the interest rates on the Bonds are set and includes the Flexible Mode, the Weekly Mode, the Multiannual Mode and the Fixed Rate Mode.

"Purchase Date" means, while this bond is in a Multiannual Mode, the date on which this bond shall be required to be purchased pursuant to a mandatory tender in accordance with the provisions hereof.

"Rate Period" or "Period" means, when used with respect to any particular rate of interest for a Bond in the Flexible, Weekly or Multiannual Mode, the period during which such rate of interest determined for such Bond will remain in effect as described herein.

At the option of the Company and upon certain conditions provided for in the Agreement described below, all or a portion of the Bonds (a) may be converted or reconverted from time to time to or from the Weekly Mode or Multiannual Mode, which means that the Rate Period is, respectively, one week or one year or any multiple of one year, (b) may be converted or reconverted from time to time to or from the Flexible Mode, and will have Rate Periods of from one to 270 days as provided herein, or (c) may be converted to the Fixed Rate Mode; provided, however, that in the Multiannual Mode the first rate period occurring after conversion to such Mode may be shorter or longer than the applicable multiple of one year as provided in the Agreement. While this bond is in the Multiannual Mode, a new interest rate shall take effect on the date such Mode takes effect and thereafter on the INTEREST PAYMENT DATE ending the Rate Period designated by the Company.

While this bond is in the Multiannual Mode, conversions to any other Mode, or conversions to new Rate Periods of the same or different lengths while in the Multiannual Mode, may take place only on a date which would have been an Effective Date for this bond, or if conversion is to the Flexible or Weekly Mode and such day is not a Business Day, the first Business Day thereafter. Conversion of this bond to another Mode, or to a new Rate Period in the Multiannual Mode of the same or a different length, shall be subject to the conditions set forth in the Agreement. In the event that the conditions for a proposed conversion to a new Mode, or to a new Rate Period in the Multiannual Mode of the same or different length, are not met (i) such new Mode or Rate Period shall not take effect on the proposed conversion date, notwithstanding any prior notice to the Bondowners of such conversion and (ii) this bond shall automatically convert to the Flexible Mode with a Rate Period of one day. In no event shall the failure of this bond to be converted to another Mode or Rate Period be deemed to be a Default or an Event of Default under the Agreement as long as the Purchase Price (as

defined below) is made available on the failed conversion date to owners of all Bonds that were to have been converted.

When this bond is in any Multiannual Mode, the Multiannual Rate in effect for each Rate Period (the "Effective Rate" for such Period) shall be determined not later than two (2) Business Days prior to the Effective Date. If the Remarketing Agent fails to make such determination or fails to announce the Effective Rate as required with respect to any Bonds in the Multiannual Mode, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the rate to take effect on any Effective Date shall be automatically converted to the Flexible Mode with a Rate Period of one day. The Remarketing Agent shall announce the Effective Rate by telephone to the Paying Agent on the date of determination thereof, and shall promptly confirm such notice in writing.

Each determination and redetermination of the Multiannual Rate shall be conclusive and binding on the Authority, the Trustee, the Paying Agent, the Company, the Bondowners and, if applicable, the Bank.

While this bond is in the Multiannual Mode, interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months. From and after the date on which this bond becomes due, any unpaid principal will bear interest at the then effective interest rate until paid or duly provided for.

While this bond is in the Multiannual Mode, the principal of and premium, if any, on this bond are payable when due by check or draft in clearinghouse funds to the REGISTERED OWNER hereof but only upon presentation and surrender of this bond at the office of , , , as Paying Agent, (with its successors in such capacity, the "Paying Agent"). Interest on this bond while in the Multiannual Mode is payable by check or draft in clearinghouse funds mailed on the applicable payment date by the Paying Agent to the REGISTERED OWNER, determined as of the close of business on the applicable record date, at its address as shown on the registration books. The Purchase Price (as defined below) of Bonds tendered for purchase shall be paid as provided below.

The record date for payment of interest while this bond is in the Multiannual Mode is the fifteenth day of the month immediately preceding the date on which the interest is to be paid, provided that with respect to overdue interest or interest payable on redemption of this bond other than on an INTEREST PAYMENT DATE or interest on any overdue amount, the Trustee may establish a special record date. The special record date may be not more than thirty (30) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date. The Paying Agent will promptly certify to the Authority, the Trustee and the Remarketing Agent that it has mailed such notice to all Bondowners, and such certificate will be conclusive evidence that notice was given in the manner required hereby.

While this bond is in the Multiannual Mode, this bond is subject to mandatory tender for purchase at a price (the "Purchase Price") equal to 100% of the principal amount thereof, plus accrued interest, if any, on each Effective Date. THE OWNER OF THIS BOND, BY ACCEPTANCE HEREOF, AGREES TO SELL AND SURRENDER THIS BOND IN ACCORDANCE WITH THE PROVISIONS OF THE AGREEMENT AND, ON THE PURCHASE DATE, TO SURRENDER THIS BOND TO THE PAYING AGENT FOR PAYMENT OF THE PURCHASE PRICE. UPON DEPOSIT OF THE PURCHASE PRICE WITH THE PAYING AGENT ON THE PURCHASE DATE, THIS BOND SHALL BE DEEMED TENDERED FOR PURCHASE AND SHALL CEASE TO BE OUTSTANDING UNDER THE AGREEMENT, INTEREST HEREON SHALL CEASE TO ACCRUE AS OF THE PURCHASE DATE, AND THE REGISTERED OWNER HEREOF SHALL BE ENTITLED ONLY TO RECEIVE THE PURCHASE PRICE SO DEPOSITED WITH THE PAYING AGENT UPON SURRENDER OF THIS CERTIFICATE TO THE PAYING AGENT. All deliveries of tendered Bonds shall be made to the Paying Agent at , New York, New York, Attention: , or such other address specified in writing by the Paying Agent to the Bondowners.

The Purchase Price of this bond shall be paid to the REGISTERED OWNER by the Paying Agent on the Delivery Date, which shall be the Purchase Date or any subsequent Business Day on which this bond is delivered to the Paying Agent. The Purchase Price of this bond shall be paid only upon surrender of this bond to the Paying Agent as provided herein. From and after the Purchase Date, no further interest on this bond shall be payable to the REGISTERED OWNER, provided that there are sufficient funds available on the Purchase Date to pay the Purchase Price. The Purchase Price of Bonds is payable for Bonds in the Multiannual Mode by check or draft in clearinghouse funds from the Paying Agent to the REGISTERED OWNER at its address shown on the registration books maintained by the Paying Agent. If on any date this bond is subject to mandatory tender for purchase, payment of the Purchase Price of this bond to such owner shall be made on the Purchase Date if presentation and surrender of this bond is made prior to 11:00 A.M., New York City time, on the Purchase Date or on such later Business Day upon which presentation and surrender of this bond is made prior to 11:00 A.M., New York City time.

In the Multiannual Mode and after the expiration of the applicable No Call Period (measured from the COMMENCEMENT DATE OF RATE PERIOD) set forth in the

following schedule, the Bonds shall be subject to redemption at the direction of the Company in whole or in part at any time at the following redemption prices expressed as a percentage of the principal amount redeemed, plus interest accrued to the redemption date:

Length of Multiannual Rate Period	Redemption No Call Period	Price
Greater than 15 years	10 years	102%, declining by 1/2% on each succeeding anniversary of the end of the no call period until reaching 100% and thereafter at 100%
Greater than 10, but not greater than 15 years	8 years	101 1/2%, declining by 1/2% on each succeeding anniversary of the end of the no call period until reaching 100% and thereafter at 100%
Greater than 5, but not greater than 10 years	5 years	101%, declining by 1/2% on the next anniversary of the end of the no call period and thereafter at 100%
5 years or less	Bonds not subject to optional redemption until commencement of next Rate Period.	

In addition, at the option of the Company, the Bonds in the Multiannual Mode are subject to redemption prior to maturity as a whole at any time at 100% of the principal amount thereof, plus accrued interest to the redemption date, within nine (9) months of the occurrence of certain extraordinary events consisting of (a) damage or destruction, or loss of title by eminent domain, to the Station or the Project Facilities, (b) changes in law affecting the enforceability of the Agreement or imposing unreasonable burdens or excessive liabilities on the Company relating to the Station or the Project Facilities or their operation, (c) the enjoining or prohibiting of the operation of the Station or the Project Facilities, or (d) changes in the economic availability of fuel, materials, supplies, labor, equipment or other properties or things rendering the continued operation of the Station uneconomical, all as more fully described in the Agreement. The Company's right to direct the redemption of the Bonds in the Multiannual Mode upon the occurrence of any event listed above shall expire six (6) months after such event occurs.

The Bonds are subject to mandatory redemption at any time at a redemption price of 100% of the principal amount of the Bonds so redeemed plus accrued interest in the event (i) the Company delivers to the Trustee an opinion of nationally recognized bond counsel selected by the Company and reasonably satisfactory to the Trustee ("Bond Counsel") stating that interest on the Bonds is or will become includable in gross income of the owners thereof for federal income tax purposes, or (ii) it is finally determined by the Internal Revenue Service or a court of competent jurisdiction, as a result of (A) a proceeding in which the Company has participated or been given notice and an opportunity to participate, and, (B) either (1) a failure by the Company (or the Seabrook Transferee as defined in the Agreement) to observe any covenant or agreement undertaken in or pursuant to the Agreement, or the inaccuracy of any representation made by the Company (or the Seabrook Transferee) in or pursuant to the Agreement, or (2) the Seabrook Transfer (as defined in the Agreement), that interest payable on the Bonds is includable for federal income tax purposes in the gross income of any owner thereof (other than an owner which is a "substantial user" or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986). Any determination under clause (ii) above will not be considered final for this purpose until the earliest of the conclusion of any appellate review, the denial of appellate review or the expiration of the period for seeking appellate review. Redemption under this paragraph shall be in whole unless not less than forty-five (45) days prior to the redemption date the Company delivers to the Trustee an opinion of Bond Counsel reasonably satisfactory to the Trustee to the effect that a redemption of less than all of the Bonds will preserve the tax-exempt status of interest on the remaining Bonds outstanding subsequent to such redemption. Except as provided in the next sentence, any such redemption shall be made on the 90th day after the date on which the opinion described in clause (i) is delivered or the determination described

in clause (ii) becomes final or on such earlier date as the Company may designate by notice given to the Trustee at least forty-five (45) days prior to such designated date. Any Bond in the Flexible Mode that has a Purchase Date prior to the redemption date established for that Bond pursuant to the preceding sentence shall be redeemed on that Purchase Date. If such redemption shall occur in accordance with the terms of the Agreement, then such failure by the Company (or the Seabrook Transferee as described above) to observe such covenant or agreement, or the inaccuracy of any such representation will not, in and of itself, constitute a default thereunder.

If the Trustee receives written notice from any Bondowner stating that (i) such Bondowner has been notified in writing by the Internal Revenue Service that it proposes to include the interest on the Bonds in the gross income of such owner for federal income tax purposes, or any other proceeding has been instituted against such owner which may lead to a like determination, and (ii) such owner will afford the Company the opportunity to participate at its own expense in the proceeding, either directly or in the name of such owner, until the conclusion of any appellate review, and the Trustee has examined such written notice and it appears to be accurate on its face, then the Trustee shall promptly give notice thereof to the Company, the Authority, and each Bondowner whose Bonds may be affected. The Trustee shall thereafter keep itself reasonably informed of the progress of any administrative proceedings or litigation relating to such notice. Under the Agreement the Company is required to give the Trustee written notice of such a final determination within forty-five (45) days of such final determination.

If less than all of the outstanding Bonds are to be called for redemption, the Bonds (or portions thereof) to be redeemed shall be selected as provided in the Agreement with Bonds in the Multiannual Mode being redeemed in units of $5,000.

In the event this bond is selected for redemption, notice will be mailed no more than forty-five (45) nor less than thirty (30) days prior to the redemption date to the REGISTERED OWNER at its address shown on the registration books maintained by the Paying Agent. Failure to mail notice to the owner of any other Bond or any defect in the notice to such an owner shall not affect the redemption of this bond.

If this bond is of a denomination in excess of five thousand dollars ($5,000), portions of the principal amount in the amount of five thousand dollars ($5,000) or any multiple thereof may be redeemed. If less than all of the principal amount is to be redeemed, upon surrender of this bond to the Paying Agent, there will be issued to the REGISTERED OWNER, without charge, a new Bond or Bonds, at the option of the REGISTERED OWNER, for the unredeemed principal amount.

Notice of redemption having been duly mailed, this bond, or the portion called for redemption, will become due and payable on the redemption date at the applicable redemption price and, moneys for the redemption having been deposited with the Paying Agent, from and after the date fixed for redemption, interest on this bond (or such portion) will no longer accrue.

IN CERTAIN CIRCUMSTANCES SET OUT HEREIN, THIS BOND (OR PORTION HEREOF) IS SUBJECT TO PURCHASE OR REDEMPTION. IN EACH SUCH EVENT AND UPON DEPOSIT OF THE PURCHASE OR REDEMPTION PRICE WITH THE PAYING AGENT ON THE PURCHASE OR REDEMPTION DATE, AS THE CASE MAY BE, THIS BOND (OR PORTION HEREOF) SHALL CEASE TO BE DEEMED TO BE OUTSTANDING UNDER THE AGREEMENT, INTEREST HEREON SHALL CEASE TO ACCRUE AS OF THE PURCHASE OR REDEMPTION DATE, AND THE REGISTERED OWNER HEREOF SHALL BE ENTITLED ONLY TO RECEIVE THE PURCHASE OR REDEMPTION PRICE SO DEPOSITED WITH THE PAYING AGENT ONLY UPON SURRENDER OF THIS CERTIFICATE TO THE PAYING AGENT.

This bond is transferable by the REGISTERED OWNER, in person or by its attorney duly authorized in writing, at the office of the Paying Agent, upon surrender of this bond to the Paying Agent for cancellation. Upon the transfer, a new Bond or Bonds in authorized denominations of the same aggregate principal amount will be issued to the transferee at the same office. No transfer will be effective unless represented by such surrender and reissue. This bond may also be exchanged at the office of the Paying Agent for a new Bond or Bonds in authorized denominations of the same aggregate principal amount without transfer to a new registered owner. Exchanges and transfers will be without expense to the owner except for applicable taxes or other governmental charges, if any. The Paying Agent will not be required to make an exchange or transfer of this bond (except in connection with any optional or mandatory tender of this bond) (i) if this bond (or any portion thereof) has been selected for redemption or (ii) during the fifteen (15) days preceding any date fixed for selection for redemption if this bond (or any portion thereof) is eligible to be selected for redemption.

The Bonds are issuable only in fully registered form in denominations of five thousand dollars ($5,000) or any multiple thereof.

The Authority, the Trustee, the Paying Agent and the Company may treat the REGISTERED OWNER as the absolute owner of this bond for all purposes,

notwithstanding any notice to the contrary.

No director, officer, employee or agent of the Authority nor any person executing this bond (by facsimile signature or otherwise) shall be personally liable, either jointly or severally, hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

This bond will not be valid until the Certificate of Authentication has been signed by the Trustee or the Paying Agent.

REFERENCE IS MADE TO THE FURTHER PROVISIONS OF THIS BOND ON THE BACK, WHICH HAVE THE SAME EFFECT AS IF SET FORTH HERE.

BUSINESS FINANCE AUTHORITY
OF THE STATE OF NEW HAMPSHIRE
(Seal)
By:
Title:
By:
Title:

Certificate of Authentication

This bond is one of the Bonds described in the Agreement.

STATE STREET BANK AND TRUST COMPANY
as Trustee

Date of Registration: By: , or
Authorized Signature

By: SECURITY PACIFIC NATIONAL TRUST
COMPANY (NEW YORK), as Paying
Agent
By:
Authorized Signature

Assignment

For value received the undersigned sells, assigns and transfers this bond to

(Name and Address of Assignee)

Social Security or Other Identifying Number of Assignee
and irrevocably appoints attorney-in-fact to
transfer it on the books kept for registration of the bond, with full power of substitution.

NOTE: The signature to this assignment must correspond with the name as written on the face of the bond without alteration or enlargement or other change and must be guaranteed by a Participant in a Recognized Signature Guaranty Medallion Program.

Dated:
Signature Guaranteed:

Participant in a Recognized
Signature Guaranty Medallion Program

By:
Authorized Signature

The following abbreviations, when used in the inscription on the face of this bond, shall be construed as though they were written out in full according to applicable law.

TEN COM	-	as tenants in common	UNIF GIFT MIN ACT - Custodian
TEN ENT	-	as tenants by the entirety	(Cust) (Minor)
JT TEN	-	as joint tenants with rights of survivorship and not as tenants in common	

Act
(State)

Additional abbreviations may also be used though not set forth in the list above.

EXHIBIT J
FORM OF FIXED RATE 1992 SERIES D BOND

$ No. R-
UNITED STATES OF AMERICA
STATE OF NEW HAMPSHIRE
BUSINESS FINANCE AUTHORITY

OF THE STATE OF NEW HAMPSHIRE
Pollution Control Refunding Revenue Bond
(Public Service Company of New Hampshire
Project - 1992 Tax-Exempt Series D)

INTEREST RATE: CUSIP:

MATURITY DATE: May 1, 2021
DATE OF THIS BOND:
(Date as of which Bonds of this
series were initially issued.)
INTEREST PAYMENT DATES: May 1 and November 1
(but not before
,)
REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

THIS BOND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE STATE OF NEW HAMPSHIRE OR OF THE AUTHORITY EXCEPT TO THE EXTENT PERMITTED BY NEW HAMPSHIRE RSA CHAPTER 162-I. ALL AMOUNTS OWED HEREUNDER ARE PAYABLE ONLY FROM THE SOURCES PROVIDED IN THE LOAN AND TRUST AGREEMENT DESCRIBED BELOW, AND NO PUBLIC FUNDS MAY BE USED FOR THAT PURPOSE.

The Business Finance Authority of the State of New Hampshire (the "Authority"), for value received promises to pay to the REGISTERED OWNER, or registered assigns, but solely from the moneys to be provided under the Agreement mentioned below, upon presentation and surrender hereof, in lawful money of the United States of America, the PRINCIPAL AMOUNT on the MATURITY DATE, unless paid earlier as provided below, with interest (computed on the basis of a 360-day year consisting of twelve 30-day months) from the most recent INTEREST PAYMENT DATE to which interest has been paid or duly provided for or, if no interest has been paid, from the DATE OF THIS BOND, at the INTEREST RATE per annum, payable semiannually on the INTEREST PAYMENT DATES, until the date on which this bond becomes due, whether at maturity or by acceleration or redemption. From and after that date, any unpaid principal will bear interest at the same rate until paid or duly provided for. The principal and premium, if any, of this bond is payable in clearinghouse funds at the office of , as Paying Agent (with its successors, the "Paying Agent"). Interest is payable by check or draft in clearinghouse funds mailed by the Paying Agent to the REGISTERED OWNER of this bond (or of one or more predecessor or successor Bonds (as defined below)), determined as of the close of business on the applicable record date, at its address as shown on the registration books maintained by the Paying Agent. If any payment, redemption or maturity date for principal, premium or interest 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 office of the Trustee or the First Mortgage Bond Trustee is 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.

The record date for payment of interest is the fifteenth day of the month preceding the date on which the interest is to be paid, provided that, with respect to overdue interest or interest payable on redemption of this bond other than on an INTEREST PAYMENT DATE or interest on any overdue amount, the Trustee (as defined below) may establish a special record date. The special record date may be not more than thirty (30) days before the date set for payment. The Paying Agent will mail notice of a special record date to the registered owners of the Bonds (the "Bondowners") at least ten (10) days before the special record date. The Paying Agent will promptly certify to the Authority and the Trustee that it has mailed such notice to all Bondowners, and such certificate will be conclusive evidence that such notice was given in the manner required hereby.

This bond is one of a series of Pollution Control Refunding Revenue Bonds (Public Service Company of New Hampshire Project - 1992 Tax-Exempt Series D) (the "Bonds") in the aggregate principal amount of $75,000,000 issued under New Hampshire RSA Chapter 162-I (the "Act"). The proceeds of the Bonds are being loaned to Public Service Company of New Hampshire (the "Company"), a New Hampshire corporation, pursuant to a Series D Loan and Trust Agreement dated as of May 1, 1991, as supplemented and amended by a First Supplement dated as of December 1, 1992 (the "Agreement") among the Company, the Authority and State Street Bank and Trust Company, as Trustee (the "Trustee") to refund a like principal amount of the Authority's $114,500,000 Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 1991 Taxable Series D) (the "1991 Bonds"), which were originally issued to finance certain costs associated with the Company's ownership interest in air or water pollution control and sewage or solid waste disposal facilities installed for use by Unit No. 1 at the nuclear electric generating station (the "Station") in Seabrook, New Hampshire (the "Project Facilities"). Pursuant to the Agreement, the Company has unconditionally agreed to repay such loan in the amounts and at the times necessary to pay the principal of, premium, if any, and interest on the Bonds when due. To evidence and secure

such loan and the Company's reimbursement and certain other obligations, if any, under the Reimbursement Agreement (as defined in the Agreement), the Company has issued and delivered to the Trustee its First Mortgage Bonds, Series F (the "Series F First Mortgage Bonds") issued under the First Mortgage Indenture dated as of August 15, 1978, as amended, and the Tenth Supplemental Indenture thereto dated as of May 1, 1991 between the Company and First Fidelity Bank, National Association, New Jersey, as Trustee (as amended and supplemented from time to time, the "First Mortgage Bond Indenture") in an aggregate principal amount, and with an interest rate, maturity date and redemption provisions corresponding to those of the Bonds and certain other bonds issued under the Agreement, including the 1991 Bonds. As provided in the Agreement, payments of principal of, and premium, if any, and interest on the Series F First Mortgage Bonds shall, upon receipt by the Trustee, be deemed to constitute payments in corresponding amounts by the Company in respect of the Bonds and certain other bonds issued under the Agreement, including the 1991 Bonds. Reference is hereby made to the Agreement for the provisions thereof with respect to the rights, limitations of rights, duties, obligations and immunities of the Company, the Authority, the Trustee, the Paying Agent, and the Bondowners, including the order of payments in the event of insufficient funds, the disposition of unclaimed moneys held by the Trustee and restrictions on the rights of owners of the Bonds to bring suit. The Agreement may be amended to the extent and in the manner provided therein. Copies of the Agreement are available for inspection at the corporate trust office of the Trustee.

In case any Event of Default (as defined in the Agreement) occurs and is continuing, the principal amount of this bond together with accrued interest may be declared due and payable in the manner and with the effect provided in the Agreement.

The Bonds are redeemable pursuant to the Agreement prior to maturity beginning on , , at the option of the Authority by direction of the Company, as a whole or in part at any time, at the following prices expressed in percentages of their principal amount, plus accrued interest to the redemption date:

Period During Which Redeemed	Redemption Price
	%

[Table to be prepared upon Fixed Rate conversion. The table shall be based on redemption schedule established for the bond in the Multiannual Mode.]

In addition, at the option of the Company, this bond is subject to redemption prior to maturity at 100% of the principal amount thereof, plus accrued interest to the redemption date within nine (9) months of the occurrence of certain extraordinary events consisting of (a) damage or destruction, or loss of title by eminent domain, to the Station or the Project Facilities, (b) changes in law affecting the enforceability of the Agreement or imposing unreasonable burdens or excessive liabilities on the Company relating to the Station or the Project Facilities or their operation, (c) the enjoining or prohibiting of the operation of the Station or the Project Facilities, or (d) changes in the economic availability of fuel, materials, supplies, labor, equipment or other properties or things rendering the continued operation of the Station uneconomical, all as more fully described in the Agreement. The Company's right to direct the redemption of this bond upon the occurrence of any event listed above shall expire six (6) months after such event occurs.

The Bonds are subject to mandatory redemption at any time at a redemption price of 100% of the principal amount of the Bonds so redeemed plus accrued interest in the event (i) the Company delivers to the Trustee an opinion of nationally recognized bond counsel selected by the Company and reasonably satisfactory to the Trustee ("Bond Counsel") stating that interest on the Bonds is or will become includable in gross income of the owners thereof for federal income tax purposes, or (ii) it is finally determined by the Internal Revenue Service or a court of competent jurisdiction, as a result of (A) a proceeding in which the Company has participated or been given notice and an opportunity to participate, and, (B) either (1) a failure by the Company (or the Seabrook Transferee as defined in the Agreement) to observe any covenant or agreement undertaken in or pursuant to the Agreement, or the inaccuracy of any representation made by the Company (or the Seabrook Transferee) in or pursuant to the Agreement, or (2) the Seabrook Transfer (as defined in the Agreement), that interest payable on the Bonds is includable for federal income tax purposes in the gross income of any owner thereof (other than an owner which is a "substantial user" or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986). Any determination under clause (ii) above will not be considered final for this purpose until the earliest of the conclusion of any appellate review, the denial of appellate review or the expiration of the period for seeking appellate review. Redemption under this paragraph shall be in whole unless not less than forty-five (45) days prior to the redemption date the Company delivers to the Trustee an opinion of Bond Counsel reasonably satisfactory to the Trustee to the effect that a redemption of less than all of the Bonds will preserve the tax-exempt status of interest on the remaining Bonds outstanding subsequent to such redemption. Except as provided in the next sentence, any

such redemption shall be made on the 90th day after the date on which the opinion described in clause (i) is delivered or the determination described in clause (ii) becomes final or on such earlier date as the Company may designate by notice given to the Trustee at least forty-five (45) days prior to such designated date. Any Bond in the Flexible Mode that has a Purchase Date prior to the redemption date established for that Bond pursuant to the preceding sentence shall be redeemed on that Purchase Date. If such redemption shall occur in accordance with the terms of the Agreement, then such failure by the Company (or the Seabrook Transferee as described above) to observe such covenant or agreement, or the inaccuracy of any such representation will not, in and of itself, constitute a default thereunder.

If the Trustee receives written notice from any Bondowner stating that (i) such Bondowner has been notified in writing by the Internal Revenue Service that it proposes to include the interest on the Bonds in the gross income of such owner for federal income tax purposes, or any other proceeding has been instituted against such owner which may lead to a like determination, and (ii) such owner will afford the Company the opportunity to participate at its own expense in the proceeding, either directly or in the name of such owner, until the conclusion of any appellate review, and the Trustee has examined such written notice and it appears to be accurate on its face, then the Trustee shall promptly give notice thereof to the Company, the Authority, and each Bondowner whose Bonds may be affected. The Trustee shall thereafter keep itself reasonably informed of the progress of any administrative proceedings or litigation relating to such notice. Under the Agreement the Company is required to give the Trustee written notice of such a final determination within forty-five (45) days of such final determination.

If less than all of the outstanding Bonds are to be called for redemption, the Bonds (or portions thereof) to be redeemed shall be selected as provided in the Agreement.

In the event this bond is selected for redemption, notice will be mailed no more than forty-five (45) nor less than thirty (30) days prior to the redemption date to the REGISTERED OWNER at its address shown on the registration books maintained by the Paying Agent. Failure to mail notice to the owner of any other Bond or any defect in the notice to such an owner shall not affect the redemption of this bond.

If this bond is of a denomination in excess of five thousand dollars ($5,000), portions of the principal amount in the amount of five thousand dollars ($5,000) or any multiple thereof may be redeemed. If less than all of the principal amount is to be redeemed, upon surrender of this bond to the Paying Agent, there will be issued to the REGISTERED OWNER, without charge, a new Bond or Bonds, at the option of the REGISTERED OWNER, for the unredeemed principal amount.

Notice of redemption having been duly mailed, this bond, or the portion called for redemption, will become due and payable on the redemption date at the applicable redemption price and, moneys for the redemption having been deposited with the Paying Agent, from and after the date fixed for redemption, interest on this bond (or such portion) will no longer accrue.

This bond is transferable by the REGISTERED OWNER, in person or by its attorney duly authorized in writing, at the office of the Paying Agent, upon surrender of this Bond to the Paying Agent for cancellation. Upon the transfer, a new Bond or Bonds in authorized denominations of the same aggregate principal amount will be issued to the transferee at the same office. No transfer will be effective unless represented by such surrender and reissue. This bond may also be exchanged at the office of the Paying Agent for a new Bond or Bonds of the same aggregate principal amount without transfer to a new registered owner. Exchanges and transfers will be without expense to the holder except for applicable taxes or other governmental charges, if any. The Paying Agent will not be required to make an exchange or transfer of this bond during the fifteen (15) days preceding any date fixed for selection for redemption if this bond (or any part thereof) is eligible to be selected or has been selected for the redemption.

This bond is issuable only in fully registered form in the denominations of five thousand dollars ($5,000) or any multiple thereof.

The Authority, the Trustee, the Paying Agent and the Company may treat the REGISTERED OWNER as the absolute owner of this bond for all purposes, notwithstanding any notice to the contrary.

No director, officer, employee or agent of the Authority nor any person executing this bond (by facsimile signature or otherwise) shall be personally liable, either jointly or severally, hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

This bond will not be valid until the Certificate of Authentication has been signed by the Trustee or the Paying Agent.

REFERENCE IS MADE TO THE FURTHER PROVISIONS OF THIS BOND ON THE BACK, WHICH HAVE THE SAME EFFECT AS IF SET FORTH HERE.

BUSINESS FINANCE AUTHORITY
OF THE STATE OF NEW HAMPSHIRE
(Seal)
By:
Title:
By:
Title:

Certificate of Authentication

This bond is one of the Bonds described in the Agreement.

STATE STREET BANK AND TRUST COMPANY
as Trustee

Date of Registration: By: , or
Authorized Signature

By: , as Paying Agent

By:
Authorized Signature

Assignment

For value received the undersigned sells, assigns and transfers this bond to

(Name and Address of Assignee)

Social Security or Other Identifying Number of Assignee
and irrevocably appoints attorney-in-fact to
transfer it on the books kept for registration of the bond, with full power
of substitution.

NOTE: The signature to this assignment must correspond with the name as
written on the face of the bond without alteration or enlargement or other
change and must be guaranteed by a Participant in a Recognized Signature
Guaranty Medallion Program.

Dated:
Signature Guaranteed:

Participant in a Recognized
Signature Guaranty Medallion Program
By:
Authorized Signature

The following abbreviations, when used in the inscription on the face of this
bond, shall be construed as though they were written out in full according to
applicable law.

TEN COM -	as tenants in common	UNIF GIFT MIN ACT -	
TEN ENT -	as tenants by the entirety	Custodian	
JT TEN -	as joint tenants with rights	(Cust)	(Minor)

of survivorship and not as
tenants in common
Act
(State)

Additional abbreviations may also be used though not set forth in the list
above.

EXHIBIT K

FORM OF BOOK-ENTRY ONLY SYSTEM FLEXIBLE 1991 SERIES D BOND

$39,500,000 No. R-1

Unless this certificate is presented by an authorized representative of The
Depository Trust Company, a New York corporation ("DTC"), to 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.

ANY BONDHOLDER WHO FAILS TO DELIVER A BOND FOR PURCHASE AT THE TIMES AND AT
THE PLACE REQUIRED HEREIN SHALL HAVE NO FURTHER RIGHTS HEREUNDER EXCEPT THE
RIGHT TO RECEIVE THE PURCHASE PRICE HEREOF UPON PRESENTATION AND SURRENDER OF
THIS BOND TO THE PAYING AGENT AS DESCRIBED HEREIN, AND SHALL HOLD THIS BOND
AS AGENT FOR THE PAYING AGENT.

UNITED STATES OF AMERICA
STATE OF NEW HAMPSHIRE
THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE STATE OF NEW HAMPSHIRE
Pollution Control Revenue Bond
(Public Service Company of New Hampshire
Project - 1991 Taxable Series D)

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THIRTY-NINE MILLION FIVE HUNDRED THOUSAND DOLLARS

MATURITY DATE: May 1, 2021
CUSIP:

DATE OF THIS BOND: May 16, 1991
(Date as of which Bonds of this
series were initially issued.)
MODE: Flexible

THIS BOND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE STATE OF NEW HAMPSHIRE OR OF THE AUTHORITY EXCEPT TO THE EXTENT PERMITTED BY NEW HAMPSHIRE RSA CHAPTER 162-I. ALL AMOUNTS OWED HEREUNDER ARE PAYABLE ONLY FROM THE SOURCES PROVIDED IN THE LOAN AND TRUST AGREEMENT DESCRIBED BELOW, AND NO PUBLIC FUNDS MAY BE USED FOR THAT PURPOSE.

The Industrial Development Authority of the State of New Hampshire (the "Authority"), for value received, promises to pay to the REGISTERED OWNER, or registered assigns, but solely from the moneys to be provided under the Agreement mentioned below, upon presentation and surrender hereof, in lawful money of the United States of America, the PRINCIPAL AMOUNT on the MATURITY DATE, unless paid earlier as provided below, with interest from the most recent Interest Payment Date, as defined below, to which interest has been paid or duly provided for or, if no interest has been paid, from the DATE OF THIS BOND set forth above, until paid in full, at the rates set forth below, payable on each Interest Payment Date. So long as this bond is in the Flexible Mode, interest shall be due on this bond on each Purchase Date (as defined below) and on the MATURITY DATE, and when this bond is in any other Mode interest shall be due on the dates provided in the Agreement (the "Interest Payment Dates"). Until conversion to the Weekly, Multiannual or Fixed Rate Mode as provided below, this bond shall bear interest at the Flexible Rate. The Flexible Rate for this bond shall be the rate of interest determined by the Remarketing Agent designated as provided in the Agreement (herein, with its successors, the "Remarketing Agent"), for each Rate Period, as defined below, to be the lowest rate which in its judgment, on the basis of prevailing financial market conditions, is necessary on and as of the Effective Date, as defined below, to remarket each Bond having such Rate Period in a secondary market transaction at a price equal to the principal amount thereof, but not in excess of the Maximum Interest Rate. If this bond is converted to the Weekly, Multiannual or Fixed Rate Mode it shall bear interest at the Weekly, Multiannual or Fixed Rate, as the case may be, as defined in the Agreement. The Remarketing Agent shall determine the initial Flexible Rate on or before the date of issue in or of conversion to the Flexible Mode, which rate shall remain in effect as provided in the Agreement. Thereafter, the Remarketing Agent shall redetermine the Flexible Rate for each Rate Period as provided below. The amount of interest due on any Interest Payment Date shall be the amount of unpaid interest accrued on this bond through the day preceding such Interest Payment Date or, if such Interest Payment Date is not a Business Day, through the day preceding the first Business Day succeeding such Interest Payment Date.

This bond is one of a series of Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 1991 Taxable Series D) (the "Bonds") in the aggregate principal amount of $114,500,000 issued under New Hampshire RSA Chapter 162-I (the "Act"). The proceeds of the Bonds are being loaned to Public Service Company of New Hampshire (the "Company"), a New Hampshire corporation, pursuant to a Series D Loan and Trust Agreement (the "Agreement") dated as of May 1, 1991 among the Company, the Authority and State Street Bank and Trust Company, as Trustee (the "Trustee") to finance certain costs associated with the Company's ownership interest in air or water pollution control and sewage or solid waste disposal facilities installed for use by Unit No. 1 at the nuclear electric generating station (the "Station") in Seabrook, New Hampshire (the "Project Facilities"). Pursuant to the Agreement, the Company has unconditionally agreed to repay such loan in the amounts and at the times necessary to pay the principal of, premium, if any, and interest on the Bonds when due. To evidence and secure such loan and the Company's reimbursement and certain other obligations under the Reimbursement Agreement (as defined below), the Company has issued and delivered to the Trustee its First Mortgage Bonds, Series F (the "Series F First Mortgage Bonds") issued under the First Mortgage Indenture dated as of August 15, 1978, as amended, and the Tenth Supplemental Indenture thereto dated as of May 1, 1991 between the Company and First Fidelity Bank, National Association, New Jersey, as Trustee (as amended and supplemented from time to time, the "First Mortgage Bond Indenture") in an aggregate principal amount,

and with an interest rate, maturity date and redemption provisions corresponding to those of the Bonds. As provided in the Agreement, payments of principal of, and premium, if any, and interest on the Series F First Mortgage Bonds shall, upon receipt by the Trustee, be deemed to constitute payments in corresponding amounts by the Company in respect of the Bonds. Reference is hereby made to the Agreement for the provisions thereof with respect to the rights, limitations of rights, duties, obligations and immunities of the Company, the Authority, the Trustee, the Paying Agent, and the Bondowners, including the order of payments in the event of insufficient funds, the disposition of unclaimed moneys held by the Trustee and restrictions on the rights of owners of the Bonds to bring suit. The Agreement may be amended to the extent and in the manner provided therein. Copies of the Agreement are available for inspection at the corporate trust office of the Trustee.

The Purchase Price (as defined below) and principal of and interest on this bond while it is in the Flexible Mode is also payable from moneys drawn by the Paying Agent on an irrevocable letter of credit for the Bonds (together with any extensions and renewals thereof, the "Letter of Credit") issued by Barclays Bank PLC, New York Branch pursuant to the terms of a Second Series D Letter of Credit and Reimbursement Agreement dated as of May 1, 1995 (the "Reimbursement Agreement") by and between the Company and Barclays Bank PLC, New York Branch (together with any other issuer of a Credit Facility, the "Bank"). The Letter of Credit initially expires on May 1, 1998 but may be terminated earlier upon the occurrence of certain events set forth in the Agreement and the Reimbursement Agreement or extended as provided in the Reimbursement Agreement. The Company may substitute the Letter of Credit in whole or in part with one or more new letters of credit (collectively with the Letter of Credit, a "Credit Facility") as provided in the Agreement and the Reimbursement Agreement. The Company may substitute a new Letter of Credit as provided in the Agreement.

Unless otherwise defined herein, capitalized terms used in this bond shall have the meaning given them in the Agreement. The following terms are defined as follows:

"Business Day" means a day (i) that is not a Sunday or legal holiday or a day on which banking institutions are authorized pursuant to law to close, (ii) that is not a day on which the corporate trust office of the First Mortgage Bond Trustee is not open for business, (iii) that is a day on which banks are not required or authorized to close in New York, New York, and (iv) that is a day on which banking institutions in all of the cities in which the principal offices of the Trustee and the Paying Agent and, if applicable, the Remarketing Agent and the Bank are located are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

"Effective Date" means, with respect to a Bond in the Flexible, Weekly and Multiannual Modes, the date on which a new Rate Period for that Bond takes effect.

"Mode" means the period for and the manner in which the interest rates on the Bonds are set and includes the Flexible Mode, the Weekly Mode, the Multiannual Mode and the Fixed Rate Mode.

"Purchase Date" means, while this bond is in the Flexible Mode, the date on which this bond shall be required to be purchased pursuant to a mandatory tender in accordance with the provisions hereof.

"Rate Period" or "Period" means, when used with respect to any particular rate of interest for a Bond in the Flexible, Weekly or Multiannual Mode, the period during which such rate of interest determined for such Bond will remain in effect as described herein.

At the option of the Company and upon certain conditions provided for in the Agreement described below, all or a portion of the Bonds (a) may be converted or reconverted from time to time to or from the Weekly Mode or Multiannual Mode, which means that the Rate Period is, respectively, one week or one year or any multiple of one year, (b) may be converted or reconverted from time to time to or from the Flexible Mode, and will have Rate Periods of from one to 270 days as provided herein, or (c) may be converted to the Fixed Rate Mode; provided, however, that in the Multiannual Mode the first rate period occurring after conversion to such Mode may be shorter than the applicable multiple of one year as provided in the Agreement. While this bond is in the Flexible Mode, a new interest rate shall take effect on the date such Mode takes effect, and on the Effective Date of the next Flexible Rate Period, as defined herein, applicable to this bond.

While this bond is in the Flexible Mode, conversions to any other Mode may take place only on an Effective Date. Conversion of this bond to another Mode shall be subject to certain conditions set forth in the Agreement. In the event that the conditions for a proposed conversion to a new Mode are not met (i) such new Mode shall not take effect on the proposed conversion date, notwithstanding any prior notice to the Bondowners of such conversion and (ii) this bond shall remain in the Flexible Mode with a Rate Period of one day. In no event shall the failure of this bond to be converted to another

Mode be deemed to be a Default or an Event of Default under the Agreement as long as the Purchase Price (as defined below) is made available on the failed conversion date to owners of all Bonds that were to have been converted.

While Bonds bear interest at Flexible Rates, the interest rate for each particular Bond in the Flexible Mode will be determined by the Remarketing Agent and will remain in effect from and including the Effective Date of the Rate Period selected for that Bond by the Remarketing Agent through the last date thereof. While the Bonds are in the Flexible Mode, Bonds may have successive Rate Periods of any duration up to 270 days each and ending on a Business Day and any Bond may bear interest at a rate and for a period different from any other Bond.

In the event that the Remarketing Agent no longer determines, or fails to determine when required, any Rate Period or any Flexible Rate for any Bonds, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the Rate Period for any such Bond shall be deemed to be a Flexible Rate Period with a duration of one day and the Flexible Rate shall be determined as provided in the Agreement.

While this bond is in the Flexible Mode it is subject to mandatory tender for purchase on each applicable Effective Date at a price (the "Purchase Price") of par plus accrued interest to the Effective Date. THE OWNER OF THIS BOND, BY ACCEPTANCE HEREOF, AGREES TO SELL AND SURRENDER THIS BOND IN ACCORDANCE WITH THE PROVISIONS OF THE AGREEMENT AND, ON THE PURCHASE DATE, TO SURRENDER THIS BOND TO THE PAYING AGENT FOR PAYMENT OF THE PURCHASE PRICE. UPON DEPOSIT OF THE PURCHASE PRICE WITH THE PAYING AGENT ON THE PURCHASE DATE, THIS BOND SHALL BE DEEMED TENDERED FOR PURCHASE AND SHALL CEASE TO BE OUTSTANDING UNDER THE AGREEMENT, INTEREST HEREON SHALL CEASE TO ACCRUE AS OF THE PURCHASE DATE, AND THE REGISTERED OWNER HEREOF SHALL BE ENTITLED ONLY TO RECEIVE THE PURCHASE PRICE SO DEPOSITED WITH THE PAYING AGENT UPON SURRENDER OF THIS CERTIFICATE TO THE PAYING AGENT. The Purchase Price shall be paid on the Delivery Date, which shall be the Effective Date or any subsequent Business Day on which this bond is delivered to the Paying Agent. The Purchase Price of this bond shall be paid only upon surrender of this bond to the Paying Agent as provided herein. From and after the Effective Date, no further interest shall be payable to the REGISTERED OWNER during the preceding Rate Period, provided that there are sufficient funds available on the Effective Date to pay the Purchase Price.

Each determination and redetermination of the Flexible Rate shall be conclusive and binding on the Authority, the Trustee, the Paying Agent, the Bank, the Company and the Bondowners.

While this bond is in the Flexible Mode, interest shall be computed on the basis of actual days elapsed divided by 360. From and after the date on which this bond becomes due, any unpaid principal will bear interest at the then effective interest rate until paid or duly provided for.
While this bond is in the Flexible Mode, the principal of and interest on this bond due on the MATURITY DATE are payable when due by wire or bank transfer of immediately available funds within the continental United States to the REGISTERED OWNER hereof but only upon presentation and surrender of this bond at the offices of BankAmerica National Trust Company, New York, New York, as Paying Agent (with its successors in such capacity, the "Paying Agent"). While this bond is in the Flexible Mode, the Purchase Price of this bond (which includes accrued interest to the Purchase Date) tendered for purchase is payable by wire or bank transfer within the continental United States from the Paying Agent to the REGISTERED OWNER at its address shown on the registration books maintained by the Paying Agent. Payment of the Purchase Price of this bond to such owner shall be made on the Purchase Date if presentation and surrender of this bond is made prior to 11:00 A.M., New York City time, on the Purchase Date or on such later Business Day upon which presentation and surrender of this bond is made prior to 11:00 A.M., New York City time. The Purchase Price of this bond shall be paid in immediately available funds. Overdue interest on this bond, or interest on overdue principal while in the Flexible Mode is payable in immediately available funds by wire or bank transfer within the continental United States from the Paying Agent to the REGISTERED OWNER, determined as of the close of business on the applicable special record date as determined by the Trustee, at its address as shown on the registration books maintained by the Paying Agent. The special record date may be not more than thirty (30) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date. The Paying Agent will promptly certify to the Authority, the Trustee and the Remarketing Agent that it has mailed such notice to all Bondowners, and such certificate will be conclusive evidence that notice was given in the manner required hereby.

This bond is transferable by the REGISTERED OWNER, in person or by its attorney duly authorized in writing, at the office of the Paying Agent, upon surrender of this bond to the Paying Agent for cancellation. Upon the transfer, a new Bond or Bonds in authorized denominations of the same aggregate principal amount will be issued to the transferee at the same office. No transfer will be effective unless represented by such surrender and reissue. This bond may also be exchanged at the office of the Paying

Agent for a new Bond or Bonds in authorized denominations of the same aggregate principal amount without transfer to a new registered owner. Exchanges and transfers will be without expense to the owner except for applicable taxes or other governmental charges, if any.

The Bonds are issuable only in fully registered form and while in the Flexible Mode shall be in denominations of $100,000 or any multiple of $1,000 in excess of $100,000.

The Authority, the Trustee, the Paying Agent and the Company may treat the REGISTERED OWNER as the absolute owner of this bond for all purposes, notwithstanding any notice to the contrary.

No director, officer, employee or agent of the Authority nor any person executing this bond (by facsimile signature or otherwise) shall be personally liable, either jointly or severally, hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

This bond will not be valid until the Certificate of Authentication has been signed by the Trustee or its duly appointed agent for such purpose.

THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE STATE OF NEW HAMPSHIRE

(Seal) By:
Chairman
By:
Executive Director

Certificate of Authentication

This bond is one of the Bonds described in the Loan and Trust Agreement.

STATE STREET BANK AND TRUST
COMPANY, as Trustee
Date of Registration:
By: , or

Authorized Signature

By: BANKAMERICA NATIONAL TRUST
COMPANY, as agent of the Trustee

By:
Authorized Signature

Assignment

For value received the undersigned sells, assigns and transfers this bond to

(Name and Address of Assignee)

Social Security or Other Identifying Number of Assignee
and irrevocably appoints attorney-in-fact to
transfer it on the books kept for registration of the bond, with full power of substitution.

NOTE: The signature to this assignment must correspond with the name as written on the face of the bond without alteration or enlargement or other change and must be guaranteed by a Participant in a Recognized Signature Guaranty Medallion Program.

Dated:
Signature Guaranteed:

Participant in a Recognized
Signature Guaranty Medallion Program
Firm
By:
Authorized Signature

The following abbreviations, when used in the inscription on the face of this bond, shall be construed as though they were written out in full according to applicable law.

TEN COM - as tenants in common
TEN ENT - as tenants by the entirety
JT TEN - as joint tenants with rights of survivorship and not as tenants in common
Act
(State)

UNIF GIFT MIN ACT - Custodian
(Cust) (Minor)

Additional abbreviations may also be used though not set forth in the list

above.

EXHIBIT L
REPRESENTATION LETTER

EXHIBIT M
1992 SERIES D BONDS REPRESENTATION LETTER

(1) Footnotes (i) indicate amendments made by the First Supplement, (ii) indicate amendments made by the Second Supplement, (iii) indicate text taken from the First Supplement or the Second Supplement and added concurrently with the amendment and restatement hereof, (iv) indicate certain other changes made concurrently with the amendment and restatement hereof, and (v) provide explanations with respect to certain amendments and changes. Footnotes are for convenience only and shall not affect the construction hereof.

(2) Fees with respect to 1992 Series D Bonds from Paragraph 102(a)(3) of First Supplement, added concurrently with the amendment and restatement hereof.

(3) Paragraph 102(a)(4) amended concurrently with the amendment and restatement hereof as follows:

(4) "Bank" means Barclays Bank PLC, acting through its New York Branch, in its capacity as issuer of the Letter of Credit and any other issuer of a Credit Facility.

(4) Paragraph 102(a)(8) amended concurrently with the amendment and restatement hereof as follows:

(8) "Bonds" means the 1991 Series D Bonds, the 1992 Series D Bonds, any other Tax-Exempt Refunding Bonds and any bond or bonds duly issued in exchange or replacement therefor.

(5) First sentence of Paragraph 102(a)(13) amended by Subsection 310(b) of First Supplement as follows:

"Credit Facility" means the Letter of Credit and any substitute irrevocable transferable letter of credit delivered to the Paying Agent pursuant to this Agreement and then in effect, as each may be amended from time to time pursuant to the terms of this Agreement or any amendment or supplement to this Agreement.

(6) Paragraph 102(a)(31) amended concurrently with the amendment and restatement hereof as follows:

(31) "Letter of Credit" means the $41,748,000 irrevocable letter of credit No. 841777 issued by Barclays Bank PLC, acting through its New York Branch, for the benefit of the Paying Agent.

(7) New last sentence of Paragraph 102(a)(33) from Section 305 of First Supplement, added concurrently with the amendment and restatement hereof.

(8) New definition of 1992 Series D Bonds in clause (ii) of Paragraph 102(a)(39) from Paragraph 102(a)(8) of First Supplement, added concurrently with the amendment and restatement hereof.

(9) Paragraph 102(a)(50) amended concurrently with the amendment and restatement hereof as follows:

(50) "Reimbursement Agreement" means the Third Series D Letter of Credit and Reimbursement Agreement dated as of April 1, 1999 among the Company, Barclays Bank PLC, New York Branch, as agent and issuing bank thereunder, and the participating banks referred to therein, and any other agreement between the Company and a Bank under which the Company is obligated to reimburse the Bank for payments made by the Bank under a Credit Facility.

(10) Paragraph 102(a)(57) amended concurrently with the amendment and restatement hereof as follows:

(57) "Tax-Exempt Refunding Bonds" means Bonds issued to refund the 1991 Series D Bonds pursuant to Article IV hereof, including, unless the context otherwise requires, the 1992 Series D Bonds.

(11) Subsection 201(a) formerly Section 201.

(12) New Subsection 201(b) from Section 201 of First Supplement, added concurrently with the amendment and restatement hereof.

(13) Forms of 1991 Series D Bonds moved from text to Exhibits concurrently with the amendment and restatement hereof. Forms of 1992 Series D Bonds from Section 301 of First Supplement and form of Book-Entry Only

System Flexible 1991 Series D Bond from Subsection 201(b) and Exhibit A of Second Supplement added concurrently with the amendment and restatement hereof.

(14) Paragraph 301(b)(i) formerly Subsection 301(b).

(15) New Paragraph 301(b)(ii) from Section 302 of First Supplement, added concurrently with the amendment and restatement hereof.

(16) Clause (i) of Paragraph 301(d)(ii) amended concurrently with the amendment and restatement hereof to change "one year" to "364 days."

(17) First sentence of Paragraph 301(e)(ii) amended by Section 312 of First Supplement as follows:

The Bonds in the Weekly Mode or any portion of such Bonds may be converted on the first Business Day of any calendar month at the election of the Company from the Weekly Mode to a Multiannual, Flexible, or Fixed Rate Mode, as provided in the form of Weekly Bonds, so long as no Default hereunder exists as certified to the Trustee by a Company Representative.

(18) Clause (i) of Paragraph 301(e)(ii) amended concurrently with the amendment and restatement hereof to change "one year" to "364 days."

(19) Last sentence of Subparagraph 301(e)(iv)(A) amended by Section 301 of Second Supplement as follows:

At least forty (40) days prior to the mandatory tender date, the Trustee shall give notice to the Paying Agent as to whether or not it has received the notices described in the immediately preceding sentence from Moody's and S&P, and if the Trustee has not received such notices or if the Credit Facility is expiring without substitution or replacement, the Paying Agent shall give notice to the Bondowners of the mandatory tender of the Bonds at least thirty (30) days prior to the mandatory tender date.

(20) Clause (i) of Paragraph 301(f)(ii) amended concurrently with the amendment and restatement hereof to change "one year" to "364 days."

(21) Subsection 303(a) formerly Section 303.

(22) New Subsection 303(b) from Section 304 of First Supplement, added concurrently with the amendment and restatement hereof.

(23) First sentence of Paragraph 308(c)(i) amended by Section 313 of First Supplement as follows:

If a Credit Facility is available for any portion of the Bonds, the Paying Agent shall not later than 4:00 P.M. on the Business Day next preceding any date on which payments of the principal of, premium, if any, or interest on such Bonds are due, whether at maturity, on an interest payment date, by acceleration, redemption, or otherwise, draw on the Credit Facility an amount sufficient to pay in full the principal, premium, if any, and interest then coming due on such Bonds.

(24) Paragraph 308(c)(iii) amended by Subsection 311(a) of First Supplement as follows:

(iii) Use of Credit Facility. All amounts received by the Paying Agent under any Credit Facility shall be held in a fund separate and apart from all other amounts held by the Paying Agent, shall remain uninvested and used solely to pay the Purchase Price or principal of, premium, if any, and interest on the Bonds for which the Credit Facility is available. Principal and Purchase Price of, premium, if any, and interest on Company Bonds, Pledged Bonds and Bonds not supported by a Credit Facility shall not be paid from amounts drawn on a Credit Facility.

Paragraph 308(c)(iii) further amended concurrently with the amendment and restatement hereof as follows:

(iii) Use of Credit Facility. All amounts received by the Paying Agent under any Credit Facility shall be held in a segregated account, shall remain uninvested and shall be used solely to pay the Purchase Price or principal of, premium, if any, and interest on the Bonds for which the Credit Facility is available. Principal and Purchase Price of, premium, if any, and interest on Company Bonds, Pledged Bonds and Bonds not supported by a Credit Facility shall not be paid from amounts drawn on a Credit Facility.

(25) Paragraph 308(c)(iv) added by Subsection 311(b) of First Supplement.

(26) Subsection 310(c) amended by Section 307 of First Supplement as follows:

(c) Notice by the Company. The Company shall exercise its option to have Bonds redeemed under Subsection 310(a) or (b) by giving notice to the

Trustee, the Authority, the Paying Agent, and the Remarketing Agent at least five (5) days before the redemption date in the case of Bonds in the Flexible Mode, and forty-five (45) days before the redemption date in the case of Bonds in any other Mode.

(27) Subsection 310(e) amended by Section 308 of First Supplement as follows:

(e) Notice of Redemption. When Bonds are to be redeemed, the Paying Agent shall give notice to the Bondowners in the name of the Authority, which notice shall identify the Bonds to be redeemed, state the date fixed for redemption and specify the office of the Paying Agent at which such Bonds will be redeemed. The notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the redemption price thereof, together with interest accrued to the redemption date, and that moneys therefor having been deposited with the Paying Agent, from and after such date, interest thereon shall cease to accrue and that the Bonds or portions thereof called for redemption shall cease to be entitled to any benefit under this Agreement except the right to receive payment of the redemption price. The Paying Agent shall mail the redemption notice the number of days prior to the date fixed for redemption provided in the forms of Bond for the Mode the Bonds are in, to the registered owners of any Bonds which are to be redeemed, at their addresses shown on the registration books maintained by the Paying Agent. Failure to mail notice to a particular Bondowner, or any defect in the notice to such Bondowner, shall not affect the redemption of any other Bond. No notice shall be given of redemption of Bonds in the Flexible Mode, except for such redemption pursuant to Section 405 as and when provided in the form of Flexible Bonds.

(28) Subsection 311(c) added by Section 314 of First Supplement.

(29) Fifth sentence of second paragraph of Subsection 312(a) amended by Section 315 of First Supplement and Section 302 of Second Supplement as follows:

Upon receipt by the Paying Agent of notice from the Remarketing Agent that a purchaser has been found for Pledged Bonds or Company Bonds held by the Paying Agent, the Paying Agent shall register and deliver such Bonds to such purchaser (at which time such Bonds shall cease to be Pledged Bonds or Company Bonds) upon receipt by the Paying Agent of the Purchase Price of such Bonds, provided, however, that no Pledged Bond or Company Bond shall be so registered and delivered unless the Paying Agent has received from the Bank a written notice of the reinstatement of the principal and interest component of the Credit Facility, or if prior to or simultaneously with such registration or delivery, the amount available to be drawn under the Credit Facility is otherwise less than the amount described in Paragraph 317(b)(ii) determined as if Bonds which are to continue as Pledged Bonds were not Outstanding.

(30) The second paragraph of Subsection 317(a) amended concurrently with the amendment and restatement hereof as follows:

Prior to the replacement of any Credit Facility the Company shall have delivered to the Trustee and the Paying Agent: (i) an opinion of counsel for the issuer of the substitute Credit Facility to the effect that it constitutes a legal, valid and binding obligation of the issuer enforceable in accordance with its terms; (ii) a certificate of the Bank that all amounts due under the Reimbursement Agreement have been paid and that the Company has fulfilled all its obligations arising out of such Agreement; and (iii) unless all of the Bonds to be supported by the substitute Credit Facility are in the Weekly Mode or are subject to mandatory tender for purchase on the date of replacement, written evidence from Moody's, if such Bonds are then rated by Moody's, and from S&P, if such Bonds are then rated by S&P, that the replacement of the Credit Facility will not in itself result in the reduction or withdrawal of the rating on the Bonds. Notice of the substitution or replacement of a Credit Facility shall be sent by the Trustee to Moody's and S&P.

(31) Clause (iii) of Subsection 317(b) amended concurrently with the amendment and restatement hereof to change "one year" to "364 days."

(32) New Section 320 from Section 201 of Second Supplement, added concurrently with the amendment and restatement hereof.

(33) New Section 321 from Section 303 of First Supplement, added concurrently with the amendment and restatement hereof.

(34) See also new Section 406 from Section 306 of First Supplement for additional limitations on conversions of 1992 Series D Bonds to new Modes.

(35) Last sentence of Section 405 added by Section 303 of Second Supplement.

(36) New Section 406 from Section 306 of First Supplement, added concurrently with the amendment and restatement hereof.

(37) New Section 407 from Paragraphs 102(a)(2), (5), and (12) and Section 309 of First Supplement, added concurrently with the amendment and restatement hereof.

(38) Now Section 321(g) of this Agreement.

(39) Fees with respect to 1992 Series D Bonds from Paragraph 102(a)(3) of First Supplement, added concurrently with the amendment and restatement hereof.

(40) Paragraph 102(a)(4) amended concurrently with the amendment and restatement hereof as follows:
(4) "Bank" means Barclays Bank PLC, acting through its New York Branch, in its capacity as issuer of the Letter of Credit and any other issuer of a Credit Facility.

(41) Paragraph 102(a)(8) amended concurrently with the amendment and restatement hereof as follows:

(8) "Bonds" means the 1991 Series D Bonds, the 1992 Series D Bonds, any other Tax-Exempt Refunding Bonds and any bond or bonds duly issued in exchange or replacement therefor.

(42) First sentence of Paragraph 102(a)(13) amended by Subsection 310(b) of First Supplement as follows:

"Credit Facility" means the Letter of Credit and any substitute irrevocable transferable letter of credit delivered to the Paying Agent pursuant to this Agreement and then in effect, as each may be amended from time to time pursuant to the terms of this Agreement or any amendment or supplement to this Agreement.

(43) Paragraph 102(a)(31) amended concurrently with the amendment and restatement hereof as follows:

(31) "Letter of Credit" means the $41,748,000 irrevocable letter of credit No. 841777 issued by Barclays Bank PLC, acting through its New York Branch, for the benefit of the Paying Agent.

(44) New last sentence of Paragraph 102(a)(33) from Section 305 of First Supplement, added concurrently with the amendment and restatement hereof.

(45) New definition of 1992 Series D Bonds in clause (ii) of Paragraph 102(a)(39) from Paragraph 102(a)(8) of First Supplement, added concurrently with the amendment and restatement hereof.

(46) Paragraph 102(a)(50) amended concurrently with the amendment and restatement hereof as follows:

(50) "Reimbursement Agreement" means the Third Series D Letter of Credit and Reimbursement Agreement dated as of April 1, 1999 among the Company, Barclays Bank PLC, New York Branch, as agent and issuing bank thereunder, and the participating banks referred to therein, and any other agreement between the Company and a Bank under which the Company is obligated to reimburse the Bank for payments made by the Bank under a Credit Facility.

(47) Paragraph 102(a)(57) amended concurrently with the amendment and restatement hereof as follows:
(57) "Tax-Exempt Refunding Bonds" means Bonds issued to refund the 1991 Series D Bonds pursuant to Article IV hereof, including, unless the context otherwise requires, the 1992 Series D Bonds.

(48) Clause (i) of Paragraph 301(d)(ii) amended concurrently with the amendment and restatement hereof to change "one year" to "364 days."

(49) Clause (i) of Paragraph 301(e)(ii) amended concurrently with the amendment and restatement hereof to change "one year" to "364 days."

(50) First sentence of Paragraph 308(c)(i) amended by Section 313 of First Supplement as follows:

If a Credit Facility is available for any portion of the Bonds, the Paying Agent shall not later than 4:00 P.M. on the Business Day next preceding any date on which payments of the principal of, premium, if any, or interest on such Bonds are due, whether at maturity, on an interest payment date, by acceleration, redemption, or otherwise, draw on the Credit Facility an amount sufficient to pay in full the principal, premium, if any, and interest then coming due on such Bonds.

(51) Subsection 310(e) amended by Section 308 of First Supplement as follows:

(e) Notice of Redemption. When Bonds are to be redeemed, the Paying Agent shall give notice to the Bondowners in the name of the Authority, which notice

shall identify the Bonds to be redeemed, state the date fixed for redemption and specify the office of the Paying Agent at which such Bonds will be redeemed. The notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the redemption price thereof, together with interest accrued to the redemption date, and that moneys therefor having been deposited with the Paying Agent, from and after such date, interest thereon shall cease to accrue and that the Bonds or portions thereof called for redemption shall cease to be entitled to any benefit under this Agreement except the right to receive payment of the redemption price. The Paying Agent shall mail the redemption notice the number of days prior to the date fixed for redemption provided in the forms of Bond for the Mode the Bonds are in, to the registered owners of any Bonds
which are to be redeemed, at their addresses shown on the registration books maintained by the Paying Agent. Failure to mail notice to a particular Bondowner, or any defect in the notice to such Bondowner, shall not affect the redemption of any other Bond. No notice shall be given of redemption of Bonds in the Flexible Mode, except for such redemption pursuant to Section 405 as and when provided in the form of Flexible Bonds.

(52) Clause (iii) of Subsection 317(b) amended concurrently with the amendment and restatement hereof
to change "one year" to "364 days."

(53) Last sentence of Section 405 added by Section 303 of Second Supplement.

(54) Now Section 321(g) of this Agreement.

IRREVOCABLE LETTER OF CREDIT
NO. 841777

April 14, 1999

U.S. Bank Trust National Association
100 Wall Street, Suite 1600
New York, New York 10005

Attention: Corporate Trust Division

Dear Sir or Madam:

We hereby establish, at the request and for the account of Public Service Company of New Hampshire (the "Account Party"), in your favor, as paying agent (the "Paying Agent") under that certain Amended and Restated Series D Loan and Trust Agreement, dated as of April 1, 1999 (the "Indenture"), by and among the Business Finance Authority (formerly The Industrial Development Authority) of the State of New Hampshire (the "Issuer"), the Account Party and State Street Bank and Trust Company, as trustee (the "Trustee"), pursuant to which $39,500,000 in outstanding aggregate principal amount of the Issuer's Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 1991 Taxable Series D) (the "Bonds"), have been issued, our Irrevocable Letter of Credit No. 841777, in the amount of US $41,748,000 (FORTY-ONE MILLION SEVEN HUNDRED FORTY-EIGHT THOUSAND AND NO ONE-HUNDREDTHS UNITED STATES DOLLARS), subject to reduction and reinstatement as provided below.

(1) Credit Termination Date. This Letter of Credit shall expire on the earliest to occur of () April 12, 2000 (the "Stated Termination Date"), () the date upon which we honor a draft accompanying a written and completed certificate signed by you in substantially the form of Exhibit 2 attached hereto, and stating therein that such draft is the final draft to be drawn under this Letter of Credit and that, upon the honoring of such draft, this Letter of Credit will expire in accordance with its terms, () the date upon which we receive a written certificate signed by you and stating therein that no Bonds entitled to the benefits of this Letter of Credit (as determined in accordance with the Indenture) ("Eligible Bonds") are "outstanding" under the Indenture, () the fifth business day following receipt by you and the Trustee of written notice from us that an Event of Default (as defined below) has occurred under the Reimbursement Agreement (as defined below) and of our determination to terminate this Letter of Credit on such fifth business day and () the date upon which we receive a written certificate signed by you and stating therein that a substitute or replacement Credit Facility (as defined in the Indenture) has been provided pursuant to Section 317 of the Indenture (such earliest date being the "Credit Termination Date").

As used herein, the term "business day" shall mean any day of the year () that is not a Sunday or legal holiday or a day on which banking institutions are authorized pursuant to law to close, () that is not a day on which the corporate trust office of the First Mortgage Bond Trustee (as defined in the Indenture) is not open for business, () that is a day on which banks are not required or authorized to close in New York City and () that is a day on which banking institutions in all of the cities in which the principal offices of the Trustee, the Paying Agent and the Remarketing Agent (as defined in the Indenture) are located are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

As used herein "Reimbursement Agreement" shall mean the Third Series D Letter of Credit and Reimbursement Agreement, dated as of April 14, 1999, between the Account Party, us and certain Participating Banks referred to therein, and the term "Event of Default" shall mean an "Event Default" as that term is defined in the Reimbursement Agreement.

(2) Principal, Interest and Premium Components. The aggregate amount which may be drawn under this Letter of Credit, subject to reductions in amount and reinstatement as provided below, is US $41,748,000 (FORTY-ONE MILLION SEVEN HUNDRED FORTY-EIGHT THOUSAND AND NO ONE-HUNDREDTHS UNITED STATES DOLLARS), of which the aggregate amounts set forth below may be drawn as indicated.

(i) An aggregate amount not exceeding US$39,500,000 (THIRTY-NINE MILLION FIVE HUNDRED THOUSAND AND NO ONE-HUNDREDTHS UNITED STATES DOLLARS), as such amount may be reduced and reinstated as provided below, (the "Principal Component") may be drawn in respect of payment of principal (whether upon scheduled or accelerated maturity, or upon redemption) of Eligible Bonds or the portion of the purchase price of Eligible Bonds corresponding to principal.

(ii) An aggregate amount not exceeding US$2,248,000 (TWO MILLION TWO HUNDRED FORTY-EIGHT THOUSAND AND NO ONE-HUNDREDTHS UNITED STATES DOLLARS), as such amount may be reduced and reinstated as provided below, (the "Interest Component") may be drawn in respect of payment of:

(A) accrued and unpaid interest on Eligible Bonds not in the Flexible Mode (as defined in the Indenture) or that portion of the redemption price or purchase price of such Eligible Bonds corresponding to accrued and unpaid interest, but not more than an amount equal to accrued and unpaid interest on such Eligible Bonds for up to a maximum of 128 days immediately preceding the date of such drawing; and

(B) unpaid interest (whether accrued or to accrue) on Eligible Bonds in the Flexible Mode or that portion of the redemption price or purchase price of such Eligible Bonds corresponding to such interest, but not more than an amount equal to such interest on such Eligible Bonds for up to a maximum of 128 days immediately preceding the next Purchase Date (as defined in the Indenture) for each such Eligible Bond (or, if interest on any such Eligible Bond was not paid on the most recent Purchase Date for such Bond, for up to a maximum of 128 days immediately preceding the date of such drawing);

calculated, in each case referred to in the foregoing clause (A) or clause (B) at a maximum rate of sixteen percent (16%) per annum on the basis of a year of 360 days for the actual days elapsed, or such lesser rate of interest as shall equal the Maximum Interest Rate (as defined in the Indenture) in effect under the Indenture with respect to such Eligible Bonds (whether or not in the Flexible Mode).

(iii) An aggregate amount not exceeding US$0.00 (ZERO UNITED STATES DOLLARS) may be drawn in respect of premium on Eligible Bonds (the "Premium Component"). If, subsequent to the date hereof, the Premium Component shall be increased by us at the request of the Account Party, the Premium Component shall be subject to reduction as provided below, and amounts drawn in respect thereof shall not be subject to reinstatement.

(3) Drawings. Funds under this Letter of Credit are available to you against () your draft, stating on its face: "Drawn under Irrevocable Letter of Credit No. 841777, dated April 14, 1999", and (ii) the appropriate certificate specified below, purportedly executed by you and appropriately completed.

Type of Drawing	Exhibit Setting Forth Form of Certificate Required
Tender Drawing (as hereinafter defined)	Exhibit 1
Redemption/Mandatory Purchase Drawing (as hereinafter defined)	Exhibit 2

Drafts and certificates hereunder shall be dated the date of presentation and shall be presented at our office located at 222 Broadway, 12th Floor, New York, New York 10038, Attention: Trade Services Group (or at such other office as we may designate by written notice to you). Presentation of such drafts and certificates may be made (a) by physical presentation of such drafts and certificates or (b) by facsimile transmission of such drafts and certificates received by us at (212) 412-5111 (or at such other number as we may designate by written notice to you) with prior telephone notice to us at (212) 412-5121, Attention: Pam Seeley (or at such other number as we may designate by written notice to you) that such presentation is to be made by facsimile transmission and with the original executed drafts and certificates to be received by us not later than our close of business on the next business day, it being understood that payments hereunder shall be made upon receipt by us of such facsimile transmission; provided however; that presentations of drafts and certificates relating to Tender Drawings in respect of Eligible Bonds in the Flexible Mode shall in all instances be made in accordance with the foregoing clause (b). Drafts drawn under and in strict compliance with the terms of this Letter of Credit will be duly honored by us upon presentation thereof in accordance with this Paragraph 3 if presented on or prior to 4:00 P.M. (New York City time) on the Credit Termination Date as follows:

(i) Tender Drawings; Flexible Mode: In the case of drafts and certificates relating to Tender Drawings in respect of Eligible Bonds in the Flexible Mode presented in accordance with the foregoing clause (b):

(A) if such drafts and certificates are presented as aforesaid at or prior to 1:30 P.M. (New York City time) on a business day, and provided that such drafts and certificates strictly conform to the requirements of this Letter of Credit, we will initiate a wire transfer of the amount so drawn to your account indicated below at or prior to 3:30 P.M. (New York City time) on the same business day;

(B) if such drafts and certificates are presented as aforesaid after 1:30 P.M. but at or prior to 4:00 P.M. New York City time) on a business day, and provided that such drafts and certificates strictly conform to the requirements of this Letter of Credit, we will initiate a wire transfer of the amount so drawn to your account indicated below at or prior to 10:00 A.M. on the business day next succeeding the business day on which such drafts and certificates were presented (notwithstanding that such day of presentation may have been the Credit Termination Date); and

(C) if such drafts and certificates are presented as aforesaid after 4:00 P.M. (New York City time) on a business day, and provided that such drafts and certificates strictly conform to the requirements of this Letter of Credit, we will initiate a wire transfer of the amount so drawn to your account indicated below at or prior to 1:00 P.M. (New York City time) on the business day next succeeding the business day on which such drafts and certificates were presented (notwithstanding that such day of presentation may have been the Credit Termination Date);

and

(ii) All Other Drawings: In the case of any other drafts and certificates:

(A) if such drafts and certificates are presented as aforesaid at or prior to 4:00 P.M. (New York City time) on a business day, and provided that such drafts strictly conform to the requirements of this Letter of Credit, we will initiate a wire transfer of the amount so drawn to your account indicated below at or prior to 10:00 A.M. (New York City time) on the business day next succeeding the business day on which such drafts and certificates were presented (notwithstanding that such day of presentation may have been the Credit Termination Date); and

(B) if such drafts and certificates are presented as aforesaid after 4:00 P.M. New York City time) on a business day, and provided that such drafts and certificates strictly conform to the requirements of this Letter of Credit, we will initiate a wire transfer of the amount so drawn to your account indicated below at or prior to 1:00 P.M. (New York City time) on the business day next succeeding the business day on which such drafts and certificates were presented (notwithstanding that such day of presentation may have been the Credit Termination Date).

Wire transfers of funds paid in respect of any drawing hereunder shall be made

to your Account No. 173101851827 at U.S. Bank Trust, N.A. (ABA # 091000022), Attn: Merilyn Hess, reference: State of New Hampshire (PSNH), or to such other account as you may from time to time specific to us in writing. All payments made by us under this Letter of Credit will be made with our own funds and not with any funds of the Account Party or the Issuer.

(4) Reductions. The Interest Component shall be reduced immediately following our honoring any draft drawn hereunder to pay unpaid interest on Eligible Bonds or to pay that portion of the purchase price or redemption price corresponding to unpaid interest on Eligible Bonds, in each case by an amount equal to the amount of such draft (any such drawing being an "Interest Drawing"). The Principal Component shall be reduced immediately following our honoring any draft drawn hereunder: () pursuant to Section 308(c)(ii) of the Indenture to pay that portion of purchase price corresponding to principal of Eligible Bonds that are (A) subject to mandatory tender for purchase pursuant to Section 301(d)(iii), 301(e)(iv)(B) or 301(f)(iii) of the Indenture or (B) tendered for purchase by the holders thereof pursuant to Section 301(e)(iii) of the Indenture (any such drawing in respect of the circumstances referred to in this clause (i) being a "Tender Drawing"), () pursuant to Section 308(c)(i) of the Indenture to pay the principal of Eligible Bonds or that portion of the redemption price of Eligible Bonds corresponding to principal, whether at stated maturity, upon acceleration or upon redemption, or () pursuant to Section 308(c)(ii) of the Indenture to pay that portion of the purchase price corresponding to principal of Eligible Bonds that are subject to mandatory tender for purchase pursuant to Section 301(e)(iv)(A) of the Indenture (any such drawing in respect of the circumstances referred to in the foregoing clause (ii) or in this clause (iii) being a "Redemption/Mandatory Purchase Drawing"), in each such case by an amount equal to the amount of such draft. The Premium Component shall be reduced immediately following our honoring any draft drawn hereunder to pay premium on Eligible Bonds in connection with a Redemption/Mandatory Purchase Drawing, by an amount equal to the amount of such draft.

Additionally, upon receipt of a Notice of Reduction in the form of Exhibit 4 to this Letter of Credit purportedly executed by you, we will reduce the Principal Component, Interest Component and Premium Component to the amounts therein stated.

(5) Reinstatement. The Interest Component and the Principal Component shall, from time to time, be reinstated by us in accordance with, and only to the extent provided in, the following subparagraphs (i) and (ii). In no event shall reductions in the Premium Component be reinstated.

(i) Interest Component. Reductions in the Interest Component resulting from Interest Drawings shall be reinstated as follows:

(A) Immediately following each drawing hereunder to pay unpaid interest on Eligible Bonds in the Flexible Mode or to pay that portion of purchase price, but not redemption price, corresponding to unpaid interest on Eligible Bonds in the Flexible Mode, the amount so drawn shall be automatically reinstated to the Interest Component unless, not later than the business day preceding such drawing you shall have received written notice from us that we will not reinstate the Interest Component in the amount of such drawing. On the fifth day following each drawing hereunder to pay accrued and unpaid interest on Eligible Bonds that are not in the Flexible Mode, or to pay that portion of purchase price, but not redemption price, corresponding to accrued and unpaid interest on Eligible Bonds that are not in the flexible Mode, the amount so drawn shall be automatically reinstated to the Interest Component, unless you shall have theretofore received written notice from us that we will not reinstate the Interest Component in the amount of such drawing. Any notice of non-reinstatement delivered pursuant to this subparagraph (i)(A) shall be in writing and shall be delivered to you by hand delivery or facsimile transmission.

(B) If, subsequent to any such delivery of a notice of non-reinstatement as aforesaid, we shall deliver to you, by hand delivery or facsimile transmission, a Notice of Reinstatement in the form of Exhibit 5 hereto, then, upon such delivery to you, the Interest Component shall be immediately reinstated to the extent specified in such Notice of Reinstatement.

(C) In no event shall the Interest Component be reinstated to an amount in excess of 128 days' interest on all Eligible Bonds, computed at the rate of 16% per annum on the basis of a year of 360 days for the actual days elapsed, or such lesser rate of interest as shall equal the Maximum Interest Rate (as defined in the Indenture) in effect under the Indenture with respect to such Eligible Bonds.

(ii) Principal Component. Reductions in the Principal Component resulting from Redemption/Mandatory Purchase Drawings shall in no event be reinstated. Reductions in the Principal Component resulting from Tender Drawings shall be reinstated as follows:

(A) Immediately upon receipt by us of proceeds from the remarketing of Pledged Bonds (as defined in the Indenture), or of written notice from you that you have received such proceeds (or a window receipt guaranteeing same day payment in immediately available funds of such proceeds as contemplated by Section 312(a) of the Indenture), the Principal Component shall be reinstated automatically by the amount of such proceeds.

(B) Immediately upon your receipt from us, by hand delivery or facsimile transmission, of a Notice of Reinstatement in the form of Exhibit 5 hereto, the Principal Component shall be immediately reinstated to the extent specified in such Notice of Reinstatement.

(C) In no event shall the Principal Component be reinstated to an amount in excess of the aggregate principal Eligible Bonds then outstanding under the Indenture.

Any Notice of Reinstatement delivered to you in the form set forth in Exhibit 5 hereto, whether delivered pursuant to subparagraph (i) or subparagraph (ii), above, may be combined, in a single such Notice, with any other Notice of Reinstatement delivered pursuant to the other such subparagraph.

(6) Notices. Communications (other than drawings) with respect to this Letter of Credit shall be in writing and shall be addressed to us at 222 Broadway, 12th Floor, New York, New York 10038, Attention: Client Services Unit, (telephone: (212) 412-3721, telecopy: (212) 412-5306), with a copy to: Utilities Group, (telephone (212) 412-2470, telecopy: (212) 412-6709), or, in each case, at such other office or telepcopy number as we may designate by written notice to you specifically referring to the number of this Letter of Credit.

(7) Transfer. This Letter of Credit is transferable in its entirety (but not in part) to any transferee who has succeeded you as Paying Agent under the Indenture and may be successively so transferred. Transfer of the available balance under this Letter of Credit to such transferee shall be effected by the presentation to us of this Letter of Credit accompanied by a certificate substantially in form set forth in Exhibit 6.

(8) Governing Law, Etc. Except as otherwise provided herein, this Letter of Credit shall be governed by and construed in accordance with the International Standby Practices 1998 ("ISP 98") and, to the extent not inconsistent with the ISP, the laws of the State of New York, including the Uniform Commercial Code as in effect in the State of New York. This Letter of Credit sets forth in full our undertaking, and, except as expressly set forth herein, such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Bonds, the Indenture and the Reimbursement Agreement), except only the certificates and the drafts referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except for such certificates and such drafts. Whenever and wherever the terms of this Letter of Credit shall refer to the purpose of a draft hereunder, or the provisions of any agreement or document pursuant to which such draft may be presented hereunder, such purpose or provisions shall be conclusively determined by reference to the certificate accompanying such draft; in furtherance of this sentence, whether any drawing is in respect of payment of regularly scheduled interest on the Bonds or of principal of or interest on the Bonds upon scheduled or accelerated maturity or is a Tender Drawing or a Redemption/Mandatory Purchase Drawing shall be conclusively determined by reference to the certificate accompanying such drawing.

Very truly yours,

BARCLAYS BANK PLC,
NEW YORK BRANCH

By
Title:

By
Title:

EXHIBIT 1
TO THE LETTER OF CREDIT

CERTIFICATE FOR TENDER DRAWING

The undersigned, a duly authorized officer of (the "Paying Agent"), hereby certifies as follows to Barclays Bank PLC, New York Branch (the

"Bank"), with reference to Irrevocable Letter of Credit No. (the "Letter of Credit") issued by the Bank in favor of the Paying Agent. Terms defined in the Letter of Credit and used but not defined herein shall have the meanings given them in the Letter of Credit.

(9) The Paying Agent is the Paying Agent under the Indenture for the holders of the Bonds.

(10) The Paying Agent is making a Tender Drawing under the Letter of Credit in the amount of $ pursuant to Section 308(c)(ii) of the Indenture to pay that portion of the purchase price corresponding to principal of Eligible Bonds that are

[subject to mandatory tender for purchase pursuant to Section [301(d)(iii)] [301(e)(iv)(B)] [301(f)(iii)] of the Indenture.]

[tendered for purchase by the holders thereof pursuant to Section 301(e)(iii) of the Indenture.]

(11) The amount of purchase price corresponding to principal of Eligible Bonds and with respect to the payment of which the Paying Agent, pursuant to the foregoing Sections of the Indenture, is drawing under the Letter of Credit, is as follows, and the amount of the draft accompanying this Certificate does not exceed such amount:

Principal: $

(12) The amount of the draft accompanying this Certificate being drawn in respect of purchase price corresponding to principal of Eligible Bonds, as indicated in paragraph (3), above, does not exceed the Principal Component of the Letter of Credit. The amount of the draft accompanying this Certificate in respect of purchase price corresponding to principal of such Bonds has been computed in accordance with the terms and conditions of such Eligible Bonds and the Indenture.

(13) No proceeds of this drawing will be applied to the payment of purchase price of any Bonds that are not Eligible Bonds, including any Pledged Bonds (as defined in the Indenture), any Company Bonds (as defined in the Indenture) and any Bonds in the Fixed Rate Mode (as defined in the Indenture).

(14) [The Eligible Bonds in respect of which this drawing is being made are Eligible Bonds in the Flexible Mode, and payment of this drawing shall be made in accordance with Paragraph 3(i) of the Letter of Credit.]

[(6) The Eligible Bonds in respect of which this drawing is being made are not Eligible Bonds in the Flexible Mode, and payment of this drawing shall be made in accordance with Paragraph 3(ii) of the Letter of Credit].

IN WITNESS WHEREOF, the Paying Agent has executed and delivered this Certificate as of the day of , .

[NAME OF PAYING AGENT],
as Paying Agent

By
Title:

EXHIBIT 2
TO THE LETTER OF CREDIT

CERTIFICATE FOR REDEMPTION/
MANDATORY PURCHASE DRAWING

The undersigned, a duly authorized officer of (the "Paying Agent"), hereby certifies as follows to Barclays Bank PLC, New York Branch (the "Bank"), with reference to Irrevocable Letter of Credit No. (the "Letter of Credit") issued by the Bank in favor of the Paying Agent. Terms defined in the Letter of Credit and used but not defined herein shall have the meanings given them in the Letter of Credit.

(15) The Paying Agent is the Paying Agent under the Indenture for the holders of the Bonds.

(16) The Paying Agent is making a Redemption/Mandatory Purchase Drawing under the Letter of Credit in the amount of $.

[pursuant to Section 308(c)(i) and Section 605 of the Indenture to pay the principal of Eligible Bonds due pursuant to the Indenture

upon maturity or as a result of acceleration of such Eligible Bonds in accordance with the Indenture and the terms of such Eligible Bonds.]

[pursuant to Section 308(c)(i) of the Indenture to pay that portion of the redemption price corresponding to principal of [and premium on Eligible Bonds due pursuant to the Indenture upon redemption of such Eligible Bonds in accordance with the Indenture and the terms of such Eligible Bonds.]

[pursuant to Section 308(c)(ii) of the Indenture to pay that portion of the purchase price of Eligible Bonds corresponding to principal that are subject to mandatory tender for purchase pursuant to Section 301(e)(iv)(A) of the Indenture.]

(17) The amount of [principal of] [redemption price corresponding to principal of] [and premium on] [purchase price corresponding to principal of] Eligible Bonds which is due and payable and with respect to the payment of which the Paying Agent, pursuant to the foregoing Section[s] of the Indenture, is to draw under the Letter of Credit is as follows, and the amount of the draft accompanying this Certificate does not exceed such amount:

Principal:$
[Premium $]

(18) The amount of the draft accompanying this Certificate being drawn in respect of payment of [principal] [redemption price corresponding to principal] [purchase price corresponding to principal] of Eligible Bonds, as indicated in paragraph (3), above, does not exceed the Principal Component of the Letter of Credit. [The amount of the draft accompanying this Certificate being drawn in respect of that portion of the redemption price of Eligible Bonds corresponding to premium, as indicated in paragraph (3), above, does not exceed the Premium Component of the Letter of Credit.] The amount of the draft accompanying this Certificate in respect of payment of [principal] [redemption price corresponding to principal] [and premium] [purchase price corresponding to principal] of such Eligible Bonds has been computed in accordance with the terms and conditions of such Eligible Bonds and the Indenture.

(19) No proceeds of this drawing will be applied to the payment of principal, redemption price (including premium, if any) or purchase price of any Bonds that are not Eligible Bonds, including any Pledged Bonds (as defined in the Indenture), any Company Bonds (as defined in the Indenture), and any Bonds in the Fixed Rate Mode (as defined in the Indenture).

(20) Payment of this drawing shall be made in accordance with Paragraph 3(ii) of the Letter of Credit.

(21) [The draft accompanying this Certificate is the final draft to be drawn under the Letter of Credit, and, upon the honoring of such draft, the Letter of Credit will expire in accordance with its terms.]

IN WITNESS WHEREOF, the Paying Agent has executed and delivered this Certificate as of the day of , .

[NAME OF PAYING AGENT],
as Paying Agent

By
Title:

EXHIBIT 3
TO THE LETTER OF CREDIT

CERTIFICATE FOR INTEREST DRAWING

The undersigned, a duly authorized officer of (the "Paying Agent"), hereby certifies as follows to Barclays Bank PLC, New York Branch (the "Bank"), with reference to Irrevocable Letter of Credit No. (the "Letter of Credit") issued by the Bank in favor of the Paying Agent. Terms defined in the Letter of Credit and used but not defined herein shall have the meanings given them in the Letter of Credit.

(22) The Paying Agent is the Paying Agent under the Indenture for the holders of the Bonds.

(23) The Paying Agent is making a drawing under the Letter of Credit in the amount of $ with respect to [the payment of interest] [the payment of the portion of redemption price corresponding to interest] [the payment of the portion of purchase price corresponding to interest] on Eligible Bonds in

accordance with the Indenture.

(24) The amount of [interest] [redemption price corresponding to interest] [purchase price corresponding to interest] on Eligible Bonds that is due and owing is as follows, and the amount of the draft accompanying this Certificate does not exceed such amount:

Interest: $

(25) The amount of the draft accompanying this Certificate being drawn in respect of payment of [interest] [redemption price corresponding to interest] [purchase price corresponding to interest] on Eligible Bonds, as indicated in paragraph (3), above, does not exceed the Interest Component of the Letter of Credit. The amount of the draft accompanying this Certificate in respect of payment of [interest] [redemption price corresponding to interest] [purchase price corresponding to interest] on Eligible Bonds has been computed in accordance with the terms and conditions of such Eligible Bonds and the Indenture.

(26) Payment of this drawing shall be made in accordance with Paragraph 3(ii) of the Letter of Credit.

IN WITNESS WHEREOF, the Paying Agent has executed and delivered this Certificate as of the day of , .

[NAME OF PAYING AGENT],
as Paying Agent

By
Title:

EXHIBIT 4
TO THE LETTER OF CREDIT

NOTICE OF REDUCTION

The undersigned, a duly authorized officer of (the "Paying Agent"), hereby certifies as follows to Barclays Bank PLC, New York Branch (the "Bank"), with reference to Irrevocable Letter of Credit No. (the "Letter of Credit") issued by the Bank in favor of the Paying Agent. Terms defined in the Letter of Credit and used but not defined herein shall have the meanings given them in the Letter of Credit.

(27) The Paying Agent is the Paying Agent under the Indenture for the holders of the Bonds.

(28) As of the date hereof; the aggregate principal amount of Eligible Bonds (including for this purpose all Pledged Bonds and all Company Bonds) outstanding is

Principal: $

(29) You are hereby directed to reduce the [Principal] [Premium] [and] [Interest] Components of the Letter of Credit as follows:

[The Principal Component of the Letter is reduced to $.]

[The Premium Component of the Letter of Credit is reduced to $.]

[The Interest Component of the Letter of Credit is reduced to $.]

IN WITNESS WHEREOF, the Paying Agent has delivered this Certificate as of the day of , .

[NAME OF PAYING AGENT],
as Paying Agent

By
Title:

EXHIBIT 5
TO THE LETTER OF CREDIT

NOTICE OF REINSTATEMENT

The undersigned, a duly authorized officer of Barclays Bank PLC, New York Branch (the "Bank"), hereby gives the following notice to as paying agent (the "Paying Agent"), with reference to Irrevocable Letter of Credit No. (the "Letter of Credit") issued by the Bank in favor of the Paying Agent. Terms defined in the Letter of Credit and used but not defined herein have the meanings given them in the Letter of Credit.

The Bank hereby notifies you that:

[1.] [Pursuant to Paragraph 5(i)(B) of the Letter of Credit and Section 2.04(b)(ii) of the Reimbursement Agreement, the Interest Component has been reinstated by $.]

[2.] [Pursuant to Paragraph 5(ii)(B) of the Letter of Credit and Section 2.04(c) of the Reimbursement Agreement, the Principal Component has been reinstated by $.]

IN WITNESS WHEREOF, the Bank has executed and delivered this Notice Reinstatement as of the day of , .

BARCLAYS BANK PLC,
NEW YORK BRANCH

By
Title:

EXHIBIT 6
TO THE LETTER OF CREDIT

INSTRUCTIONS TO TRANSFER

Re: Irrevocable Letter of Credit No.

Gentlemen:

The undersigned, as Paying Agent under that certain Amended and Restated Series D Loan and Trust Agreement, dated as of April 1, 1999 (the "Indenture"), by and among the Business Finance Authority (formerly The Industrial Development Authority) of the State of New Hampshire (the "Issuer"), Public Service Company of New Hampshire and the State Street Bank and Trust Company, as Trustee, is named as beneficiary in the Letter of Credit referred to above (the "Letter of Credit"). The Transferee named below has succeeded the undersigned as Paying Agent under such Indenture.

(Name of Transferee)

(Address)

Therefore, for value received, the undersigned hereby irrevocably instructs you to transfer to such Transferee all rights of the undersigned to draw under the Letter of Credit.

Such Transferee shall hereafter have the sole rights as beneficiary under the Letter of Credit; provided, however, that no rights shall be deemed to have been transferred to such Transferee until such transfer complies with the requirements of the Letter of Credit pertaining to transfers.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Certificate as of the day of , .

[NAME OF RETIRING PAYING AGENT],
as Paying Agent

By
Title:

The undersigned, [Name of Transferee], hereby accepts the foregoing transfer of rights under the Letter of Credit.

[Name of Transferee]

By
   Title:

Address of Principal
   Corporate Trust Office:

[insert address]

EXHIBIT 4.3.6.1

THIRD SERIES D LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

Dated as of April 14, 1999

This THIRD SERIES D LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT, dated as of April 14, 1999 (this "Agreement") is made by and among:

(i) Public Service Company of New Hampshire, a corporation duly organized and validly existing under the laws of the State of New Hampshire (the "Account Party");

(ii) Barclays Bank PLC, New York Branch ("Barclays"), as issuer of the Letter of Credit (the "Issuing Bank");

(iii) The Participating Banks (as hereinafter defined) from time to time party hereto; and

(iv) Barclays as agent (together with any successor agent hereunder, the "Agent") for such Participating Banks and the Issuing Bank.

PRELIMINARY STATEMENT

The Business Finance Authority (formerly The Industrial Development Authority) of the State of New Hampshire (the "Issuer"), pursuant to a Series D Loan and Trust Agreement, dated as of May 1, 1991 (the "Original Indenture"), by and among the Issuer, the Account Party and State Street Bank and Trust Company, as trustee (such entity, or its successor as trustee, being the "Trustee"), previously issued $114,500,000 aggregate principal amount of The Industrial Development Authority of the State of New Hampshire Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 1991 Taxable Series D) (such bonds being herein referred to as the "Taxable Bonds"). Pursuant to the Original Indenture, a First Supplement thereto, dated as of December 1, 1992 and a Second Supplement thereto, dated as of May 1, 1995 (the Original Indenture, as so supplemented by such First Supplement and such Second Supplement and as the same may be further supplemented, amended or modified from time to time with the written consent of the Issuing Bank, being herein referred to as the "Existing Indenture"), the Issuer refunded $75,000,000 aggregate principal amount of the Taxable Bonds through the issuance of $75,000,000 aggregate principal amount of Business Finance Authority of the State of New Hampshire Pollution Control Refunding Revenue Bonds (Public Service Company of New Hampshire Project - 1992 Tax-Exempt Series D) (such bonds being herein referred to as the "Original Tax-Exempt Refunding Bonds").

The Account Party previously caused Barclays to issue its Irrevocable Letter of Credit No. 839136, dated May 2, 1995 in a stated amount of $117,858,000 (the "Existing Letter of Credit"), in support of the Taxable Bonds and the Original Tax-Exempt Refunding Bonds, and, in connection therewith, the Account Party entered into a Second Series D Letter of Credit and Reimbursement Agreement dated as of May 1, 1995 (the "Existing Reimbursement Agreement") with Barclays as issuing bank and agent thereunder and the participating banks referred to therein.

On April 23, 1998 and May 1, 1998, respectively, the parties to the Existing Reimbursement Agreement: (i) caused the Existing Reimbursement Agreement to be amended and restated in its entirety and (ii) caused the Existing Letter of Credit to be amended and extended, as a result of which transactions, the stated expiry date of the Existing Letter of Credit was extended to April 22, 1999 and the Original Tax-Exempt Refunding Bonds ceased to be entitled to the benefits of the Existing Letter of Credit.

The Account Party now wishes to replace the Existing Letter of Credit with an irrevocable, transferable letter of credit issued by the Issuing Bank in an aggregate amount of $41,748,000 (the "Stated Amount"), of which (i) $39,500,000 shall support the payment of principal of the Taxable Bonds (or the portion of the purchase or redemption price of Taxable Bonds corresponding to principal), (ii) $2,248,000 shall support the payment of up to 128 days' interest on the principal amount of Taxable Bonds (or the portion of the purchase or redemption price of Taxable Bonds corresponding to interest), computed at a maximum interest rate of 16% per annum on the basis of the actual days elapsed and a year of 360 days, subject to modification as provided in Section 2.06 hereof, and (iii) $0.00 shall support the payment of premium on Taxable Bonds, and otherwise in the form of Exhibit 1.01A hereto (such letter of credit, as the same may from time to time be extended, amended or otherwise modified pursuant to the terms of this Agreement, being hereinafter referred to as the "Letter of Credit"). Concurrently therewith, the Issuer, the Account Party and the Trustee are entering into that certain Amended and Restated Series D Loan and Trust Agreement, dated as of April 1, 1999 (the "Indenture"), which Indenture amends and restates the Existing Indenture in its entirety.

The Issuing Bank has agreed to issue the Letter of Credit, and the Participating Banks have agreed to make certain advances and acquire certain participation interests, in each case subject to the terms and conditions set forth in this Agreement (including the terms and conditions relating to the rights and obligations of the Participating Banks).

NOW, THEREFORE, in consideration of the premises set forth herein, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS AND ACCOUNTING TERMS

SECTION I.1. Certain Defined Terms. In addition to the terms defined in the Preliminary Statement hereto, as used in this Agreement, the following terms shall have the following meanings (such meanings to be applicable to the singular and plural forms of the terms defined):

"Advances" means Initial Advances and Term Advances, without differentiation; individually, an "Advance".

"Affiliate" means, with respect to a specified Person, another Person that directly or indirectly through one or more intermediaries controls or is controlled by or is directly or indirectly under common control with such Person. A Person shall be deemed to control another entity if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such entity, whether through the ownership of voting securities, by contract or otherwise.

"Agreement for Capacity Transfer" means the Agreement for Capacity Transfer, dated as of December 1, 1989, between The Connecticut Light and Power Company ("CL&P") and the Account Party, as amended by the First Amendment to Agreement for Capacity Transfer, dated as of May 1, 1992 between CL&P and the Account Party, which provides for capacity transfers from the Account Party to CL&P.

"Alternate Base Rate" means, for any period, a fluctuating interest rate per annum equal at all times to the higher from time to time of:

(a) the rate of interest announced publicly by Barclays in New York, New York, from time to time, as Barclays' prime rate; and

(b) 1/2 of one percent per annum above the Federal Funds Rate from time to time;

plus, in either case, the Applicable Margin for Base Rate Advances. Each change in the Alternate Base Rate shall take effect concurrently with any change in such prime rate or Federal Funds Rate, as the case may be.

"Applicable Commission" means, for any day, two and one-quarter percent (2.25%).

"Applicable Lending Office" means, with respect to each Participating Bank, (i) (A) such Participating Bank's "Domestic Lending Office", in the case of a Base Rate Advance, and (B) such Participating Bank's "Eurodollar Lending Office," in the case of a Eurodollar Rate Advance, in each case as specified opposite such Participating Bank's name on Schedule I hereto (in the case of a Participating Bank initially party to this Agreement) or in the Participation Assignment pursuant to which such Participating Bank became a Participating Bank (in the case of any other Participating Bank), or (ii) such other office or affiliate of such Participating Bank as such Participating Bank may from time to time specify to the Account Party and the Agent.

"Applicable Margin" means, for any day: (i) two and one-quarter percent (2.25%), for any outstanding Eurodollar Rate Advance, and (ii) one and one-quarter percent (1.25%), for any outstanding Base Rate Advance.

"Arranger" means Barclays Bank PLC.

"Available Amount" in effect at any time means the maximum aggregate amount available to be drawn at such time under the Letter of Credit, the determination of such maximum amount to assume compliance with all conditions for drawing and no reduction for (i) any amount drawn by the Paying Agent to make a regularly scheduled payment of interest on the Bonds (unless such amount will not be reinstated under the Letter of Credit) or (ii) any amount not available to be drawn because Bonds are held by or for the account of the Account Party and/or in pledge for the benefit of the Issuing Bank, but after giving effect nevertheless, to any reduction in the Stated Amount effected pursuant to Section 2.06 hereof.

"Bankruptcy Code" means Title 11 of the United States Code, as the

same may be amended from time to time, or any successor bankruptcy law of the United States.

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

"Bonds" means (i) the Taxable Bonds outstanding as of the date hereof and (ii) any Tax-Exempt Refunding Bonds (as defined in the Indenture) that may be issued in accordance with the Indenture and this Agreement to refund any of such remaining Taxable Bonds; provided, however, that the term "Bonds" shall in no event include the Original Tax-Exempt Refunding Bonds.

"Business Day" means a day of the year that is not a Sunday, legal holiday or a day on which banks are required or authorized to close in New York City and, (i) if the applicable Business Day relates to any Eurodollar Rate Advance, is a day on which dealings are carried on in the London interbank market and/or (ii) if the applicable Business Day relates to any action to be taken by, or notice furnished to or by, or payment to be made to or by, the Trustee, the Paying Agent, the Remarketing Agent or the First Mortgage Trustee, is a day on which (A) banking institutions are not authorized pursuant to law to close, (B) the corporate trust office of the First Mortgage Trustee is open for business, (C) banking institutions in all of the cities in which the principal offices of the Issuing Bank, the Trustee, the Paying Agent, the First Mortgage Trustee and, if applicable, the Remarketing Agent are located are not required or authorized to remain closed and (D) the New York Stock Exchange is not closed.

"Cash Account" has the meaning assigned to that term in Section 7.05.

"CL&P" has the meaning assigned to that term in the definition of Agreement for Capacity Transfer.

"Closing Date" means the Business Day upon which each of the conditions precedent enumerated in Sections 5.01 and 5.02 of this Agreement shall be fulfilled to the satisfaction of the Agent, the Issuing Bank, the Participating Banks and the Account Party. All transactions contemplated to occur on the Closing Date shall occur contemporaneously on or prior to April 14, 1999, at the offices of King & Spalding, 1185 Avenue of the Americas, New York, New York 10036, at 12:01 A.M. (New York City time), or at such other place and time as the parties hereto may mutually agree.

"Collateral" means all of the collateral in which liens, mortgages or security interests are purported to be granted by any or all of the Security Documents.

"Collateral Agent" means Barclays and any successor as collateral agent under the Intercreditor Agreement.

"Commitment" means, for each Participating Bank, such Participating Bank's Percentage of the Available Amount. "Commitments" shall refer to the aggregate of the Commitments.

"Common Equity" means, at any date, an amount equal to the sum of the aggregate of the par value of or stated capital represented by, the outstanding shares of common stock of the Account Party and the surplus, paid-in, earned and other, if any, of the Account Party.

"Confidential Information" has the meaning assigned to that term in Section 10.09 hereof.

"Conversion", "Convert" or "Converted" each refers to a conversion of Term Advances pursuant to Section 3.04 hereof, including, but not limited to any selection of a longer or shorter Interest Period to be applicable to such Term Advances or any conversion of a Term Advance as described in Section 3.04(c) hereof.

"Credit Termination Date" means the date on which the Letter of Credit shall terminate in accordance with its terms.

"date hereof" means April 14, 1999.

"Debt" means, for any Person, without duplication, (i) indebtedness of such Person for borrowed money, (ii) obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) obligations of such Person to pay the deferred purchase price of property or services, (iv) 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 (not including the Unit Contract), (v) obligations (contingent or otherwise)

of such Person under reimbursement or similar agreements with respect to the issuance of letters of credit (vi) net obligations (contingent or otherwise) of such Person under interest rate swap, "cap", "collar" or other hedging agreements, (vii) obligations of such person to pay rent or other amounts under leases entered into in connection with sale and leaseback transactions involving assets of such Person being sold in connection therewith, (viii) 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 (vii), above, and (ix) liabilities in respect of unfunded vested benefits under ERISA Plans.

"Default Rate" means a fluctuating interest rate equal at all times to 2% per annum above the rate applicable to Base Rate Advances at such time.

"Disclosure Documents" means the Information Memorandum, the 1998 10-K and any Current Report on Form 8-K filed by the Account Party with the Securities and Exchange Commission after December 31, 1998 and furnished to the Participating Banks prior to the execution and delivery of this Agreement.

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

"ERISA Affiliate" means any trade or business (whether or not incorporated, that, together with the Account Party is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

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

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

"ERISA Plan Termination Event" means (i) a "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder (other than an event for which the 30-day notice period is waived) with respect to an ERISA Plan or an ERISA Multiemployer Plan, or (ii) the existence with respect to any ERISA plan of an "accumulated funding deficiency" (as defined in Section 412(d) of the Code or Section 302 of ERISA), whether or not waived; (iii) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any ERISA Plan; (iv) the incurrence by the Account Party or any of its ERISA Affiliates of any liability under Title IV or ERISA with respect to the termination of any ERISA Plan; (v) the receipt by Account Party or any of its ERISA Affiliates from the PBGC or a plan administrator of any notice relating to an intention to terminate any ERISA Plan or an ERISA Multiemployer Plan under Section 4041 of ERISA or to appoint a trustee to administer any ERISA Plan or ERISA Multiemployer Plan; (vi) the receipt by the Account Party or any of its ERISA Affiliates of any notice, or the receipt by an ERISA Multiemployer Plan from the Account Party or any of its ERISA Affiliates of any notice, concerning the imposition of liability due to any withdrawal of the Account Party or any of its ERISA Affiliates from an ERISA Plan or an ERISA Multiemployer Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, or a determination that an ERISA Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA or (vii) any other event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any ERISA Plan or ERISA Multiemployer Plan.

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

"Eurodollar Rate" means for any Interest Period for any Eurodollar Rate Advances comprising part of the same Term Borrowing, an interest rate per annum equal at all times during such Interest Period to the sum of:

(i) the rate per annum (rounded upward to the nearest whole multiple of 1/100 of 1% per annum, if such rate is not such a multiple) determined by the Agent at which deposits in United States dollars in amounts comparable to the Eurodollar Rate Advance of Barclays comprising part of such Term Borrowing and for comparable periods as such Interest Period are offered by the principal office of Barclays in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two

Business Days before the first day of such Interest Period, plus

(ii) the Applicable Margin.

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

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

"Event of Default" has the meaning assigned to that term in Section 8.01.

"Existing Letter of Credit" has the meaning assigned to that term in the Preliminary Statement.

"Existing Reimbursement Agreement" has the meaning assigned to that term in the Preliminary Statement.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published on the next succeeding Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"Final Plan" means the "Final Plan" implementing Chapter 374-F of the Revised Statutes Annotated of New Hampshire, adopted by the NHPUC on February 28, 1997, and any successor plan or proposal.

"First Mortgage Bonds" means first mortgage bonds issued or to be issued by the Account Party and secured, directly or indirectly, collectively or severally, by one or more first-priority liens on all or part of the Indenture Assets pursuant to the First Mortgage Indenture or another indenture in form and substance satisfactory to the Majority Lenders. For purposes hereof, all or part of the First Mortgage Bonds may be issued as collateral for pollution control revenue bonds or industrial revenue bonds, whether taxable or tax exempt issued by the Account Party or by a governmental authority at the Account Party's request.

"First Mortgage Indenture" means the General and Refunding Mortgage Indenture, between the Account Party and New England Merchants National Bank, as trustee and to which First Union National Bank is successor trustee, dated as of August 15, 1978, as amended and supplemented through the date hereof and as the same may thereafter be amended, supplemented or modified from time to time.

"First Mortgage Trustee" means the trustee from time to time under the First Mortgage Indenture.

"Governmental Approval" means any authorization, consent, approval, license, permit, certificate, exemption of, or filing or registration with, any governmental authority or other legal or regulatory body required in connection with any of: (i) the execution, delivery or performance of the Rate Agreement, any Transaction Document, Loan Document, Related Document or Significant Contract, (ii) the grant and perfection of any security interest, lien or mortgage contemplated by the Security Documents, (iii) the nature of the Account Party's business as conducted or the nature of the property owned or leased by it or (iv) any NUG Settlement. For purposes of this Agreement, Chapter 362-C of the Revised Statutes Annotated of New Hampshire, as in effect on May 2, 1995, shall be deemed to be a Governmental Approval.

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

material.

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

"Indenture" has the meaning assigned to that term in the Preliminary Statement.

"Indenture Assets" means fixed assets of the Account Party (including related Governmental Approvals and regulatory assets) which from time to time are subject to the first-priority lien under the First Mortgage Indenture.

"Information Memorandum" means the Confidential Information Memorandum, dated February, 1999 regarding the Account Party, as distributed to the Issuing Bank and the Participating Banks, including, without limitation, all schedules, attachments and supplements, if any, thereto.

"Initial Advance" has the meaning assigned to that term in Section 3.02(a) hereof.

"Initial Repayment Date" has the meaning assigned to that term in Section 3.02(a) hereof.

"Intercreditor Agreement" means the Collateral Agency and Intercreditor Agreement, dated as of April 23, 1998, as amended and restated as of the date hereof by the Intercreditor Amendment, among the Agent, Barclays as "Agent" under the Other Reimbursement Agreement and Barclays as Collateral Agent, as the same may be amended, modified or supplemented from time to time.

"Intercreditor Amendment" means the First Amendment, dated as of April 14, 1999, to the Collateral Agency and Intercreditor Agreement, dated as of April 23, 1998, among The Chase Manhattan Bank ("Chase"), as "Administrative Agent" under the 1998 Revolving Credit Agreement, Barclays, as "Agent" under the Existing Reimbursement Agreement, UBS AG, Stamford Branch, as successor to Swiss Bank Corporation, Stamford Branch, as "Agent" under the "Other Reimbursement Agreement" referred to in the Existing Reimbursement Agreement, the Agent, Barclays as "Agent" under the Other Reimbursement Agreement, Chase, as the original Collateral Agent thereunder and Barclays as successor Collateral Agent thereunder.

"Interest Component" has the meaning assigned to that term in the Letter of Credit.

"Interest Drawing" has the meaning assigned to that term in the Letter of Credit.

"Interest Expense" means, for any period, the aggregate amount of any interest on Debt (including long-term and short-term Debt).

"Interest Period" has the meaning assigned to that term in Section 3.03(b) hereof.

"Issuer" has the meaning assigned to that term in the Preliminary Statement.

"Issuer Resolution" means the resolution adopted by the Issuer that authorized the issuance of the Bonds, approved the terms and provisions of the Bonds, and approved those of the documents related to the Bonds to which the Issuer is a party.

"Letter of Credit" has the meaning assigned to that term in the Preliminary Statement.

"Lien" has the meaning assigned to that term in Section 7.02(a) hereof.

"Loan Documents" means this Agreement and the Security Documents, as each may be amended, supplemented or otherwise modified from time to time.

"Major Electric Generating Plants" means the following nuclear, combustion turbine and coal, oil or diesel-fired generating stations of the Account Party: the Merrimack generating station located in Bow, New Hampshire; the Newington generating station located in Newington, New Hampshire; the Schiller generating station located in Portsmouth, New Hampshire; the White Lake combustion turbine located in Tamworth, New Hampshire; the Millstone Unit No. 3 generating station located in Waterford, Connecticut, and the Wyman Unit No. 4 generating station located in Yarmouth, Maine.

"Majority Lenders" means on any date of determination, (i) the

Issuing Bank and (ii) Participating Banks who, collectively, on such date, have Participation Percentages in the aggregate of at least 66-2/3%. Determination of those Participating Banks satisfying the criteria specified above for action by the Majority Lenders shall be made by the Agent and shall be conclusive and binding on all parties absent manifest error.

"Material Adverse Effect" means a material adverse effect upon: (i) the Account Party's business, prospects, operations, properties, assets, or condition (financial or otherwise), (ii) the Account Party's ability to perform under any Loan Document, Related Document, the Rate Agreement or any Significant Contract, (iii) the value, validity, perfection and enforceability of the any Lien granted under or in connection with any Security Document, or (iv) the ability of the Collateral Agent, the Agent or the Issuing Bank to enforce any of the obligations or any of their material rights and remedies under the Loan Documents; provided, that, any material adverse development with respect to the Rate Proceeding, the Rate Agreement or the Final Plan that results in a material adverse effect on the Account Party other than as described in the Disclosure Documents shall automatically be deemed to be a Material Adverse Effect.

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

"NAEC" means North Atlantic Energy Corporation, a wholly-owned subsidiary of NU.

"NHPUC" means the New Hampshire Public Utilities Commission.

"1998 10-K" means the Account Party's 1998 Annual Report and its Annual Report on Form 10-K for the fiscal year ended December 31, 1998.

"1998 Revolving Credit Agreement" means the $75,000,000 (original principal amount) Revolving Credit Agreement, dated as of April 23, 1998, among the Account Party, the Banks named therein and The Chase Manhattan Bank, as Administrative Agent.

"NU" means Northeast Utilities, an unincorporated voluntary business association organized under the laws of the Commonwealth of Massachusetts.

"NUG Settlement" means any buy-out, buy-down or other transaction, or any other arrangement or agreement, entered into or proposed to be entered into by the Account Party to terminate or reduce, or to resolve a dispute concerning, an obligation of the Account Party to purchase power and/or capacity from a non-utility generator.

"NUSCO" means Northeast Utilities Service Company, a Connecticut corporation and a wholly-owned subsidiary of NU.

"Official Statement" means any Official Statement, Preliminary Official Statement or similar disclosure document relating to the Bonds, and shall include any amendment, supplement or "sticker" thereto.

"Operating Income" means, for any period, the Account Party's operating income for such period, adjusted as follows:

(i) increased by the amount of income taxes (including New Hampshire Business Profits Tax and other comparable taxes) paid by the Account Party during such period, if and to the extent they are deducted in the computation of the Account Party's operating income for such period; and

(ii) increased by the amount of any depreciation deducted by the Account Party during such period; and

(iii) increased by the amount of any amortization of acquisition adjustment deducted by the Account Party during such period; and

(iv) decreased by the amount of any capital expenditures paid by the Account Party during such period.

"Original Indenture" has the meaning assigned to that term in the Preliminary Statement.

"Original Tax-Exempt Refunding Bonds" has the meaning assigned to that term in the Preliminary Statement.

"Other Reimbursement Agreement" means (i) the Third Series E Letter of Credit and Reimbursement Agreement, dated as of April 14, 1999, among the Account Party, Barclays, as issuing bank and agent thereunder and the Participating Banks referred to therein relating to the Issuer's Pollution Control Revenue Bonds (Public Service Company of New Hampshire

Project-1991 Taxable Series E), as the same may from time to time be amended, modified or supplemented or (ii) any reimbursement agreement or similar agreement relating to a substitute credit facility applicable to such bonds.

"Participant" shall have the meaning assigned to that term in Section 10.06(b) hereof.

"Participating Banks" means the Persons listed on the signature pages to this Agreement following the heading "Participating Banks" and any other Person who becomes a party hereto pursuant to Section 10.06 hereof.

"Participation Assignment" means a participation assignment entered into pursuant to Section 10.06 hereof by any Participating Bank and an assignee, in substantially the form of Exhibit 1.01B hereto.

"Participation Percentage" means, as of any date of determination: (i) with respect to a Participating Bank initially a party to this Agreement, the percentage set forth opposite such Participating Bank's name on the signature pages hereto, except as provided in clause (iii), below, (ii) with respect to a Participating Bank that becomes a party hereto by operation of Section 10.06 hereof, the Participation Percentage stated to be assumed by such assignee Participating Bank in the relevant Participation Assignment, except as provided in clause (iii), below, and (iii) at any time, with respect to any Participating Bank that assigns a percentage of its interests in accordance with Section 10.06 hereof, its Participation Percentage determined in accordance with clause (i) or clause (ii), above, as reduced by the percentage so assigned.

"Paying Agent" means (i) U.S. Bank Trust National Association (formerly First Trust of New York, National Association), and (ii) any successor paying agent for the Bonds under the Indenture.

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

"Permitted Investments" means (i) securities issued or directly and fully guaranteed or insured by the United States or any agency or instrumentality thereof (provided that the full faith and credit of the United States is pledged in support thereof) having maturities of not more than six (6) months from the date of acquisition by such Person; (ii) time deposits and certificates of deposit, with maturities of not more than six (6) months from the date of acquisition by such Person, of any international commercial bank of recognized standing having capital and surplus in excess of $500,000,000 and having a rating on its commercial paper of at least A-1 or the equivalent thereof by S&P or at least P-1 or the equivalent thereof by Moody's; (iii) commercial paper issued by any Person, which commercial paper is rated at least A-1 or the equivalent thereof by S&P or at least P-1 or the equivalent thereof by Moody's and matures not more than six (6) months after the date of acquisition by such Person; (iv) investments in money market funds substantially all the assets of which are comprised of securities of the types described in clauses (i) and (ii) above and (v) United States Securities and Exchange Commission registered money market mutual funds conforming to Rule 2a-7 of the Investment Company Act of 1940 in effect in the United States, that invest primarily in direct obligations issued by the United States Treasury and repurchase obligations backed by those obligations, and rated in the highest category by S&P and Moody's.

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

"Pledge Agreement" means the Third Series D Pledge Agreement, dated as of April 14, 1999, by the Account Party in favor of the Issuing Bank and substantially in the form of Exhibit 1.01C, as the same may from time to time be amended, modified or supplemented.

"Pledged Bonds" shall have the meaning assigned to that term in the Pledge Agreement.

"Preferred Stock" means 3,000,000 shares of Series A Preferred Stock of the Account Party (par value $25).

"Premium Component" has the meaning assigned to that term in the Letter of Credit.

"Principal Component" has the meaning assigned to that term in the Letter of Credit.

"Rate Agreement" means the Agreement dated as of November 22, 1989, as amended by the First Amendment to Rate Agreement dated as of December

5, 1989, the Second Amendment to Rate Agreement dated as of December 12, 1989, the Third Amendment to Rate Agreement dated as of December 28, 1993, the Fourth Amendment to Rate Agreement dated as of September 21, 1994 and the Fifth Amendment to Rate Agreement dated as of September 9, 1994, among NUSCO, the Governor and Attorney General of the State of New Hampshire and adopted by the Account Party as of July 10,1990 (excluding the Unit Contract appended as Exhibit A thereto subsequent to the effectiveness of such contract).

"Rate Proceeding" means all regulatory proceedings relating to the Account Party and resulting from the NHPUC's adoption of the Final Plan, together with the Federal litigation commenced by the Account Party and certain of its Affiliates in response thereto.

"Recipient" has the meaning assigned to that term in Section 10.09 hereto.

"Related Documents" means the Letter of Credit, the Bonds, the Indenture and any Remarketing Agreement.

"Remarketing Agent" has the meaning assigned to that term in the Indenture.

"Remarketing Agreement" means (i) the Remarketing Agreement, dated as of May 1, 1991, between the Account Party and Goldman, Sachs Money Markets Inc. relating to the Taxable Bonds, (ii) any similar agreement subsequently entered into with respect to any Tax-Exempt Refunding Bonds, other than the Original Tax-Exempt Refunding Bonds, and (iii) any successor agreement to any of the foregoing or any similar agreement between the Account Party and a successor Remarketing Agent as shall be in effect from time to time in accordance with the terms of the Indenture.

"Restricted Payment" has the meaning assigned to that term in Section 7.02(e) hereof.

"Revolving Credit Facility" has the meaning assigned to that term in Section 7.04 hereof.

"S&P" means Standard and Poor's Ratings Group or any successor thereto.

"Secured Party" has the meaning assigned to that term in the Intercreditor Agreement.

"Security Agreement" means the Assignment and Security Agreement, dated as of April 23, 1998, as amended and restated as of the date hereof by the Security Agreement Amendment, between the Account Party and the Collateral Agent, pursuant to which the Account Party has granted to the Collateral Agent a security interest in certain of the Account Party's accounts receivable, as the same may be amended, modified or supplemented from time to time in accordance with this Agreement and the Intercreditor Agreement.

"Security Agreement Amendment" means the First Amendment, dated as of April 14, 1999, to the Assignment and Security Agreement, dated as of April 23, 1998, between the Account Party and the Collateral Agent.

"Security Documents" means the Pledge Agreement, the Security Agreement, the Intercreditor Agreement, the Indenture, the First Mortgage Indenture and the Series F First Mortgage Bonds.

"Series F First Mortgage Bonds" means the Account Party's Series F First Mortgage Bonds.

"Sharing Agreement" means the Sharing Agreement, dated as of June 1, 1992, among CL&P, Western Massachusetts Electric Company, Holyoke Water Power Company, Holyoke Power and Electric Company, the Account Party and NUSCO.

"Significant Contract" means the following contracts, in each case as the same may be amended, modified or supplemented from time to time in accordance with this Agreement:

(i) the Agreement for Capacity Transfer;

(ii) the Sharing Agreement;

(iii) the Tax Allocation Agreement; and

(iv) the Unit Contract.

"Stated Amount" has the meaning assigned to that term in the Preliminary Statement hereto.

"Stated Termination Date" means the expiration date specified in clause (i) of the first paragraph of Paragraph (1) of the Letter of Credit, as such date may be extended pursuant to Section 2.05 hereof.

"Tax Allocation Agreement" means the Amended and Restated Tax Allocation Agreement, dated as of January 1, 1990, as amended by a First Supplement thereto, dated as of October 26, 1998, among NU and the members of the consolidated group of which NU is the common parent, including, without limitation, the Account Party.

"Taxable Bonds" has the meaning assigned to that term in the Preliminary Statement.

"Tax-Exempt Refunding Bonds" has the meaning assigned to that term in the Indenture.

"Tender Drawing" has the meaning assigned to that term in the Letter of Credit.

"Term Advance" has the meaning assigned to that term in Section 3.02(b) hereof, and refers to a Base Rate Advance or a Eurodollar Rate Advance (each of which shall be a "Type" of Term Advance). The Type of a Term Advance may change from time to time when such Term Advance is Converted. For purposes of this Agreement, all Term Advances of a Participating Bank (or portions thereof) made as, or Converted to, the same Type and Interest Period on the same day shall be deemed a single Term Advance by such Participating Bank until repaid or next Converted.

"Term Borrowing" means a borrowing consisting of Term Advances of the same Type and Interest Period made on the same day by the Participating Banks, ratably in accordance with their respective Participation Percentages. A Term Borrowing may be referred to herein as being a "Type" of Term Borrowing, corresponding to the Type of Term Advances comprising such Term Borrowing. For purposes of this Agreement, all Term Advances made as, or Converted to, the same Type and Interest Period on the same day shall be deemed a single Term Borrowing until repaid or next Converted.

"Termination Date" means the Stated Termination Date or the earlier date of termination of the Commitments pursuant to Sections 2.02 or 8.02 hereunder.

"Total Capitalization" means, as of any day, the aggregate of all amounts that would, in accordance with generally accepted accounting principles applied on a basis consistent with the standards referred to in Section 1.03 hereof, appear on the balance sheet of the Account Party as at such day as the sum of (i) the principal amount of all long-term Debt of the Account Party on such day, (ii) the par value of, or stated capital represented by, the outstanding shares of all classes of common and preferred shares of the Account Party on such day, (iii) the surplus of the Account Party, paid-in, earned and other, if any, on such day and (iv) the unpaid principal amount of all short-term Debt of the Account Party on such day.

"Transaction Documents" means this Agreement, the Intercreditor Amendment, the Security Agreement Amendment, the Other Reimbursement Agreement and the other documents to be delivered by or on behalf of the Account Party on or in connection with the Closing Date.

"Trustee" has the meaning assigned to that term in the Preliminary Statement hereto.

"Type" has the meaning assigned to such term in the definitions of "Term Advance" and "Term Borrowing" herein.

"Unit Contract" means the Unit Contract, dated as of June 1, 1992, between the Account Party and NAEC.

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

"Year 2000 Issue" means the failure of computer software, hardware and firmware systems and equipment containing computer chips to properly receive, transmit, process, manipulate, store, retrieve, re-transmit or in any other way utilize data and information due to the occurrence of the year 2000 or the inclusion of dates on or after January 1, 2000.

SECTION I.2. Computation of Time Periods. In the computation of periods of time under this Agreement any period of a specified number of days or months shall be computed by including the first day or month occurring during such period and excluding the last such day or month. In the case of a period of time "from" a specified date "to" or "until" a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding".

SECTION I.3. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles applied on a basis consistent with the application employed in the preparation of the financial projections and pro formas referred to in Section 5.01 hereof.

SECTION I.4. Computations of Outstandings. Whenever reference is made in this Agreement to the principal amount outstanding on any date under this Agreement, such reference shall refer to the sum of (i) the Available Amount on such date, (ii) the aggregate principal amount of all Advances outstanding on such date and (iii) the aggregate amount of all demand loans under Section 3.01 hereunder on such date, in each case after giving effect to all transactions to be made on such date and the application of the proceeds thereof.

ARTICLE II
THE LETTER OF CREDIT

SECTION II.1. The Letter of Credit. The Issuing Bank agrees, on the terms and conditions hereinafter set forth (including, without limitation, the applicable conditions precedent set forth in Article V hereof), to issue the Letter of Credit to the Paying Agent, upon not less than three Business Days prior notice from the Account Party, on the Closing Date.

SECTION II.2. Termination of the Commitments. The obligation of the Issuing Bank to issue the Letter of Credit shall automatically terminate if not delivered at or prior to 5:00 P.M. (New York City time) on April 22, 1999.

SECTION II.3. Commissions and Fees. (a) The Account Party hereby agrees to pay to the Agent, for the account of the Participating Banks ratably in accordance with their respective Participation Percentages, a letter of credit commission on the Available Amount in effect from time to time from the date hereof until the Letter of Credit shall be surrendered for cancellation (disregarding for such purpose any temporary diminution thereof arising from drawings under the Letter of Credit to pay interest (or purchase price corresponding to interest) on the Bonds, regardless of whether the amount so drawn shall be thereafter reinstated), at a rate per annum equal to the Applicable Commission, payable on the last Business Day of each month and upon such surrender ; provided that if an Event of Default shall have occurred and is continuing, the Applicable Commission in effect from time to time shall be increased by a further 2%.

(a) The Account Party also agrees to pay to the Agent for the account of the Participating Banks ratably in accordance with their respective Participation Percentages, such participation fees as have been agreed among them, the Account Party and the Agent, such participation fee to be payable in full simultaneously with the issuance of the Letter of Credit.

(b) The Account Party also agrees to pay to the Agent, for the account of the Issuing Bank, such other fees as have been agreed upon by the Account Party and the Issuing Bank in that certain Fee Letter, dated February 23, 1999, between the Account Party and the Arranger (the "Fee Agreement").

(c) The Account Party also agrees to pay to the Agent, for its own account and/or the account of Barclays, such other fees as have been agreed upon by the Account Party and the Agent in the Fee Agreement.

SECTION II.4. Reinstatement of the Letter of Credit. (a) The Interest Component and the Principal Component shall, from time to time, be reinstated by the Issuing Bank in accordance with, and only to the extent provided in, the Letter of Credit. In no event shall reductions in the Premium Component be reinstated.

(a) Interest Component. With respect to reinstatement of reductions in the Interest Component resulting from Interest Drawings:

(i) The Issuing Bank may only deliver to the Paying Agent any notice of non-reinstatement pursuant to Paragraph 5(i)(A) of the Letter of Credit if (A) the Issuing Bank and/or the Participating Banks have not been reimbursed in full by the Account Party for one or more drawings, together with interest if any, owing thereon pursuant to this Agreement or (B) an Event of Default has occurred and is then continuing.

(ii) if, subsequent to any such delivery of a notice of non-reinstatement, the circumstances giving rise to the delivery of such notice of non-reinstatement shall have ceased to exist (whether as a result of reimbursement of unreimbursed drawings, or waiver or cure of an Event of Default, or otherwise), then, provided that no other Event of Default shall have occurred and be continuing, the Issuing Bank shall deliver to the Paying Agent, by hand delivery or facsimile transmission, a Notice of Reinstatement in the form of Exhibit 5 to the Letter of

Credit reinstating that portion of the Interest Component in respect of which such notice of non-reinstatement was given.

(b) Principal Component. With respect to reinstatement of a reduction in the Principal Component resulting from any Tender Drawing, IF:

(i) such reduction has not been reinstated pursuant to Paragraph 5(ii)(A) of the Letter of Credit;

(ii) the Issuing Bank and/or the Participating Banks shall have been reimbursed by the Account Party for such Tender Drawing;

(iii) any demand loan(s) and Advance(s) made in respect of such Tender Drawing shall have been repaid by the Account Party, together with any interest thereon and any other amounts payable hereunder in connection therewith; AND

(iv) no Event of Default shall have occurred and then be continuing;

THEN, the Issuing Bank shall deliver to the Paying Agent, by hand delivery or facsimile transmission, a Notice of Reinstatement in the form of Exhibit 5 to the Letter of Credit reinstating the Principal Component to the extent of such Tender Drawing.

SECTION II.5. Extension of the Stated Termination Date. Unless the Letter of Credit shall have previously expired in accordance with its terms, at least 105 days but not more than 120 days before the Stated Termination Date, the Account Party may, by notice to the Agent (any such notice being irrevocable), request the Issuing Bank and the Participating Banks to extend the Stated Termination Date of the Letter of Credit for a period of one year. If the Account Party shall make such request, the Agent shall promptly inform the Issuing Bank and the Participating Banks and, no later than 60 days prior to the Stated Termination Date, the Agent shall notify the Account Party in writing (with a copy of such notice to the Trustee and the Paying Agent) if the Issuing Bank and the Participating Banks consent to such request and the conditions of such consent (including conditions relating to legal documentation). The granting of any such consent shall be in the sole and absolute discretion of the Issuing Bank and the Participating Banks, and if the Agent shall not so notify the Account Party, such lack of notification shall be deemed to be a determination not to consent to such request. No such extension shall occur unless the Issuing Bank and all of the Participating Banks consent thereto (or if less than all the Participating Banks consent thereto, unless one or more other Participating Banks agree to assume all of the Commitments of the non-consenting Participating Banks).

SECTION II.6. Modification of the Letter of Credit. In the event that the Account Party elects to cause the issuance of any additional series of Tax-Exempt Refunding Bonds pursuant to Article IV of the Indenture, the Account Party may, but shall not be obligated to, propose amendments to the Letter of Credit to change the method of computing the Interest Component or such other terms thereof as may be necessary or appropriate in connection with such issuance. Any such proposal shall be furnished to the Issuing Bank in writing not later than 60 days prior to the date proposed for such issuance. If the Issuing Bank shall consent to such amendments (which consent, subject to the provisions of the next succeeding sentence, shall not be unreasonably withheld) the Issuing Bank shall, upon surrender of the Letter of Credit by the beneficiary thereof for amendment (or replacement, as the Issuing Bank may elect), amend the Letter of Credit accordingly (or issue a replacement Letter of Credit therefor reflecting such amendments but otherwise identical to the Letter of Credit so surrendered). Notwithstanding the foregoing, without the consent of the requisite Participating Banks as determined in accordance with Section 10.01, the Issuing Bank shall not consent to any amendment or amendments that (i) increase the Stated Amount or the then-existing Available Amount, (ii) change or modify in any respect the Credit Termination Date or any provision for determining the expiry or other termination of the Letter of Credit, (iii) change or modify in any respect the times, places or manner at or in which drawings under the Letter of Credit are to be presented or paid, (iv) change or modify in any respect the forms of drawing certificates and other annexes to the Letter of Credit, (v) change the beneficiary of the Letter of Credit or the method prescribed therein for the transfer of the Letter of Credit or (vi) as determined in the good faith discretion of the Issuing Bank and its counsel, increase or enlarge the scope, or modify the nature, of the Issuing Bank's and the Participating Banks' credit exposure to the Account Party or any legal risks related thereto or expose the Issuing Bank to any additional liability. In furtherance of the foregoing, the Issuing Bank may condition the granting of such consent on the receipt by the Issuing Bank of such certificates, opinions of counsel and other assurances of the Account Party and its counsel, or bond counsel or the Trustee or Paying Agent, as the Issuing Bank may reasonably require. Each Participating Bank, by its execution of this Agreement, or of the Participation Assignment pursuant to which it became a Participating Bank, consents to, ratifies and affirms all actions taken and to be taken by the Issuing Bank pursuant to this Section 2.06.

ARTICLE III
REIMBURSEMENT AND ADVANCES

SECTION III.1. Reimbursement on Demand. Subject to the provisions of Section 3.02 hereof, the Account Party hereby agrees to pay (whether with the proceeds of Initial Advances made pursuant to this Agreement or otherwise) to the Issuing Bank on demand (a) on and after each date on which the Issuing Bank shall pay any amount under the Letter of Credit pursuant to any draft, but only after so paid by the Issuing Bank, a sum equal to such amount so paid (which sum shall constitute a demand loan from the Issuing Bank to the Account Party from the date of such payment by the Issuing Bank until so paid by the Account Party), plus (b) interest on any amount remaining unpaid by the Account Party to the Issuing Bank under clause (a), above, from the date such amount becomes payable on demand until payment in full, at the Default Rate in effect from time to time. No reinstatement of the Interest Component or the Principal Component despite the failure by the Account Party to reimburse the Issuing Bank for any previous drawing to pay interest on the Bonds shall limit or impair the Account Party's obligations under this Section 3.01.

SECTION III.2. Advances. Each Participating Bank agrees to make Initial Advances and Term Advances for the account of the Account Party from time to time upon the terms and subject to the conditions set forth in this Agreement.

(a) Initial Advances; Repayment of Initial Advances. If the Issuing Bank shall honor any Tender Drawing and if the conditions precedent set forth in Section 5.03 of this Agreement have been satisfied as of the date of such honor, then, each Participating Bank's payment made to the Issuing Bank pursuant to Section 3.07 hereof in respect of such Tender Drawing shall be deemed to constitute an advance made for the account of the Account Party by such Participating Bank (each such advance being an "Initial Advance" made by such Participating Bank). Each Initial Advance shall be made as a Base Rate Advance, shall bear interest at the Alternate Base Rate and shall not be entitled to be Converted. Subject to Article VIII of this Agreement, each Initial Advance and all interest thereon shall be due and payable on the earlier to occur of (i) the date 30 days from the date of such Initial Advance (such repayment date being the "Initial Repayment Date" for such Initial Advance) and (ii) the Termination Date. The Account Party may repay the principal amount of any Initial Advance with (and to the extent of) the proceeds of a Term Advance made pursuant to subsection (b), below, and may prepay Initial Advances in accordance with Section 3.06 hereof.

(b) Term Advances; Repayment. Subject to the satisfaction of the conditions precedent set forth in Section 5.04 hereof and the other conditions of this subsection (b), each Participating Bank agrees to make one or more advances for the account of the Account Party ("Term Advances") on each Initial Repayment Date in an aggregate principal amount equal to the amount of such Participating Bank's Initial Advances maturing on such Initial Repayment Date. All Term Advances comprising a single Term Borrowing shall be made upon written notice given by the Account Party to the Agent not later than 11:00 A.M. (New York City time) (A) in the case of a Term Borrowing comprised of Base Rate Advances, on the Business Day of such proposed Term Borrowing or (B) in the case of a Term Borrowing comprised of Eurodollar Rate Advances, three Business Days prior to the date of such proposed Term Borrowing. The Agent shall notify each Participating Bank of the contents of such notice promptly after receipt thereof. Each such notice shall specify therein the following information: (W) the date on which such Term Borrowing is to be made, (X) the principal amount of Term Advances comprising such Term Borrowing, (Y) the Type of Term Borrowing and (Z) subject to Section 3.05(c), the duration of the initial Interest Period, if applicable, proposed to apply to the Term Advances comprising such Term Borrowing. The proceeds of each Participating Bank's Term Advances shall be applied solely to the repayment of the Initial Advances made by such Participating Bank and shall in no event be made available to the Account Party. The principal amount of each Term Advance, together with all accrued and unpaid interest thereon, shall be due and payable on the earlier to occur of (x) the same calendar date occurring 12 months following the date upon which such Term Advance is made (or, if such month does not have a corresponding date, on the last day of such month) and (y) the Termination Date.

SECTION III.3. Interest on Advances. The Account Party shall pay interest on the unpaid principal amount of each Advance from the date of such Advance until such principal amount is paid in full at the applicable rate set forth below:

(a) Alternate Base Rate. Except to the extent that the Account Party shall elect to pay interest on any Advance for any Interest Period pursuant to paragraph (c) of this Section 3.03, the Account Party shall pay interest on each Advance (including all Initial Advances) from the date thereof until the date such Advance is due, at a fluctuating interest rate per annum in effect from time to time equal to the Alternate Base Rate in effect from time to time. The Account Party shall pay interest on each Advance bearing interest in accordance with this subsection monthly in arrears on the last

Business Day of each month and on the Termination Date or the earlier date for repayment of such Advance (including the Initial Repayment Date therefor, in the case of an Initial Advance); provided that if an Event of Default shall have occurred and is continuing, any principal amounts outstanding shall bear interest during such period, payable on demand, at a rate per annum equal at all times to 2% per annum above the Alternate Base Rate in effect from time to time.

(b) Interest Periods. Subject to the other requirements of this Section 3.03 and to Section 3.05(c), the Account Party may from time to time elect to have the interest on all Term Advances comprising part of the same Term Borrowing determined and payable for a specified period (an "Interest Period" for such Term Advances) in accordance with paragraph (c) of this Section 3.03. The first day of an Interest Period for such Term Advances shall be the date such Advance is made or most recently Converted, which shall be a Business Day. All Interest Periods shall end on or prior to the Stated Termination Date. Any Interest Period for a Term Advance that would otherwise end after the Termination Date or earlier date for the repayment of such Advance shall be deemed to end on the Termination Date or such earlier repayment date, as the case may be.

(c) Eurodollar Rate. Subject to the requirements of this Section 3.03 and Article V hereof, the Account Party may from time to time elect to have any Term Advances comprising part of the same Term Borrowing made as, or Converted to, Eurodollar Rate Advances. Subject to Section 3.05(c), the Interest Period applicable to such Eurodollar Rate Advances shall be of one, two, three or six whole months' duration, as the Account Party shall select in its notice delivered to the Agent pursuant to Section 3.02(b) or 3.04 hereof, as applicable. If the Account Party shall have made such election, the Account Party shall pay interest on such Eurodollar Rate Advances at the Eurodollar Rate for the applicable Interest Period for such Eurodollar Rate Advances, which interest shall be payable on the last day of such Interest Period, on the date for repayment for such Eurodollar Rate Advances and also, in the case of any Interest Period of six months' duration, on that day of the third month of such Interest Period which corresponds with the first day of such Interest Period (or, if any such month does not have a corresponding day, then on the last day of such month); provided that if an Event of Default shall have occurred and is continuing, any principal amounts outstanding shall bear interest during such period, payable on demand, at a rate per annum equal at all times to (A) for the remaining term, if any, of the Interest Period for such Advance, 2% per annum above the Eurodollar Rate for such Interest Period, and (B) thereafter, 2% per annum above the Alternate Base Rate in effect from time to time. Any Interest Period pertaining to Eurodollar Rate Advances that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month.

(d) Interest Rate Determinations. The Agent shall give prompt notice to the Account Party and the Participating Banks of the Eurodollar Rate determined from time to time by the Agent to be applicable to each Eurodollar Rate Advance.

SECTION III.4. Conversion of Term Advances. Subject to the satisfaction of the conditions precedent set forth in Section 5.03 hereof, the Account Party may elect to Convert one or more Term Advances of any Type to one or more Term Advances of the same or any other Type on the following terms and subject to the following conditions:

(a) Each Conversion shall be made as to all Term Advances comprising a single Term Borrowing upon written notice given by the Account Party to the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Conversion. The Agent shall notify each Participating Bank of the contents of such notice promptly after receipt thereof. Each such notice shall specify therein the following information: (A) the date of such proposed Conversion (which in the case of Eurodollar Rate Advances shall be last day of the Interest Period then applicable to such Term Advances to be Converted), (B) Type of, and Interest Period, if any, applicable to the Term Advances proposed to be Converted, (C) the aggregate principal amount of Term Advances proposed to be Converted, and (D) the Type of Term Advances to which such Term Advances are proposed to be Converted and, subject to Section 3.05(c), the Interest Period, if any, to be applicable thereto.

(b) During the continuance of an Unmatured Default or an Event of Default, the right of the Account Party to Convert Term Advances to Eurodollar Rate Advances shall be suspended, and all Eurodollar Rate Advances then outstanding shall be Converted to Base Rate Advances on the last day of the Interest Period then in effect, if, on such day, an Unmatured Default or an Event of Default shall be continuing.

(c) If no notice of Conversion is received by the Agent as provided in subsection (a) above with respect to any outstanding Eurodollar Rate Advances, the Agent shall treat such absence of notice as a deemed notice of Conversion providing for such Advances to be Converted to Base Rate Advances

on the last day of the Interest Period then in effect for such Eurodollar Rate Advances.

SECTION III.5. Other Terms Relating to the Making and Conversion of Advances. (a) Notwithstanding anything in Section 3.02, 3.03 or 3.04, above, to the contrary:

(i) at no time shall more than six different Term Borrowings in the aggregate be outstanding hereunder and under the Other Reimbursement Agreement; and

(ii) each Term Borrowing consisting of Eurodollar Rate Advances shall be in the aggregate principal amount of $10,000,000 or an integral multiple of $1,000,000 in excess thereof.
(a) Each notice of borrowing pursuant to Section 3.02(b) hereof and each notice of Conversion pursuant to Section 3.04 hereof shall be irrevocable and binding on the Account Party.

(b) Until such time, if any, as the Majority Lenders shall otherwise agree, the Interest Period for all Eurodollar Rate Advances shall be one month.

SECTION III.6. Prepayment of Advances. (a) The Account Party shall have no right to prepay any principal amount of any Advances except in accordance with subsections (b) and (c) below.

(a) The Account Party may, upon at least one Business Day's notice to the Agent stating the proposed date and aggregate principal amount of the prepayment (and if such notice is given the Account Party shall), prepay, in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid, the outstanding principal amount of (i) all Initial Advances made on the same date or (ii) all Term Advances comprising the same Term Borrowing, in each case as the Account Party shall designate in such notice; provided, however, that each partial prepayment shall be in an aggregate principal amount not less than $10,000,000, or, if less, the aggregate principal amount of all Advances then outstanding.

(b) Prior to or simultaneously with the resale of all of the Bonds purchased with the proceeds of a Tender Drawing, the Account Party shall prepay, or cause to be prepaid, in full, the then outstanding principal amount of all Initial Advances and of all Term Advances comprising the same Term Borrowing(s) arising pursuant to such Tender Drawing, together with all interest thereon to the date of such prepayment. If less than all of such Bonds are resold, then prior to or simultaneously with such resale the Account Party shall prepay or cause to be prepaid that portion of such Advances, together with all interest thereon to the date of such prepayment, equal to the then outstanding principal amount thereof multiplied by a fraction, the numerator of which shall be the principal amount of the Bonds resold and the denominator of which shall be the principal amount of all of the Bonds purchased with the proceeds of the relevant Tender Drawing.

SECTION III.7. Participation; Reimbursement of Issuing Bank. (a) The Issuing Bank hereby sells and transfers to each Participating Bank, and each Participating Bank hereby acquires from the Issuing Bank, an undivided interest and participation to the extent of such Participating Bank's Participation Percentage in and to (i) the Letter of Credit, including the obligations of the Issuing Bank under and in respect thereof and the Account Party's reimbursement and other obligations in respect thereof and (ii) each demand loan or deemed demand loan made by the Issuing Bank, whether now existing or hereafter arising.

(a) If the Issuing Bank (i) shall not have been reimbursed in full for any payment made by the Issuing Bank under the Letter of Credit on the date of such payment or (ii) shall make any demand loan to the Account Party, the Issuing Bank shall promptly notify the Agent and the Agent shall promptly notify each Participating Bank of such non-reimbursement or demand loan and the amount thereof. Upon receipt of such notice from the Agent, each Participating Bank shall pay to the Issuing Bank, directly, an amount equal to such Participating Bank's ratable portion (according to such Participating Bank's Participation Percentage) of such unreimbursed amount or demand loan paid or made by the Issuing Bank, plus interest on such amount at a rate per annum equal to the Federal Funds Rate from the date of such payment by the Issuing Bank to the date of payment to the Issuing Bank by such Participating Bank. All such payments by each Participating Bank shall be made in United States dollars and in same day funds:

(x) not later than 2:45 P.M. (New York City time) on the day such notice is received by such Participating Bank if such notice is received at or prior to 12:30 P.M. (New York City time) on a Business Day; or

(y) not later than 12:00 Noon (New York City time) on the Business Day next succeeding the day such notice is received by such Participating Bank, if such notice is received after 12:30 P.M. (New York City time) on a Business Day.

If a Participating Bank shall have paid to the Issuing Bank its ratable portion of any unreimbursed amount or demand loan paid or made by the Issuing Bank, together with all interest thereon required by the second sentence of this subsection (b), such Participating Bank shall be entitled to receive its ratable share of all interest paid by the Account Party in respect of such unreimbursed amount or demand loan from the date paid or made by the Issuing Bank. If such Participating Bank shall have made such payment to the Issuing Bank, but without all such interest thereon required by the second sentence of this subsection (b), such Participating Bank shall be entitled to receive its ratable share of the interest paid by the Account Party in respect of such unreimbursed amount or demand loan only from the date it shall have paid all interest required by the second sentence of this subsection (b).

(b) Each Participating Bank's obligation to make each payment to the Issuing Bank, and the Issuing Bank's right to receive the same, shall be absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, the foregoing or Section 4.06 hereof, or the occurrence or continuance of an Event of Default, or the non-satisfaction of any condition precedent set forth in Sections 5.03 or 5.04 hereof, or the failure of any other Participating Bank to make any payment under this Section 3.07. Each Participating Bank further agrees that each such payment shall be made without any offset abatement, withholding or reduction whatsoever.

(c) The failure of any Participating Bank to make any payment to the Issuing Bank in accordance with subsection (b) above, shall not relieve any other Participating Bank of its obligation to make payment, but neither the Issuing Bank nor any Participating Bank shall be responsible for the failure of any other Participating Bank to make such payment. If any Participating Bank shall fail to make any payment to the Issuing Bank in accordance with subsection (b) above, then such Participating Bank shall pay to the Issuing Bank forthwith on demand such corresponding amount together with interest thereon, for each day until the date such amount is repaid to the Issuing Bank at the Federal Funds Rate. Nothing herein shall in any way limit, waive or otherwise reduce any claims that any party hereto may have against any non-performing Participating Bank.

(d) If any Participating Bank shall fail to make any payment to the Issuing Bank in accordance with subsection (b) above, then, in addition to other rights and remedies which the Issuing Bank may have, the Agent is hereby authorized, at the request of the Issuing Bank, to withhold and to apply the payment of such amounts owing to such Participating Bank to the Issuing Bank and any related interest, that portion of any payment received by the Agent that would otherwise be payable to such Participating Bank. In furtherance of the foregoing, if any Participating Bank shall fail to make any payment to the Issuing Bank in accordance with subsection (b), above, and such failure shall continue for five Business Days following written notice of such failure from the Issuing Bank to such Participating Bank, the Issuing Bank may acquire, or transfer to a third party in exchange for the sum or sums due from such Participating Bank, such Participating Bank's interest in the related unreimbursed amounts and demand loans and all other rights of such Participating Bank hereunder in respect thereof, without, however, relieving such Participating Bank from any liability for damages, costs and expenses suffered by the Issuing Bank as a result of such failure. The purchaser of any such interest shall be deemed to have acquired an interest senior to the interest of such Participating Bank and shall be entitled to receive all subsequent payments which the Issuing Bank or the Agent would otherwise have made hereunder to such Participating Bank in respect of such interest.

ARTICLE IV
PAYMENTS

SECTION IV.1. Payments and Computations. (a) The Account Party shall make each payment hereunder (i) in the case of reimbursement obligations pursuant to Section 3.01 hereof (excluding any portion thereof in respect of which an Initial Advance is to be made), not later than 2:30 P.M. (New York City time) on the day the related drawing under the Letter of Credit is paid by the Issuing Bank, and (ii) in all other cases, not later than 12:30 P.M. (New York City time) on the day when due, in each case in lawful money of the United States of America to the Agent at its address referred to in Section 10.02 hereof in same day funds. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of reimbursements, principal, interest, fees or other amounts payable to the Issuing Bank and the Participating Banks to whom the same are payable, ratably, at its address set forth in Section 10.02 hereof (in the case of the Issuing Bank) or for the account of their respective Applicable Lending Offices (in the case of the Participating Banks), in each case to be applied in accordance with the terms of this Agreement.

(a) The Account Party hereby authorizes the Issuing Bank, and each Participating Bank, if and to the extent payment owed to the Issuing Bank, or such Participating Bank, as the case may be, is not made when due hereunder, to charge from time to time against any or all of the Account Party's

accounts with the Issuing Bank or such Participating Bank, as the case may be, any amount so due.

(b) All computations of interest based on the Alternate Base Rate when based on Barclays' prime rate referred to in the definition of "Alternate Base Rate" shall be made by the Agent on the basis of a year of 365 or 366 days, as the case may be, for the actual days elapsed. All other computations of interest hereunder (including computations of interest based on the Eurodollar Rate and the Federal Funds Rate (including the Alternate Base Rate if and so long as such Rate is based on the Federal Funds Rate)), all computations of commissions and fees hereunder and all computations of other amounts pursuant to Section 4.03 hereof, shall be made by the Agent or the party claiming such other amounts, as the case may be, on the basis of a year of 360 days for the actual days elapsed. In each such case, such computation shall be made for the actual number of days (including the first day, but excluding the last day) occurring in the period for which such interest, commissions or fees are payable. Each such determination by the Agent or a Participating Bank, as the case may be, shall be conclusive and binding for all purposes, absent manifest error.

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

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

(e) If, after the Agent has paid to the Issuing Bank or any Participating Bank any amount pursuant to subsection (a) above, such payment is rescinded or must otherwise be returned or must be paid over by the Agent or the Issuing Bank to any Person, whether pursuant to any bankruptcy or insolvency law, Section 4.04 hereof or otherwise, such Participating Bank shall, at the request of the Agent or the Issuing Bank, promptly repay to the Agent or the Issuing Bank, as the case may be, an amount equal to its ratable share of such payment, together with any interest required to be paid by the Agent or the Issuing Bank with respect to such payment.

SECTION IV.2. Default Interest. Any amounts payable hereunder that are not paid when due shall (to the fullest extent permitted by law) bear interest, from the date when due until paid in full, at the Default Rate, payable on demand.

SECTION IV.3. Yield Protection. (ai Change in Circumstances. Notwithstanding any other provision herein, if after the date hereof; the adoption of or any change in applicable law or regulation or in the interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof (whether or not having the force of law) shall (i) change the basis of taxation of payments to the Issuing Bank or any Participating Bank of the principal of or interest on any Eurodollar Rate Advance made by such Participating Bank or any fees or other amounts payable hereunder (other than changes in respect of taxes imposed on the overall net income of the Issuing Bank or such Participating Bank, or its Applicable Lending Office, by the jurisdiction in which the Issuing Bank or such Participating Bank has its principal office or in which such Applicable Lending Office is located or by any political subdivision or taxing authority therein), or (ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement against letters of credit (or participatory interests therein) issued by, commitments or assets of, deposits with or for the account of, or credit extended by, the Issuing Bank or such Participating Bank, or (iii) shall impose on the Issuing Bank or such Participating Bank any other condition affecting this Agreement, the Letter of Credit or participatory interests therein or Eurodollar Rate Advances, and the result of any of the foregoing shall be (A) to increase the cost to the

Issuing Bank or such Participating Bank of issuing, maintaining or participating in this Agreement or the Letter of Credit or of agreeing to make, making or maintaining any Advance or (B) to reduce the amount of any sum received or receivable by the Issuing Bank or such Participating Bank hereunder (whether of principal, interest or otherwise), then the Account Party will pay to the Issuing Bank or such Participating Bank, upon demand, such additional amount or amounts as will compensate the Issuing Bank or such Participating Bank for such additional costs incurred or reduction suffered.

(a) Capital. If the Issuing Bank or any Participating Bank shall have determined that the applicability of any law, rule, regulation or guideline adopted pursuant to or arising out of the July 1988 report of the Basle Committee on Banking Regulations and Supervisory Practices entitled "International Convergence of Capital Measurement and Capital Standards", or the adoption after the date hereof of any law, rule, regulation or guideline regarding capital adequacy, or any change in any of the foregoing or in the interpretation or administration of any of the foregoing by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Issuing Bank or any Participating Bank (or any Applicable Lending Office of the Issuing Bank or such Participating Bank), or any holding company of any such entity, with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect (i) of reducing the rate of return on such entity's capital or on the capital of such entity's holding company, if any, as a consequence of this Agreement, the Letter of Credit or such entity's participatory interest therein, any Commitment hereunder or the portion of the Advances made by such entity pursuant hereto to a level below that which such entity or such entity's holding company could have achieved, but for such applicability, adoption, change or compliance (taking into consideration such entity's policies and the policies of such entity's holding company with respect to capital adequacy), or (ii) of increasing or otherwise determining the amount of capital required or expected to be maintained by such entity or such entity's holding company based upon the existence of this Agreement, the Letter of Credit or such entity's participatory interest therein, any Commitment hereunder, the portion of the Advances made by such entity pursuant hereto and other similar such credits, participations, commitments, agreements or assets, then from time to time the Account Party shall pay to the Issuing Bank or such Participating Bank, upon demand, such additional amount or amounts as will compensate such entity or such entity's holding company for any such reduction or allocable capital cost suffered.

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

(c) Breakage Indemnity. The Account Party shall indemnify each Participating Bank against any loss, cost or reasonable expense which such Participating Bank may sustain or incur as a consequence of (i) any failure by the Account Party to fulfill on the date of any Advance or Conversion hereunder the applicable conditions set forth in Articles III and V, (ii) any failure by the Account Party to Convert any Advance hereunder after irrevocable notice of Conversion has been given pursuant to Section 3.04 hereof, (iii) any payment, prepayment or Conversion of a Eurodollar Rate Advance required or permitted by any other provision of this Agreement or otherwise made or deemed made on a date other than the last day of the Interest Period applicable thereto, (iv) any default in payment or prepayment of the principal amount of any Advance or any part thereof or interest accrued thereon, as and when due and payable (at the due date thereof, by irrevocable notice of prepayment or otherwise) or (v) the occurrence of any Event of Default, including, in each such case, any loss or reasonable expense sustained or incurred or to be sustained or incurred in liquidating or employing deposits from third parties acquired to effect or maintain such Advance or any part thereof as a Eurodollar Rate Advance. Such loss, cost or reasonable expense shall include an amount equal to the excess, if any, as reasonably determined by such Participating Bank, of (A) its cost of obtaining the funds for the Advance being paid, prepaid, Converted or not borrowed (based on the Eurodollar Rate) for the period from the date of such payment, prepayment, Conversion or failure to borrow to the last day of the Interest Period for such Advance (or, in the case of a failure to borrow, the Interest Period for such Advance which would have commenced on the date of such failure) over (B) the amount of interest (as reasonably determined by such Participating Bank) that would be realized by such Participating Bank in reemploying the funds so paid, prepaid, Converted or not borrowed for such

period or Interest Period, as the case may be. For purposes of this subsection (d), it shall be presumed that each Participating Bank shall have funded each such Advance with a fixed-rate instrument bearing the rates and maturities designated in the determination of the applicable interest rate for such Advance.

(d) Notices. A certificate of the Issuing Bank or any Participating Bank setting forth such entity's claim for compensation hereunder and the amount necessary to compensate such entity or its holding company pursuant to subsections (a) through (d) of this Section 4.03 shall be submitted to the Account Party and the Issuing Bank and shall be conclusive and binding for all purposes, absent manifest error. The Account Party shall pay the Issuing Bank or such Participating Bank directly the amount shown as due on any such certificate within ten days after its receipt of the same. The failure of any entity to provide such notice or to make demand for payment under this Section 4.03 shall not constitute a waiver of such Participating Bank's rights hereunder; provided, that such entity shall not be entitled to demand payment pursuant to subsections (a) through (d) of this Section 4.03 in respect of any loss, cost, expense, reduction or reserve if such demand is made more than one year following the later of such entity's incurrence or sufferance thereof or such entity's actual knowledge of the event giving rise to such entity's rights pursuant to such subsections. The protection of this Section 4.03 shall be available to the Issuing Bank and each Participating Bank regardless of any possible contention of the invalidity or inapplicability of the law, rule, regulation, guideline or other change or condition which shall have occurred or been imposed.

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

(i) declare that Eurodollar Rate Advances will not thereafter be made by such Participating Bank hereunder, whereupon the right of the Account Party to select Eurodollar Rate Advances for any Advance or Conversion shall be forthwith suspended until such Participating Bank shall withdraw such notice as provided hereinbelow or shall cease to be a Participating Bank hereunder; and

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

Upon receipt of any such notice, the Agent shall promptly notify the Participating Banks thereof. Promptly upon becoming aware that the circumstances that caused such Participating Bank to deliver such notice no longer exist, such Participating Bank shall deliver notice thereof to the Account Party and the Agent withdrawing such prior notice (but the failure to do so shall impose no liability upon such Participating Bank). Promptly upon receipt of such withdrawing notice from such Participating Bank, the Agent shall deliver notice thereof to the Account Party and the Participating Banks and such suspension shall terminate. Prior to any Participating Bank giving notice to the Account Party under this subsection (f), such Participating Bank shall use reasonable efforts to change the jurisdiction of its Applicable Lending Office, if such change would avoid such unlawfulness and would not, in the sole determination of such Participating Bank, be otherwise disadvantageous to such Participating Bank. Any notice to the Account Party by any Participating Bank shall be effective as to each Eurodollar Rate Advance on the last day of the Interest Period currently applicable to such Eurodollar Rate Advance; provided that if such notice shall state that the maintenance of such Advance until such last day would be unlawful, such notice shall be effective on the date of receipt by the Account Party and the Agent.

(g) Market Rate Disruptions. If, (i) the Agent determines that an adequate basis does not exist for the determination of the Eurodollar Rate for Eurodollar Rate Advances or (ii) if the Majority Lenders shall notify the Agent that the Eurodollar Rate will not adequately reflect the cost to such Majority Lenders of making, funding or maintaining their respective Eurodollar Rate Advances, the right of the Account Party to select or receive or Convert into Eurodollar Rate Advances shall be forthwith suspended until the Agent shall notify the Account Party and the Participating Banks that the circumstances causing such suspension no longer exist, and until such notification from the Agent, each request for or Conversion into Eurodollar Rate Advances hereunder shall be deemed to be a request for or Conversion into Base Rate Advances.

SECTION IV.4. Sharing of Payments, Etc. If any Participating Bank shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise, but excluding any proceeds received by

assignments or sales of participations in accordance with Section 10.06 hereof to a Person that is not an Affiliate of the Account Party) on account of the Advances owing to it (other than pursuant to Section 4.03 hereof) in excess of its ratable share of payments on account of the Advances obtained by all the Participating Banks, such Participating Bank shall forthwith purchase from the other Participating Banks such participation in the portions of the Advances owing to them as shall be necessary to cause such purchasing Participating Bank to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Participating Bank, such purchase from each Participating Bank shall be rescinded and such Participating Bank shall repay to the purchasing Participating Bank the purchase price to the extent of such recovery together with an amount equal to such Participating Bank's ratable share (according to the proportion of (i) the amount of such Participating Bank's required repayment to (ii) the total amount so recovered from the purchasing Participating Bank) of any interest or other amount paid or payable by the purchasing Participating Bank in respect of the total amount so recovered. The Account Party agrees that any Participating Bank so purchasing a participation from another Participating Bank pursuant to this Section 4.04 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Participating Bank were the direct creditor of the Account Party in the amount of such participation. Notwithstanding the foregoing, if any Participating Bank shall obtain any such excess payment involuntarily, such Participating Bank may, in lieu of purchasing participation from the other Participating Banks in accordance with this Section 4.04, on the date of receipt of such excess payment, return such excess payment to the Agent for distribution in accordance with Section 4.01(a) hereof.

SECTION IV.5. Taxes. (ai All payments by the Account Party hereunder shall be made in accordance with Section 4.01, free and clear of and without deduction for all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Participating Bank and the Issuing Bank, taxes imposed on its overall net income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Participating Bank or the Issuing Bank (as the case may be) is organized or any political subdivision thereof and, in the case of each Participating Bank, taxes imposed on its overall net income, and franchise taxes imposed on it, by the jurisdiction of such Participating Bank's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Account Party shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Participating Bank or the Issuing Bank, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 4.05) such Participating Bank or the Issuing Bank (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Account Party shall make such deductions and (iii) the Account Party shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(a) In addition, the Account Party agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement (hereinafter referred to as "Other Taxes").

(b) The Account Party will indemnify each Participating Bank and the Issuing Bank for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes and any Other Taxes imposed by any jurisdiction on amounts payable under this Section 4.05) paid by such Participating Bank or the Issuing Bank (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within 30 days from the date such Participating Bank or the Issuing Bank (as the case may be) makes written demand therefor. If any Taxes or Other Taxes for which a Participating Bank or the Issuing Bank has received payments from the Account Party hereunder shall be finally determined to have been incorrectly or illegally asserted and are refunded to such Participating Bank, such Participating Bank shall promptly forward to the Account Party any such refunded amount. The Account Party's, the Issuing Bank's and each Participating Bank's obligations under this Section 4.05 shall survive the payment in full of the Advances.

(c) Within 30 days after the date of any payment of Taxes, the Account Party will furnish to the Issuing Bank, at its address referred to in Section 10.02 hereof the original or a certified copy of a receipt evidencing payment thereof.

(d) Each Participating Bank not incorporated in the United States or a jurisdiction within the United States shall, on or prior to the date it becomes a Participating Bank hereunder, deliver to the Account Party and the

Issuing Bank such certificates, documents or other evidence, as required by the Internal Revenue Code of 1986, as amended from time to time (the "Code"), or treasury regulations issued pursuant thereto, including Internal Revenue Service Form 4224 and any other certificate or statement of exemption required by Treasury Regulation Section l.1441-1(a) or Section 1.1441-6(c) or any subsequent version thereof, properly completed and duly executed by such Participating Bank establishing that it is (i) not subject to withholding under the Code or (ii) totally exempt from United States of America tax under a provision of an applicable tax treaty. Each Participating Bank shall promptly notify the Account Party and the Issuing Bank of any change in its Applicable Lending Office and shall deliver to the Account Party and the Issuing Bank together with such notice such certificates, documents or other evidence referred to in the immediately preceding sentence. Unless the Account Party and the Issuing Bank have received forms or other documents satisfactory to them indicating that payments hereunder are not subject to United States of America withholding tax or are subject to such tax at a rate reduced by an applicable tax treaty, the Account Party or the Issuing Bank shall withhold taxes from such payments at the applicable statutory rate in the case of payments to or for any Participating Bank organized under the laws of a jurisdiction outside the United States of America. Each Participating Bank represents and warrants that each such form supplied by it to the Issuing Bank and the Account Party pursuant to this Section 4.05, and not superseded by another form supplied by it is or will be, as the case may be, complete and accurate.

(e) Any Participating Bank claiming any additional amounts payable pursuant to this Section 4.05 shall use reasonable efforts (consistent with legal and regulatory restrictions) to file any certificate or document requested by the Account Party or to change the jurisdiction of its Applicable Lending Office if the making of such a filing or change would avoid the need for or reduce the amount of any such additional amounts which may thereafter accrue and would not, in the sole determination of such Participating Bank, be otherwise disadvantageous to such Participating Bank.

(f) Notwithstanding anything to the contrary set forth in this Section 4.05, the failure of any Participating Bank to provide any of the forms referred to therein shall not relieve the Account Party from its obligations under Sections 4.05(a), 4.05(b) and 4.05(c).

SECTION IV.6. Obligations Absolute. The obligations of the Account Party under this Agreement shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement (as the same may be amended from time to time) under all circumstances, including, without limitation, the following circumstances:

(i) any lack of validity or enforceability of this Agreement or any of the Security Documents or Related Documents or any document or agreement delivered in connection therewith;

(ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the obligations of the Account Party in respect of the Letter of Credit or any other amendment or waiver of or any consent to departure from all or any of the Loan Documents or the Related Documents or any document or agreement delivered in connection therewith;

(iii) the existence of any claim, set-off, defense or other right which the Account Party may have at any time against the Paying Agent, the Trustee or any other beneficiary, or any transferee, of the Letter of Credit (or any persons or entities for whom the Paying Agent, the Trustee, any such beneficiary or any such transferee may be acting), the Agent, the Issuing Bank, or any other person or entity, whether in connection with this Agreement, the transactions contemplated in any of the Loan Documents or the Related Documents, or any unrelated transaction;

(iv) any statement or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect except to the extent that a court of competent jurisdiction shall determine that the Issuing Bank shall have engaged in gross negligence or willful misconduct with respect thereto;

(v) payment by the Issuing Bank under the Letter of Credit against presentation of a draft or certificate which does not comply with the terms of the Letter of Credit, except to the extent that a court of competent jurisdiction shall determine that the Issuing Bank shall have engaged in gross negligence or willful misconduct with respect thereto;

(vi) any exchange of, release of or non-perfection of any interest in any collateral, or any release or amendment or waiver of or consent to departure from any guarantee, for all or any of the obligations of the Account Party in respect of the Letter of Credit; or

(vii) any other circumstance or happening whatsoever, whether

or not similar to any of the foregoing.

SECTION IV.7. Evidence of Indebtedness. The Issuing Bank and each Participating Bank shall maintain, in accordance with their usual practice, an account or accounts evidencing the indebtedness of the Account Party resulting from each drawing under the Letter of Credit (in the case of the Issuing Bank) and from each Advance (in the case of each Participating Bank) made from time to time hereunder and the amounts of principal and interest payable and paid from time to time hereunder. In any legal action or proceeding in respect of this Agreement, the entries made in such account or accounts shall, in the absence of manifest error, be conclusive evidence of the existence and amounts of the obligations of the Account Party therein recorded.

ARTICLE V
CONDITIONS PRECEDENT

SECTION V.1. Conditions Precedent to the Issuance of the Letter of Credit. The obligation of the Issuing Bank to issue the Letter of Credit and of each Participating Bank to make the Advances to be made by it is subject to the fulfillment of the conditions precedent that the Agent shall have received on or before the day of such issuance the following, each dated such day (except where specified otherwise below), in form and substance satisfactory to each Participating Bank (except where specified otherwise below) and in sufficient copies for each Participating Bank:

(a) Agreements:

(i) Counterparts of this Agreement, duly executed and delivered by the Account Party, the Agent, the Issuing Bank and each Participating Bank.

(ii) Counterparts of the Pledge Agreement, duly executed by the Account Party, the Agent and the Issuing Bank.

(iii) Counterparts of the Intercreditor Amendment, duly executed by the parties thereto.

(iv) Counterparts of the Security Agreement Amendment, duly executed by the parties thereto.

(v) Executed copies (or duplicate copies thereof certified as of the Closing Date by the Account Party in a manner satisfactory to the Agent to be a true copy) of the Indenture, duly executed by the parties thereto.

(vi) For each Participating Bank who shall so request, executed copies (or duplicate copies thereof certified as of the Closing Date by the Account Party in a manner satisfactory to the Agent to be a true copy) of each other Security Document, duly executed by the parties thereto.

(vii) For each Participating Bank who shall so request, executed copies (or duplicate copies thereof certified as of the Closing Date by the Account Party in a manner satisfactory to the Agent to be a true copy) of the Rate Agreement and each Significant Contract and all amendments, modifications and supplements thereto, in each such case duly executed by the respective parties thereto.

(b) Corporate Matters:

(i) A certificate of the Secretary or an Assistant Secretary of the Account Party certifying that (A) attached to such certificate are true and correct copies of the Articles of Incorporation of the Account Party and the By-laws of the Account Party, in each case as in effect on the Closing Date and (B) attached to such certificate are true and correct copies of the resolutions of the Boards of Directors of the Account Party approving, if and to the extent necessary, the Transaction Documents to which it is a party, and all other agreements and documents required to be executed and delivered by the Account Party in order to carry out, give effect to, and consummate the transactions contemplated by each of the foregoing documents, and of all documents evidencing other necessary corporate action, if any, with respect to the execution, delivery and performance by or on behalf of the Account Party of the Transaction Documents and all such other agreements and documents and certifying that such resolutions and other corporate actions, if any, are in full force and effect and have not been revoked, rescinded or modified.

(ii) A certificate of the Secretary or an Assistant Secretary of the Account Party certifying the names and true signatures of the officers of the Account Party authorized to sign this Agreement, the other Transaction Documents and the other documents to be delivered hereunder and under the other Loan Documents.

(c) Governmental Approvals and Litigation:

(i) A certificate of a duly authorized officer of the Account Party certifying that attached thereto are true and correct copies of all Governmental Approvals referred to in clause (i) of the definition of "Governmental Approval" required to be obtained or made by the Account Party in connection with the execution and delivery of this Agreement and the issuance of the Letter of Credit.

(ii) A certificate of a duly authorized officer of the Account Party to the effect that there is no pending or known threatened action or proceeding (including, without limitation, any action or proceeding relating to any environmental protection laws or regulations) affecting the Account Party or its properties before any court, governmental agency or arbitrator (A) which affects or purports to affect the legality, validity or enforceability of the Loan Documents or the Related Documents or any of them or (B) as to which there is a reasonable possibility of an adverse determination and which, if adversely determined, would materially adversely affect the financial condition, properties, prospects or operations of the Account Party; except, for purposes of clause (B) only, such as is described in the Disclosure Documents or in such certificate.

(d) Financial Accounting and Compliance Matters:

(i) Copies of the Disclosure Documents.

(ii) Financial projections, on assumptions acceptable to the Participating Banks, demonstrating projected compliance with Section 7.01(j) of this Agreement.

(iii) A certificate signed by the Treasurer or Assistant Treasurer of the Account Party, to the effect that: (A0 the statements set forth in subsections (a) through (e) of Section 5.02, below, are true and correct on and as of the date of such issuance; (B0 attached thereto is a listing in reasonable detail of all the Account Party's investments in, or loans to, either directly or indirectly, any affiliate of the Account Party; and (C) the assumptions on which the financial projections contained in the Information Memorandum were based continue to be valid on and as of the Closing Date.

(e) Opinions of Counsel:

Favorable opinions of:

(i) Day, Berry & Howard, counsel to the Account Party, in substantially the form of Exhibit 5.01A and as to such other matters as the Majority Lenders, through the Agent, may reasonably request, together with a letter from such counsel authorizing the Agent, the Issuing Bank and the Participating Banks to rely upon the opinions of such firm rendered in connection with the issuance of the Taxable Bonds;

(ii) Jeffrey C. Miller, Assistant General Counsel of NUSCO, in substantially the form of Exhibit 5.01B and as to such other matters as the Majority Lenders, through the Agent, may reasonably request;

(iii) Catherine E. Shively, Senior Counsel of the Account Party, in substantially the form of Exhibit 5.01C and as to such other matters as the Majority Lenders, through the Agent, may reasonably request;

(iv) Drummond Woodsum & MacMahon, special Maine counsel to the Account Party, in substantially the form of Exhibit 5.01D and as to such other matters as the Majority Lenders, through the Agent, may reasonably request;

(v) Zuccaro Willis & Bent, special Vermont counsel to the Account Party, in substantially the form of Exhibit 5.01E and as to such other matters as the Majority Lenders, through the Agent, may reasonably request; and

(vi) King & Spalding, special New York counsel to the Agent and the Issuing Bank, in substantially the form of Exhibit 5.01F.

(f) Miscellaneous:

(i) A letter from Palmer & Dodge, Bond Counsel, addressed to the Agent, the Issuing Bank and the Participating Banks and stating therein that the Agent, the Issuing Bank and the Participating Banks may rely on the opinions of such firm rendered in connection with the issuance of the Taxable Bonds, together with copies of all such opinions;

(ii) A letter from Palmer & Dodge, counsel to the Issuer, addressed to the Agent, the Issuing Bank and the Participating Banks and stating

therein that the Agent, the Issuing Bank and the Participating Banks may rely on the opinions of such firm rendered in connection with the issuance of the Taxable Bonds, together with copies of all such opinions;

(iii) Such other approvals, opinions and documents as the Majority Lenders, through the Issuing Bank, may reasonably request as to the legality, validity, binding effect or enforceability of the Loan Documents or the financial condition, properties, operations or prospects of the Account Party;

(iv) Copies of all such other agreements, documents and materials (including opinions of counsel or reliance letters in respect thereof) as the Agent, the Issuing Bank or any Participating Bank may reasonably request relating to the issuance, offering and sale of the Taxable Bonds and the Series F First Mortgage Bonds; and

(v) A certificate of Barclays, as "Agent" and "Issuing Bank" thereunder, to the effect that (A) all amounts payable in connection with the Existing Reimbursement Agreement and the Existing Letter of Credit have been paid and (B) it thereby surrenders any and all rights it may have under the Related Documents arising in connection with the Existing Reimbursement Agreement and the Existing Letter of Credit, except for any such rights it may have as an indemnified party thereunder.

SECTION V.2. Additional Conditions Precedent to the Issuance of the Letter of Credit. The obligation of the Issuing Bank to issue the Letter of Credit and of each Participating Bank to make the Advances to be made by it shall be subject to the further conditions precedent that, on the date of the issuance of the Letter of Credit, the following statements shall be true:

(a) there has occurred no Material Adverse Effect since December 31, 1998;

(b) the representations and warranties contained in Section 6.01 shall be correct in all material respects on and as of the Closing Date before and after giving effect to the issuance of the Letter of Credit;

(c) no event shall have occurred and be continuing which constitutes an Event of Default or Unmatured Default, or would result from the issuance of the Letter of Credit;

(d) the Other Reimbursement Agreement has been duly executed and delivered by the parties thereto, all conditions precedent to the issuance of the "Letter of Credit" provided for thereunder have been satisfied and no "Event of Default" or "Unmatured Default" (as defined therein) has occurred and is continuing;

(e) the Series F First Mortgage Bonds were duly issued to the Trustee in accordance with the Indenture, are presently outstanding, and no "Event of Default" (as defined in the First Mortgage Indenture) has occurred and is continuing;

(f) all UCC-1, UCC-3 and other filings and recordings in respect of the Collateral shall have been duly completed, the results of all lien and record searches undertaken in connection with the Security Agreement and the Collateral thereunder shall be satisfactory to the Agent and its counsel; and the Security Agreement shall create a first priority perfected security interest in such Collateral;

(g) the Account Party shall have paid all fees under or referenced in Section 2.03 hereof, to the extent then due and payable;

(h) all other matters relating to the issuance of the Letter of Credit, the Other Reimbursement Agreement and the "Letter of Credit" to be issued thereunder shall be satisfactory to the Agent and its counsel; and

(i) the 1998 Revolving Credit Agreement has been terminated and all amounts payable by the Account Party in connection with the 1998 Revolving Credit Agreement have been paid in full, other than in respect of indemnification and similar contingent obligations for which no claim has been made.

SECTION V.3. Conditions Precedent to Initial Advances and Conversions of Advances. The obligation of each Participating Bank to make any Initial Advance or to Convert any Term Advance shall be subject to the conditions precedent that, on the date of such Initial Advance or Conversion, the following statements shall be true:

(a) the representations and warranties contained in Section 6.01 of this Agreement (other than the last sentence of subsection (e) and clause (ii) of subsection (f) thereof) are true and correct on and as of the date of such Initial Advance or Conversion, before and after giving effect to such Initial Advance or Conversion and to the application of the proceeds (if any)

therefrom, as though made on and as of such date; and

(b) no event has occurred and is continuing which constitutes an Event of Default.

Unless the Account Party shall have previously advised the Agent in writing that one or more of the statements contained in subsections (a) and (b) of this Section 5.03 is no longer true, the Account Party shall be deemed to have represented and warranted, on and as of the date of any Initial Advance or Conversion, that the above statements are true.

SECTION V.4. Conditions Precedent to Term Advances. The obligation of each Participating Bank to make any Term Advance shall be subject to the conditions precedent that, on the date of such Term Advance the following statements shall be true:

(a) the representations and warranties contained in Section 6.01 of this Agreement (including the last sentence of subsection (e) and clause (ii) of subsection (f) thereof) are true and correct on and as of the date of such Term Advance, before and after giving effect to such Term Advance and to the application of the proceeds therefrom, as though made on and as of such date; and

(b) no event has occurred and is continuing which constitutes an Event of Default or an Unmatured Default.

Unless the Account Party shall have previously advised the Agent in writing that one or more of the statements contained in subsections (a) and (b) of this Section 5.04 is no longer true, the Account Party shall be deemed to have represented and warranted, on and as of the date of any Term Advance, that the above statements are true.

SECTION V.5. Reliance on Certificates. The Agent, the Issuing Bank and the Participating Banks shall be entitled to rely conclusively upon the certificates delivered from time to time by officers of the Account Party, NU, NUSCO and the other parties to the Loan Documents, Related Documents and the Significant Contracts as to the names, incumbency, authority and signatures of the respective persons named therein until such time as the Agent may receive a replacement certificate, in form acceptable to the Agent, from an officer of such Person identified to the Agent as having authority to deliver such certificate, setting forth the names and true signatures of the officers and other representatives of such Person thereafter authorized to act on behalf of such Person.

ARTICLE VI
REPRESENTATIONS AND WARRANTIES

SECTION VI.1. Representations and Warranties of the Account Party. The Account Party represents and warrants as follows:

(a) The Account Party is a corporation duly organized and validly existing under the laws of the State of New Hampshire. The Account Party is duly qualified to do business in, and is in good standing in, all other jurisdictions where the nature of its business or the nature of property owned or used by it makes such qualifications necessary.

(b) The execution, delivery and performance by the Account Party of the Rate Agreement and of each Transaction Document, Loan Document, Related Document and Significant Contract to which it is a party, are within the Account Party's corporate powers, have been duly authorized by all necessary corporate action, and do not and will not contravene (i) the Account Party's charter or bylaws or (ii) any law or legal or contractual restriction binding on or affecting the Account Party; and such execution, delivery and performance do not or will not result in or require the creation of any Lien (other than pursuant hereto or pursuant to the Security Documents) upon or with respect to any of its properties.

(c) All Governmental Approvals referred to in clauses (i) and (ii) of the definition of "Governmental Approvals" have been duly obtained or made, and all applicable periods of time for review, rehearing or appeal with respect thereto have expired, except as described in the several opinions of counsel delivered pursuant to Article V of this Agreement. The Account Party has obtained or made all Governmental Approvals referred to in clause (iii) of the definition of "Governmental Approvals", except those which are not yet required but which are obtainable in the ordinary course of business as and when required and those the absence of which would not materially adversely affect the financial condition, properties, prospects or operations of the Account Party as a whole.

(d) This Agreement, the Rate Agreement, each other Transaction Document, Loan Document, Related Document and each Significant Contract to which the Account Party is a party have been duly executed and delivered by or on behalf of the Account Party and are legal, valid and binding obligations of the Account Party enforceable against the Account Party in

accordance with their respective terms; subject to the qualifications, however, that the enforcement of the rights and remedies herein and therein is subject to bankruptcy and other similar laws of general application affecting rights and remedies of creditors and the application of general principles of equity (regardless of whether considered in a proceeding in equity or law), that the remedy of specific performance or of injunctive relief is subject to the discretion of the court before which any proceedings therefor may be brought and that indemnification against violations of securities and similar laws may be subject to matters of public policy.

(e) The audited balance sheet of the Account Party as at December 31, 1998 and the related audited statements of the Account Party setting forth the results of operations, retained earnings and cash flows of the Account Party for the fiscal year then ended, copies of which have been furnished to each Participating Bank, fairly present in all material respects the financial condition, results of operations, retained earnings and cash flows of the Account Party at and for the year ended on such date and have been prepared in accordance with generally accepted accounting principles consistently applied. Except as reflected in such financial statements, the Account Party has no material non-contingent liabilities, and all contingent liabilities have been appropriately reserved. The financial projections referred to in Section 5.01(d)(ii) of this Agreement have been prepared in good faith and on reasonable assumptions. Since December 31, 1998, there has been no material adverse change in the financial condition, operations, properties or prospects of the Account Party, other than as disclosed in the Disclosure Documents; provided, however, that the existence of the Rate Proceeding shall not be deemed in and of itself to be a material adverse change; provided, further, however, that notwithstanding the foregoing, a material adverse change shall be deemed to have occurred and be continuing upon the occurrence of a material adverse change or development in the Rate Proceeding.

(f) Except as set forth in the Disclosure Documents, there is no pending or known threatened action or proceeding (including, without limitation, any action or proceeding relating to any environmental protection laws or regulations) affecting the Account Party or its properties before any court, governmental agency or arbitrator (i) which affects or purports to affect the legality, validity or enforceability of the Transaction Documents, the Loan Documents or the Related Documents, the Rate Agreement, or any Significant Contract, or any of them or (ii) which, if adversely determined, would materially adversely affect the financial condition, operations, properties or prospects of the Account Party as a whole. Notwithstanding the foregoing, any material adverse development in respect of the Rate Proceeding, the Rate Agreement or the Final Plan that results, or would reasonably be expected to result, in a material adverse effect on the financial condition, operations, properties or prospects of the Account Party as a whole, shall be deemed to be an event within clause (ii) of the preceding sentence.

(g) All insurance required by Section 7.01(c) hereof is in full force and effect.

(h) No ERISA Plan Termination Event has occurred nor is reasonably expected to occur with respect to any ERISA Plan which would materially adversely affect the financial condition, properties, prospects or operations of the Account Party, except as disclosed to and consented by the Majority Lenders in writing. Since the date of the most recent Schedule B (Actuarial Information) to the annual report of the Account Party (Form 5500 Series), if any, there has been no material adverse change in the funding status of the ERISA Plans referred to therein and no non-exempt "prohibited transaction" has occurred with respect thereto, except as described in the Disclosure Documents and except as the same may be exempt pursuant to Section 408 of ERISA and regulations and orders thereunder. Neither the Account Party nor any of its ERISA Affiliates has incurred nor reasonably expects to incur any material withdrawal liability under ERISA to any ERISA Multiemployer Plan, except as disclosed to and consented by the Majority Lenders in writing.

(i) The Major Electric Generating Plants are on land in which the Account Party owns a full or an undivided fee interest subject only to Liens permitted by Section 7.02(a) hereof, which do not materially impair the usefulness to the Account Party of such properties; the electric transmission and distribution lines of the Account Party in the main are located in New Hampshire and on land owned in fee by the Account Party or over which the Account Party has easements, or are in or over public highways or public waters pursuant to adequate statutory or regulatory authority, and any defects in the title to such transmission and distribution lands or easements are in the main curable by the exercise of the Account Party's right of eminent domain upon a finding that such eminent domain proceedings are necessary to meet the reasonable requirements of service to the public; the Account Party enjoys peaceful and undisturbed possession under all of the leases under which it is operating, none of which contains any unusual or burdensome provision which will materially affect or impair the operation of the Account Party; and the Security Documents will create valid Liens in the Collateral, subject only to Liens permitted by Section 7.02(a) hereof, and all filings and other actions necessary to perfect and protect such security

interests (to the extent such security interests may be perfected or protected by filing) have been taken; provided, however, that no representation is made as to any Lien purported to be created in favor of the Trustee with respect to any interest of the Issuer in the Indenture.

(j) No material part of the properties, business or operations of the Account Party are materially adversely affected by any fire, explosion, accident, strike, lockout or other labor disputes, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (except for any such circumstance, if any, which is covered by insurance which coverage has been confirmed and not disputed by the relevant insurer or by fully-funded self-insurance programs).

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

(l) No exhibit, schedule, report or other written information provided by the Account Party or its agents to the Agent, the Issuing Bank or the Participating Banks in connection with the negotiation, execution and closing of this Agreement and the other Transaction Documents, or the issuance of the Bonds (including, without limitation, the Information Memorandum and the Official Statements) knowingly contained when made any material misstatement of fact or knowingly omitted to state any material fact necessary to make the statements contained therein not misleading in light of the circumstances under which they were made.

(m) No event has occurred and is continuing which constitutes a material default under the Rate Agreement or any Significant Contract.

(n) The Account Party has not, either directly or indirectly, made any investment in, or loans to, any Affiliate of the Account Party, other than such investments or loans as were outstanding on the date hereof.

(o) No proceeds of any Advance will be used (i) to acquire any equity security of a class which is registered pursuant to Section 12 of the Securities Exchange Act of 1934 or (ii) to buy or carry any margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System) or to extend credit to others for such purpose. The Account Party (X) is not an "investment company" within the meaning ascribed to that term in the Investment Company Act of 1940 or (Y) is not engaged in the business of extending credit for the purpose of buying or carrying margin stock.

(p) The Account Party has reviewed and continues to review the effect of the Year 2000 Issue on the computer software, hardware and firmware systems and equipment containing embedded microchips owned or operated by or for the Account Party or used or relied upon in the conduct of its business (including, without limitation, systems and equipment supplied by others). The costs to the Account Party of any reprogramming and/or remediation required as a result of the Year 2000 Issue to permit the proper functioning of such systems and equipment and the proper processing of data, and testing of such reprogramming or remediation (as the case may be), and of the reasonably foreseeable consequences of the Year 2000 Issue to the Account Party (including, without limitation, reprogramming errors and the failure of systems or equipment supplied by others) are not reasonably expected to result in an Event of Default or an Unmatured Default or to have a Material Adverse Effect.

ARTICLE VII
COVENANTS OF THE ACCOUNT PARTY

SECTION VII.1. Affirmative Covenants. So long as any amounts shall remain available to be drawn under the Letter of Credit or any Advance or other amounts shall remain unpaid hereunder or any Participating Bank shall have any Commitment, the Account Party will, unless the Majority Lenders shall otherwise consent in writing:

(a) Use of Proceeds. Apply all proceeds of each Advance solely as specified in Section 3.02 and Section 6.01(o) hereof.

(b) Payment of Taxes, Etc. Pay and discharge before the same shall become delinquent all taxes, assessments and governmental charges, royalties or levies imposed upon it or upon its property except to the extent the Account Party is contesting the same in good faith by appropriate proceedings and has set aside adequate reserves for the payment thereof.

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

properties.

(d) Preservation of Existence, Etc. Preserve and maintain its corporate existence, material rights (statutory and otherwise) and franchises except as otherwise expressly provided for in the Security Documents.

(e) Compliance with Laws, Etc. Comply in all material respects with the requirements of all applicable laws, rules, regulations and orders of any governmental authority, including without limitation any such laws, rules, regulations and orders relating to utilities, zoning, environmental protection, use and disposal of Hazardous Substances, land use, construction and building restrictions, and employee safety and health matters relating to business operations, except to the extent (i) that the Account Party is contesting the same in good faith by appropriate proceedings or (ii) that any such noncompliance, and the enforcement or correction thereof, would not materially adversely affect the financial condition, properties, prospects or operations of the Account Party as a whole.

(f) Inspection Rights. At any time and from time to time upon reasonable notice, permit the Agent and its agents and representatives to examine and make copies of and abstracts from the records and books of account of, and the properties of, the Account Party and to discuss the affairs, finances and accounts of the Account Party with the Account Party and of its officers, directors and accountants.

(g) Keeping of Books. Keep proper records and books of account, in which full and correct entries shall be made of all financial transactions of the Account Party and the assets and business of the Account Party, in accordance with good accounting practices consistently applied.

(h) Performance of Related Agreements. Perform and observe all material terms and provisions of the Rate Agreement and each Significant Contract to be performed or observed by the Account Party and take all reasonable steps to enforce such agreements substantially in accordance with their terms and to preserve the rights of the Account Party thereunder; provided, that the foregoing provisions of this Section 7.01(h) shall not preclude the Account Party from any waiver, amendment, modification, consent or termination permitted under Section 7.02(g) hereof.

(i) Collection of Accounts Receivable. Promptly bill, and diligently pursue collection of, in accordance with customary utility practices, all accounts receivable owing to the Account Party and all other amounts that may from time to time be owing to the Account Party for services rendered or goods sold.

(j) Maintenance of Financial Covenants:

(i) Operating Income to Interest Expense. Maintain a ratio of Operating Income to Interest Expense of not less than 2.35 to 1.00 for each period of four consecutive fiscal quarters on each quarter-end ending after December 31, 1998.

(ii) Common Equity to Total Capitalization Ratio. Maintain at all times a ratio of Common Equity to Total Capitalization of not less than 0.325 to 1.00.

(k) Maintenance of Properties, Etc. (i) As to properties of the type described in Section 6.01(i) hereof, maintain title of the quality described therein; and (ii) preserve, maintain, develop, and operate in substantial conformity with all laws, material contractual obligations and prudent practices prevailing in the industry, all of its properties which are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted, except to the extent such non-conformity would not materially adversely affect the financial condition, properties, prospects or operations of the Account Party as a whole.

(l) Governmental Approvals. Duly obtain on or prior to such date as the same may become legally required, and thereafter maintain in effect at all times, all Governmental Approvals on its part to be obtained, except those the absence of which would not materially adversely affect the financial condition, properties, prospects or operations of the Account Party as a whole.

(m) Further Assurances. Promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or that any Participating Bank through the Issuing Bank may reasonably request in order to fully give effect to the interests and properties purported to be covered by the Security Documents.

(n) Related Documents. Perform and comply in all material respects with each of the provisions of each Related Document to which it is a party.

(o) Year 2000. Take all necessary action to complete in all respects by September 30, 1999 the reprogramming and/or remediation of computer software, hardware and firmware systems and equipment containing embedded

microchips owned or operated by or for the Account Party or used or relied upon in the conduct of its business (including, without limitation, systems and equipment supplied by others) required as a result of the Year 2000 Issue to permit the proper functioning of such computer systems and other equipment and the testing of such systems and equipment, as so reprogrammed or remediated (as the case may be), except for any reprogramming, remediation and/or testing the failure of which to complete by such date could not reasonably be expected to result in an Event of Default or an Unmatured Default or to have a Material Adverse Effect. At the request of the Issuing Bank or Majority Lenders, the Account Party shall provide to the Issuing Bank and each Participating Bank reasonable assurance of its compliance with the preceding sentence.

SECTION VII.2. Negative Covenants. So long as any amount shall remain available to be drawn under the Letter of Credit or any Advance or other amounts shall remain unpaid hereunder or any Participating Bank shall have any Commitment, the Account Party will not without the written consent of the Majority Lenders:

(a) Liens, Etc. Create, incur, assume or suffer to exist any lien, security interest, or other charge or encumbrance (including the lien or retained security title of a conditional vendor) of any kind, or any other type of preferential arrangement the intent or effect of which is to assure a creditor against loss or to prefer one creditor over another creditor upon or with respect to any of its properties of any character (any of the foregoing being referred to herein as a "Lien") whether now owned or hereafter acquired, or sign or file under the Uniform Commercial Code of any jurisdiction a financing statement which names the Account Party as debtor, sign any security agreement authorizing any secured party thereunder to file such financing statement, or assign accounts, excluding, however, from the operation of the foregoing restrictions the following, whether now existing or hereafter created or perfected:

(i) The Liens of the First Mortgage Indenture, the Security Agreement, the Pledge Agreement, the "Pledge Agreement" referred to in the Other Reimbursement Agreement, and any lien created pursuant hereto; and

(ii) Permitted Liens (as defined in the First Mortgage Indenture as in effect on the date hereof) on the Indenture Assets; provided, however, that (A) the exclusion contained in clause (a) of such definition with respect to Liens junior to the Lien of the First Mortgage Indenture shall not apply to any Lien created after the date hereof; (B) the exclusion contained in clauses (g) and (h) of such definition shall apply only to the extent that all Liens of the type described therein from time to time existing do not, in the aggregate, materially and adversely affect the value of the security granted under the First Mortgage Indenture and no such Lien secures Debt of the Account Party for borrowed money; and (C) the Account Party shall not, on or after the date hereof, create, incur or assume any purchase money Debt secured by Liens of the type described in clause (o) of such definition;

provided, however, that this Section 7.02(a) shall not be construed to authorize the Account Party to incur, assume, be liable for or suffer to exist any Debt not otherwise permitted hereunder or to create any Lien on its accounts receivable, other than the Lien of the Security Agreement.

(b) Debt. From and after the Closing Date, create, incur or assume any Debt, other than pursuant to this Agreement, the Other Reimbursement Agreement and unsecured debt in an aggregate amount not to exceed $25,000,000, and then only if, after giving effect thereto, (i) no Event of Default or Unmatured Default shall have occurred and be continuing on the date of such creation, incurrence or assumption and (ii) the Account Party shall have determined that on the basis of the assumptions and forecasts set forth in the most recent operating budget/forecast of operations delivered pursuant to Section 7.03(iv) hereof (which the Account Party continues to believe to be reasonable), the Account Party will continue to be in compliance at all times with the provisions of Section 7.01(j) hereof. The Account Party will furnish evidence of its compliance with this subsection (b) for each fiscal quarter pursuant to Section 7.03(ii) hereof.

(c) Mergers, Etc. Merge with or into or consolidate with or into, or acquire all or substantially all of the assets of, any Person.

(d) Sales, Etc., of Assets. Sell, lease, transfer or otherwise dispose of all or any substantial part of its assets, whether in a single transaction or series of transactions during any consecutive 12-month period, except for (i) the sale of the Account Party's generating assets on an arms'-length basis in a transaction (or series of transactions) subject to approval by the NHPUC as part of a settlement of the Rate Proceeding and (ii) sales, leases, transfers or other dispositions in the ordinary course of the Account Party's business in accordance with ordinary and customary terms and conditions. For purposes of this subsection (d), any transaction or series of transactions during any consecutive 12-month period shall be deemed to involve a

"substantial part" of the Account Party's assets if, in the aggregate, (A) the book value of such assets equals or exceeds 7.5% of the total assets, net of regulatory assets, of the Account Party reflected in the financial statements of the Account Party delivered pursuant to Section 7.03(ii) or 7.03(iii) hereof in respect of the fiscal quarter or year ending on or immediately prior to the commencement of such 12-month period or (B) for the four calendar quarters ending on or immediately prior to commencement of such 12-month period, the gross revenue derived by the Account Party from such assets shall equal or exceed 7.5% of the total gross revenue of the Account Party.

(e) Restricted Payments and NUG Settlements. Declare or pay any dividend, or make any payment or other distribution of assets, properties, cash, rights, obligations or securities on account of any share of any class of capital stock of the Account Party (other than stock splits and dividends payable solely in equity securities of the Account Party), or purchase, redeem, retire, or otherwise acquire for value any shares of any class of capital stock of the Account Party or any warrants, rights, or options to acquire any such shares, now or hereafter outstanding, or make any distribution of assets to any of its shareholders (any such transaction being a "Restricted Payment"), or make any payment of or on account of any NUG Settlement (a "NUG Settlement Payment"); provided, that the Account Party may make one or more Restricted Payments or NUG Settlement Payments if:

(i) the aggregate amount of all such payments during the term of this Agreement shall not exceed $40,000,000;

(ii) in the case of a NUG Settlement Payment, such NUG Settlement shall have been approved by the NHPUC and all other Governmental Approvals related thereto shall have been obtained and be in full force and effect;

(iii) no Event of Default or Unmatured Default shall have occurred and be continuing;

(iv) after giving effect to such payment, the Account Party shall be in full compliance with Section 7.01(j) hereof (for purposes of determining compliance with Section 7.01(j) under this clause (vi), computations under Section 7.01(j) shall be made as of the date of such payment, except that, retained earnings shall be determined as of the last day of the immediately preceding fiscal quarter (adjusted for all Restricted Payments and NUG Settlement Payments made after the last day of such preceding fiscal quarter)); and

(v) the Account Party shall have determined that, on the basis of the assumptions and forecasts set forth in the most recent operating budget/forecast of operations delivered pursuant to Section 7.03(iv) hereof (which the Account Party continues to believe to be reasonable) and after giving effect to such payment, the Account Party will continue to be in compliance at all times with the provisions of Section 7.01(j) hereof.

Notwithstanding anything to the contrary contained in this Section 7.02(e), the Account Party may declare and pay regularly scheduled quarterly dividends and regularly scheduled sinking fund payments on the Preferred Stock, if, immediately prior to and after giving effect to any such payment, no Event of Default or Unmatured Default shall have occurred and be continuing.

(f) Compliance with ERISA. (i) terminate, or permit any ERISA Affiliate to terminate, any ERISA Plan so as to result in any material (in the opinion of the Majority Lenders) liability of the Account Party to the PBGC, or (ii) permit to exist any occurrence of any event described in clause (i) of the definition of ERISA Plan Termination Event, or any other event or condition, which presents a material (in the opinion of the Majority Lenders) risk of such a termination by the PBGC of any ERISA Plan and such a material liability to the Account Party.

(g) Related Agreements.

(i) Amendments. Amend, modify or supplement or give any consent, acceptance or approval to any amendment, modification or supplement or deviation by any party from the terms of, the Rate Agreement or any Significant Contract, except, with respect only to the Rate Agreement, any deviation described in the April 6, 1999 letter of David R. McHale to the Participating Banks, and except, with respect only to the Significant Contracts, any amendment, modification or supplement thereto that would not reduce the rights or entitlements of the Account Party thereunder in any material way.

(ii) Termination. Cancel or terminate (or consent to any cancellation or termination of) the Rate Agreement or any Significant Contract prior to the expiration of its stated term, provided that this subsection (ii) shall not restrict the rights of the Account Party to enforce any remedy against any obligor under any Significant Contract in the event of a material breach or default by such obligor thereunder if

and so long as the Account Party shall have provided to the Agent at least 30 days prior written notice of the enforcement action proposed to be undertaken by the Account Party.

(h) Change in Nature of Business. Engage in any material business activity other than those established and engaged in on the date hereof.

(i) Ownership in Nuclear Plants. Acquire, directly or indirectly, any ownership interest or any additional ownership interest of any kind in any nuclear-powered electric generating plant.

(j) Subsidiaries. Create or suffer to exist any active subsidiaries other than Properties, Inc., a New Hampshire corporation; or permit any material assets or business to be maintained at or conducted by any subsidiary except for the assets owned by Properties, Inc. not exceeding $20,000,000.

(k) Prepayment or Alteration of Debt. (i) Prepay, redeem, reduce or voluntarily retire, or make or agree to make any change in the terms of, any Debt of the Account Party, other than to the extent permitted by Section 7.04; (ii) without limitation of the foregoing, amend, modify or supplement the Indenture or the First Mortgage Indenture, except to the extent permitted by Section 7.04 or (iii) issue any First Mortgage Bonds as collateral security for any existing or future debt, or grant any other security to any holder of existing Debt of the Account Party, except to the extent permitted by Section 7.04.

(l) Loans and Investments. Make any loans to or investments in any Person, other than investments in Permitted Investments.

(m) Affiliate Receivables. Permit the aggregate balance of accounts receivable from Affiliates (other than such receivables constituting receivables for wholesale sales of power) to equal or exceed $12,500,000 as of the end of any calendar month.

SECTION VII.3. Reporting Obligations. So long as any amount shall remain available to be drawn under the Letter of Credit or any Advance or other amounts shall remain unpaid hereunder or any Participating Bank shall have any Commitment, the Account Party will, unless the Majority Lenders shall otherwise consent in writing, furnish to the Agent in sufficient copies for the Issuing Bank and each Participating Bank, the following:

(i) as soon as possible and in any event within five (5) days after the occurrence of each Event of Default or Unmatured Default continuing on the date of such statement, a statement of the Chief Financial Officer, Treasurer or Assistant Treasurer of the Account Party setting forth details of such Event of Default or Unmatured Default and the action which the Account Party proposes to take with respect thereto;

(ii) as soon as available and in any event within fifty (50) days after the end of each of the first three quarters of each fiscal year of the Account Party, (A) if and so long as the Account Party is required to submit to the Securities and Exchange Commission a report on Form 10-Q, a copy of the Account Party's report on Form 10-Q submitted to the Securities and Exchange Commission with respect to such quarter and (B) if the Account Party ceases to be required to submit such report, a balance sheet of the Account Party as of the end of such quarter and statements of income and retained earnings and of cash flows of the Account Party for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, all in reasonable detail and duly certified (subject to year-end audit adjustments) by the Chief Financial Officer, Treasurer or Assistant Treasurer of the Account Party as having been prepared in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements referred to in Section 6.01(e) hereof, in each such case, delivered together with a certificate of said officer (x) stating that no Event of Default or Unmatured Default has occurred and is continuing or, if an Event of Default or Unmatured Default has occurred and is continuing, a statement as to the nature thereof and the action which the Account Party proposes to take with respect thereto, (y) demonstrating compliance with Section 7.01(j) hereof for and as of the end of such fiscal quarter and compliance with Sections 7.02(b) and (e) hereof, as of the dates on which any Debt was created, incurred or assumed (using the Account Party's most recent annual actuarial determinations in the computation of Debt referred to in clause (ix) in the definition of "Debt") or any Restricted Payment or NUG Settlement Payment was made during such quarter, and (z) demonstrating, after giving effect to the incurrence of any Debt created, incurred or assumed during such fiscal quarter (using the Account Party's most recent annual actuarial determinations in the computation of Debt referred to in clause (ix) in the definition of "Debt") and after giving effect to any Restricted Payments or NUG Settlement Payments made during such fiscal quarter, compliance with Section 7.01(j) hereof for the remainder of the fiscal year of the Account Party based on the operating budget/forecast

of operations delivered pursuant to Section 7.03 (iv) hereof for such fiscal year, such demonstrations to be in a schedule (in form satisfactory to the Majority Lenders) which sets forth the computations used by the Account Party in determining such compliance;

(iii) as soon as available and in any event within 105 days after the end of each fiscal year of the Account Party, (A) if and so long as the Account Party is required to submit to the Securities and Exchange Commission a report on Form 10-K, a copy of the Account Party's report on Form 10-K submitted to the Securities and Exchange Commission with respect to such year and (B) if the Account Party ceases to be required to submit such report, a copy of the annual audit report for such year for the Account Party including therein a balance sheet of the Account Party as of the end of such fiscal year and statements of income and retained earnings and of cash flows of the Account Party for such fiscal year, in each case certified by a nationally-recognized independent public accountant, in each such case delivered together with a certificate of the Chief Financial Officer, Treasurer or Assistant Treasurer (x) stating that the financial statements were prepared in accordance with generally accepted accounting principles consistent with those applied in the preparation of financial statements referred to in Section 6.01(e) hereof, and that no Event of Default or Unmatured Default has occurred and is continuing, or if an Event of Default or Unmatured Default has occurred and is continuing, stating the nature thereof and the action which the Account Party proposes to take with respect thereto and (y) demonstrating compliance with Section 7.01(j) hereof for and as of the end of such fiscal year and compliance with Sections 7.02(b) and (e) hereof, as of the dates on which any Debt was created, incurred or assumed (using the Account Party's most recent annual actuarial determinations in the computation of Debt referred to in clause (ix) in the definition of "Debt") or any Restricted Payment or NUG Settlement Payment was made during the last fiscal quarter of the Account Party, such demonstrations to be in a schedule (in form satisfactory to the Majority Lenders) which sets forth the computations used by the Account Party in determining such compliance.

(iv) as soon as available and in any event before March 31 of each fiscal year, a copy of an operating budget/forecast of operations of the Account Party as approved by the Board of Directors of the Account Party in form satisfactory to the Participating Banks for such fiscal year of the Account Party, together with a certificate of the Chief Financial Officer, Treasurer or Assistant Treasurer of the Account Party stating that such budget/forecast was prepared in good faith and on reasonable assumptions;

(v) not later than ten days following the end of each fiscal quarter of the Account Party, a report on the progress of and developments in the Rate Proceeding, the Final Plan and any negotiations concerning the foregoing;

(vi) as soon as available and in any event no later than the New Hampshire Public Utilities Commission shall have received the Account Party's annual submission, if any, relating to the "return on equity collar" referred to in the Rate Agreement, a copy of such annual submission of the Account Party;

(vii) as soon as possible and in any event (A) within 30 days after the Account Party knows or has reason to know that any ERISA Plan Termination Event described in clause (i) of the definition of ERISA Plan Termination Event with respect to any ERISA Plan or ERISA Multiemployer Plan has occurred and (B) within 10 days after the Account Party knows or has reason to know that any other ERISA Plan Termination Event with respect to any ERISA Plan or ERISA Multiemployer Plan has occurred, a statement of the Chief Financial Officer, Treasurer or Assistant Treasurer of the Account Party describing such ERISA Plan Termination Event and the action, if any, which the Account Party proposes to take with respect thereto;

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

(ix) promptly and in any event within 30 days after the filing thereof with the Internal Revenue Service, copies of each Schedule B (Actuarial Information) to the annual report (Form 5500 Series) with respect to each ERISA Plan (if any) to which the Account Party is a contributing employer;

(x) promptly after receipt thereof by the Account Party or any of its ERISA Affiliates from an ERISA Multiemployer Plan sponsor, a copy of each notice received by the Account Party or any of its ERISA Affiliates concerning the imposition or amount of withdrawal liability in an

aggregate principal amount of at least $10,000,000 pursuant to Section 4202 of ERISA in respect of which the Account Party may be liable;

(xi) promptly after the Account Party becomes aware of the occurrence thereof, notice of all actions, suits, proceedings or other events (A) of the type described in Section 6.01(f), or (B) which purport to affect the legality, validity or enforceability of the Rate Agreement, or any Transaction Document, Loan Document, Related Document or Significant Contract;

(xii) promptly after the sending or filing thereof, copies of all such proxy statements, financial statements, and reports which the Account Party sends to its public security holders (if any) or files with, and copies of all regular, periodic and special reports and all registration statements and periodic or special reports, if any, which the Account Party files with, the Securities and Exchange Commission or any governmental authority which may be substituted therefor, or with any national securities exchange;

(xiii) promptly after receipt thereof, any assertion of the character described in Section 8.01(h) hereof and the action the Account Party proposes to take with respect thereto;

(xiv) promptly after knowledge of any material default under the Rate Agreement or any Significant Contract, notice of such default and the action the Account Party proposes to take with respect thereto;

(xv) promptly after knowledge of any amendment, modification, or other change to the Rate Agreement or any Significant Contract or to any Governmental Approval affecting the Rate Agreement, notice of such amendment, modification or other change, it being understood that for purposes of this clause (xv) any filing by the Account Party in the ordinary course of the Account Party's business with, or order issued or action taken by, a governmental authority or regulatory body after May 16, 1991 to implement the terms of the Rate Agreement shall not be considered an amendment, modification or change to a Governmental Approval affecting the Rate Agreement; and

(xvi) promptly after requested, such other information respecting the financial condition, operations, properties, prospects or otherwise, of the Account Party as the Issuing Bank or Majority Lenders may from time to time reasonably request in writing.

SECTION VII.4. Most Favored Lender Covenants. So long as any amount shall remain available to be drawn under the Letter of Credit or any Advance or other amounts shall remain unpaid hereunder or any Participating Bank shall have any Commitment:

(a) The Account Party will not amend, modify or supplement, or consent to any amendment, modification or supplement to, the Other Reimbursement Agreement or any Revolving Credit Facility (as defined below) (whether the same relates to pricing, tenor, reduction, prepayment, covenants, other credit terms or otherwise), or enter into any Revolving Credit Facility, in each case unless the Account Party shall first have offered to amend, modify or supplement the Loan Documents in a like manner, subject however, to the provisions of subsection (b), to the extent applicable.

(b) If at any time the Account Party shall be unable to borrow under any revolving credit or similar facility (a "Revolving Credit Facility") because the Account Party is unable to satisfy any "material adverse change" or other condition precedent to borrowing (a "Funding Suspension"), and (x) the failure to satisfy such condition does not itself constitute an Event of Default hereunder and (y) no Event of Default or Unmatured Default shall have occurred and be continuing hereunder, the provisions of subsection (a) shall be subject to the following:

(i) The Account Party will be free to negotiate with the lenders under the Revolving Credit Facility (the"Non-Funding Lenders") and may resolve or not resolve such Funding Suspension in such manner as it may see fit, without any requirement that the Agent, the Issuing Bank or the Participating Banks consent thereto;

(ii) Any improvement in pricing, covenants or other credit terms afforded to the Non-Funding Lenders to resolve the Funding Suspension shall be offered to the Agent, the Issuing Bank and the Participating Banks in the manner prescribed by subsection (a). Any additional security granted to the Non-Funding Lenders to resolve the Funding Suspension shall be afforded equally and ratably to the Agent, the Issuing Bank and the Participating Banks; and

(iii) If in connection with the resolution of a Funding Suspension, the Non-Funding Lenders' facility shall be permanently reduced such that any amounts repaid or prepaid as part of such resolution are not available to be re-borrowed, the Account Party will pay to the Agent, for the benefit of the Issuing Bank and the

Participating Banks an amount equal to such repayment or prepayment, dollar-for-dollar, to be applied to the reduction of the Available Amount or to be held as cash collateral for the obligations of the Account Party under the Loan Documents. For the avoidance of doubt:

(A) a reduction in the unfunded portion of the Non-Funding Lenders' commitments will not, by itself, entitle the Agent, the Issuing Bank and the Participating Banks to any such payment or to any reduction in the Available Amount; and

(B) the Agent, the Issuing Bank and the Participating Banks will not be entitled to any payment or reduction in the Available Amount solely as a result of repayments and prepayments of advances under such facility, if such repayment or prepayment results in the Non-Funding Lenders' commitments becoming again available to the Account Party in at least the amount of the repayment or prepayment.

(c) The provisions of subsection (b) shall not apply during the continuance of an Event of Default.

SECTION VII.5. The Cash Account. Upon the occurrence and during the continuance of any Event of Default, the Agent shall at the request, or may with the consent, of the Majority Lenders, direct the Account Party to, and if so directed, the Account Party shall, deposit with the Agent an amount in the cash account (the "Cash Account") described below equal to the Available Amount of the Letter of Credit. Such Cash Account shall at all times be free and clear of all rights or claims of third parties. The Cash Account shall be maintained with the Agent in the name of, and under the sole dominion and control of, the Agent, and amounts deposited in the Cash Account shall bear interest at a rate equal to the rate generally offered by Barclays for deposits equal to the balance in the Cash Account, for a term to be agreed to between the Account Party and the Agent. If any Letter of Credit drawings then outstanding or thereafter made are not reimbursed in full immediately after being made and upon demand, then, in any such event, the Agent may apply the amounts then on deposit in the Cash Account, in such priority as the Agent shall elect, toward the payment in full of any or all of the Account Party's obligations hereunder as and when such obligations shall become due and payable. Upon payment in full, after the termination of the Letters of Credit, of all such obligations, the Agent will repay to the Account Party any cash then on deposit in the Cash Account. The Issuing Bank hereby confirms its obligation as set forth in the Letter of Credit to make all payments under the Letter of Credit with its own funds and not with any funds of the Account Party or the Issuer, and nothing in this Section 7.05 or otherwise shall in any way limit such obligation.

ARTICLE VIII
DEFAULTS

SECTION VIII.1. Events of Default. The following events shall each constitute an "Event of Default" if the same shall occur and be continuing after the grace period and notice requirement (if any) applicable thereto:

(a) The Account Party shall fail to pay any interest on any Advance or pursuant to Section 4.02 hereof within two days after the same becomes due; the Account Party shall fail to reimburse the Issuing Bank for any Interest Drawing (as defined in the Letter of Credit) within two days after such reimbursement becomes due; or the Account Party shall fail to make any other payment required to be made pursuant to Article II or Article III hereof when due; or

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

(c) The Account Party shall fail to perform or observe any term or covenant on its part to be performed or observed contained in Sections 7.01(a), (d) or (j), Section 7.02 or Section 7.03(i) hereof; or

(d) The Account Party shall fail to perform or observe any other term or covenant on its part to be performed or observed contained in any Loan Document or Transaction Document and such failure shall remain unremedied, after written notice thereof shall have been given to the Account Party by the Agent, the Issuing Bank or any Participating Bank, for a period of 30 days; or

(e) The Account Party shall fail to pay any of its Debt when due (including any interest or premium thereon but excluding Debt arising hereunder and excluding other Debt aggregating in no event more than $10,000,000 in principal amount at any one time) whether by scheduled maturity, required prepayment, acceleration, demand or otherwise, and such failure shall continue after the applicable grace period, if any, specified in any agreement or instrument relating to such Debt; or any other default

under any agreement or instrument relating to any such Debt, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment or as a result of the Account Party's exercise of a prepayment option) prior to the stated maturity thereof; unless in each such case the obligee under or holder of such Debt or the trustee with respect to such Debt shall have waived in writing such circumstance without consideration having been paid by the Account Party so that such circumstance is no longer continuing; or

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

(g) Any judgment or order for the payment of money in excess of $10,000,000 shall be rendered against the Account Party or its properties and either enforcement proceedings shall have been commenced by any creditor upon such judgment or order and shall not have been stayed or there shall be any period of 15 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(h) Any material provision of any Loan Document, the Rate Agreement, any Significant Contract or any Related Document shall for any reason other than the express terms thereof or the exercise of any right or option expressly contained therein cease to be valid and binding on any party thereto except as otherwise expressly permitted by the exceptions and provisions contained in Section 7.02(g) hereof; or any party thereto other than the Participating Banks shall so assert in writing, provided that in the case of any party other than the Account Party making such assertion in respect of the Rate Agreement, any Significant Contract or any Related Document, such assertion shall not in and of itself constitute an Event of Default hereunder until (i) such asserting party shall cease to perform under and in compliance with the Rate Agreement, such Significant Contract or such Related Document, (ii) the Account Party shall fail to diligently prosecute, by appropriate action or proceedings, a rescission of such assertion or a binding determination as to the merits thereof or (iii) such a binding determination shall have been made in favor of such asserting party's position; or

(i) The Security Documents shall for any reason, except to the extent permitted by the terms thereof, fail or cease to create valid and perfected Liens (to the extent purported to be granted by such documents and subject to the exceptions permitted thereunder) in any of the applicable Collateral (other than Liens in favor of the Trustee with respect to the interests of the Issuer under the Indenture), provided, that such failure or cessation relating to any non-material portion of such Collateral shall not constitute an Event of Default hereunder unless the same shall not have been corrected within 30 days after the Account Party becomes aware thereof; or

(j) The Account Party shall not have in full force and effect any or all insurance required under Section 7.01(c) hereof or there shall be incurred any uninsured damage, loss or destruction of or to the Account Party's properties in an amount not covered by insurance (including fully-funded self-insurance programs) which the Majority Lenders consider to be material; or

(k) A default by the Account Party shall have occurred under the Rate Agreement and shall not have been effectively cured within the time period specified therein for such cure (or, if no such time period is specified therein, 10 days); or a default by any party shall have occurred under any Significant Contract and such default shall not have been effectively cured within 30 days after notice from the Agent to the Account Party stating that, in the opinion of the Majority Lenders, such default may have a material adverse effect upon the financial condition, operations, properties or prospects of the Account Party as a whole; or

(l) Any Governmental Approval (whether federal, state or local) required to give effect to the Rate Agreement (including, without limitation, Chapter 362-C of the New Hampshire Revised Statutes and the enabling order of the NHPUC issued pursuant thereto) shall be amended, modified or supplemented, or any other regulatory or legislative action or change (whether federal, state or local) having the effect, directly or indirectly, of modifying the benefits or entitlements of the Account Party under the Rate Agreement shall occur, and in any such case such amendment, modification, supplement, action or change may have, in the opinion of the Majority Lenders, a material adverse effect upon the financial condition, operations, properties or prospects of the Account Party as a whole; or

(m) NU shall cease to own all of the outstanding common stock of the Account Party, free and clear of any Liens; or

(n) An "Event of Default" (as defined therein) shall have occurred and be continuing under the Indenture or the First Mortgage Indenture; or

(o) An "Event of Default" (as defined therein) shall have occurred and be continuing under the Other Reimbursement Agreement.

SECTION VIII.2. Remedies Upon Events of Default. Upon the occurrence and during the continuance of any Event of Default, then, and in any such event the Agent with the concurrence of the Issuing Bank may, and upon the direction of the Majority Lenders the Agent shall (i) if the Letter of Credit shall not have been issued, instruct the Issuing Bank to (whereupon the Issuing Bank shall) by notice to the Account Party declare its commitment to issue the Letter of Credit to be terminated, whereupon the same shall forthwith terminate, (ii) instruct the Issuing Bank to (whereupon the Issuing Bank shall) furnish to the Trustee and the Paying Agent written notice of such Event of Default in accordance with Section 6.01(a)(iv) of the Indenture and of the Issuing Bank's determination to terminate the Letter of Credit on the fifth business day (as defined in the Indenture) following the Trustee's and Paying Agent's receipt of such notice, (iii) instruct the Issuing Bank to (whereupon the Issuing Bank shall) furnish to the Trustee and the Paying Agent written notice that the Interest Component will not be reinstated in the amount of one or more Interest Drawings, all as provided in the Letter of Credit; (iv) direct the Account Party to pay cash into the Cash Account in accordance with Section 7.05; (v) declare the Advances and all other principal amounts outstanding hereunder, all interest thereon and all other amounts payable hereunder to be forthwith due and payable, whereupon the Advances and all other principal amounts outstanding hereunder, all such interest and all such other amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Account Party, and (vi) instruct the Issuing Bank to (whereupon the Issuing Bank shall) exercise all the rights and remedies provided herein and under and in respect of the Security Documents; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to the Account Party under the Federal Bankruptcy Code, (A) the commitment of the Issuing Bank to issue the Letter of Credit, the Commitments and the obligations of the Participating Banks to make Advances shall automatically be terminated, and (B) the Advances and all other principal amounts outstanding hereunder, all interest accrued and unpaid thereon and all other amounts payable hereunder shall automatically become due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Account Party.

SECTION VIII.3. Issuing Bank to Notify First Mortgage Trustee, Others. The Issuing Bank shall, if so directed by the Majority Lenders, promptly notify the First Mortgage Trustee by telephone, confirmed in writing, of the occurrence of any Event of Default. In addition, the Issuing Bank shall furnish to the Agent, the Account Party, the Paying Agent and the Issuer a copy of (a) any notice furnished to the First Mortgage Trustee pursuant to the preceding sentence and (b) any notice delivered to the Trustee pursuant to clause (ii) or clause (iii) of Section 8.02. Notwithstanding the foregoing, no failure of the Issuing Bank to give any notice (or copy of a notice) as contemplated by this Section 8.03 shall limit or impair any rights of the Issuing Bank, the Agent or any Participating Bank or the exercise of any remedy hereunder, nor shall the Issuing Bank, the Agent or any Participating Bank incur any liability as a result of any such failure.

ARTICLE IX
THE AGENT, THE PARTICIPATING BANKS AND THE ISSUING BANK

SECTION IX.1. Authorization of Agent; Actions of Agent and Issuing Bank. The Issuing Bank and each Participating Bank hereby appoint and authorize the Agent to take such action as agent on their behalf and to exercise such powers under this Agreement as are delegated to the Agent by the terms hereof, together with such powers as are reasonably incidental thereto; provided, however, that neither the Agent nor the Issuing Bank shall be required to take any action which exposes the Agent or the Issuing Bank to personal liability or which is contrary to this Agreement or applicable law.

As to any matters not expressly provided for by any Related Document (including, without limitation, enforcement or collection thereof), neither the Agent nor the Issuing Bank shall be required to exercise any discretion or take any action. The Agent agrees to deliver promptly (i) to the Issuing Bank and each Participating Bank copies of each notice delivered to it by the Account Party and (ii) to each Participating Bank copies of each notice delivered to it by the Issuing Bank, in each case pursuant to the terms of this Agreement.

SECTION IX.2. Reliance, Etc. Neither the Agent, the Issuing Bank, nor any of their directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement or any Related Document, except for its or their own gross negligence or willful misconduct as determined by a court of competent jurisdiction. Without limitation of the generality of the foregoing, each of the Agent and the Issuing Bank (i) may consult with legal counsel (including counsel for the Account Party), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (ii) makes no warranty or representation to any Participating Bank and shall not be responsible to any Participating Bank for any statements, warranties or representations made in or in connection with this Agreement or any Related Document; (iii) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or any Related Document on the part of the Account Party to be performed or observed, or to inspect any property (including the books and records) of the Account Party; (iv) shall not be responsible to any Participating Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any Related Document or any other instrument or document furnished pursuant hereto and thereto; and (v) shall incur no liability under or in respect of this Agreement or any Related Document by acting upon any notice, consent certificate or other instrument or writing (which may be by telegram, cable or telex), including, without limitation, any thereof from time to time purporting to be from the Trustee, believed by it to be genuine and signed or sent by the proper party or parties.

SECTION IX.3. The Agent, the Issuing Bank and Affiliates. The Agent and the Issuing Bank shall have the same rights and powers under this Agreement as any other Participating Bank and may exercise (or omit from exercising) the same as though they were not the Agent and the Issuing Bank, respectively, and the term "Participating Bank" shall, unless otherwise expressly indicated, include Barclays in its individual capacity. The Agent, the Issuing Bank and their respective Affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, the Account Party, any of its subsidiaries and any Person who may do business with or own securities of the Account Party or any such subsidiary, all as if Barclays was not the Agent or the Issuing Bank, and without any duty to account therefor to the Participating Banks.

SECTION IX.4. Participating Bank Credit Decision. Each of the Issuing Bank and each Participating Bank acknowledges that it has, independently and without reliance upon the Arranger, the Agent, the Issuing Bank or any other Participating Bank and based on the financial information referred to in Section 6.01(e) hereof and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each of the Issuing Bank and each Participating Bank also acknowledges that it will, independently and without reliance upon the Arranger, the Agent, the Issuing Bank or any other Participating Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION IX.5. Indemnification. The Participating Banks agree to indemnify the Agent and the Issuing Bank (to the extent not reimbursed by the Account Party), ratably according to their respective Participation Percentages, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent or the Issuing Bank in any way relating to or arising out of this Agreement or any action taken or omitted by the Agent or the Issuing Bank under or in connection with this Agreement, provided that no Participating Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's or the Issuing Bank's (as the case may be) gross negligence or willful misconduct. Without limitation of the foregoing, each Participating Bank agrees to reimburse the Agent and the Issuing Bank promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Agent and the Issuing Bank in connection with the preparation, execution, delivery, administration, modification, amendment, waiver or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement to the extent that the Agent and the Issuing Bank (as the case may be) are entitled to reimbursement for such expenses pursuant to Section 10.04 hereof but are

not reimbursed for such expenses by the Account Party.

SECTION IX.6. Successor Agent. The Agent may resign at any time by giving written notice thereof to the Issuing Bank, the Participating Banks and the Account Party, with any such resignation to become effective only upon the appointment of a successor Agent pursuant to this Section 9.06. Upon any such resignation, the Issuing Bank shall have the right to appoint a successor Agent, which shall be another commercial bank or trust company reasonably acceptable to the Account Party, organized or licensed under the laws of the United States, or of any State thereof. Upon the acceptance of any appointment as Agent hereunder by a successor Agent and the execution and delivery by the Account Party and the successor Agent of an agreement relating to the fees, if any, to be paid to the successor Agent in connection with its acting as Agent hereunder, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article IX shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

SECTION IX.7. Issuing Bank. (a) All notices received by the Issuing Bank pursuant to this Agreement or any Related Document (other than the Letter of Credit) shall be promptly delivered to the Agent for distribution to the Participating Banks.

(a) Except to the extent permitted by Section 2.06, the Issuing Bank shall not amend or waive any provision or consent to the amendment or waiver of any Related Document without the written consent of the Majority Lenders.

(b) Upon receipt by the Issuing Bank from time to time of any amount pursuant to the terms of any Related Document (other than pursuant to the terms of this Agreement), the Issuing Bank shall promptly deliver to the Agent such amount.

SECTION IX.8. Certain Authorizations and Consent. The Issuing Bank and each Participating Bank, by its acceptance hereof, and each other Participating Bank by its execution and delivery of the Participant Assignment pursuant to which it became a Participating Bank, consents to, authorizes, ratifies and confirms in all respects:

(i) the execution, delivery, acceptance and performance by the Agent and by the Collateral Agent of the Intercreditor Amendment, and the taking by the Agent and the Collateral Agent of all actions under the Intercreditor Agreement, as the same may be amended from time to time in accordance with the terms thereof and Section 10.01 hereof;

(ii) the execution, delivery and acceptance by the Collateral Agent of the Security Agreement Amendment, and the taking by the Collateral Agent of all actions under the Security Agreement, as the same may be amended from time to time in accordance with the terms thereof and Section 10.01 hereof;

(iii) the execution, delivery and acceptance by the Issuing Bank of the Indenture, and the taking by the Issuing Bank of all actions under the Indenture, as the same may be amended from time to time in accordance with the terms thereof and Section 9.07 hereof;

the execution and delivery of this Agreement by the Issuing Bank or such Participating Bank, or the execution and delivery of such Participant Assignment by such Participating Bank, as the case may be, constituting (without further act or deed) the Issuing Bank or such Participating Bank's acceptance and approval of, and agreement to the terms of, the Intercreditor Agreement, the Security Agreement and the Indenture with the same effect as if the Issuing Bank or such Participating Bank were itself a party thereto.

ARTICLE X
MISCELLANEOUS

SECTION X.1. Amendments, Etc. No amendment or waiver of any provision of this Agreement or the Pledge Agreement, nor consent to any departure by the Account Party therefrom, shall in any event be effective unless the same shall be in writing and signed by the Majority Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by the Issuing Bank and all the Participating Banks, do any of the following: (a) waive, modify or eliminate any of the conditions specified in Article V of this Agreement, (b) increase the Commitments of the Participating Banks that may be maintained hereunder, subject the Participating Banks to any additional obligations or extend the Stated Termination Date, (c) reduce the principal of, or interest on, the Advances, any amount reimbursable on demand pursuant to Section 3.01, or any fees or other amounts payable hereunder, (d) postpone any date fixed for any payment of principal of, or interest on, the Advances, such reimbursable amounts or any fees or other amounts payable hereunder

(other than fees payable to the Issuing Bank or the Agent pursuant to Section 2.03 hereof), (e) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Advances, or the number of Participating Banks which shall be required for the Participating Banks or any of them to take any action hereunder, (f) amend this Agreement or the Pledge Agreement in a manner intended to prefer one or more Participating Banks over any other Participating Banks, (g) amend this Section 10.01, or (h) release any of the Collateral otherwise than in accordance with any provisions for such release contained in the Security Documents, or change any provision of any Security Document providing for the release of all or substantially all of the Collateral; and provided, further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the Issuing Bank or the Agent in addition to the Participating Banks required above to take such action, affect the rights or duties of the Issuing Bank or the Agent, as the case may be, under this Agreement or the Pledge Agreement and (ii) no amendment, waiver or consent shall, unless in writing and signed by the "Majority Lenders" under the Other Reimbursement Agreement, shall change the percentage of the Commitments or of the aggregate unpaid principal amount of the Advances, or the number of Participating Banks which shall be required for the Participating Banks or any of them to take, or to direct the Collateral Agent to take, any action under the Intercreditor Agreement and the Security Agreement.

SECTION X.2. Notices, Etc. All notices and other communications provided for hereunder and under the other Loan Documents shall be in writing (including telegraphic, telex, telecopy or cable communication) and mailed, telegraphed, telexed, telecopied, cabled or delivered:

(i) if to the Account Party, to it in care of NUSCO at NUSCO's address at 107 Selden Street, Berlin, Connecticut 06037 (telecopy: (860) 665-5457), Attention: Assistant Treasurer - Finance;

(ii) if to the Issuing Bank or the Agent, to it at its address at 222 Broadway, 12th Floor, New York, New York 10038, Attention: Client Services Unit, (telephone: (212) 412-3721, telecopy: (212) 412-5306), with a copy to: Utilities Group, (telephone (212) 412-2470, telecopy: (212) 412-6709);

(iii) if to any Participating Bank, to it at its address set forth on the signature pages to this Agreement or in the Participation Assignment pursuant to which it became a Participating Bank; or

as to each party other than any Participating Bank, at such other address as shall be designated by such party in a written notice to the other parties, and, as to any Participating Bank, at such other address as shall be designated by such Participating Bank in a written notice to the Account Party and the Agent. All such notices and communications shall, when mailed, telegraphed, telexed, telecopied or cabled, be effective five days after when deposited in the mails, or when delivered to the telegraph company, confirmed by telex answerback, telecopied or delivered to the cable company, respectively, except that notices and communications to the Agent or the Issuing Bank pursuant to Article II, III or IV shall not be effective until received by the Agent or the Issuing Bank, as the case may be.

SECTION X.3. No Waiver of Remedies. No failure on the part of any Participating Bank or the Issuing Bank to exercise, and no delay in exercising, any right hereunder or under any Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION X.4. Cost; Expenses and Indemnification. (a) The Account Party agrees to pay on demand all costs and expenses, if any (including, without limitation, reasonable counsel fees and expenses), of (i) the Arranger, the Agent and the Issuing Bank in connection with the preparation, negotiation, execution and delivery of the Loan Documents and Transaction Documents and the administration of the Loan Documents and Transaction Documents, the care and custody of any and all collateral, and any proposed modification, amendment, or consent relating thereto; and (ii) the Arranger, the Agent, the Issuing Bank and each Participating Bank in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement or any other Loan Document or Transaction Document.

(a) The Account Party hereby agrees to indemnify and hold the Arranger, the Agent, the Issuing Bank and each Participating Bank and their respective officers, directors, employees, professional advisors and affiliates (each, an "Indemnified Person") harmless from and against any and all claims, damages, losses, liabilities, costs or expenses (including reasonable attorney's fees and expenses, whether or not such Indemnified Person is named as a party to any proceeding or investigation or is otherwise subjected to judicial or legal process arising from any such proceeding or investigation) which any of them may incur or which may be claimed against any of them by any person or entity (except to the extent such claims, damages, losses, liabilities, costs or expenses arise from the gross negligence or willful

misconduct of the Indemnified Person):

(i) by reason of or in connection with the execution, delivery or performance of any of the Loan Documents, the Transaction Documents or the Related Documents or any transaction contemplated thereby, or the use by the Account Party of the proceeds of any Advance or the use by the Paying Agent or the Trustee of the proceeds of any drawing under the Letter of Credit;

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

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

(iv) by reason of or in connection with the execution and delivery or transfer of, or payment or failure to make payment under, the Letter of Credit; provided, however, that the Account Party shall not be required to indemnify the Arranger, the Agent, the Issuing Bank or any Participating Bank pursuant to this Section for any claims, damages, losses, liabilities, costs or expenses to the extent caused by (A) the Issuing Bank's willful misconduct or gross negligence, as determined by a court of competent jurisdiction, in determining whether documents presented under the Letter of Credit are genuine or comply with the terms of the Letter of Credit or (B) the Issuing Bank's willful or grossly negligent failure, as determined by a court of competent jurisdiction, to make lawful payment under the Letter of Credit after the presentation to it by the Paying Agent of a draft and certificate strictly complying with the terms and conditions of the Letter of Credit; or

(v) by reason of any inaccuracy or alleged inaccuracy in any material respect, or any untrue statement or alleged untrue statement of any material fact, contained in any Official Statement, except to the extent contained in or arising from information in such Official Statement supplied in writing by and describing the Issuing Bank or any previous issuer of a letter of credit relating to the Bonds.

(b) Nothing contained in this Section 10.04 is intended to limit the Account Party's obligations set forth in Articles II, III and IV. The Account Party's obligations under this Section 10.04 shall survive the creation and sale of any participation interest pursuant to Section 10.06 hereof and shall survive as well the repayment of all amounts owing to the Agent, the Issuing Bank and the Participating Banks under the Loan Documents and the termination of the Commitments. If and to the extent that the obligations of the Account Party under this Section 10.04 are unenforceable for any reason, the Account Party agrees to make the maximum contribution to the payment and satisfaction thereof which is permissible under applicable law.

SECTION X.5. Right of Set-off. (a) Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the taking of any action or the giving of any instruction by the Agent as specified by Section 8.02 hereof, the Issuing Bank and each Participating Bank are hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Issuing Bank or such Participating Bank to or for the credit or the account of the Account Party against any and all of the obligations of the Account Party now or hereafter existing under this Agreement in favor of the Issuing Bank or such Participating Bank, irrespective of whether or not the Issuing Bank or such Participating Bank shall have made any demand under this Agreement and although such obligations may be unmatured. The Issuing Bank and each Participating Bank agrees promptly to notify the Account Party after any such set-off and application provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Issuing Bank and each Participating Bank under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Issuing Bank and/or such Participating Bank may have.

(a) The Account Party agrees that it shall have no right of off-set, deduction or counterclaim in respect of its obligations hereunder, and that the obligations of the Issuing Bank and of the several Participating Banks hereunder are several and not joint. Nothing contained herein shall constitute a relinquishment or waiver of the Account Party's rights to any independent claim that the Account Party may have against the Issuing Bank or any Participating Bank, but no Participating Bank shall be liable for the conduct of the Issuing Bank or any other Participating Bank, and the Issuing Bank shall not be liable for the conduct of any Participating Bank.

SECTION X.6. Binding Effect; Assignments and Participants. (a) This Agreement shall become effective when it shall have been executed and delivered by the Account Party, the Agent, the Issuing Bank and each Participating Bank named on the signature pages to this Agreement and thereafter shall be binding upon and inure to the benefit of the Account Party, the Agent, the Issuing Bank and each Participating Bank and their respective successors and assigns, except that the Account Party shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Issuing Bank and each Participating Bank, and the Issuing Bank may not assign its commitment to issue the Letter of Credit or its obligations under or in respect of the Letter of Credit.

(a) Each Participating Bank may assign all or any portion of its rights under this Agreement, under the Letter of Credit or in any security hereunder, including, without limitation, any instruments securing the Account Party's obligations hereunder; provided that (i) no assignment by any Participating Bank may be made to any Person, other than to another Participating Bank, except with the prior written consent of the Issuing Bank and the Account Party (which consent in the case of the Account Party, (A) shall not be unreasonably withheld and (B) shall not be required if an Event of Default shall have occurred and be continuing and the Agent or the Issuing Bank shall have exercised any remedy described in clause (ii), (iii) or (v) of Section 8.02), (ii) any assignment shall be of a constant and not a varying percentage of all of the assignor's rights and obligations hereunder and (iii) the parties to each such assignment shall execute and deliver to the Agent a Participation Assignment, together with a processing fee of $3,500. Upon receipt of a completed Participation Assignment and the processing fee, the Agent will record in a register maintained for such purpose the name of the assignee and the percentage participation interest assigned by the assignor and assumed by the assignee for purposes of the determination of such assignor's and assignee's respective Participation Percentages. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Participation Assignment, which effective date shall be at least five Business Days after the execution thereof, the assignee shall, to the extent of such assignment, become a party hereto and have all of the rights and obligations of a Participating Bank hereunder and, to the extent of such assignment, such assigning Participating Bank shall be released from its obligations hereunder (without relieving such Participating Bank from any liability for damages, costs and expenses suffered by the Issuing Bank or the Account Party as a result of the failure by such Participating Bank to perform its obligations hereunder).

(b) Each Participating Bank may grant participations to one or more Persons in all or any part of, or any interest (undivided or divided) in, such Participating Bank's rights and obligations under this Agreement (any such Person being referred to hereinafter as a "Participant" and such interests are collectively, referred to hereinafter as the "Rights"); provided, however, that (i) such Participating Bank's obligations under this Agreement shall remain unchanged; (ii) any such Participant shall be entitled to the benefits and cost protections provided for in Section 4.03 hereof on the same basis as if it were a Participating Bank hereunder; (iii) the Account Party, the Agent and the Issuing Bank shall continue to deal solely and directly with such Participating Bank in connection with such Participating Bank's rights and obligations under this Agreement; and (iv) no such Participant, other than an Affiliate of such Participating Bank, shall be entitled to require such Participating Bank to take or omit to take any action hereunder, unless such action or omission would have an effect of the type described in subsections (c), (d) or (h) of Section 10.01 hereof.

(c) Notwithstanding anything contained in this Section 10.06 to the contrary, the Issuing Bank and any Participating Bank may assign and pledge all or any portion of the Advances (or participating interests therein) owing to the Issuing Bank or such Participating Bank to any Federal Reserve Bank (and its transferees) as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank. No such assignment shall release the Issuing Bank or such Participating Bank from its obligations hereunder.

SECTION X.7. Relation of the Parties; No Beneficiary. No term, provision or requirement, whether express or implied, of any Loan Document, or actions taken or to be taken by any party thereunder, shall be construed to create a partnership, association, or joint venture between such parties or any of them. No term or provision of the Loan Documents shall be construed to confer a benefit upon, or grant a right or privilege to, any Person other than the parties hereto.

SECTION X.8. Issuing Bank Not Liable. As between the Agent, the Issuing Bank and the Participating Banks on the one hand, and the Account Party on the other, the Account Party assumes all risks of the acts or omissions of the Paying Agent, the Trustee and any other beneficiary or transferee of the Letter of Credit with respect to its use of the Letter of Credit. Neither the Agent, the Issuing Bank, any Participating Bank, nor any of their respective officers or directors shall be liable or responsible for: (a) the use which may be made of the Letter of Credit or any acts or omissions of the Paying Agent, the Trustee and any other beneficiary or

transferee in connection therewith; (b) the validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by the Issuing Bank against presentation of documents which do not comply with the terms of the Letter of Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment under the Letter of Credit, except that the Account Party shall have a claim against the Issuing Bank, and the Issuing Bank shall be liable to the Account Party, to the extent of any direct, as opposed to consequential, damages suffered by the Account Party which the Account Party proves were caused by (i) the Issuing Bank's willful misconduct or gross negligence, as determined by a court of competent jurisdiction, in determining whether documents presented under the Letter of Credit are genuine or comply with the terms of the Letter of Credit or (ii) the Issuing Bank's willful or grossly negligent failure, as determined by a court of competent jurisdiction, to make lawful payment under the Letter of Credit after the presentation to it by the Paying Agent of a draft and certificate strictly complying with the terms and conditions of the Letter of Credit. In furtherance and not in limitation of the foregoing, the Issuing Bank may accept original or facsimile (including telecopy) sight drafts and accompanying certificates presented under the Letter of Credit that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

SECTION X.9. Confidentiality. In connection with the negotiation and administration of this Agreement and the other Loan Documents, the Account Party has furnished and will from time to time furnish to the Agent, the Issuing Bank and the Participating Banks (each, a "Recipient") written information which is identified to the Recipient when delivered as confidential (such information, other than any such information which (i) was publicly available, or otherwise known to the Recipient at the time of disclosure, (ii) subsequently becomes publicly available other than through any act or omission by the Recipient or (iii) otherwise subsequently becomes known to the Recipient other than through a Person whom the Recipient knows to be acting in violation of his or its obligations to the Account Party, being hereinafter referred to as "Confidential Information"). The Recipient will not knowingly disclose any such Confidential Information to any third party (other than to those persons who have a confidential relationship with the Recipient), and will take all reasonable steps to restrict access to such information in a manner designed to maintain the confidential nature of such information, in each case until such time as the same ceases to be Confidential Information or as the Account Party may otherwise instruct. It is understood, however, that the foregoing will not restrict the Recipient's ability to freely exchange such Confidential Information with prospective assignees of or participants in the Recipient's position herein, but the Recipient's ability to so exchange Confidential Information shall be conditioned upon any such prospective assignee's or participant's entering into an understanding as to confidentiality similar to this provision. It is further understood that the foregoing will not prohibit the disclosure of any or all Confidential Information if and to the extent that such disclosure may be required (i) by a regulatory agency or otherwise in connection with an examination of the Recipient's records by appropriate authorities, (ii) pursuant to court order, subpoena or other legal process or (iii) otherwise, as required by law; in the event of any required disclosure under clause (ii) or (iii) above, the Recipient agrees to use reasonable efforts to inform the Account Party as promptly as practicable.

SECTION X.10. Waiver of Jury Trial. The Account Party, the Arranger, the Agent, the Issuing Bank, and the Participating Banks each hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim arising out of or relating to this Agreement or any other Loan Document, any Transaction Document or any other instrument or document delivered hereunder or thereunder.

SECTION X.11. Governing Law. This Agreement and the Pledge Agreement shall be governed by, and construed in accordance with, the laws of the State of New York. The Account Party, the Arranger, the Agent, the Issuing Bank and each Participating Bank each (i) irrevocably submits to the jurisdiction of any New York State Court or Federal court sitting in New York City in any action arising out of any Loan Document, (ii) agrees that all claims in such action may be decided in such court, (iii) waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum and (iv) consents to the service of process by mail. A final judgment in any such action shall be conclusive and may be enforced in other jurisdictions. Nothing herein shall affect the right of any party to serve legal process in any manner permitted by law or affect its right to bring any action in any other court.

SECTION X.12. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be

executed by their respective officers thereunto duly authorized, as of the date first above written.

THE ACCOUNT PARTY:

PUBLIC SERVICE COMPANY OF
NEW HAMPSHIRE

By:
Title: Assistant Treasurer - Finance

THE AGENT AND ISSUING BANK:

BARCLAYS BANK PLC,
NEW YORK BRANCH,
as Agent and as Issuing Bank

By:
Title:

THE PARTICIPATING BANKS:

BARCLAYS BANK PLC,
NEW YORK BRANCH

By:
Title:

Address for Notices

Barclays Bank PLC
222 Broadway
New York, New York 10038
Attention: Sydney Dennis
Telephone: 212/412-2470
Fax: 212/412-6709

Participation Percentage: 8.66446012%

BANK OF NEW YORK

By:
Title:

Address for Notices

Bank of New York
One Wall Street
New York, New York 10286
Attention: John Hall
Telephone: 212/635-7581
Fax: 212/635-7924

Participation Percentage: 4.33223006%

BANKBOSTON, N.A.

By:
Title:

Address for Notices

BankBoston, N.A.
100 Federal Street (MA BOS 01-08-04)
Boston, Massachusetts 02110
Attention: Jill Calabrese
Telephone: 617/434-9579

Fax: 617/434-3652

Participation Percentage: 6.49834509%

PARIBAS

By:
Title:

By:
Title:

Address for Notices

Paribas
787 Seventh Avenue
New York, New York 10019
Attention: Cheena Trikha
Telephone: 212/841-2560
Fax: 212/841-2255

Participation Percentage: 8.66446012%

CIBC, INC.

By:
Title:

Address for Notices

CIBC, Inc.
Two Paces West, Suite 1200
2727 Paces Ferry Road
Atlanta, Georgia 30339
Attention: Patrice Kelleher
Telephone: 770/319-4832
Fax: 770/319-4950

Participation Percentage: 8.66446012%

CITIBANK, N.A.

By:
Title:

Address for Notices

Citibank, N.A.
399 Park Avenue
4th Floor, Zone 20
New York, New York 10043
Attention: Robert J. Harrity, Jr.
Telephone: 212/559-6482
Fax: 212/793-6130

Participation Percentage: 4.33223006%

THE FIRST NATIONAL BANK OF CHICAGO

By:
Title:

Address for Notices

The First National Bank of Chicago
One First National Plaza, Suite 0363
Chicago, Illinois 60670-0363
Attention: Kenneth J. Bauer
Telephone: 312/732-6282
Fax: 312/732-3055

Participation Percentage: 4.33223006%

FLEET NATIONAL BANK

By:
Title:

Address for Notices

Fleet Bank
40 Westminster Street
Mail Stop: RI OP T05A
Providence, Rhode Island 02903-4963
Attention: Fred N. Manning
Telephone: 401/459-4845
Fax: 401/459-4963

Participation Percentage: 6.49834509%

THE FUJI BANK, LIMITED

By:
Title:

Address for Notices

The Fuji Bank, Limited
Two World Trade Center
New York, New York 10048
Attention: Roy Tanfield
Telephone: 212/898-2090
Fax: 212/321-9407

Participation Percentage: 4.33223006%

MELLON BANK, N.A.

By:
Title:

Address for Notices

Mellon Bank, N.A.
One Mellon Bank Center, Room 4425
Pittsburgh, Pennsylvania 15258-0001
Attention: Kurt Hewett
Telephone: 412/234-7355
Fax: 412/234-0286

Participation Percentage: 2.59933804%

CHASE SECURITIES INC., as Agent for
THE CHASE MANHATTAN BANK

By:
Title:

Address for Notices

The Chase Manhattan Bank
270 Park Avenue
New York, New York 10017
Attention: Eric Rosen
Telephone: 212/270-5458
Fax: 212/270-7968

Participation Percentage: 23.75275097%

TORONTO DOMINION
(NEW YORK), INC.

By:
Title:

Address for Notices

Toronto Dominion (New York), Inc.
909 Fannin Street, Suite 1700
Houston, Texas 77010
Attention: Mark A. Baird
Telephone: 713/653-8289
Fax: 713/951-9921

Participation Percentage: 4.33223006%

THE TRAVELERS INSURANCE
COMPANY

By:
Title:

Address for Notices

The Travelers Insurance Company
One Tower Square
Hartford, Connecticut 06183-2030
Attention: Investment Group 9PB
Fax: 860/954-5243

Participation Percentage: 6.06512208%

UNION BANK OF CALIFORNIA

By:
Title:

Address for Notices

Union Bank of California
445 S. Figueroa Street, 15th Floor
Los Angeles, CA 90071
Attention: Ross Slusser
Telephone: 213/236-4124
Fax: 213/236-4096

Participation Percentage: 4.33223006%

TRAVELERS CORPORATE LOAN
FUND, INC.

By: Travelers Asset Management

International Corporation

By:
Title:

Address for Notices

Travelers Corporate Loan Fund, Inc.
c/o Smith Barney
388 Greenwich Street, 22nd Floor
New York, New York 10013

With a copy to:

The Travelers Insurance Company
One Tower Square - 9PB
Hartford, Connecticut 06183-2030
Attention: John Petchler
Allen Cantrell
Fax: 860/954-5243

Participation Percentage: 2.59933804%

SCHEDULE I
APPLICABLE LENDING OFFICES

Name of
Participating Bank

Barclays Bank PLC,
New York Branch

Domestic
Lending Office

75 Wall Street
New York, NY 10265
Att: Customer Service Unit
Tel: 212/412-3363
Fax: 212/412-3080

Eurodollar
Lending Office

Barclays Bank PLC,
Nassau Branch
c/o Barclays Bank PLC,
New York Branch
75 Wall Street
New York, NY 10265

Name of
Participating Bank

Bank of New York

Domestic
Lending Office

One Wall Street
New York, New York 10286
Att: John Hall
Tel: 212/635-7581
Fax: 212/635-7924

Eurodollar
Lending Office

Same

Name of
Participating Bank

BankBoston, N.A.

Domestic
Lending Office

100 Federal Street
(MA BOS 01-08-04)
Boston, Massachusetts 02110
Att: Jill Calabrese
Tel: 617/434-9579
Fax: 617/434-3652

Eurodollar
Lending Office

Same

Name of
Participating Bank

Paribas

Domestic
Lending Office

787 Seventh Avenue
New York, New York 10019
Att: Cheena Trikha
Tel: 212/841-2560
Fax: 212/841-2255

Eurodollar
Lending Office

Same

Name of
Participating Bank

CIBC, Inc.

Domestic
Lending Office

Two Paces West, Suite 1200
2727 Paces Ferry Road
Atlanta, Georgia 30339
Att: Patrice Kelleher
Tel: 770/319-4832
Fax: 770/319-4950

Eurodollar
Lending Office

Same

Name of
Participating Bank

Citibank, N.A.

Domestic
Lending Office

1 Court Square
7th Floor/Zone 1
Long Island City, NY 11120
Att: Ann Chiou
Tel: 718/248-4562
Fax: 718/248-4844

Eurodollar
Lending Office

Same

Name of
Participating Bank

Domestic
Lending Office

The First National Bank
of Chicago
1 First National Plaza
Suite 0821/IND-9
Chicago, IL 60670
Att: Ann Fritz
Tel: 312/732-5083

Fax: 312/732-1065

Eurodollar
Lending Office

Same

Name of
Participating Bank

Fleet Bank

Domestic
Lending Office

40 Westminster Street
Mail Stop: RI OP T05A
Att: Fred N. Manning
Tel: 401/459-4845
Fax: 617/459-4963

Eurodollar
Lending Office

Same

Name of
Participating Bank

The Fuji Bank, Limited

Domestic
Lending Office

Two World Trade Center
New York, NY 10048
Att: Roy Tanfield
Tel: 212/898-2064
Fax: 212/321-9407

Eurodollar
Lending Office

Same

Name of
Participating Bank

Mellon Bank, N.A.

Domestic
Lending Office

Loan Administration
Three Mellon Bank Center
Room 1525
Pittsburgh, PA 15259-0003
Att: Cathy Capp
Tel: 412/234-1870
Fax: 412/209-6111

Eurodollar
Lending Office

Same

Name of
Participating Bank

Domestic
Lending Office

The Chase Manhattan Bank
1 Chase Manhattan Plaza
8th Floor
New York, NY 10081
Att: Mark Heberer
Tel: 212/552-6368
Fax: 212/552-5642

Eurodollar
Lending Office

Same

Name of
Participating Bank

Toronto Dominion (New York), Inc.

Domestic
Lending Office

909 Fannin, Suite 1700
Houston, TX 12345
Att: Debbie Greene
Tel: 713/653-8245
Fax: 713/951-9921

Eurodollar
Lending Office

Same

Name of
Participating Bank

[Travelers Companies]

Domestic
Lending Office

[9PB, 1 Tower Street
Hartford, Connecticut 06183-2030
Att: Robert Mills
Tel: 860/277-7804
Fax: 860/954-5243]

Eurodollar
Lending Office

Same

Name of
Participating Bank

Union Bank of California

Domestic
Lending Office

445 S. Figueroa Street
15th Floor
Los Angeles, CA 90071
Att: Patricia Ayala
Tel: 213/236-6199
Fax: 213/236-4096

Eurodollar
Lending Office

Same

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EXECUTION COPY

THIRD SERIES D LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

Dated as of April 14, 1999

Among

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

as Account Party

BARCLAYS BANK PLC, NEW YORK BRANCH

as Issuing Bank and as Agent

and

THE PARTICIPATING BANKS REFERRED TO HEREIN

Relating to

The Industrial Development Authority of the State of New Hampshire Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 1991 Taxable Series D)

AMENDED AND RESTATED
SERIES E LOAN AND TRUST AGREEMENT

among

BUSINESS FINANCE AUTHORITY OF THE
STATE OF NEW HAMPSHIRE

formerly known as The Industrial Development Authority
of the State of New Hampshire)
and

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

and
STATE STREET BANK AND TRUST COMPANY, as Trustee
Dated as of April 1, 1999
Amending and Restating

Series E Loan and Trust Agreement Dated as of May 1, 1991,
as amended by First Supplement Dated as of December 1, 1993
and Second Supplement Dated as of May 1, 1995
And Providing for the Issue of:

$114,500,000

($69,700,000 outstanding at the time of amendment and restatement)
The Industrial Development Authority of the State of New Hampshire
Pollution Control Revenue Bonds

(Public Service Company of New Hampshire Project - 1991 Taxable Series E)
and

$44,800,000

Business Finance Authority of the State of New Hampshire
Pollution Control Refunding Revenue Bonds

(Public Service Company of New Hampshire Project - 1993 Tax-Exempt Series E)

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ARTICLE I: INTRODUCTION AND DEFINITIONS(1)

Section 101. Description of this Agreement and the Parties. This AMENDED AND RESTATED SERIES E LOAN AND TRUST AGREEMENT (this "Agreement") is entered into as of April 1, 1999 by the Business Finance Authority of the State of New Hampshire (with its successors, the "Authority"), a body corporate and politic created under New Hampshire Revised Statutes Annotated 162-A:3 formerly known as The Industrial Development Authority of the State of New Hampshire; Public Service Company of New Hampshire (with its successors, the "Company"), a New Hampshire corporation; and State Street Bank and Trust Company, a Massachusetts trust company, as Trustee (with its successors, the "Trustee"). This Agreement amends and restates the Series E Loan and Trust Agreement dated as of May 1, 1991 (the "Original Agreement") among the Authority, the Company and the Trustee, as previously amended by a First Supplement dated as of December 1, 1993 (the "First Supplement") and a Second Supplement dated as of May 1, 1995 (the "Second Supplement"), and is entered into pursuant to Clauses 1101(a)(i) and (viii) of the Original Agreement. This Agreement is a financing document combined with a security document as one instrument in accordance with New Hampshire Revised Statutes Annotated Chapter 162-I (the "Act") and relates to industrial facilities as defined in Paragraphs 2, VII(d) and (e) of the Act and located in the Town of Seabrook, Rockingham County, New Hampshire.

This Agreement provides for the following transactions:

(a) the Authority's issue of the Bonds, including the 1991 Series E Bonds, the 1993 Series E Bonds (which are Tax-Exempt Refunding Bonds), any other Tax-Exempt Refunding Bonds and any bond or bonds duly issued in exchange or replacement therefor;

(b) the Authority's loan of the proceeds of the Bonds to the Company for the purpose of financing the acquisition, construction and installation of the Project Facilities, including the Authority's loan of the proceeds of the 1993 Series E Bonds to the Company for the purpose of refunding the principal of $44,800,000 of the 1991 Series E Bonds;

(c) the Company's repayment of the loan of Bond proceeds from the Authority through payment to the Trustee of all amounts necessary to pay the Bonds issued by the Authority, including the Company's repayment of the loan of 1993 Series E Bond proceeds from the Authority through payment to the Trustee of all amounts necessary to pay the 1993 Series E Bonds;

(d) the Company's agreement to evidence and secure its repayment obligations hereunder and its reimbursement obligations under the Reimbursement Agreement by the issuance of the Series G First Mortgage Bonds and the Company's confirmation of its agreement to evidence and secure its repayment obligations hereunder and its reimbursement obligations under the Reimbursement Agreement with the Series G First Mortgage Bonds;

(e) the Authority's assignment to the Trustee in trust for the benefit and security of the Bondowners of the Authority's rights in respect of the loan to the Company hereunder, including repayment of the loan to be received from the Company; and

(f) the amendment and restatement of the Original Agreement, as previously amended by the First Supplement and the Second Supplement.

At the time that this Agreement is being executed and delivered, the Company will cause an irrevocable, transferable Letter of Credit of Barclays Bank PLC, New York Branch in the maximum aggregate amount of $73,666,000 to be issued to the Paying Agent to be drawn upon to pay the Purchase Price of, principal of, premium, if any, and interest on the Bonds (other than the 1993 Series E Bonds).

In consideration of the mutual promises contained in this Agreement, the rights conferred and the obligations assumed hereby, and other good and valuable consideration, the receipt of which is hereby acknowledged, each of the Company, the Authority and the Trustee agree, assign, covenant, grant, pledge, promise, represent and warrant as set forth herein for their own benefit and for the benefit of the Bondowners and the Bank.

Section 102. Definitions.

(a) Words. In addition to terms defined elsewhere herein, the following terms have the following meanings in this Agreement, unless the context otherwise requires:

(1) "Act" has the meaning set forth in Section 101.

(2) "Assumption Agreement" has the meaning given such term in Section 505.

(3) "Authority's Service Charge" means payments to the Authority for its own use which consist of
(i) with respect to the 1991 Series E Bonds (A) a payment of $5,000 on the date of the issue of the 1991 Series E Bonds and (B) annual payments commencing on the first anniversary of the date hereof and continuing on each subsequent anniversary, which are each equal to 1/40th of 1% of the average principal balance of the 1991 Series E Bonds on which
interest was accruing during the prior twelve-month period, or $250, whichever is greater, with a final payment due upon the redemption or payment of the 1991 Series E Bonds in full prorated to the date of such redemption or
payment, as the case may be, (ii) with respect to the 1993 Series E Bonds, (A) a payment of $37,333.33 on the date of the issue of the 1993 Series E Bonds and (B) annual payments commencing on the first anniversary of the date
of this First Supplement and continuing on each subsequent anniversary, which are each equal to 1/20th of 1% of the average principal balance of the 1993 Series E Bonds on which interest was accruing during the prior twelve-month period, or $250, whichever is greater, with a final payment due upon the redemption or payment of the 1993 Series E Bonds in full prorated to the date of such redemption or payment, as the case may be, and (iii) payment of such service charges or other fees of the Authority, as and when the Authority may require, in connection with the issuance of any other Tax-Exempt Refunding Bonds.(2)

(4) "Bank" means Barclays Bank PLC, acting through its New York Branch, in its capacity as issuer of the Letter of Credit and any other issuer of a Credit Facility.(3)

(5) "Bond Counsel" means Palmer & Dodge or such other nationally recognized bond counsel selected by the Company and reasonably satisfactory to the Trustee.

(6) "Bond Fund" means the fund established pursuant to Section 304.

(7) "Bondowners", "owners" or words of similar import means the registered owners of the Bonds from time to time as shown in the books kept by the Paying Agent as bond registrar and transfer agent, except that wherever appropriate the term "owners" shall mean the owners of the Bonds for federal income tax purposes.

(8) "Bonds" means the 1991 Series E Bonds, the 1993 Series E Bonds, any other Tax-Exempt Refunding Bonds and any bond or bonds duly issued in exchange or replacement therefor.(4)

(9) "Business Day" means a day (i) that is not a Sunday or legal holiday or a day on which banking institutions are authorized pursuant to law to close, (ii) that is not a day on which the corporate trust office of the
First Mortgage Bond Trustee is not open for business, (iii) that is a day on which banks are not required or authorized to close in New York, New York, and (iv) that is a day on which banking institutions in all of the cities in which the principal offices of the Trustee and the Paying Agent and, if applicable, the Remarketing Agent and the Bank are located are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

(10) "Company Bond" means any Bond registered to the Company pursuant to Subsection 311(a).

(11) "Company Representative" means the person or persons at the time designated to act on behalf of the Company in a written certificate (or any alternate or alternates at the time so designated) furnished to the Trustee,
containing the specimen signature of such person or persons and signed on behalf of the Company by its Chairman, Vice Chairman, President, Chief Financial Officer, Treasurer, any Assistant Treasurer or any Vice President.

(12) "Conversion Date" means the date on which a new Mode becomes effective with respect to a Bond, and with respect to a Bond in the Multiannual Mode, the date on which a new Rate Period becomes effective.

(13) "Credit Facility" means the Letter of Credit and any substitute irrevocable transferable letter of credit delivered to the Paying Agent pursuant to this Agreement and then in effect, as each may be amended from time to time pursuant to the terms of this Agreement or any amendment or supplement to this Agreement.(5) More than one Credit Facility may be in effect from time to time.

(14) "Default" has the meaning given such term in Section 601.

(15) "Delivery Date" means, with respect to a Bond tendered for purchase, the

Purchase Date or any subsequent Business Day on which such Bond is delivered to the Paying Agent as provided in the forms of Flexible, Weekly and Multiannual Bonds.

(16) "Effective Date" means, with respect to a Bond in the Flexible, Weekly and Multiannual Modes, the date on which a new Rate Period for that Bond takes effect.

(17) "Eligible Funds" means (i) amounts drawn on any Credit Facility; (ii) other amounts paid to the Trustee pursuant to this Agreement which have been held by it for a period of at least 123 days during which no Event of Bankruptcy has occurred; (iii) earnings on amounts qualifying as Eligible Funds under clause (i) or (ii) above; and (iv) other amounts which if applied to the payment of the Bonds would not, in the opinion of nationally recognized counsel experienced in bankruptcy matters selected by the Company and satisfactory to the Trustee, Moody's (if the Bonds are then rated by Moody's), and S&P (if the Bonds are then rated by S&P), be subject to avoidance as a preference under the United States Bankruptcy Code upon an Event of Bankruptcy. The Trustee shall maintain records of Eligible Funds held by it.

(18) "Event of Bankruptcy" means the filing of a petition in bankruptcy or the commencement of a proceeding under the United States Bankruptcy Code or any other applicable law concerning insolvency, reorganization or bankruptcy by or against the Authority, the Company, any affiliates thereof, or any guarantor of the Bonds (other than the Bank), as debtor.

(19) "Event of Default" has the meaning given such term in Section 601.

(20) "Federal Tax Statement" means the Statement as to Tax Status of Bonds executed by the Company in connection with the original issuance of the 1991 Series E Bonds and delivered to the Trustee.

(21) "First Mortgage Bond Indenture" means the First Mortgage Indenture dated as of August 15, 1978, as amended, and the Tenth Supplemental Indenture thereto dated as of May 1, 1991 between the Company and First Fidelity Bank, National Association, New Jersey, as Trustee, as amended and supplemented from time to time.

(22) "First Mortgage Bond Trustee" means the trustee under the First Mortgage Bond Indenture.

(23) "Fixed Rate" means a rate of interest on a Bond that is fixed for the remaining term of the Bond.

(24) "Fixed Rate Conversion Date" means with respect to a Bond, the date upon which the Fixed Rate first becomes effective for the Bond.

(25) "Fixed Rate Mode" has the meaning set forth in the forms of Fixed Rate Bonds.

(26) "Flexible Mode" has the meaning set forth in the forms of Flexible Bonds.

(27) "Flexible Rate" means a rate of interest set by the Remarketing Agent for periods of from one to 270 days.

(28) "Government Obligations" means obligations issued by, or the full and timely payment of which are guaranteed by, the United States.

(29) Except in the Bonds, "here" in such words as "hereby," "herein," "hereof" or "hereunder" means this Agreement as a whole rather than the particular section, subsection, paragraph, subparagraph, clause or subclause in which the word appears; and in the Bonds it refers thereto.

(30) "IRC" means the Internal Revenue Code of 1986, as it may be amended from time to time.

(31) "Letter of Credit" means the $73,666,000 irrevocable letter of credit No. 841785 issued by Barclays Bank PLC, acting through its New York Branch, for the benefit of the Paying Agent.(6)

(32) "Loan" has the meaning given to such term in Subsection 201(a).

(33) "Maximum Interest Rate" means the maximum interest rate on Bonds in the Flexible, Weekly and, if supported by a Credit Facility, Multiannual Modes, which rate is initially 16% per annum for the 1991 Series E Bonds. The Maximum Interest Rate for any Tax-Exempt Refunding Bonds shall be established at the time such Bonds are initially issued. The Maximum Interest Rate for any Bond may be increased at any time and decreased on any Effective Date for Bonds in the Flexible or Multiannual Mode or on any Conversion Date for Bonds in the Weekly Mode by the Company filing with the Authority and the Trustee a certificate stating the new Maximum Interest Rate. There may be more than one Maximum Interest Rate in effect from time to time, but each series of Bonds shall not have more than one Maximum Interest Rate for each Mode. In no event shall an increase in a Maximum Interest Rate be permitted to cause the amount entitled to be drawn under a Credit Facility to be

less than the minimum required amount specified in Paragraph 317(b)(ii). In no event shall the Maximum Interest Rate with respect to a Tax-Exempt Refunding Bond be increased or decreased unless the Trustee has received an opinion of Bond Counsel reasonably satisfactory to it to the effect that such change in the Maximum Interest Rate will not cause interest on any Tax-Exempt Refunding Bonds to be included in gross income of the owners thereof for federal income tax purposes. The Maximum Interest Rate for the 1993 Series E Bonds shall be initially 12% per annum, subject to adjustment as provided in this Paragraph 102(a)(33).(7)

(34) "Mode" means the period for and the manner in which the interest rates on the Bonds are set and includes the Flexible Mode, the Weekly Mode, the Multiannual Mode and the Fixed Rate Mode.

(35) "Moody's" means Moody's Investors Service, Inc.

(36) "Multiannual Mode" means the Mode in which the interest rate on the Bonds is fixed for periods of one year or multiples thereof designated by the Company as described in the forms of Multiannual Bonds.

(37) "Multiannual Rate" means the rate of interest that is set on Bonds while they are in the Multiannual Mode.

(38) "1954 Code" means the Internal Revenue Code of 1954, as amended to October 22, 1986.

(39) (i) "1991 Series E Bonds" means the $114,500,000 principal amount of The Industrial Development Authority of the State of New Hampshire Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 1991 Taxable Series E) and (ii) "1993 Series E Bonds" means the $44,800,000 principal amount of Business Finance Authority of the State of New Hampshire Pollution Control Refunding Revenue Bonds (Public Service
Company of New Hampshire Project - 1993 Tax-Exempt Series E).(8)

(40) "Outstanding," when used to modify Bonds, refers to Bonds issued, authenticated and delivered under this Agreement, excluding: (i) Bonds which have been exchanged or replaced; (ii) Bonds which have been paid; (iii) Bonds which have become due and for the payment of which moneys have been duly provided; (iv) Bonds deemed tendered for purchase and not delivered to the Paying Agent on the Purchase Date, provided sufficient funds for payment of the Purchase Price are on deposit with the Paying Agent; and (v) Bonds with respect to which this agreement has been defeased pursuant to Section 204.

(41) "Paying Agent" means Security Pacific National Trust Company (New York) or any successor or successors designated from time to time pursuant to Section 313.

(42) "Permitted Investments" has the meaning given such term in Section 315.

(43) The word "person" means any individual or entity so recognized by law.

(44) "Pledged Bond" means any Bond purchased with proceeds provided by the Credit Facility which is registered to the Bank or its designee pursuant to Section 311(a).

(45) "Project Costs" means the Company's cost of acquisition or construction and installation of the Project Facilities which are "project costs" within the meaning of Paragraph 2, IX of the Act, including, but not limited to, the cost of issuing the Bonds, obtaining professional and advisory services, and certain interest on the Bonds, which may be paid from Bond proceeds pursuant to the Act.

(46) "Project Facilities" means the Company's ownership share of the sewage or solid waste disposal and air or water pollution control facilities at the Station described generally in the attached Exhibit A.

(47) "Purchase Date" means, while the Bonds are in a Flexible, Weekly or Multiannual Mode, the date on which Bonds shall be required to be purchased pursuant to a mandatory or optional tender in accordance with the provisions in the forms of Flexible, Weekly and Multiannual Rate Bonds.

(48) "Purchase Price" shall have the meaning set forth in the forms of Flexible, Weekly and Multiannual Rate Bonds.

(49) "Rate Period" or "Period" means, when used with respect to any particular rate of interest for a Bond in the Flexible, Weekly or Multiannual Mode, the period during which such rate of interest determined for such Bond
will remain in effect as described herein.

(50) "Reimbursement Agreement" means the Third Series E Letter of Credit and Reimbursement Agreement dated as of April 1, 1999 among the Company, Barclays Bank PLC, New York Branch, as agent and issuing bank thereunder, and the participating banks referred to therein, and any other agreement between the Company and a Bank under which the Company is obligated to reimburse the Bank for payments made by the Bank under a Credit Facility.(9)

(51) "Remarketing Agent" means Morgan Stanley & Co. Incorporated, and any successor Remarketing Agent appointed from time to time pursuant to Section 314.

(52) "Seabrook Transfer" means the transfer by the Company of its interest in the Station (including the Project Facilities) to a wholly owned subsidiary of Northeast Utilities as contemplated by the Third Amended Joint Plan of Reorganization dated December 28, 1989 of the Company as confirmed by an order of the United States Bankruptcy Court for the District of New Hampshire (Case No. BK88-00043) on April 20, 1990.

(53) "Seabrook Transferee" means the transferee of the Project Facilities pursuant to the Seabrook Transfer and its successors.

(54) "Series G First Mortgage Bonds" means the $114,500,000 in the aggregate principal amount First Mortgage Bonds, Series G issued by the Company and delivered to the Trustee pursuant to Subsection 201(a) of this Agreement and the First Mortgage Bond Indenture to evidence and secure the Company's obligation to repay the Loan and to secure the Company's reimbursement and certain other obligations under the Reimbursement Agreement.

(55) "S&P" means Standard & Poor's Corporation.

(56) "Station" means Unit No. 1 of the nuclear electric generating plant located in Seabrook, New Hampshire, of which the Company is a joint owner.

(57) "Tax-Exempt Refunding Bonds" means Bonds issued to refund the 1991 Series E Bonds pursuant to Article IV hereof, including, unless the context otherwise requires, the 1993 Series E Bonds.(10)

(58) "Tendered Bond" means any Bond tendered or deemed tendered for purchase pursuant to Paragraphs 301(d)(iii), 301(e)(iii) or (iv), or 301(f)(iii).

(59) "Trustee" means State Street Bank and Trust Company, as trustee under this Agreement and its successors in such capacity.

(60) "UCC" means the New Hampshire Uniform Commercial Code (New Hampshire Revised Statutes Annotated Chapter 382-A).

(61) "Weekly Mode" has the meaning set forth in the forms of Weekly Bonds.

(62) "Weekly Rate" means the rate of interest that is set on Bonds while they are in the Weekly Mode.

(b) Number and Gender. Wherever appropriate (1) the singular and plural forms of words and (2) words of different gender shall, within those respective classifications, be deemed interchangeable.

(c) Use of Examples. When a condition, class, category, circumstance or other concept is described in general terms herein and a list of possible examples of components of what has been described generally is associated with that description, and regardless of whether the words "include" or "including" or the like are also used, the listing shall be deemed illustrative only and shall not be construed as excluding other possible examples or components or as otherwise limiting the generality of the description in any way.

ARTICLE II: LOAN OF BOND PROCEEDS; ISSUE OF SERIES G

FIRST MORTGAGE BONDS; THE ASSIGNMENT AND PLEDGE

Section 201. Issue of Series G First Mortgage Bonds; Confirmation Concerning Series G First Mortgage Bonds.

(a) Issue of Series G First Mortgage Bonds.(11) The Authority shall issue the 1991 Series E Bonds pursuant to the Act in the amount, in the form and with the terms provided herein, and shall loan to the Company such amount (the "Loan") to finance Project Costs as hereinafter provided. The Company agrees to repay the Loan of the aggregate principal amount of the 1991 Series E Bonds in the amounts and at the times necessary to pay principal of, premium, if any, and interest on the Bonds by making the payments required under Section 308, and to evidence and secure the Company's obligation to do so and to secure the Company's reimbursement and certain other obligations under the Reimbursement Agreement, the Company shall issue and deliver to the Trustee a like aggregate principal amount of its Series G First Mortgage Bonds in the form set forth in the First Mortgage Bond Indenture. Except in the case of Bonds that are paid or are to be paid by the issuance of Tax-Exempt Refunding Bonds or by funds drawn under the Credit Facility, upon payment of the principal of and premium, if any, on any of the Bonds and payment of all accrued interest in connection therewith, whether at maturity or prior to maturity by redemption or otherwise, or upon provision for the payment thereof having been made in accordance with Section 204, Series G First Mortgage Bonds in an aggregate principal amount equal to the aggregate principal amount of the Bonds so paid, or for the payment of which such provision has been made, shall be deemed fully paid and the obligations of the Company thereunder terminated as provided in the First Mortgage Indenture and shall be surrendered by the Trustee to the First Mortgage Bond Trustee

for cancellation. The Trustee shall promptly notify the First Mortgage Bond Trustee by telephone, confirmed in writing, of any payment on the Bonds. In accordance with the terms thereof, the Series G First Mortgage Bonds shall be issued to and registered in the name of the Trustee and shall not be sold, assigned, pledged or transferred, except to effect transfer to any successor Trustee hereunder. The Series G First Mortgage Bonds bear interest, have a maturity date and redemption provisions corresponding to the Bonds. Payments of principal of and premium, if any, and interest on the Series G First Mortgage Bonds shall upon receipt by the Trustee be deemed to constitute payments of corresponding amounts by the Company in respect of the Bonds pursuant to Subsection 308(a).

(b) Confirmation Concerning Series G First Mortgage Bonds.(12) The Authority shall issue the 1993 Series E Bonds pursuant to the Act in the amount, in the form and with the terms provided herein, and shall loan to the Company such amount (the "First Supplemental Loan") to refund the principal of $44,800,000 of the 1991 Series E Bonds as hereinafter provided. The Company agrees to repay the First Supplemental Loan of the aggregate principal amount of the 1993 Series E Bonds in the amounts and at the times necessary to pay principal of, premium, if any, and interest on the Bonds by making the payments required under Section 308 of this Agreement, and for such purpose the First Supplemental Loan is to be treated as part of the Loan made pursuant to this Agreement. To evidence and secure the Company's obligation to repay the Loan, including the First Supplemental Loan, and to secure the Company's reimbursement and certain other obligations under the Reimbursement Agreement, the Company issued and delivered to the Trustee on the date of issuance of the 1991 Series E Bonds a like aggregate principal amount of its Series G First Mortgage Bonds. The Company hereby confirms that the Series G First Mortgage Bonds evidence and secure the Company's obligations to make payments in amounts and at times necessary to pay principal of, premium, if any, and interest on all of the Outstanding Bonds, including the Outstanding 1993 Series E Bonds and the Outstanding 1991 Series E Bonds and the Company's reimbursement and certain other obligations under the Reimbursement Agreement.

Section 202. Assignment and Pledge of the Authority.

The Authority, for consideration paid as hereinabove acknowledged, hereby irrevocably assigns and pledges to the Trustee in trust for the security of the Bondowners and the Bank upon the terms hereof all the Authority's right, title and interest in (i) respect of the Loan and all payments thereon, (ii) all moneys and securities held by the Trustee for deposit in, or deposited in, the Bond Fund and investment earnings thereon, (iii) the Series G First Mortgage Bonds, all bonds issued in replacement thereof or in exchange or substitution therefor and all payments on, and proceeds of, the foregoing, and (iv) any collateral security for, and all proceeds of, any of the foregoing. The Trustee shall hold (a) all the rights, title and interest received under this section and (b) all revenues (exclusive of funds to which the Trustee is entitled in its own right as fees, reimbursement, indemnity or otherwise) received from the Company or derived from the exercise of the Authority's powers hereunder (which shall include all payments under Subsection 308(a) and in respect of the Series G First Mortgage Bonds) in trust for the security of the Bondowners and the Bank in accordance with the provisions hereof.

Section 203. Further Assurances.

The Company and the Authority shall from time to time execute, deliver and record and file such instruments as the Trustee may reasonably require to confirm, perfect or maintain the security created hereby and the assignment and pledge of rights hereunder.

Section 204. Defeasance.

When there are in the Bond Fund sufficient funds, or non-callable and non-prepayable Government Obligations in such principal amounts, bearing interest at such rates and with such maturities (including, with respect to any Bonds in the Weekly Mode, maturities no greater than seven (7) days to fund the payment of Purchase Price) as will provide, without reinvestment, sufficient funds to pay the Purchase Price, principal of, premium, if any, and interest on the Bonds in full as and when such amounts become due, and when all the rights hereunder of the Authority and the Trustee have been provided for (1) the Bondowners will cease to be entitled to any right, benefit or security under this Agreement except the right to receive payment of the funds deposited and held for payment and other rights set forth below or which by their nature cannot be satisfied prior to or simultaneously with termination of the lien hereof, (2) the security interests created by this Agreement (except in such funds and investments) shall terminate, and (3) the Authority and the Trustee shall execute and deliver such instruments as may be necessary to discharge the lien and security interests created hereunder; provided, however, that (a) with respect to any Bonds that are supported by a Credit Facility, all such funds and obligations in the Bond Fund shall be Eligible Funds; (b) if, within ninety (90) days of such deposit, any Tax-Exempt Refunding Bonds are not to be redeemed in full prior to maturity or paid in full at maturity, the Trustee shall have received on the date of

the deposit an opinion of Bond Counsel to the effect that such deposit and the investment thereof will not affect the exclusion of interest on such Bonds from gross income of the owners thereof for federal income tax purposes, (c) if any such Bonds are to be redeemed prior to the maturity thereof, such Bonds shall have been duly called for redemption or irrevocable instructions for such a call shall have been given to the Trustee and (d) either the Trustee shall have received written confirmation from Moody's, if the Bonds are then rated by Moody's, and from S&P, if the Bonds are then rated by S&P, that the defeasance will not result in the withdrawal or reduction of its rating on the Bonds, or, if none of the Bonds to be defeased are in the Weekly Mode, the Bonds are to be redeemed on or before the next Purchase Date. Upon such defeasance, the funds and investments required to pay or redeem the Bonds in full shall be irrevocably set aside for that purpose. If at the time established for defeasance the Bonds are then rated by Moody's, a mathematical verification that the requirements set forth in this Section 204 have been satisfied prepared by a firm of independent public accountants who are recognized on a nationwide basis for skill in the preparation of such verifications and selected by the Company shall be provided to the Trustee and to Moody's; provided, however, that Moody's may waive such verification after notification by the Company of the terms of any such defeasance. The Trustee shall cause to be mailed to all Bondowners within fifteen (15) days of the conditions of this section being met in the manner herein specified for redemption of Bonds a notice stating that such conditions have been met and that the lien of this Agreement has been discharged, and, if the Bonds are to be redeemed prior to maturity, specifying the date of redemption and the redemption price. Any funds or property held by the Trustee for payment of the Bonds under this section and not required for such payment shall (unless there is an Event of Default hereunder, in which case they shall be applied as provided in Section 604), after satisfaction of all the rights of the Authority and the Trustee, and payment of the rebate, if any, due to the United States under IRC

148(f), and upon such indemnification, if any, as the Authority or the Trustee may reasonably require, be distributed to the Company. If Bonds are not presented for final payment when due and moneys are available in the hands of the Trustee therefor, the Trustee shall, without liability for interest thereon, continue to hold the moneys held for that purpose subject to Subsection 304(c), and interest shall cease to accrue on the principal amount represented thereby.

When there are in the Bond Fund funds or securities as described in the preceding paragraph as are sufficient to pay the Purchase Price, principal of, premium, if any, and interest on, some but not all of the Bonds in full as and when such amounts become due and the other conditions in the preceding paragraph have been met with respect to such Bonds, the particular Bonds (or portions thereof) for which such provision for payment shall have been considered made shall be selected by lot by the Trustee and thereupon the Trustee and the Authority shall take similar action to release the security interests created by this Agreement in respect of such Bonds (except in such funds or securities and investments thereon), subject however to compliance with the applicable conditions set forth in the provisos above.

Notwithstanding the foregoing, those provisions relating to the maturity of Bonds, interest payments and dates thereof, the tender of Bonds for purchase and the Trustee's remedies with respect thereto, and provisions relating to exchange, transfer and registration of Bonds, replacement and cancellation of Bonds, the holding of moneys in trust and the duties of the Trustee in connection with all of the foregoing and the fees, expenses and indemnities of the Trustee and the Authority, shall remain in full force and effect and shall be binding upon the Trustee, the Authority, the Company and the Bondowners notwithstanding the release and discharge of this Agreement and the lien on the Series G First Mortgage Bonds created hereby until the Bonds have been actually paid in full.

Notwithstanding anything herein to the contrary, if moneys or governmental obligations have been deposited or set aside with the Trustee pursuant to the provisions of this Section 204 and the principal of, premium, if any, and interest on the Bonds shall not, in fact, been actually paid in full, no amendment to the provisions of this Section 204 will be made without the consent of the owner of each of the Bonds affected thereby.

ARTICLE III: THE BORROWING

Section 301. The Bonds.

(a) Forms of 1991 Series E Bonds and 1993 Series E Bonds. The 1991 Series E Bonds and the 1993 Series E Bonds shall be issued in substantially the following forms for the various Modes:(13)

(i) Form of Flexible 1991 Series E Bond. The 1991 Series E Bonds may be issued in the Flexible Mode in substantially the form attached hereto as Exhibit C.

(ii) Form of Weekly 1991 Series E Bond. The 1991 Series E Bonds may be issued in the Weekly Mode in substantially the form attached hereto as Exhibit D.

(iii) Form of Multiannual 1991 Series E Bond. The 1991 Series E Bonds may be issued in the Multiannual Mode in substantially the form attached hereto as Exhibit E.

(iv) Form of Fixed Rate 1991 Series E Bond. The 1991 Series E Bonds may be issued in the Fixed Rate Mode in substantially the form attached hereto as Exhibit F.

(v) Form of Flexible 1993 Series E Bond. The 1993 Series E Bonds may be issued in the Flexible Mode in substantially the form attached hereto as Exhibit G.

(vi) Form of Weekly 1993 Series E Bond. The 1993 Series E Bonds may be issued in the Weekly Mode in substantially the form attached hereto as Exhibit H.

(vii) Form of Multiannual 1993 Series E Bond. The 1993 Series E Bonds may be issued in the Multiannual Mode in substantially the form attached hereto as Exhibit I.

(viii) Form of Fixed Rate 1993 Series E Bond. The 1993 Series E Bonds may be issued in the Fixed Rate Mode in substantially the form attached hereto as Exhibit J.

(ix) Form of Book-Entry Only System Flexible 1991 Series E Bond. The Book-Entry Only System 1991 Series E Bonds may be issued in the Flexible Mode in substantially the form attached hereto as Exhibit K.

(b) Details of the 1991 Series E Bonds and the 1993 Series E Bonds.

(i) Details of the 1991 Series E Bonds.(14) The 1991 Series E Bonds shall be signed on behalf of the Authority by the manual or facsimile signatures of any two of the Chairman, Vice Chairman, Treasurer, either Assistant Treasurer and Executive Director and the corporate seal of the Authority or a facsimile thereof shall be engraved or otherwise reproduced thereon. The Certificate of Authentication of the Trustee shall be manually signed by the Trustee or on behalf of the Trustee by its duly authorized agent.

In case any officer whose manual or facsimile signature shall appear on any 1991 Series E Bond shall cease to be such officer before the delivery thereof, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if he or she had remained in office until after such delivery.

The 1991 Series E Bonds shall be issued in fully registered form and shall be numbered from 1 upwards in the order of their issuance, or in any other manner deemed appropriate by the Paying Agent and the Trustee. The 1991 Series E Bonds shall be in the denomination of $100,000 or any multiple of $1,000 in excess of $100,000 in the Flexible Mode, $5,000 or any multiple thereof in the Fixed Rate and Multiannual Modes and $100,000 or any multiple thereof in the Weekly Mode. The 1991 Series E Bonds shall be dated the date of original delivery thereof and shall mature on May 1, 2021. The interest on 1991 Series E Bonds until they come due shall be payable on the interest payment dates applicable to the Mode the Bonds are in from time to time. Interest on overdue principal of any Bond shall bear interest at the rate last established for that Bond before the principal became overdue until duly paid or provided for. All of the 1991 Series E Bonds shall be initially in the Flexible Mode.

The 1991 Series E Bonds are subject to redemption as described in Section 310 and in the forms of Bonds.

(ii) Details of the 1993 Series E Bonds.(15) The 1993 Series E Bonds shall be signed on behalf of the Authority by the manual or facsimile signatures of any two of the Chairman, Vice Chairman, Treasurer and Executive Director and the corporate seal of the Authority or a facsimile thereof shall be impressed, engraved or otherwise reproduced thereon. The Certificate of Authentication shall be manually signed by the Trustee or the Paying Agent.

In case any officer whose manual or facsimile signature shall appear on any 1993 Series E Bond shall cease to be such officer before the delivery thereof, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if he or she had remained in office until after such delivery.

The 1993 Series E Bonds shall be issued in fully registered form and shall be numbered from 1 upwards in the order of their issuance, or in any other manner deemed appropriate by the Paying Agent and the Trustee. The 1993 Series E Bonds shall be in the denomination of $100,000 or any multiple of $1,000 in excess of $100,000 in the Flexible Mode, $5,000 or any multiple thereof in the Fixed Rate and Multiannual Modes and $100,000 or any multiple thereof in the Weekly Mode. The 1993 Series E Bonds shall be dated the date of original delivery thereof and shall mature on May 1, 2021. The interest on 1993 Series E Bonds until they come due shall be payable on the interest

payment dates applicable to the Mode the Bonds are in from time to time. Interest on overdue principal of any Bond shall bear interest at the rate last established for that Bond before the principal became overdue until duly paid or provided for. All of the 1993 Series E Bonds shall be initially in the Weekly Mode.

The 1993 Series E Bonds are subject to redemption as described in Sections 310 and 405 and in the forms of 1993 Series E Bonds.

(c) Tax-Exempt Refunding Bonds. Tax-Exempt Refunding Bonds that refund the 1991 Series E Bonds may be issued by the Authority at the request of the Company as provided in Article IV.

(d) Flexible Mode.

(i) Determination of Flexible Rates. The Remarketing Agent shall determine the Flexible Rate as provided in the forms of Flexible Bonds and shall notify the Paying Agent thereof electronically or by telephone not later than 1:00 P.M. on the Effective Date, and if by telephone, promptly confirmed in writing. The Paying Agent shall give written notice of the Flexible Rate to the Trustee, the Bank and the Company. Each determination and redetermination of the Flexible Rate shall be conclusive and binding on the Authority, the Trustee, the Paying Agent, the Bank, the Company and the Bondowners. If the Remarketing Agent fails for any reason to determine the Flexible Rate or Rate Period for any Bond while in the Flexible Mode, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, that Bond shall be deemed to be in a Rate Period of one day and the Flexible Rate shall be equal to (A) for the 1991 Series E Bonds, 100% of the rate on thirty (30) day high-grade unsecured commercial paper notes sold through dealers by major corporations published in the edition of The Wall Street Journal published on the day on which such rate is determined, or if such rate is not published on that day, the most recent publication of such rate, and (B) for any Tax-Exempt Refunding Bonds, 100% of the Prime Commercial Paper A-1/P-1 (30 days) rate shown in the table captioned "Short-Term Tax-Exempt Yields" in the edition of The Bond Buyer published on the day on which such rate is determined or, if such rate is not published on that day, the most recent publication of such rate.

In determining the Flexible Rate and remarketing Bonds in the Flexible Mode the Remarketing Agent shall (1) not offer Rate Periods greater than the maximum number of days of interest coverage under the Credit Facility at the Maximum Interest Rate less eight (8) days or extending beyond the expiration date of the Credit Facility less eight (8) days (2) not offer Rate Periods applicable to Bonds to be converted extending beyond the day preceding any scheduled conversion of the Bonds to another Mode or the final maturity of the Bonds, and (3) follow any written directions of the Company Representative, not inconsistent with the preceding clauses (1) and (2), as to the Rate Periods to be made available. The Company, the Trustee, the Paying Agent and the Remarketing Agent shall cooperate to ensure compliance with this requirement.

(ii) Conversions from the Flexible Mode. The Bonds in the Flexible Mode or any portion of such Bonds may be converted at the election of the Company from the Flexible Mode to the Weekly, Multiannual or Fixed Rate Mode as provided in the forms of the Flexible Bonds, so long as no Default hereunder exists as certified to the Trustee by the Company Representative. If Bonds that are to be converted to the Weekly or Multiannual Mode are to be supported by a Credit Facility in their new Mode, no such conversion shall be effective unless the Company shall have delivered to the Paying Agent by 11:00 A.M. on the Conversion Date a Credit Facility in the minimum required face amount for the applicable Mode as provided in Section 317, and with an expiration date not earlier than (i) 364 days(16) in the case of any Bonds converted to the Weekly Mode and (ii) five (5) Business Days after the end of the Rate Period in the case of Bonds in the Multiannual Mode. Any Bonds in or to be converted to the Weekly Mode shall be supported by a Credit Facility. Written notice of a conversion from the Flexible Mode shall be given by the Company to the Authority, the Trustee, the Paying Agent, the Bank, the Remarketing Agent, Moody's and S&P not fewer than twenty-five (25) nor more than one hundred and twenty (120) days before the Conversion Date, which date shall be specified by the Company in such notice and shall not be earlier than the day following the expiration of the Rate Period with the longest remaining term then in effect for the Bonds to be converted. If any of the Bonds are to be converted to the Multiannual Mode, such notice shall include the Company's election whether or not the Bonds as converted are to be supported by a Credit Facility. Prior to the proposed Conversion Date, the Remarketing Agent shall not offer Rate Periods for the Bonds to be converted extending beyond the proposed Conversion Date. Conversions to the Fixed Rate Mode shall also be governed by Subsection 301(g).

Notwithstanding the foregoing, if the preconditions to conversion to a new Mode established by the preceding paragraph and with respect to any Tax-Exempt Refunding Bonds, Section 404, are not met by 11:00 A.M. on the Conversion Date, the Paying Agent shall deem the proposed conversion to have failed and shall immediately notify the Trustee and the Remarketing Agent. In such event, the Paying Agent shall by 1:00 P.M. on the proposed Conversion

Date draw on the Credit Facility an amount which is sufficient to pay the Purchase Price on such date of all Bonds that were to have been converted. In no event shall the failure of Bonds to be converted to another Mode for any reason be deemed to be, in and of itself, a Default or Event of Default under this Agreement, so long as the Purchase Price of all Bonds required to be purchased is made available as provided above.

(iii) Mandatory Tender for Purchase. On each Effective Date, Bonds in the Flexible Mode are subject to mandatory tender for purchase as provided in the forms of Flexible Bonds.

(e) Weekly Mode.

(i) Determination of Weekly Rates. The Remarketing Agent shall determine the Weekly Rate as provided in the forms of Weekly Bonds and shall notify the Paying Agent thereof electronically or by telephone not later than 4:00 P.M. on the Business Day preceding the Effective Date, and if by telephone, promptly confirmed in writing. The Paying Agent shall give written notice of the Weekly Rate to the Trustee, the Bank, and the Company. Each determination and redetermination of the Weekly Rate shall be conclusive and binding on the Authority, the Trustee, the Paying Agent, the Bank, the Company and the Bondowners.

(ii) Conversions from Weekly Mode. The Bonds in the Weekly Mode or any portion of such Bonds may be converted on the first Business Day of any calendar month at the election of the Company from the Weekly Mode to a Multiannual, Flexible, or Fixed Rate Mode, as provided in the forms of Weekly Bonds, so long as no Default hereunder exists as certified to the Trustee by a Company Representative.(17) If Bonds that are to be converted to the Flexible or Multiannual Mode are to be supported by a Credit Facility in their new Mode, no such conversion shall be effective unless the Company shall have delivered to the Paying Agent by 11:00 A.M. on the Conversion Date a Credit Facility in the minimum required face amount for the applicable Mode as provided in Section 317 and with an expiration date not earlier than (i) 364 days(18) from the Conversion Date in the case of Bonds converted to the Flexible Mode and (ii) five (5) Business Days after the end of the Rate Period in the case of Bonds in the Multiannual Mode. Any Bonds in or to be converted to the Flexible Mode shall be supported by a Credit Facility, except in the case of a failed optional conversion which causes the Bonds to automatically convert to the Flexible Mode with a one day Rate Period. Written notice of a conversion of Bonds from the Weekly Mode shall be given by the Company to the Authority, the Trustee, the Bank, the Paying Agent, the Remarketing Agent, Moody's and S&P not fewer than forty-five (45) nor more than sixty (60) days prior to the proposed Conversion Date, which date shall be specified by the Company in such notice. If any of the Bonds are to be in the Multiannual Mode, such notice shall include the Company's election whether or not the converted Bonds are to be supported by a Credit Facility. Notice of a conversion of Bonds from the Weekly Mode and the mandatory tender of Bonds for purchase on such Conversion Date shall be given to the owners of such Bonds as provided in Subparagraph 301(e)(iv) (B) and the forms of Weekly Bonds. Conversions to the Fixed Rate Mode shall also be governed by Subsection 301(g).

Notwithstanding the foregoing, if the preconditions to conversion to another Mode established by the preceding paragraph and, with respect to any Tax-Exempt Refunding Bonds, Section 404, are not met by 11:00 A.M. on the Conversion Date, the Paying Agent shall deem the proposed conversion to have failed and shall immediately notify the Trustee and the Remarketing Agent, and the Bonds shall be subject to mandatory tender as provided in Subparagraph 301(e)(iv)(B). In such event, the Paying Agent shall by 1:00 P.M. on the proposed conversion date draw on the Credit Facility an amount which is sufficient to pay the Purchase Price on such date on all Bonds that were to have been converted. In no event shall the failure of Bonds to be converted to another Mode for any reason be, in and of itself, deemed to be a Default or Event of Default under this Agreement, so long as the Purchase Price of all Bonds required to be purchased is made available as provided above.

(iii) Bondowners' Option to Tender Bonds in Weekly Mode. Bonds in the Weekly Mode are subject to tender, at the election of the owner thereof, in the manner and subject to the limitations described in the forms of Weekly Bonds. The owners of Tendered Bonds shall receive on the Delivery Date 100% of the principal amount of the Tendered Bonds plus accrued interest to the Purchase Date, provided that if the Purchase Date is an interest payment date, accrued interest shall be paid separately, and not as part of the Purchase Price on such date. The purchase of Tendered Bonds shall not extinguish the debt represented by such Bonds which shall remain Outstanding and unpaid under this Agreement.

The Paying Agent shall accept all Tendered Bonds properly tendered to it for purchase as provided in the forms of Weekly Bonds and in this Paragraph 301(e)(iii); provided, however, that the Paying Agent shall not accept any Tendered Bonds and the Purchase Price therefor shall not be paid if at the time of tender or on the Purchase Date the principal of the Bonds shall have been accelerated pursuant to Section 602 and such acceleration shall not have

been annulled.

The Bondowner's Election Notice delivered to the Paying Agent as provided in the forms of Weekly Bonds prior to the Purchase Date of Tendered Bonds shall be in substantially the form provided in the forms of Weekly Bond.

As soon as practicable after receiving notice of a tender of Bonds under this section, the Paying Agent shall notify the Remarketing Agent, the Company, the Bank and the Trustee by telephone promptly confirmed in writing of the amount of Tendered Bonds and the specified Purchase Date.

(iv) Events Requiring Mandatory Tender of Weekly Bonds.

(A) Expiration of Credit Facility without Substitution or Replacement; Substitution of Credit Facility. The Bonds in the Weekly Mode are subject to mandatory tender for purchase as provided in the forms of Weekly Bonds in connection with the expiration or termination of the Credit Facility (other than in connection with the conversion to a new Mode) or in connection with the substitution of a Credit Facility, unless the Trustee receives written notice from Moody's, if the Bonds are then rated by Moody's, or S&P, if the Bonds are then rated by S&P, that such substitution will not result in a reduction or withdrawal (excluding a withdrawal or reduction resulting from a change in Modes) of the ratings on the Bonds. At least forty (40) days prior to the mandatory tender date, the Trustee shall give notice to the Paying Agent as to whether or not it has received the notices described in the immediately preceding sentence from Moody's and S&P, and if the Trustee has not received such notices or if the Credit Facility is expiring without substitution or replacement, the Paying Agent shall give notice to the Bondowners of the mandatory tender of the Bonds at least thirty (30) days prior to the mandatory tender date.(19)

(B) Change in Mode. In the event that Bonds in the Weekly Mode are converted to another Mode, such Bonds are subject to mandatory tender for purchase upon not less than thirty (30) days' prior written notice from the Paying Agent to the Bondowners as provided in the forms of Bonds, which notice shall state that the Bonds are subject to mandatory tender for purchase.

(f) Multiannual Mode.

(i) Determination of Multiannual Rate. The Remarketing Agent shall determine the Multiannual Rate as provided in the forms of Multiannual Bonds and shall notify the Paying Agent thereof electronically or by telephone not later than 2:00 P.M. two (2) Business Days preceding the Effective Date, and if by telephone, promptly confirmed in writing. The Paying Agent shall give written notice of the Multiannual Rate to the Trustee, the Bank, if applicable, and the Company. Each determination and redetermination of the Multiannual Rate shall be conclusive and binding on the Authority, the Trustee, the Paying Agent, the Bank, the Company and the Bondowners.

(ii) Conversions from Multiannual Mode and Changes of Rate Period. The Bonds in the Multiannual Mode or any portion of such Bonds may be converted on any Effective Date at the election of the Company from the Multiannual Mode to the Weekly, Flexible or Fixed Rate Mode and may be converted within the Multiannual Mode to a new Rate Period with the same or a different length as provided in the forms of Multiannual Bonds so long as no Default hereunder exists as certified to the Trustee by a Company Representative. If Bonds that are to be converted to the Flexible or Weekly Mode or to another Rate Period within the Multiannual Mode are to be supported by a Credit Facility in their new Mode, no such conversion shall be effective unless the Company shall have delivered to the Paying Agent by 11:00 A.M. on the Conversion Date a Credit Facility in the minimum required face amount for the applicable Mode as provided in Section 317 and with an expiration date not earlier than (i) 364 days(20) from the Conversion Date in the case of Bonds converted to the Flexible or Weekly Modes and (ii) five (5) Business Days after the end of the Rate Period in the case of Bonds in the Multiannual Mode. Any Bonds in or to be converted to the Weekly or Flexible Mode shall be supported by a Credit Facility, except in the case of a failed optional conversion which causes the Bonds to automatically convert to the Flexible Mode with a one day Rate Period. Written notice of a change in Mode or Rate Period within the Multiannual Mode shall be given by the Company to the Authority, the Trustee, the Bank (if any), the Paying Agent, the Remarketing Agent, Moody's and S&P not fewer than twenty-five (25) nor more than sixty (60) days prior to the proposed Conversion Date. If the conversion is to a new Rate Period in the Multiannual Mode, such notice shall include the Company's election whether or not the converted Bonds are to be supported by a Credit Facility. Conversion to the Fixed Rate Mode shall also be governed by Subsection 301(g).

Notwithstanding the foregoing, if the preconditions to conversion to another Mode or a new Rate Period within the Multiannual Mode established by the preceding paragraph and, with respect to any Tax-Exempt Refunding Bonds, Section 404, are not met by 11:00 A.M. on the Conversion Date, the Paying Agent shall deem the proposed conversion to have failed and shall immediately notify the Trustee and the Remarketing Agent. If the Bonds that were to have been converted are supported by a Credit Facility, the Paying Agent shall by 1:00 P.M. on the proposed conversion date draw on the Credit Facility an

amount which is sufficient to pay the Purchase Price on such date on all Bonds that were to have been converted. If the Bonds that were to have been converted are not supported by a Credit Facility, the Company shall by 1:00 P.M. on the proposed Conversion Date deliver to the Paying Agent sufficient funds to pay the Purchase Price. In no event shall the failure of Bonds to be converted to another Mode for any reason be deemed to be, in and of itself, a Default or Event of Default under this Agreement, so long as the Purchase Price of all Bonds required to be purchased is made available as provided above.

(iii) Mandatory Tender for Purchase. On each Effective Date, Bonds in the Multiannual Mode are subject to mandatory tender for purchase as provided in the forms of Multiannual Bond.

(g) Conversion to Fixed Rate Mode. The interest rate on any portion of the Bonds may be converted by the Company to the Fixed Rate as provided in the forms of the Flexible, Weekly and Multiannual Bonds, Subsections 301(d), (e) and (f) and this Subsection 301(g). Upon receipt of the notice of conversion to the Fixed Rate Mode from the Company, the Remarketing Agent shall determine the Fixed Rate not later than 2:00 P.M. two (2) Business Days before the Conversion Date. The Fixed Rate shall be the lowest rate which in the judgment of the Remarketing Agent, on the basis of prevailing financial market conditions, would permit the sale of the Bonds being so converted at par plus accrued interest as of the Effective Date on the basis of their terms as converted.

On the date of determination thereof, the Remarketing Agent shall notify the Paying Agent, the Company and the Trustee by telephone confirmed in writing of the Fixed Rate. The Trustee shall promptly notify the Authority in writing of the Fixed Rate. The determination of the Fixed Rate shall be conclusive and binding on the Authority, the Trustee, the Paying Agent, the Company and the Bondowners. The first interest payment date of Bonds converted to the Fixed Rate shall be at least three (3) months but less than nine (9) months after the Conversion Date. The Fixed Rate shall become effective on the Fixed Rate Conversion Date and shall remain in effect for the remaining term of the Bonds.

Notwithstanding the foregoing, if the preconditions to conversion to the Fixed Rate Mode established by this Subsection 301(g) are not met by 11:00 A.M. 0on the Conversion Date, the Paying Agent shall immediately notify the Trustee by telephone promptly confirmed in writing. Upon such notice, the Trustee shall deem the proposed conversion to have failed and shall proceed as such under Paragraph 301(d)(ii), (e)(ii) or (f)(ii), whichever is applicable.

(h) Partial Conversions.

(i) General. The Bonds may be converted in whole or in part to the Flexible Mode, the Weekly Mode, any Rate Period in the Multiannual Mode or the Fixed Rate Mode upon compliance with the conditions set forth in this Agreement. In the event the Bonds are in (or are to be converted to) more than one Mode, the provisions of this Agreement relating to Bonds in a particular Mode (or to be converted to a particular Mode) shall apply only to the Bonds in (or to be converted to) such Mode and, where necessary or appropriate, any reference in this Agreement to the Bonds shall be construed to mean the Bonds in (or to be converted to) such Mode and any reference to Credit Facility or Bank shall be construed to mean the Credit Facility supporting the Bonds in (or to be converted to) such Mode and the Bank issuing that Credit Facility.

(ii) Selection. In the event of any partial conversion of the Bonds to a new Mode, the Bonds to be converted shall be selected by the Paying Agent from Bonds in the Mode selected by the Company. The particular Bonds (or portions thereof) to be converted shall be selected by the Paying Agent from all the Bonds in the Mode (or in the case of Bonds in the Multiannual Mode, the Rate Period) from which Bonds are to be converted. The principal amount of Bonds to be converted shall be determined so that all of the Bonds shall be in the denominations required under Subsection 301(b) for the particular Modes. Bonds (or portions thereof) in the Weekly Mode shall be selected by lot and the selection of the Bonds to be converted shall occur prior to the date notice of mandatory tender is sent by the Paying Agent pursuant to Paragraph 301(e)(iv).

(iii) Amendment. Provisions of this Agreement may be amended to permit or facilitate partial conversions of the Bonds without Bondowner consent in accordance with clause (vii) of the first paragraph of Section 1101.

(i) Cancellation and Destruction of Bonds. All Bonds paid or redeemed, either at or before maturity, shall be delivered to the Paying Agent when such payment or redemption is made, and such Bonds, together with all Bonds purchased by the Paying Agent and all Bonds surrendered in any exchanges or transfers, shall thereupon be promptly canceled. All Bonds acquired and owned by the Company and delivered to the Paying Agent for cancellation shall be deemed paid and shall be promptly canceled. Bonds so canceled may at any time be cremated or otherwise destroyed by the Paying Agent, which shall

execute a certificate of cremation or destruction in duplicate by the signature of one of its authorized officers describing the Bonds so cremated or otherwise destroyed, and one executed certificate shall be filed with the Company and the other executed certificate shall be retained by the Paying Agent. The Paying Agent shall provide written notice to Moody's, if the Bonds are then rated by Moody's, and to S&P, if the Bonds are then rated by S&P, of the final payment or redemption of any of the Bonds, either at of before maturity, upon cancellation of any such Bonds.

(j) Replacement of Bonds. Replacement Bonds shall be issued pursuant to applicable law as a result of the destruction, loss or mutilation of the Bonds. The costs of a replacement shall be paid or reimbursed by the applicant, who shall indemnify the Authority, the Trustee, the Paying Agent, the Remarketing Agent and the Company against all liability and expense in connection therewith.

(k) Interest on Overdue Principal. Any overdue principal of any Bond shall bear interest after its maturity or acceleration at the last interest rate in effect on that Bond.

Section 302. Application of 1991 Series E Bond Proceeds.

The Authority shall loan the proceeds of the 1991 Series E Bonds to the Company by promptly causing the accrued interest, if any, to be deposited in the Bond Fund and the balance of the proceeds to be paid to or pursuant to the direction of the Company as reimbursement for Project Costs incurred prior to the date of delivery of the 1991 Series E Bonds. In connection with the reimbursement of such Project Costs, the Company represents and warrants that (i) such Project Costs were incurred by and were chargeable to the capital account of the Company; (ii) such Project Costs are costs of "sewage or solid waste disposal facilities" or "air or water pollution control facilities" within the meaning of Section 103(b)(4)(E) or (F) of the 1954 Code incurred and paid after January 14, 1976; (iii) such Project Costs are for an "industrial facility" within the meaning of Paragraphs 2, VII (d) and (e) of the Act; and (iv) such Project Costs are costs of a facility described in Section 1312(a) of the Tax Reform Act of 1986.

Section 303. Application of Tax-Exempt Refunding Bond Proceeds and of 1993 Series E Bond Proceeds.

(a) Application of Tax-Exempt Refunding Bond Proceeds.(21) Proceeds of any Tax-Exempt Refunding Bonds shall be deposited in the Bond Fund and applied to pay principal of, premium, if any, and interest on the 1991 Series E Bonds, or if a Credit Facility is in effect, to reimburse the Bank for any draw on the Credit Facility to make such payment on the 1991 Series E Bonds or as may otherwise be provided in a supplemental Agreement executed and delivered by the parties hereto at the time of issuance of the Tax-Exempt Refunding Bonds.

(b) Application of 1993 Series E Bond Proceeds.(22) The Authority shall loan the proceeds of the 1993 Series E Bonds to the Company by promptly causing (A) an amount equal to the accrued interest, if any, to be deposited in the Bond Fund and (B) $44,800,000 to be deposited with the Trustee, in each case in immediately available funds. Upon receipt by the Paying Agent in respect of a drawing on the Letter of Credit of an amount necessary to pay the Purchase Price due on $44,800,000 principal amount of 1991 Series E Bonds, the Paying Agent shall immediately notify the Trustee that it has received sufficient draw proceeds to pay such Purchase Price, and upon the Trustee's receipt of such notice the Trustee shall pay to the Bank the $44,800,000 deposited with the Trustee by the Authority under clause (B) of this section as partial reimbursement for such drawing. If the Trustee receives such notice from the Paying Agent before 12:00 Noon on any Business Day it shall transmit a payment order for the above-described payment by wire transfer in immediately available funds to the Bank by 2:30 P.M. on the same day, and if the Trustee receives such notice after 12:00 Noon it shall make such payment by wire transfer in immediately available funds to the Bank by 11:00 A.M. on the next Business Day. In connection with the reimbursement of the Bank, the Company represents and warrants that (i) not less than 95% of the proceeds of the 1991 Series E Bonds were spent to reimburse the Company for Project Costs; (ii) such Project Costs were incurred by and were chargeable to the capital account of the Company; (iii) such Project Costs were costs of "sewage or solid waste disposal facilities" or "air or water pollution control facilities" within the meaning of Section 103(b)(4)(E) or (F) of the 1954 Code incurred and paid after January 14, 1976; (iv) such Project Costs were for an "industrial facility" within the meaning of Paragraphs 2, VII (d) and (e) of the Act; and (v) such Project Costs were costs of a facility described in Section 1312(a) of the Tax Reform Act of 1986.

Section 304. Bond Fund.

(a) Establishment and Purpose. A Bond Fund is hereby established with the Trustee and moneys shall be deposited therein as provided in this Agreement. The Company hereby grants to the Trustee for the benefit of the Bondowners and the Bank a security interest in all deposits in the Bond Fund.

The Trustee acknowledges that it holds the Bond Fund as agent for the Bondowners and the Bank, as their interests may appear. The moneys in the Bond Fund and any investments held as part of such Fund shall be held in trust and, except as otherwise provided in this Agreement, shall be applied by the Trustee solely to pay principal of, premium, if any, and interest on, the Bonds. The Trustee shall keep separate accounts as to (A) Eligible Funds and (B) all other funds in the Bond Fund. When moneys in the Bond Fund are to be applied to the payment of the Bonds, the Trustee shall transfer such moneys to the Paying Agent on the payment date therefor. Proceeds of drawings upon the Credit Facility shall not be deposited in the Bond Fund, but shall be held by the Paying Agent in trust and applied as provided in this Agreement.

(b) Excess in Bond Fund. If at any time the amount of Eligible Funds in the Bond Fund exceeds the amount necessary to pay the Purchase Price or the principal of, premium, if any, and interest on the Bonds in full and all amounts owing or to be owing under this Agreement to the Authority, the Trustee and the Paying Agent, then the Trustee shall apply such excess first to the Bank, in fulfillment of any obligations owed to it under the Reimbursement Agreement, as certified by the Bank, and second, if any balance remains, to the Company.

(c) Unclaimed Moneys. Except as may otherwise be required by applicable law, in case any moneys deposited with the Paying Agent for the payment of the Purchase Price or principal of, premium, if any, or interest on any Bond remain unclaimed for two years after such Purchase Price, principal, premium or interest has been paid or has become due and payable, the Paying Agent may, and upon receipt of a written request by a Company Representative shall, pay over to the Company the amount so deposited and thereupon the Trustee, the Paying Agent and the Authority shall be released from any further liability with respect to the payment of such Purchase Price or principal, premium or interest and the owner of such Bond shall be entitled (subject to any applicable statute of limitations) to look only to the Company as an unsecured creditor for the payment thereof.

Section 305. Rebate.

The Company shall pay to the United States when due any rebate with respect to the Tax-Exempt Refunding Bonds pursuant to IRC 148(f).

Section 306. Expenses of Issue.

Not more than 2% of the proceeds of the 1991 Series E Bonds shall be used to pay the expenses of issue of the 1991 Series E Bonds, including underwriting charges.

Section 307. Application of Moneys.

If, in addition to moneys drawn on the Credit Facility (if any), available moneys in the Bond Fund are not sufficient on any day to pay all principal, premium, if any, and interest on the Outstanding Bonds then due or overdue, such moneys shall, after payment of all amounts owing to the Trustee and the Authority under this Agreement, be applied first to the payment of interest, including interest on overdue principal, in the order in which the same became due (pro rata with respect to interest which became due at the same time) and second to the payment of principal and redemption premiums, if any, without regard to the order in which the same became due in each case pro rata among Bondowners, provided, however, that amounts drawn on the Credit Facility (if any) shall be applied exclusively to pay interest, premium, if any, and principal on Bonds supported by the Credit Facility in accordance with the Credit Facility. If any Bonds are supported by a Credit Facility and the owners of such Bonds have received all payments of principal, premium, if any, and interest that have become due and payable from a draw on the Credit Facility, the Bank shall be treated as the owner of such Bonds for purposes of applying this section. In the event there exist Pledged Bonds or Company Bonds on the date of any application of moneys under this section, moneys otherwise to be paid to the Company or to the Bank pursuant to this section shall be applied (subject to Paragraph 308(c)(iii)) as follows: first, so long as all payments due on Bonds supported by a Credit Facility have been made, pro rata to all Bondowners other than the Company (but including the Bank to the extent provided in the preceding sentence), otherwise first, pro rata to all Bondowners other than the Bank and the Company, second (and irrespective of which clause first applies), if any balance remains, to the Bank in fulfillment of any obligations owed to it under the Reimbursement Agreement or any Pledged Bonds (to the extent not satisfied pursuant to clause first), and third, if any further balance remains, to the Company in respect of any Company Bonds. Whenever moneys are to be applied pursuant to this section, such moneys shall be applied at such times, and from time to time, as the Trustee in its discretion shall determine, having due regard to the amount of such moneys becoming available for such application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall exercise such discretion it shall fix the date (which shall be the first day of a month unless the Trustee shall deem another date more suitable) upon

which such application is to be made, and upon such date interest on the amounts of principal paid on such date shall cease to accrue. Whenever overdue interest is to be paid on the Bonds, the Trustee may establish a special record date as provided in the forms of Bonds. The Trustee shall promptly notify the Paying Agent of any special record date and give such other notice as it may deem appropriate of the fixing of any such date and special record date. When interest or a portion of the principal is to be paid on an overdue Bond, the Trustee or the Paying Agent may require presentation of the Bond for endorsement of the payment. Prior to any payment to be made to the Bank pursuant to clause second of the sixth preceding sentence, the Trustee may require a certificate from the Bank as to amounts due under the Reimbursement Agreement, and the Trustee may rely conclusively thereon.

Section 308. Payments by the Company.

(a) Payments of Debt Service by the Company.

(i) The Company shall make payments in immediately available funds to the Trustee for deposit in the Bond Fund on the date on which such payment of principal (including principal called for redemption) of, premium, if any, or interest on Bonds shall become due in an amount equal to the payment then coming due on such Bonds less the amounts, if any, (i) then held in the Bond Fund and available to pay the same, and (ii) amounts received by the Paying Agent to pay the same from a draw under a Credit Facility. The Company may make payments to the Bond Fund earlier than required by this section, but such payments shall not affect the accrual of interest.

(ii) The payments to be made under the foregoing paragraph shall be appropriately adjusted to reflect the date of issue of Bonds, accrued interest deposited in the Bond Fund, if any, and any purchase or redemption of Bonds so that there will be available on each payment date the amount necessary to pay the interest and principal due or coming due on the Bonds and so that accrued interest will be applied to the installments of interest to which it is applicable.

(iii) At any time when any principal of the Bonds is overdue, the Company shall also have a continuing obligation to pay to the Trustee for deposit in the Bond Fund an amount equal to interest on the overdue principal but the installment payments required under this section shall not otherwise bear interest. Redemption premiums shall not bear interest.

(b) Additional Payments.

(i) The Company shall pay when due the Authority's Service Charge and other expenses as provided in Section 803.

(ii) Within thirty (30) days after notice from the Trustee, the Company shall pay to the Trustee the reasonable fees and expenses of the Trustee as set forth in Section 703.

(iii) Within thirty (30) days after notice from the Paying Agent, the Company shall pay to the Paying Agent its reasonable fees and expenses as set forth in Section 313.

(c) Drawings on the Credit Facility.

(i) Debt Service. If a Credit Facility is available for any portion of the Bonds, the Paying Agent shall not later than 4:00 P.M. on the Business Day next preceding any date on which payments of the principal of, premium, if any, or interest on such Bonds are due, whether at maturity, on an interest payment date, by acceleration, redemption, or otherwise, draw on the Credit Facility an amount sufficient to pay in full the principal, premium, if any, and interest then coming due on such Bonds.(23) For purposes of the immediately preceding sentence, interest on the Bonds shall include the component of any Purchase Price of Bonds in the Flexible Mode representing interest on the Bonds. The Paying Agent shall immediately notify the Company and the Trustee by telephone promptly confirmed in writing if it has not been paid by the Bank for such a draw on the Letter of Credit by 11:00 A.M. on the date such payment on the Bonds is due.

(ii) Tenders for Purchase. Except as provided in Paragraph 308(c)(i), drawings on the Credit Facility for the purchase of Bonds tendered for mandatory purchase pursuant to Paragraphs 301(d)(iii), 301(e)(iv), or 301(f)(iii) or for Bonds tendered for purchase at the Bondowner's election pursuant to Paragraph 301(e)(iii) shall be made pursuant to Subsection 311(a).

(iii) Use of Credit Facility. All amounts received by the Paying Agent under any Credit Facility shall be held in a segregated account, shall remain uninvested and shall be used solely to pay the Purchase Price or principal of, premium, if any, and interest on the Bonds for which the Credit Facility is available. Principal and Purchase Price of, premium, if any, and interest on Company Bonds, Pledged Bonds and Bonds not supported by a Credit Facility shall not be paid from amounts drawn on a Credit Facility.(24)

(iv) Failed Conversion. Whenever there is a failed conversion of Bonds supported by a Credit Facility, the Paying Agent shall draw on the Credit Facility as provided in Paragraph 301(d)(ii), 301(e)(ii) or 301(f)(ii), as appropriate.(25)

(d) Payment of Debt Service. The Trustee shall transfer Eligible Funds, and to the extent necessary other funds, from the Bond Fund to the Paying Agent for the payment of principal, premium, if any, and interest payable on the Bonds as provided in Subsection 304(a) to the extent amounts drawn on the Credit Facility are insufficient to pay the same, and in conjunction therewith shall give the Paying Agent written notice of the amount of Eligible Funds being transferred. The Paying Agent shall apply such payments received from the Trustee and amounts drawn on the Credit Facility, in the following order, (i) moneys drawn on the Credit Facility, (ii) Eligible Funds on deposit in the Bond Fund other than moneys drawn on the Credit Facility, and (iii) any other moneys in the Bond Fund; provided, however, that except as specified in the next sentence, in no event shall the Paying Agent use any moneys other than Eligible Funds to pay principal of, premium, if any, or interest on Bonds supported by a Credit Facility. If and to the extent that sufficient Eligible Funds, including moneys drawn on the Credit Facility pursuant to this section and Section 605, are not available to pay in full the principal of, premium, if any, and interest on the Bonds supported by a Credit Facility, then other available moneys shall be so used.

(e) Company's Purchase of Bonds. If the amount drawn on the Credit Facility and deposited with the Paying Agent, together with all other amounts (including remarketing proceeds) received by the Paying Agent for the purchase of Bonds supported by a Credit Facility and tendered pursuant to Paragraph 301(d)(iii), 301(e)(iii) or (iv), or 301(f)(iii), is not sufficient to pay the Purchase Price of such Bonds on the Purchase Date, the Paying Agent shall before 3:30 P.M. on such Purchase Date, notify the Company, the Remarketing Agent and the Trustee of such deficiency by telephone promptly confirmed in writing. The Company shall pay to the Paying Agent in immediately available funds by 4:00 P.M. on the Purchase Date an amount equal to the Purchase Price of such Bonds less the amount, if any, available to pay the Purchase Price in accordance with Section 311 from the proceeds of the remarketing of such Bonds or from drawings on the Credit Facility, as reported by the Paying Agent. Bonds so purchased with moneys furnished by the Company shall be Company Bonds.

Section 309. Unconditional Obligation.

The obligation of the Company to make payments under this Agreement shall be absolute and unconditional, shall be binding and enforceable in all circumstances whatsoever, shall not be subject to setoff, recoupment or counterclaim, and shall be a general obligation of the Company to which the full faith and credit of the Company are pledged. The Company shall be obligated to make such payments whether or not the Project Facilities become functional and whether or not the Project Facilities have ceased to exist or be functional to any extent from any cause whatsoever. The Company shall be obligated to make such payments regardless of whether it is in possession or entitled to be in possession of the Project Facilities.

Section 310. Redemption of the Bonds.

(a) Optional Redemption. The Bonds are redeemable prior to maturity in accordance with the written direction of the Company to the Authority and the Trustee. Such redemption of Bonds, other than Bonds in the Flexible Mode, shall be in accordance with the terms of the Bonds (provided that, if less than all the Bonds Outstanding shall be called for redemption, the Company shall designate (to the extent not otherwise prohibited) the amount of Bonds of each series and Mode to be redeemed, and if less than all of the Bonds Outstanding in any series and Mode shall be called for redemption, Bonds to be so redeemed in any series and Mode shall be selected by the Paying Agent by lot or in any customary manner of selection as determined by the Paying Agent) at the redemption prices plus accrued interest to the redemption date as described in the forms of Bonds. For purposes of this Subsection 310(a), references to the term Mode shall be deemed to include different Rate Periods within the Multiannual Mode. Redemption of Bonds in the Flexible Mode pursuant to this Subsection 310(a) shall be only on an Effective Date for the Bonds to be redeemed at the then applicable Purchase Price for such Bonds.

(b) Extraordinary Optional Redemption. The Outstanding Bonds in the Multiannual or Fixed Rate Modes may be redeemed at any time at the option of the Company in whole at a price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, if (i) all Bonds in the Weekly Mode are to be redeemed pursuant to Subsection 310(a) on or before such extraordinary optional redemption date and (ii) all Bonds in the Flexible Mode are to be redeemed pursuant to Subsection 310(a) on or before the later of (A) the first Effective Date for such Bonds after notice of the extraordinary optional redemption is given by the Company pursuant to Subsection 310(b) or (B) such extraordinary optional redemption date and (iii) the redemption occurs within nine (9) months following the occurrence of any of the following events, as evidenced in each case by the filing with

the Trustee of a certificate of a Company Representative that such event has occurred and describing the same:

(i) Damage or destruction to the Station or the Project Facilities to such extent that in the opinion of the Company (expressed in a resolution adopted by the Board of Directors of the Company (a "Board Resolution")) and of an architect or engineer acceptable to the Company (who may be an employee of the Company), both filed with the Authority and the Trustee, (1) the Station or the Project Facilities, as the case may be, cannot be reasonably repaired, rebuilt, or restored within a period of six (6) months to their condition immediately preceding such damage or destruction, or (2) normal operations are thereby prevented from being carried on at the Station for a period of not less than six (6) months.

(ii) Loss of title to or use of a substantial part of the Station or the Project Facilities as a result of the exercise of the power of eminent domain which, in the opinion of the Company (expressed in a Board Resolution) and of an architect or engineer acceptable to the Company (who may be an employee of the Company), both filed with the Authority and the Trustee, prevents or is likely to prevent normal operations from being carried on at the Station for a period of not less than six (6) months.

(iii) A change in the Constitution of the State of New Hampshire or of the United States of America or legislative or executive action (whether local, state, or federal) or a final decree, judgment or order of any court or administrative body (whether local, state, or federal) that causes this Agreement to become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed herein or, imposes unreasonable burdens or excessive liabilities upon the Company with respect to the Station or the Project Facilities or the operation thereof.

(iv) The operation of the Station or the Project Facilities shall have been enjoined or shall otherwise have been prohibited by any order, decree, rule or regulation of any court or of any local, state, or federal regulatory body, administrative agency or other governmental body for a period of not less than six (6) months.

(v) Changes which the Company cannot reasonably control in the economic availability of fuel, materials, supplies, labor, equipment, or other properties or things necessary for the efficient operation of the Station or the Project Facilities shall have occurred which, in the judgment of the Company (expressed in a Board Resolution), render the continued operation of the Station uneconomical.

The Company's right to direct the redemption of the Bonds upon the occurrence of any single event listed in this Subsection 310(b) shall expire six (6) months after such event occurs.

(c) Notice by the Company. The Company shall exercise its option to have Bonds redeemed under Subsection 310(a) or (b) by giving notice to the Trustee, the Authority, the Paying Agent, and the Remarketing Agent at least five (5) days before the redemption date in the case of Bonds in the Flexible Mode, and forty-five (45) days before the redemption date in the case of Bonds in any other Mode.(26)

(d) Payment of Redemption Price and Accrued Interest. Whenever Bonds are called for redemption, the accrued interest thereon shall become due on the redemption date. To the extent not otherwise provided, the Company shall deposit with the Trustee prior to the redemption date a sufficient sum to pay the redemption price of and accrued interest on the Bonds.

(e) Notice of Redemption. When Bonds are to be redeemed, the Paying Agent shall give notice to the Bondowners in the name of the Authority, which notice shall identify the Bonds to be redeemed, state the date fixed for redemption and specify the office of the Paying Agent at which such Bonds will be redeemed. The notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the redemption price thereof, together with interest accrued to the redemption date, and that moneys therefor having been deposited with the Paying Agent, from and after such date, interest thereon shall cease to accrue and that the Bonds or portions thereof called for redemption shall cease to be entitled to any benefit under this Agreement except the right to receive payment of the redemption price. The Paying Agent shall mail the redemption notice the number of days prior to the date fixed for redemption provided in the forms of Bond for the Mode the Bonds are in, to the registered owners of any Bonds which are to be redeemed, at their addresses shown on the registration books maintained by the Paying Agent. Failure to mail notice to a particular Bondowner, or any defect in the notice to such Bondowner, shall not affect the redemption of any other Bond. No notice shall be given of redemption of Bonds in the Flexible Mode, except for such redemption pursuant to Section 405 as and when provided in the forms of Flexible Bonds.(27)

Section 311. Purchase of Bonds Tendered.

(a) Procedure.

(i) Notice. The Remarketing Agent shall give notice to the Paying Agent electronically or by telephone, and if by telephone, promptly confirmed in writing, specifying the principal amount of Tendered Bonds as to which the Remarketing Agent has found purchasers, the amounts the Remarketing Agent has received for the purchase of Tendered Bonds, and any deficiency in amounts available to pay the Purchase Price of Tendered Bonds at or before (A) 1:00 P.M. on each Purchase Date for Tendered Bonds that are to be in the Flexible Mode immediately after the Purchase Date, (B) 3:30 P.M. one (1) Business Day before the Purchase Date for Tendered Bonds that are to be in the Weekly Mode immediately after the Purchase Date, or (C) 2:00 P.M. two (2) Business Days before the Purchase Date for Tendered Bonds that are to be in the Multiannual or Fixed Rate Mode immediately after the Purchase Date. The Remarketing Agent shall give written notice to the Paying Agent of the names, addresses and taxpayer identification numbers of the purchasers and the number and denominations of Bonds to be delivered to each purchaser, and in the case of Bonds that are to be in the Flexible or Multiannual Mode, the current rate and the next scheduled Purchase Date of each such Bond successfully remarketed at or before (A) 1:00 P.M. on each Purchase Date for Tendered Bonds that are to be in the Flexible Mode immediately after the Purchase Date, (B) 3:30 P.M. one (1) Business Day before the Purchase Date for Tendered Bonds to be in the Weekly Mode immediately after the Purchase Date, or (C) 2:00 P.M. two (2) Business Days before the Purchase Date for Tendered Bonds to be in the Multiannual Mode immediately after the Purchase Date.

(ii) Sources of Payments. If the Tendered Bonds are supported by a Credit Facility, the Paying Agent shall draw upon the Credit Facility the amount necessary to purchase the Tendered Bonds for which the Remarketing Agent has not received the Purchase Price not later than (A) 1:30 P.M. on the Purchase Date for Tendered Bonds that are to be in the Flexible Mode immediately after the Purchase Date, or (B) 4:00 P.M. one (1) Business Day before the Purchase Date for Tendered Bonds that are to be in any other Mode immediately after the Purchase Date. In determining the amount necessary to purchase such Tendered Bonds, the Paying Agent shall take into account any amounts drawn under the Credit Facility pursuant to Paragraph 308(c)(i) to pay interest on such Bonds on the Tender Date. If the Tendered Bonds are not supported by a Credit Facility, the Paying Agent shall not later than (A) 1:30 P.M. on the Purchase Date for Tendered Bonds that are to be in the Flexible Mode immediately after the Purchase Date, or (B) 4:00 P.M. one (1) Business Day before the Purchase Date for Tendered Bonds that are to be in any other Mode immediately after the Purchase Date, notify the Company of the amount necessary to purchase the Tendered Bonds for which the Remarketing Agent has not received the Purchase Price, and the Company shall pay the Paying Agent such amount not later than (A) 3:30 P.M. on the Purchase Date in the case of Tendered Bonds that are to be in the Flexible Mode immediately after the Purchase Date, or (B) 10:00 A.M. on the Purchase Date in the case of Tendered Bonds that are to be in any other Mode immediately after the Purchase Date. The Remarketing Agent shall deliver to the Paying Agent all amounts received by the Remarketing Agent as proceeds of the remarketing of Bonds at or before (A) the close of business on the Purchase Date for Tendered Bonds that are to be in the Flexible Mode immediately after the Purchase Date, (B) 2:00 P.M. on the Purchase Date for Tendered Bonds that are to be in the Weekly Mode immediately after the Purchase Date, or (C) 2:00 P.M. on the Purchase Date for Tendered Bonds that are to be in the Multiannual or Fixed Rate Mode immediately after the Purchase Date. If the Bonds are supported by a Credit Facility and the Remarketing Agent does not deliver to the Paying Agent proceeds of remarketing sufficient, together with amounts received from draws under the Credit Facility, to pay in full the Purchase Price of all Bonds due on the Purchase Date, the Paying Agent shall make an additional draw on the Credit Facility pursuant to Paragraph 602(a)(ii) and thereafter the Company shall be liable for the shortfall.

(b) Payments by the Paying Agent. At or before the close of business on the Delivery Date and upon receipt by the Paying Agent of the Purchase Price of the Tendered Bonds that are delivered to it, the Paying Agent shall pay the Purchase Price of the Bonds to the registered owners thereof as provided in the applicable form of Bonds. The Paying Agent shall apply in order, first, moneys paid to it by the Remarketing Agent or by new purchasers of the Bonds tendered as proceeds of the remarketing of such Bonds by the Remarketing Agent, second, but only with respect to Bonds supported by the Credit Facility, moneys drawn on the Credit Facility for the purpose of purchasing Tendered Bonds (including amounts drawn on the Credit Facility to pay accrued interest on the Tendered Bonds), and third, moneys paid to it by the Company. If sufficient funds are not available for the purchase of all Bonds tendered on any Delivery Date, no purchase shall be consummated.

(c) Commencement of New Mode or Rate Period. Whenever Bonds in the Flexible or Multiannual Mode are subject to mandatory tender for purchase on an Effective Date, the new Rate Period for the Bonds (including a new Rate Period in a new Mode) shall commence immediately upon the Bonds becoming subject to mandatory tender for purchase.(28)

Section 312. Remarketing of Bonds Tendered.

(a) General. While the Bonds are in the Flexible, Weekly or

Multiannual Mode, the Remarketing Agent shall solicit offers to purchase and use its best efforts to find a purchaser for Tendered Bonds, Pledged Bonds and Company Bonds, provided that Bonds supported by a Credit Facility shall not be remarketed to the Authority, the Company or "insiders" of either of them as that term is defined in the United States Bankruptcy Code. Any such purchase shall be made by payment of the Purchase Price in immediately available funds (for Bonds to be in the Flexible or Weekly Mode) or in clearinghouse funds (for Bonds to be in the Multiannual Mode) to the Paying Agent at the time specified in Paragraph 311(a)(ii). The Purchase Price shall be equal to the principal amount to be purchased together with the interest accrued on such principal amount to the Purchase Date. By (i) 2:15 P.M., in the case of Bonds that are to be in the Flexible Mode immediately after the Purchase Date, (ii) 2:00 P.M., in the case of Bonds that are to be in the Weekly Mode immediately after the Purchase Date, or (iii) 2:00 P.M., in the case of Bonds that are to be in the Multiannual or Fixed Rate Mode immediately after the Purchase Date, on the Purchase Date, Bonds remarketed under this section shall be made available by the Paying Agent to the purchasers thereof (in the case of Bonds in the Flexible Mode, delivered by the Paying Agent to the Remarketing Agent) and shall be registered in the manner directed by the recipient thereof, provided that such Bonds shall not be delivered unless and until the Paying Agent has received the Purchase Price therefor, except that Bonds in the Flexible Mode may be delivered against a window receipt guaranteeing same day payment in immediately available funds. Bonds not remarketed shall be held by the Paying Agent. Bonds previously purchased with moneys drawn under the Credit Facility shall not be delivered upon remarketing unless the Credit Facility has been reinstated as provided in the following paragraph.

Bonds the Purchase Price of which is paid for with funds drawn on the Credit Facility pursuant to Paragraph 311(a)(ii) shall be registered to the Bank, or its designee, as pledgee, by the Paying Agent (whether or not such Bonds are delivered by the tendering Bondowner) as security for the reimbursement of the Bank for moneys drawn under the Credit Facility and shall be "Pledged Bonds." Bonds the Purchase Price of which is paid for with funds provided by the Company pursuant to Subsection 308(e) or Paragraph 311(a)(ii) shall be registered in the name of the Company by the Paying Agent and shall be "Company Bonds". Company Bonds shall be held by the Paying Agent for the account of the Company until transferred pursuant to this Section 312 or canceled pursuant to instructions of the Company. Any Company Bonds that remain unsold for a period of ninety (90) days (or such longer period as may be approved (under New Hampshire and federal law) in an opinion of Bond Counsel reasonably acceptable to the Trustee) shall be automatically deemed canceled. Upon receipt by the Paying Agent of notice from the Remarketing Agent that a purchaser has been found for Pledged Bonds or Company Bonds held by the Paying Agent, the Paying Agent shall register and deliver such Bonds to such purchaser (at which time such Bonds shall cease to be Pledged Bonds or Company Bonds) upon receipt by the Paying Agent of the Purchase Price of such Bonds, provided, however, that no Pledged Bond or Company Bond shall be so registered and delivered unless the Paying Agent has received from the Bank a written notice of the reinstatement of the principal and interest component of the Credit Facility, or if prior to or simultaneously with such registration or delivery, the amount available to be drawn under the Credit Facility is otherwise less than the amount described in Paragraph 317(b)(ii) determined as if Bonds which are to continue as Pledged Bonds were not Outstanding.(29) If the Paying Agent has received from the Bank a written notice of non-reinstatement of the interest component of the Credit Facility with respect to Bonds in the Flexible Mode and has, therefore, stopped registration and delivery of remarketed Bonds, the Paying Agent may resume the registration and delivery of Bonds upon receipt from the Bank of written notice that the interest component of the Credit Facility has been fully reinstated. The Paying Agent shall immediately notify (subsequently confirmed in writing) the Remarketing Agent whenever (i) it is prohibited from registering and delivering Bonds pursuant to this Agreement and (ii) if the Paying Agent has been so prohibited, upon the restoration of its power hereunder to register and deliver Bonds. Bonds purchased with moneys drawn under the Credit Facility and registered to the Bank or its designee pursuant to the Reimbursement Agreement shall be delivered to and held by the Paying Agent as custodian for the Bank and shall not be subsequently transferred or assigned by the Bank except as provided in this Section 312 and Paragraph 313(a)(iv). No Bonds that are automatically converted to a Flexible Mode with a one day Rate Period after failure of an optional conversion from one Mode to another (or from one Rate Period to another in the Multiannual Mode) shall be remarketed until the Paying Agent notifies the Remarketing Agent (promptly confirmed in writing) that such Bonds are supported by a Credit Facility meeting the requirements of Subsection 317(b).

(b) Remarketing of Bonds in the Weekly Mode Between Notice and Redemption or Conversion Date. No Bonds in the Weekly Mode scheduled to be redeemed or converted to a different Mode may be remarketed under Subsection 312(a) after receipt by the Remarketing Agent of notice of redemption or conversion of such Bonds to a specified Mode from the Company unless the Remarketing Agent, on or before the redemption date or Purchase Date, gives notice to the purchaser that the Bonds will be redeemed or converted, and such purchaser will be required to surrender its Bonds for payment on the

applicable redemption date or to tender its Bonds for mandatory purchase on the applicable Conversion Date, as the case may be.

Section 313. Paying Agent.

(a) Appointment and Responsibilities. The initial Paying Agent shall be Security Pacific National Trust Company (New York). The Paying Agent shall be entitled to the advice of counsel (who may be counsel for any party) and shall not be liable for any action taken in good faith in reliance on such advice. The Paying Agent may rely conclusively on any telephone or written notice, certificate or other document furnished to it under this Agreement and reasonably believed by it to be genuine. The Paying Agent shall not be liable for any action taken or omitted to be taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or taken by it pursuant to any direction or instruction by which it is governed under this Agreement or omitted to be taken by it by reason of the lack of direction or instruction required for such action, or be responsible for the consequences of any error of judgment reasonably made by it. When any payment or other action by the Paying Agent is called for by this Agreement, it may defer such action pending receipt of such evidence, if any, as it may reasonably require in support thereof. A permissive right or power to act shall not be construed as a requirement to act. The Paying Agent shall not in any event be liable for the application or misapplication of funds, or for other acts or defaults, by any person, firm or corporation except by their respective directors, officers, agents and employees. No recourse shall be had by the Company, the Authority, the Trustee or any Bondowner for any claim based on this Agreement or the Bonds against any director, officer, agent or employee of the Paying Agent unless such claim is based upon the bad faith, fraud or deceit of such person. For the purposes of this Agreement matters shall not be considered to be known to the Paying Agent unless they are known to an officer in its corporate trust division. The Paying Agent shall not require indemnification either (i) prior to making a draw under the Credit Facility pursuant to Paragraphs 308(c)(i) or 308(c)(ii), or (ii) prior to making any payment when due of principal, premium or interest on any Bond to be made by the Paying Agent to any Bondowner, except and unless such drawing or payment is prohibited by or violates applicable law or any outstanding or pending court or governmental order or decree.

The Company shall pay to the Paying Agent reasonable compensation for its services and pay or reimburse the Paying Agent for its reasonable expenses and disbursements, including reasonable attorneys' fees hereunder. The Company shall indemnify and save the Paying Agent harmless against any liabilities and reasonable expenses which it may incur in the exercise of its duties hereunder and which are not due to its negligence or bad faith. Any fees, expenses, reimbursements or other charges which the Paying Agent may be entitled to receive from the Company hereunder shall be due and payable 30 days after a request for payment has been made by the Paying Agent to the Company, and any such fees, expenses, reimbursements or other charges not paid when due shall bear interest at the "Base Rate" of the Trustee (or, if none, the nearest equivalent).

The Paying Agent shall act as such and as Bond registrar and transfer agent. The Paying Agent, which may act by means of agents, shall signify its acceptance of the duties and obligations imposed upon it hereunder by its written instrument of acceptance under which the Paying Agent will agree to:

(i) hold all sums delivered to it by the Trustee or paid to it under the Credit Facility for the payment of principal of, premium, if any, and interest on the Bonds uninvested in trust for the benefit of the Bondowners until such sums shall be paid to the Bondowners or otherwise disposed of as herein provided;

(ii) hold all Bonds tendered to it hereunder in trust for the benefit of the respective Bondowners until moneys representing the Purchase Price of such Bonds shall have been delivered to or for the account of or to the order of such Bondowners;

(iii) hold all moneys delivered to it hereunder for the purchase of Bonds (including amounts drawn on the Credit Facility and amounts received from the Company) in trust uninvested for the benefit of the Person that shall have so delivered such moneys until the Bonds purchased with such moneys shall have been delivered to or for the account of such Person;

(iv) hold all Pledged Bonds in trust for the benefit of the Bank until such Pledged Bonds have been remarketed by the Remarketing Agent, purchased by the Company, or redeemed;

(v) hold all Company Bonds in trust for the benefit of the Company until such Company Bonds have been remarketed by the Remarketing Agent, redeemed, or canceled.

(vi) keep such books and records as shall be consistent with industry practice and make such books and records, including the books of registration for the Bonds, available for inspection by the parties hereto and the

Remarketing Agent at all reasonable times;

(vii) promptly report to the Trustee all authentications of Bonds transferred, exchanged or remarketed and any information received by it concerning the names and addresses of Bondowners;

(viii) give all notices required of it in this Agreement at the times and in the manner required by this Agreement and send to the Remarketing Agent copies of all such notices;

(ix) if appointed by the Trustee for such purpose, act as agent of the Trustee for the purpose of executing the Certificate of Authentication on the Bonds; and

(x) take all other actions and perform all other duties and obligations as may be required of it as Paying Agent under this Agreement.

In addition, in its instrument of acceptance the Paying Agent shall assign to the Trustee all of its rights to enforce payment under the Credit Facility after the occurrence of an Event of Default.

(b) Removal or Resignation of Paying Agent. The Company may discharge the Paying Agent from time to time and appoint a successor approved by the Trustee, the Bank and the Remarketing Agent. The Company shall also designate a successor subject to the approval of the Trustee, the Bank and the Remarketing Agent if the Paying Agent resigns or becomes ineligible. The Paying Agent may resign by giving at least sixty (60) days' written notice to the parties hereto and the Remarketing Agent. Each successor Paying Agent shall be a commercial bank or trust company having a capital and surplus of not less than $50,000,000, shall at the time of the appointment be rated at least Baa3/P-3 by Moody's or otherwise be acceptable to Moody's, shall be registered as a transfer agent with the Securities and Exchange Commission, shall have the power to authenticate bonds pursuant to the Act, and shall be capable of performing the duties prescribed for it herein in New York, New York. The Paying Agent may but need not be the same person as the Trustee. The Trustee shall give notice of the appointment of a successor Paying Agent in writing to each Bondowner. The Trustee will promptly certify to the Company that it has mailed such notice to all Bondowners, and such certificate will be conclusive evidence that such notice was given in the manner required hereby.

In the event of the resignation or removal of the Paying Agent, the Paying Agent shall pay over, assign, transfer and deliver the Credit Facility and any moneys and Bonds, including Pledged Bonds and unauthenticated Bonds, held by it and the books of registry maintained by it in such capacity to its successor. No resignation or removal of the Paying Agent shall be effective until a successor has been appointed and has accepted its appointment.

(c) Successors. Any corporation, association, partnership or firm which succeeds to the business of the Paying Agent as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of the Paying Agent under this Agreement and shall be subject to all the duties and obligations of the Paying Agent under this Agreement.

In the event that the Paying Agent shall resign or be removed, or be dissolved, or if the property or affairs of the Paying Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the Company shall not have appointed its successor within thirty (30) days, the Trustee shall appoint a successor.

The Paying Agent shall send or cause to be sent notice to Bondowners of a change of address for the delivery of Bonds or notices or the payment of principal or purchase price of Bonds.

Section 314. Remarketing Agent.

(a) Qualifications and Responsibilities. The Company shall appoint, with the consent of the Authority, and, if a Credit Facility is in effect, the Bank, a Remarketing Agent when any Bonds are in the Flexible Mode, Weekly or Multiannual Mode. The Remarketing Agent shall be authorized by law to perform all of the duties imposed upon it by this Agreement. In addition, the Remarketing Agent shall either (i) have a capitalization of at least $10,000,000 and outstanding securities rated at least Baa 3 (or a substantially equivalent rating) by Moody's if such a requirement is then necessary to the maintenance of any then existing Moody's rating on the Bonds or (ii) have a capitalization of at least $15,000,000 or have a line of credit with a commercial bank in the amount of at least $15,000,000. The Remarketing Agent, which may act by means of agents, shall signify its acceptance of the duties and obligations imposed upon it hereunder by a written agreement with the Company under which the Remarketing Agent will agree, among other things, to:

(i) determine the Flexible, Weekly, Multiannual or Fixed Rate pursuant

to and in accordance with Paragraph 301(d)(i), (e)(i) or (f)(i) or Subsection 301(g) and the forms of Flexible, Weekly, Multiannual and Fixed Rate Bonds;

(ii) give all notices to the Trustee and Paying Agent regarding the determination of interest rates on the Bonds and regarding Tendered Bonds as are required of the Remarketing Agent in this Agreement;

(iii) hold all moneys received hereunder from the remarketing of Tendered Bonds for the benefit of the person or entity which shall have delivered such moneys until the Remarketing Agent shall have transferred such moneys to the Paying Agent as provided in this Agreement;

(iv) keep such books and records with respect to its duties as Remarketing Agent as shall be consistent with prudent industry practice and make such books and records available for inspection by the parties hereto and the Paying Agent at all reasonable times; and

(v) use its best efforts to remarket Bonds in accordance with this Agreement and any remarketing agreement entered into by the Remarketing Agent and the Company.

The Remarketing Agent may enter into custodial agreements with one or more banking or similar institutions for the deposit and holding of the Bonds in order to facilitate the tendering and remarketing of Bonds as provided in this Agreement, provided, however, that in no event shall the Authority, the Trustee or the Paying Agent be responsible or held liable for any action taken or not taken under any such custodial agreement and in no way shall any such custodial agreement relieve or otherwise alter the obligations and responsibilities of the Remarketing Agent set forth in this Agreement.

(b) Removal or Resignation of Remarketing Agent. The Company may remove the Remarketing Agent at any time by written notice to the Remarketing Agent, the Bank and the parties hereto and appoint a successor which meets the qualifications set forth in Subsection 314(a) and which is reputable and experienced in the remarketing of obligations similar to the Bonds. The Company shall appoint a successor with similar qualifications if the Remarketing Agent resigns or becomes ineligible. The Company shall give the Authority, the Bank, the Paying Agent and the Trustee at least two (2) days' notice prior to the appointment of a successor Remarketing Agent. The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Agreement by giving at least thirty (30) days' written notice to the parties hereto and the Bank and the Paying Agent. The Trustee shall give written notice to the Bondowners of any removal or appointment of the Remarketing Agent.

(c) Successors. Any corporation, association, partnership or firm which succeeds to the business of the Remarketing Agent as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of the Remarketing Agent under this Agreement and shall be subject to all the duties and obligations of the Remarketing Agent under this Agreement. In the event that the Remarketing Agent shall resign or be removed, or be dissolved, or if the property or affairs of the Remarketing Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the Company shall not have appointed its successor within thirty (30) days, the Trustee shall apply to a court of competent jurisdiction for such appointment.

Section 315. Investments.

(a) Pending their use under this Agreement, moneys in the Bond Fund may be invested by the Trustee in Permitted Investments (as defined below) maturing or redeemable at the option of the holder at or before the time when such moneys are expected to be needed and shall be so invested pursuant to written direction of the Company if no Default known to the Trustee then exists under this Agreement, provided that the Company shall not request, authorize or permit any investment which would cause any Tax-Exempt Refunding Bonds to be classified as "arbitrage bonds" as defined in IRC Section 148. Any investments pursuant to this subsection shall be held by the Trustee as a part of the Bond Fund and shall be sold or redeemed to the extent necessary to make payments or transfers or anticipated payments or transfers from such Fund.

(b) Any interest realized on investments in the Bond Fund and any profit realized upon the sale or other disposition thereof shall be credited to the Bond Fund and any loss shall be charged thereto.

(c) (1) The term "Permitted Investments" means (i) Government Obligations or shares of a so-called money market or mutual fund that has all of its assets invested in Government Obligations, (ii) tax-exempt bonds as defined in IRC Section 150(a)(6) rated at least AA or Aa by S&P and Moody's, respectively, or the equivalent by any other nationally recognized rating agency at the time of acquisition thereof (and Aa by Moody's if rated by Moody's and AA by S&P if rated by S&P) or shares of a so-called money market or mutual fund that do not constitute "investment property" within the

meaning of IRC Section 148(b)(2), provided either that the fund has all of its assets invested in obligations of such rating quality or, if such obligations are not so rated, that the fund has comparable credit worthiness through insurance or otherwise and which fund is rated AAm or AAm-G if rated by S&P, and rated investment grade by Moody's, if rated by Moody's, or, if unrated, investment in such fund is approved in writing by S&P and Moody's, (iii) certificates of deposit of, banker's acceptances drawn on and accepted by, and interest bearing deposit accounts of, a bank or trust company which has a capital and surplus of not less than $50,000,000 and which has been rated not less than Prime-3 by Moody's, and (iv) Repurchase Agreements. The term "Repurchase Agreement" shall mean a written agreement under which a bank or trust company which has a capital and surplus of not less than $50,000,000 or a government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York sells to, and agrees to repurchase from the Trustee obligations issued by, or the full and timely payment of which is guaranteed by, the United States, provided that the market value of such obligations is at the time of entering into the agreement at least one hundred and three percent (103%) of the repurchase price specified in the agreement and that such obligations are segregated from the unencumbered assets of such bank or trust company or government bond dealer, and provided further that unless the agreement is with a bank or trust company, such agreement shall require the repurchase to occur on demand or on a date certain which is not later than one (1) year after such agreement is entered into and shall expressly authorize the Trustee to liquidate the purchased obligations in the event of the insolvency of the party required to repurchase such obligations or the commencement against such party of a case under the federal Bankruptcy Code or the appointment of or taking possession by a trustee or custodian in a case against such party under the Bankruptcy Code. Any such investments may be purchased from or through the Trustee.

(2) Notwithstanding the immediately preceding paragraph Permitted Investments shall not include the following:

(A) Government Obligations, certificates of deposit and bankers' acceptances, in each case with yields lower than the yield available on comparable obligations then offered by the United States Treasury;

(B) any demand deposit or similar account with a bank, trust company or broker, unless (i) the account is used for holding funds for a short period of time until such funds are reinvested or spent, and (ii) such account will not contain an average daily balance for any bond year (selected by the Company pursuant to Temp. Treas. Reg. Section 1.148-8T(b)(2) or any successor thereto) in excess of $20,000 (disregarding the 20 days with the largest account balances); or

(C) Repurchase Agreements, unless (i) at least three (3) bids are obtained on the proposed Repurchase Agreement from persons other than those with an interest in the Bonds, (ii) the yield on the Repurchase Agreement is at least equal to the yield offered by the highest bidder, and (iii) a written record of the yield offered by each bidder is maintained.

Any of the requirements of this paragraph (2) shall not apply to moneys allocable to Bonds as to which the Trustee and the Authority shall have received an opinion of nationally recognized bond counsel to the effect that such requirements are not necessary to preserve the exclusion of interest on any Tax-Exempt Refunding Bonds from the gross income of the owner thereof for federal income tax purposes.

Section 316. Reduction of Credit Facility on Change in Mode; Release of Credit Facility upon Conversion to Multiannual or Fixed Rate Mode.

If Bonds are converted from one Mode to another Mode for which the Paying Agent is required to be entitled to draw under the Credit Facility a reduced number of days' interest, as described in Paragraph 317(b)(ii), the Paying Agent may reduce the amount available to be drawn under the Credit Facility upon such conversion in accordance with the Credit Facility.

If no Credit Facility is to be in effect for the Bonds as converted to the Multiannual or Fixed Rate Mode, the Paying Agent shall reduce (or if all the Bonds are so converted, release) the Credit Facility upon such conversion so that the Credit Facility, if any, in effect satisfies the requirements described in Paragraph 317(b)(ii).

In no event shall any reduction in or release of the Credit Facility pursuant to this Section 316 take effect until five (5) Business Days after the conversion.

Section 317. Credit Facilities.

(a) Substitution or Replacement. Upon satisfaction of the requirements set forth in this Section 317 and subject to the last sentence of this Subsection 317(a), the Company may (except during the period between the giving of notice of mandatory tender for purchase on account of the

expiration of the Credit Facility and the Purchase Date) replace a Credit Facility then in effect with a substitute Credit Facility; provided, however, that (1) the Credit Facility being replaced shall in no event be terminated or released until the Company has given not less than forty-five (45) days' written notice to the Trustee, the Paying Agent and the Remarketing Agent, and the Paying Agent has received the proceeds of all outstanding drawings on the Credit Facility being replaced, (2) if any Bonds supported by the Credit Facility being replaced are in the Weekly Mode, the Paying Agent has given not less than thirty (30) days' written notice of the termination or release of the Credit Facility to owners of such Bonds in the Weekly Mode and (3) if any of the Bonds supported by the Credit Facility being replaced are in the Flexible Mode or the Multiannual Mode, such Credit Facility shall in no event be terminated or released earlier than on an Effective Date for all such Bonds.

Prior to the replacement of any Credit Facility the Company shall have delivered to the Trustee and the Paying Agent: (i) an opinion of counsel for the issuer of the substitute Credit Facility to the effect that it constitutes a legal, valid and binding obligation of the issuer enforceable in accordance with its terms; (ii) a certificate of the Bank that all amounts due under the Reimbursement Agreement have been paid and that the Company has fulfilled all its obligations arising out of such Agreement; and (iii) unless all of the Bonds to be supported by the substitute Credit Facility are in the Weekly Mode or are subject to mandatory tender for purchase on the date of replacement, written evidence from Moody's, if such Bonds are then rated by Moody's, and from S&P, if such Bonds are then rated by S&P, that the replacement of the Credit Facility will not in itself result in the reduction or withdrawal of the rating on the Bonds. Notice of the substitution or replacement of a Credit Facility shall be sent by the Trustee to Moody's and S&P.(30)

(b) Requirements. Each Credit Facility must:

(i) be an irrevocable, unconditional obligation of a financial institution;

(ii) be on terms no less favorable to the Paying Agent than the Letter of Credit and entitle the Paying Agent to draw upon or demand payment and receive in immediately available funds an amount equal to the sum of the principal amount of the Bonds supported by the Credit Facility, any premium applicable thereto, and (A) forty-five (45) days' accrued interest at the Maximum Interest Rate on the principal amount of such Bonds then Outstanding in the Weekly Mode, (B) thirty-eight (38) days' accrued interest at the Maximum Interest Rate on the principal amount of such Bonds then Outstanding in the Flexible Mode or (C) one hundred ninety (190) days' accrued interest at the Maximum Interest Rate on the principal amount of such Bonds then Outstanding in the Multiannual Mode; and

(iii) provide for a term which may not expire in less than 364 days(31) and which may not expire or be terminated prior to the fifth Business Day after the mandatory tender for purchase as provided in Paragraph 301(d)(iii), 301(e)(iv), or 301(f)(iii). The Company shall not enter into any Reimbursement Agreement or agree to any amendment of a Reimbursement Agreement which in any way limits the obligation of the Bank to provide funds under the Credit Facility without the prior written consent of 100% of the principal amount of the Bonds Outstanding and entitled to the benefit thereof.

Section 318. Tax Status of Bonds.

The Company will perform its obligations and agreements contained in the Federal Tax Statement as if they were set forth herein. All representations of the Company in the Federal Tax Statement shall be treated as if they were set forth herein. Any covenants, agreements or representations made by the Company or any transferee of the Project Facilities in connection with such a transfer shall be performed and treated as if set forth herein. The Authority will cooperate with the Bondowners and the Company to the extent deemed necessary or permitted by law in the opinion of bond counsel to the Authority in order to preserve the exclusion of interest on the Tax-Exempt Refunding Bonds from the gross income of the owners thereof for federal income tax purposes. If no Tax-Exempt Refunding Bonds are outstanding, the Company may waive the application of this Section 318 to itself (or any successors hereunder or as owner of the Project Facilities) and the Authority by written notice to the Authority and the Trustee that the Company will not request the Authority to issue any Tax-Exempt Refunding Bonds.

Section 319. Securities Laws.

Notwithstanding any other provision of this Agreement, the Purchase Price, principal of, premium, if any, and interest on the 1991 Series E Bonds shall at all times be supported by a Credit Facility issued by a national bank, or any banking institution organized under the laws of any state, territory or the District of Columbia, the business of which is substantially confined to banking and is supervised by the State or territorial banking commission or similar official, unless the Company delivers to the Trustee an

opinion of counsel expert in securities law matters to the effect that failure to provide such a Credit Facility will not cause the offering, sale or delivery of any 1991 Series E Bonds to constitute a violation of the registration requirements of the Securities Act of 1933, as amended, or qualification requirements with respect to this Agreement under the Trust Indenture Act of 1939, as amended. In any remarketing of Bonds under this Agreement, the Company shall at all times comply with applicable federal and state securities laws.

Section 320. Registration of Bonds (except the 1993 Series E Bonds) in the Book-Entry Only System.(32)

(a) Notwithstanding any provision of this Agreement to the contrary, the provisions of this Section 320 shall apply with respect to any Bonds (except the 1993 Series E Bonds) registered to CEDE & CO. or any other nominee of The Depository Trust Company ("DTC") while the Book-Entry Only System (meaning the system of registration described in this Section 320) is in effect. The Book-Entry Only System shall be in effect for any series of Bonds or portion thereof issued in or converted to any Mode or Rate Period within the Multiannual Mode if so specified by the Company prior to the issuance in or conversion to that Mode or Rate Period, subject to the provisions below concerning termination of the Book-Entry Only System. Until it revokes such specification in its discretion, the Company hereby specifies that the Book-Entry Only System shall be in effect while the 1991 Series E Bonds are in Flexible Mode. Notwithstanding any provision of this Section 320 to the contrary, the provisions of this Section 320 shall not apply to the 1993 Series E Bonds, which are subject to the Book-Entry Only System described in Section 321.

(b) The Bonds in or to be in the Book-Entry Only System shall be issued in the form of a separate single authenticated fully registered Bond for each separate Mode or Rate Period. Any legend required to be on the Bonds by DTC may be added by the Trustee or Paying Agent. The form of Book-Entry Only System 1991 Series E Bond in the Flexible Mode is attached hereto as Exhibit K. On the date of original delivery thereof or date of conversion of any Bonds to a Mode or Rate Period in which the Book-Entry Only System is in effect, as applicable, such Bonds shall be registered in the registry books of the Paying Agent in the name of CEDE & CO., as nominee of The Depository Trust Company as agent for the Authority in maintaining the Book-Entry Only System. With respect to Bonds registered in the registry books kept by the Paying Agent in the name of CEDE & CO., as nominee of DTC, the Authority, the Paying Agent, the Company, the Remarketing Agent and the Trustee shall have no responsibility or obligation to any Participant (which means securities brokers and dealers, banks, trust companies, clearing corporations and various other entities, some of whom or their representatives own DTC) or to any Beneficial Owner (which means, when used with reference to the Book-Entry Only System, the person who is considered the beneficial owner of the Bonds pursuant to the arrangements for book entry determination of ownership applicable to DTC) with respect to the following: (A) the accuracy of the records of DTC, CEDE & CO. or any Participant with respect to any ownership interest in the Bonds, (B) the delivery to or from any Participant, any Beneficial Owner or any other person, other than DTC, of any notice with respect to the Bonds, including any notice of redemption or tender (whether mandatory or optional), or (C) the payment to any Participant, any Beneficial Owner or any other person, other than DTC, of any amount with respect to the principal or premium, if any, or interest on the Bonds. The Paying Agent shall pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of DTC, and all such payments shall be valid and effective fully to satisfy and discharge the Authority's obligations with respect to the principal of and premium, if any, and interest on Bonds to the extent of the sum or sums so paid. No person other than DTC shall be entitled to receive an authenticated Bond evidencing the obligation of the Authority to make payments of principal and premium, if any, and interest pursuant to this Agreement. Upon delivery by DTC to the Paying Agent of written notice to the effect that DTC has determined to substitute a new nominee in place of CEDE & CO., the words "CEDE & CO." in this Agreement shall refer to such new nominee of DTC.

(c) Upon receipt by the Trustee or the Paying Agent of written notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities with respect to any Bonds, the Authority shall issue and the Paying Agent shall transfer and exchange such Bonds as requested by DTC in appropriate amounts and in authorized denominations, and whenever DTC requests the Authority, the Paying Agent and the Trustee to do so, the Trustee, the Paying Agent and the Authority will, at the expense of the Company, cooperate with DTC in taking appropriate action after reasonable notice (A) to arrange for a substitute bond depository willing and able upon reasonable and customary terms to maintain custody of such Bonds or (B) to make available for transfer and exchange such Bonds registered in whatever name or names and in whatever authorized denominations as DTC shall designate.

(d) In the event the Company determines that the Beneficial Owners of any Bonds in the Book-Entry Only System should be able to obtain Bond certificates, the Company may so notify DTC, the Paying Agent and the

Trustee, whereupon DTC will notify the Participants of the availability through DTC of such Bond certificates. In such event, the Authority shall issue and the Paying Agent shall transfer and exchange Bond certificates as requested by DTC in appropriate amounts and in authorized denominations. Whenever DTC requests the Paying Agent to do so, the Paying Agent will cooperate with DTC in taking appropriate action after reasonable notice to make available for transfer and exchange Bonds registered in whatever name or names and in whatever authorized denominations as DTC shall designate.

(e) Notwithstanding any other provision of this Agreement to the contrary, so long as any 1991 Series E Bond is registered in the name of CEDE & CO., as nominee of DTC, all payments with respect to the principal of, Purchase Price, premium, if any, and interest on such 1991 Series E Bond and all notices with respect to such 1991 Series E Bond shall be made and given, respectively, to DTC as provided in the Letter of Representation (the "Representation Letter"), the form of which is included as Exhibit L attached hereto. The form of such Representation Letter may be modified or replaced in a manner consistent with the provisions of this Agreement upon conversion or reconversion of the 1991 Series E Bonds to a Mode or Rate Period in which the Book-Entry Only System is in effect.

(f) Notwithstanding any provision in Subsection 301(h) or Section 310 to the contrary, so long as any of the Bonds outstanding are held in the Book-Entry Only System, if less than all of such Bonds are to be converted or redeemed upon any conversion or redemption of Bonds hereunder, the particular Bonds or portions of Bonds to be converted or redeemed shall be selected by DTC in such manner as DTC may determine.

(g) So long as the Book-Entry Only System is in effect, a Beneficial Owner who elects to have its Bonds purchased or tendered pursuant to this Agreement shall effect delivery by causing a Participant to transfer the Beneficial Owner's interest in the Bonds pursuant to the Book-Entry Only System. The requirement for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred in accordance with the Book-Entry Only System.

(h) So long as the Book-Entry Only System is in effect, the Remarketing Agent shall communicate to DTC information concerning the purchasers of Tendered Bonds as may be necessary or appropriate, and, notwithstanding any provision in the Representation Letter to the contrary, the Remarketing Agent shall continue to remit to the Paying Agent interest rate determination information pursuant to the terms of this Agreement.

Section 321. Registration of 1993 Series E Bonds in the Book-Entry Only System.(33)

(a) Notwithstanding any provision herein to the contrary, the provisions of this Subsection 321 and the 1993 Series E Bonds Representation Letter (as defined below) shall apply with respect to any 1993 Series E Bond registered to CEDE & CO. or any other nominee of The Depository Trust Company ("DTC") while the Book-Entry Only System (meaning the system of registration described in Section 321) is in effect. The Book-Entry Only System shall be in effect for any Mode or Rate Period within the Multiannual Mode if so specified by the Company prior to conversion to that Mode or Rate Period, subject to the provisions below concerning termination of the Book-Entry Only System. Until it revokes such specification in its discretion, the Company hereby specifies that the Book-Entry Only System shall be in effect while the 1993 Series E Bonds are in Weekly, Multiannual and Fixed Rate Modes.

(b) The 1993 Series E Bonds in or to be in the Book-Entry Only System shall be issued in the form of a separate single authenticated fully registered 1993 Series E Bond for each separate Mode or Rate Period in substantially the forms provided for in Section 301. Any legend required to be on the Bonds by DTC may be added by the Trustee or Paying Agent. On the date of original delivery thereof or date of conversion of the 1993 Series E Bonds to a Mode or Rate Period in which the Book-Entry Only System is in effect, as applicable, the 1993 Series E Bonds shall be registered in the registry books of the Paying Agent in the name of CEDE & CO., as nominee of The Depository Trust Company as agent for the Authority in maintaining the Book-Entry Only System. With respect to 1993 Series E Bonds registered in the registry books kept by the Paying Agent in the name of CEDE & CO., as nominee of DTC, the Authority, the Paying Agent, the Company, the Remarketing Agent and the Trustee shall have no responsibility or obligation to any Participant (which means securities brokers and dealers, banks, trust companies, clearing corporations and various other entities, some of whom or their representatives own DTC) or to any Beneficial Owner (which means, when used with reference to the Book-Entry Only System, the person who is considered the beneficial owner of the 1993 Series E Bonds pursuant to the arrangements for book entry determination of ownership applicable to DTC) with respect to the following: (A) the accuracy of the records of DTC, CEDE & CO. or any Participant with respect to any ownership interest in the 1993 Series E Bonds, (B) the delivery to or from any Participant, any Beneficial Owner or any other person, other than DTC, of any notice with respect to the 1993 Series E Bonds, including any notice of redemption or tender (whether

mandatory or optional), or (C) the payment to any Participant, any Beneficial Owner or any other person, other than DTC, of any amount with respect to the principal or premium, if any, or interest on the 1993 Series E Bonds. The Paying Agent shall pay all principal of and premium, if any, and interest on the 1993 Series E Bonds only to or upon the order of DTC, and all such payments shall be valid and effective fully to satisfy and discharge the Authority's obligations with respect to the principal of and premium, if any, and interest on 1993 Series E Bonds to the extent of the sum or sums so paid. No person other than DTC shall be entitled to receive an authenticated 1993 Series E Bond evidencing the obligation of the Authority to make payments of principal and premium, if any, and interest pursuant to this Agreement. Upon delivery by DTC to the Paying Agent of written notice to the effect that DTC has determined to substitute a new nominee in place of CEDE & CO., the words "CEDE & CO." in this Agreement shall refer to such new nominee of DTC.

(c) Upon receipt by the Trustee or the Paying Agent of written notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities, the Authority shall issue and the Paying Agent shall transfer and exchange 1993 Series E Bonds as requested by DTC in appropriate amounts and in authorized denominations, and whenever DTC requests the Authority, the Paying Agent and the Trustee to do so, the Trustee, the Paying Agent and the Authority will, at the expense of the Company, cooperate with DTC in taking appropriate action after reasonable notice (A) to arrange for a substitute bond depository willing and able upon reasonable and customary terms to maintain custody of the 1993 Series E Bonds or (B) to make available for transfer and exchange 1993 Series E Bonds registered in whatever name or names and in whatever authorized denominations as DTC shall designate.

(d) In the event the Company determines that the Beneficial Owners should be able to obtain 1993 Series E Bond certificates, the Company may so notify DTC, the Paying Agent and the Trustee, whereupon DTC will notify the Participants of the availability through DTC of 1993 Series E Bond certificates. In such event, the Authority shall issue and the Paying Agent shall transfer and exchange 1993 Series E Bond certificates as requested by DTC in appropriate amounts and in authorized denominations. Whenever DTC requests the Paying Agent to do so, the Paying Agent will cooperate with DTC in taking appropriate action after reasonable notice to make available for transfer and exchange 1993 Series E Bonds registered in whatever name or names and in whatever authorized denominations as DTC shall designate.

(e) Notwithstanding any other provision of this Agreement to the contrary, so long as any 1993 Series E Bond is registered in the name of CEDE & CO., as nominee of DTC, all payments with respect to the principal of, Purchase Price, premium, if any, and interest on such 1993 Series E Bond and all notices with respect to such 1993 Series E Bond shall be made and given, respectively, to DTC as provided in the Letter of Representation (the "1993 Series E Bonds Representation Letter"), the form of which is included as Exhibit M attached hereto. The form of such 1993 Series E Bonds Representation Letter may be modified in a manner consistent with the provisions of this Agreement upon conversion or reconversion of the 1993 Series E Bonds to a Mode or Rate Period in which the Book-Entry Only System is in effect.

(f) Notwithstanding any provision in Subsection 301(h) or Section 310 of this Agreement to the contrary, so long as any of the 1993 Series E Bonds outstanding are held in the Book-Entry Only System, if less than all of such 1993 Series E Bonds are to be converted or redeemed upon any conversion or redemption of 1993 Series E Bonds hereunder, the particular 1993 Series E Bonds or portions of 1993 Series E Bonds to be converted or redeemed shall be selected by DTC in such manner as DTC may determine.

(g) So long as the Book-Entry Only System is in effect, a Beneficial Owner who elects to have its 1993 Series E Bonds purchased or tendered pursuant to this Agreement shall effect delivery by causing a Participant to transfer the Beneficial Owner's interest in the 1993 Series E Bonds pursuant to the Book-Entry Only System. The requirement for physical delivery of 1993 Series E Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the 1993 Series E Bonds are transferred in accordance with the Book-Entry Only System.

(h) So long as the Book-Entry Only System is in effect, the Remarketing Agent shall communicate to DTC information concerning the purchasers of Tendered Bonds as may be necessary or appropriate, and, notwithstanding any provision in the 1993 Series E Bonds Representation Letter to the contrary, the Remarketing Agent shall continue to remit to the Paying Agent interest rate determination information pursuant to the terms of this Agreement.

ARTICLE IV: TAX-EXEMPT REFUNDING BONDS

Section 401. Issuance of Tax-Exempt Refunding Bonds.

Unless the Company has delivered the written notice described in Sections 318 and 502 that it will not request the Authority to issue Tax-Exempt Refunding Bonds, the Authority may from time to time at the request of the Company issue and sell Tax-Exempt Refunding Bonds to refund

all or any portion of the 1991 Series E Bonds, subject to the requirements of the Act and the requirements of this Article IV. Such Tax-Exempt Refunding Bonds shall have substantially the same terms as the 1991 Series E Bonds, but with such changes as provided in Section 403. A series of Tax-Exempt Refunding Bonds may be initially issued in any Mode or Modes designated by the Company and approved by the Authority prior to their delivery. All Tax-Exempt Refunding Bonds shall be of the same rank and shall be entitled to the same security, including the Series G First Mortgage Bonds, as the 1991 Series E Bonds. Each of the series of Tax-Exempt Refunding Bonds shall mature on the date, be subject to optional redemption pursuant to Section 310(a) at the times and at the prices, and shall initially bear interest at such rate or rates as determined by the Company and approved by the Authority. Each series of Tax-Exempt Refunding Bonds shall be issued in fully registered form and shall be numbered from 1 upwards in the order of their issuance, or in any other manner deemed appropriate by the Paying Agent and the Trustee. Tax-Exempt Refunding Bonds shall be in the denomination of $5,000 each or any multiple thereof in the Fixed Rate or Multiannual Mode, $100,000 or any multiple thereof in the Weekly Mode and $100,000 or any multiple of $1,000 in excess of $100,000 in the Flexible Mode. Each series of Tax-Exempt Refunding Bonds shall be dated the date of original delivery thereof. The interest on Tax-Exempt Refunding Bonds until they come due shall be payable on the interest payment dates applicable to the Mode of Bonds are in from time to time.

Section 402. Execution and Delivery of the Tax-Exempt Refunding Bonds.

Each Tax-Exempt Refunding Bond shall be signed on behalf of the Authority by the manual or facsimile signatures of any two of the Chairman, Vice Chairman, Treasurer, either Assistant Treasurer and Executive Director and the corporate seal of the Authority or a facsimile thereof shall be engraved or otherwise reproduced thereon. The Certificate of Authentication shall be manually signed by the Trustee or on behalf of the Trustee by its duly authorized agent for such purpose.

In case any officer whose manual or facsimile signature shall appear on the Tax-Exempt Refunding Bond shall cease to be such officer before the delivery thereof, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if he or she had remained in office until after such delivery.

The Trustee or its duly authorized agent for such purpose shall not authenticate and deliver any series of Tax-Exempt Refunding Bonds until the Trustee has received the following:

(1) A certificate signed by a Company Representative designating the intended Mode or Modes, the maturity date, the optional redemption dates and prices under Subsection 310(a), and the initial interest rate or rates, with respect to the Tax-Exempt Refunding Bonds;

(2) A certificate signed by an officer of the Authority approving the terms of the Tax-Exempt Refunding Bonds designated by the Company in the certificate described in Paragraph (1);

(3) A copy, certified by the Executive Director of the Authority, of the resolution of the Authority authorizing the issuance of the Tax-Exempt Refunding Bonds;

(4) A copy, certified by the Secretary or Assistant Secretary of State of New Hampshire, of the resolution adopted by the Governor and Council of New Hampshire pursuant to Section 9 of the Act with respect to the Tax-Exempt Refunding Bonds;

(5) An originally executed copy of any supplemental Agreement entered into by the parties hereto in connection with the issuance of the Bonds of that series;

(6) A certificate of a Company Representative (A) stating that no Default (in reliance upon a certificate of the Trustee as to such matters as the Company shall reasonably request) hereunder has occurred and is continuing, (B) designating the 1991 Series E Bonds to be refunded (the "Refunded Bonds"), (C) that the Refunded Bonds will no longer be Outstanding upon the issuance of the Tax-Exempt Refunding Bonds, (D) that the Series G First Mortgage Bonds evidence and secure the Company's obligation to pay the Tax-Exempt Refunding Bonds and (E) that the Series G First Mortgage Bonds have maturities, interest rates, interest and principal payments and prepayment or redemption provisions and other terms properly corresponding to the terms of the Tax-Exempt Refunding Bonds and any other Bonds the payment of which they evidence and secure;

(7) An opinion or opinions of Bond Counsel reasonably satisfactory to the Trustee that:

(i) the Tax-Exempt Refunding Bonds may be issued under the Act and this Agreement,

(ii) the Tax-Exempt Refunding Bonds have been validly authorized and executed and, when authenticated and delivered pursuant to the request of the Authority, will be valid and binding obligations of the Authority entitled to the benefit of the trust created hereby,

(iii) any supplemental agreement entered into by the Authority in connection with the issuance of the Tax-Exempt Refunding Bonds has been duly authorized, executed and delivered by the Authority, is a valid and binding obligation of the Authority and is enforceable against the Authority in accordance with its terms subject to principles of equity and to applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting creditors' rights generally,

(iv) all necessary consents or approvals of government authorities required in connection with the issue of the Tax-Exempt Refunding Bonds by the Authority have been obtained, and

(v) interest on the Tax-Exempt Refunding Bonds will be excluded from gross income of the owners thereof for federal income tax purposes; and

(8) An opinion of counsel reasonably satisfactory to the Trustee, who may be counsel to the Company, that:

(i) the Series G First Mortgage Bonds evidencing and securing the Company's obligation to pay the Tax-Exempt Refunding Bonds have been duly issued under the First Mortgage Bond Indenture and are valid and binding obligations of the Company entitled to the benefits and security of the First Mortgage Bond Indenture; and

(ii) any supplemental agreement entered into by the Company in connection with the issuance of the Tax-Exempt Refunding Bonds has been duly authorized, executed and delivered by the Company, is a valid and binding obligation of the Company, and is enforceable against the Company in accordance with its terms subject to principles of equity and to applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting creditors' rights generally.

(9) The Trustee or its duly authorized agent for such purpose shall not authenticate and deliver any series of Tax-Exempt Refunding Bonds unless immediately after the delivery of such Bonds there is in effect a Credit Facility meeting the requirements of Subsection 317(b) supporting all of the Bonds required to be supported by a Credit Facility pursuant to this Agreement.

Section 403. Form of Tax-Exempt Refunding Bonds.

(a) General. Each series of Tax-Exempt Refunding Bonds shall bear substantially the designation "Pollution Control Refunding Revenue Bonds (Public Service Company of New Hampshire Project - [Year] Tax-Exempt Series [Letter])." Tax-Exempt Refunding Bonds shall be in substantially the same form as the 1991 Series E Bonds, but with such additions or deletions as described herein or as otherwise may be appropriate.

(b) Redemption Upon Taxability. In each Tax-Exempt Refunding Bond, there shall be inserted the following:

The Tax-Exempt Refunding Bonds are subject to mandatory redemption at any time at a redemption price of 100% of the principal amount of the Tax-Exempt Refunding Bonds so redeemed plus accrued interest in the event (i) the Company delivers to the Trustee an opinion of nationally recognized bond counsel selected by the Company and reasonably satisfactory to the Trustee ("Bond Counsel") stating that interest on the Tax-Exempt Refunding Bonds is or will become includable in gross income of the owners thereof for federal income tax purposes, or (ii) it is finally determined by the Internal Revenue Service or a court of competent jurisdiction, as a result of (A) a proceeding in which the Company has participated or been given notice and an opportunity to participate, and, (B) either (1) a failure by the Company (or the Seabrook Transferee as defined in the Agreement) to observe any covenant or agreement undertaken in or pursuant to the Agreement, or the inaccuracy of any representation made by the Company (or the Seabrook Transferee) in or pursuant to the Agreement, or (2) the Seabrook Transfer (as defined in the Agreement), that interest payable on the Tax-Exempt Refunding Bonds is includable for federal income tax purposes in the gross income of any owner thereof (other than an owner which is a "substantial user" or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986). Any determination under clause (ii) above will not be considered final for this purpose until the earliest of the conclusion of any appellate review, the denial of appellate review or the expiration of the period for seeking appellate review. Redemption under this paragraph shall be in whole unless not less than forty-five (45) days prior to the redemption date the Company delivers to the Trustee an opinion of Bond Counsel reasonably satisfactory to the Trustee to the effect that a redemption of less than all of the Tax-Exempt Refunding Bonds will preserve the tax-exempt status of interest on the remaining Tax-Exempt Refunding Bonds outstanding subsequent to such redemption. Except as provided in the next sentence, any such

redemption shall be made on the 90th day after the date on which the opinion described in clause (i) is delivered or the determination described in clause (ii) becomes final or on such earlier date as the Company may designate by notice given to the Trustee at least forty-five (45) days prior to such designated date. Any Tax-Exempt Refunding Bond in the Flexible Mode that has a Purchase Date prior to the redemption date established for that Bond pursuant to the preceding sentence shall be redeemed on that Purchase Date. If such redemption shall occur in accordance with the terms of the Agreement, then such failure by the Company (or the Seabrook Transferee as described above) to observe such covenant or agreement, or the inaccuracy of any such representation will not, in and of itself, constitute a default thereunder.

If the Trustee receives written notice from any Bondowner stating that (i) such Bondowner has been notified in writing by the Internal Revenue Service that it proposes to include the interest on the Tax-Exempt Refunding Bonds in the gross income of such owner for federal income tax purposes, or any other proceeding has been instituted against such owner which may lead to a like determination, and (ii) such owner will afford the Company the opportunity to participate at its own expense in the proceeding, either directly or in the name of such owner, until the conclusion of any appellate review, and the Trustee has examined such written notice and it appears to be accurate on its face, then the Trustee shall promptly give notice thereof to the Company, the Authority, and each Bondowner whose Bonds may be affected. The Trustee shall thereafter keep itself reasonably informed of the progress of any administrative proceedings or litigation relating to such notice. Under the Agreement the Company is required to give the Trustee written notice of such a final determination within forty-five (45) days of such final determination.

The foregoing two paragraphs shall be inserted immediately before the paragraph describing the manner of selection of Bonds for redemption in the forms of Weekly, Multiannual and Fixed Rate Bonds and immediately after the paragraph describing the manner of payment of the Bonds in the forms of Flexible Bonds. In addition, immediately after the foregoing additional paragraphs in the forms of Flexible Bond there shall be added the following:

If the Purchase Date of this bond is after the redemption date, notice of redemption of this bond will be given by first class mail, postage prepaid, not more than forty-five (45) nor less than thirty (30) days prior to the redemption date to the REGISTERED OWNER at its registered address. Failure to mail notice to the owner of any other Bond or any defect in the notice to such other owner shall not affect the redemption of this bond.

(c) Day Counting. While Tax-Exempt Refunding Bonds are in the Flexible Mode interest shall be computed on the basis of actual days elapsed divided by 365 or 366 as appropriate, and each Tax-Exempt Refunding Bond in the Flexible Mode shall so state. Tax-Exempt Refunding Bonds in any other Mode shall have interest computed on the basis described in the applicable form of Bonds.

Section 404. Conversion.(34)

No conversion of Tax-Exempt Refunding Bonds from one Mode to another Mode, including for this purpose the conversion to a new Rate Period in the Multiannual Mode, shall be effective unless on or prior to the Conversion Date the Company shall provide the Authority and the Trustee with an opinion of Bond Counsel reasonably satisfactory to the Trustee to the effect that the conversion will not affect the exclusion of interest on the Tax-Exempt Refunding Bonds from gross income for federal income tax purposes.

Section 405. Mandatory Taxability Redemption.

The Outstanding Tax-Exempt Refunding Bonds are subject to mandatory redemption at any time at a redemption price of 100% of the principal amount of the Bonds so redeemed plus accrued interest in the event (i) the Company delivers to the Trustee an opinion of Bond Counsel stating that interest on the Tax-Exempt Refunding Bonds is or will become includable in gross income of the owners thereof for federal income tax purposes, or (ii) it is finally determined by the Internal Revenue Service or a court of competent jurisdiction, as a result of (A) a proceeding in which the Company has participated or been given notice and an opportunity to participate, and, (B) either (1) a failure by the Company (or the Seabrook Transferee) to observe any covenant or agreement undertaken in or pursuant to this Agreement, or the inaccuracy of any representation made by the Company (or the Seabrook Transferee) in or pursuant to this Agreement, or (2) the Seabrook Transfer, that interest payable on the Bonds is includable for federal income tax purposes in the gross income of any owner thereof (other than an owner which is a "substantial user" or a "related person" within the meaning of IRC Section 147(a)). Any determination under clause (ii) above will not be considered final for this purpose until the earliest of the conclusion of any appellate review, the denial of appellate review or the expiration of the period for seeking appellate review. Redemption under this Section 405 shall be in whole unless not later than forty-five (45) days prior to the redemption date the Company delivers to the Trustee an opinion of Bond Counsel to the effect that a redemption of less than all of the Tax-Exempt

Refunding Bonds will preserve the tax-exempt status of interest on the remaining Tax-Exempt Refunding Bonds outstanding subsequent to such redemption. Except as provided in the next sentence, any redemption under this Section 405 shall be made on the 90th day after the date on which the opinion described in clause (i) is delivered or the determination described in clause (ii) becomes final or on such earlier date as the Company may designate by notice given to the Trustee at least forty-five (45) days prior to such designated date. Any Tax-Exempt Refunding Bond in the Flexible Mode that has a Purchase Date prior to the redemption date established for that Bond pursuant to the preceding sentence shall be redeemed on that Purchase Date. If such redemption shall occur in accordance with the terms of this Agreement, then such failure by the Company (or the Seabrook Transferee) to observe such covenant or agreement, or the inaccuracy of any such representations will not, in and of itself, constitute a Default hereunder.

If the Trustee receives written notice from any Bondowner stating that (I) such Bondowner has been notified in writing by the Internal Revenue Service that it proposes to include the interest on the Tax-Exempt Refunding Bonds in the gross income of such owner for federal income tax purposes, or any other proceeding has been instituted against such owner which may lead to a like determination, and (II) such owner will afford the Company the opportunity to participate at its own expense in the proceeding, either directly or in the name of such owner, until the conclusion of any appellate review, and the Trustee has examined such written notice and it appears to be accurate on its face, then the Trustee shall promptly give notice thereof to the Company, the Authority, and each Bondowner whose Tax-Exempt Refunding Bonds may be affected. The Trustee shall thereafter keep itself reasonably informed of the progress of any administrative proceedings or litigation relating to such notice.

The Company shall keep the Trustee informed of the progress of any proceeding referred to in subclause (ii)(A) of the first paragraph of this Section 405 and shall give written notice to the Trustee within forty-five (45) days after it has actual knowledge of a final determination as described in clause (ii) of the first paragraph of this Section 405. At least forty (40) days prior to any redemption pursuant to this Section 405, the Trustee shall notify the Paying Agent of the redemption date and the principal amount of Tax-Exempt Refunding Bonds to be redeemed.(35)

Section 406. Additional Limitations on Conversions of 1993 Series E Bonds to New Modes.(36)

(a) Conversions to Multiannual Mode. 1993 Series E Bonds converted to the Multiannual Mode shall not be supported by a Credit Facility.

(b) Conversions from Multiannual Mode to Flexible or Weekly Mode. Any Bank issuing a Credit Facility in connection with a conversion of 1993 Series E Bonds from the Multiannual Mode to the Flexible or Weekly Mode shall have a long-term corporate debt rating of Aa from Moody's or AA from S&P, or their equivalent.

Section 407. Tax Status of 1993 Series E Bonds.(37)

The Company will perform its obligations and agreements contained in the First Supplemental Federal Tax Statement as if they were set forth herein. All representations of the Company in the First Supplemental Federal Tax Statement shall be treated as if they were set forth herein. Any covenants, agreements or representations made by the Company or the Seabrook Transferee in the Assumption Agreement shall be performed and treated as if set forth herein. As used in this Section 407, (a) "Assumption Agreement" means the Assumption Agreement dated as of June 5, 1992 among the Authority, the Company, the Trustee and the Seabrook Transferee, (b) "First Supplemental Federal Tax Statement" means the Statement as to Tax Status of Bonds executed by the Company and the Seabrook Transferee in connection with the original issuance of the 1993 Series E Bonds and delivered to the Trustee and (c) "Seabrook Transferee" means North Atlantic Energy Corporation, the transferee of the Project Facilities pursuant to the Seabrook Transfer, and its successors.

ARTICLE V. THE PROJECT

Section 501. Company not to Impair Tax Status; Use of Project Facilities.

Notwithstanding any provision herein to the contrary, the Company will not use any of the proceeds of the Loan (or the income earned through the investment thereof, if any) or operate the Project Facilities in any manner, and will not take or omit any action or permit any action to be taken or omitted with the result that interest on any Tax-Exempt Refunding Bonds is included in the gross income of the owners thereof for federal income tax purposes. The Company's use of the Project Facilities (or facilities replacing the same) shall be in furtherance of the purpose of air or water pollution control or sewage or solid waste disposal and in compliance with the Act.

Section 502. Qualification of the Project Facilities.

Notwithstanding any provision herein to the contrary, the Company shall not permit the Project Facilities to fail to qualify as (a) "industrial facilities" under the Act, (b) a facility described in Section 1312(a) of the Tax Reform Act of 1986, or (c) "sewage or solid waste disposal facilities" or "air or water pollution control facilities" within the meaning of Section 103(b)(4)(E) and (F) of the 1954 Code; provided, however, that if no Tax-Exempt Refunding Bonds are outstanding, the Company may waive the application of clauses (b) and (c) by written notice to the Authority and the Trustee that it will not request the Authority to issue Tax-Exempt Refunding Bonds. No funds of the Authority, other than the proceeds of the Bonds, shall be available to pay Project Costs. The Company acknowledges that it is fully familiar with the physical condition of the Project Facilities and that it is not relying on any representation of any kind by the Authority or the Trustee concerning the nature or condition thereof. Neither the Authority nor the Trustee shall be liable to the Company or any other person for any latent or patent defect in the Project Facilities.

Section 503. Compliance with Law.

In the acquisition, construction, maintenance, improvement and operation of the Project Facilities, the Company has and will comply in all material respects with all applicable building, subdivision, zoning and land use, environmental protection, sanitary and safety and other laws, rules and regulations and will not permit any nuisance thereat and will to the extent of its ownership and control, permit no nuisance to be committed thereat by others while the Company is, or is entitled to be, in possession thereof. It shall not be a breach of this section if the Company fails to comply with such laws, rules and regulations during any period in which the Company shall in good faith be diligently contesting the validity thereof.

Section 504. Current Expenses.

The Company shall pay in a timely manner all costs of maintaining and operating the Project Facilities, including without limitation all taxes, excises and other governmental charges lawfully levied thereon or with respect to its interests therein or use thereof to the extent of the Company's interest therein. It shall not be a breach of this section if the Company fails to pay any such costs, taxes or charges during any period in which the Company shall in good faith be contesting the validity or amount thereof and no foreclosure proceedings have been commenced, unless the procedures applicable to such contest require payment thereof and proceedings for their refund or abatement.

Section 505. Disposition and Use of Project Facilities.

The Company shall not sell, lease, transfer or otherwise dispose of the Project Facilities (other than the grant of a mortgage pursuant to a financing transaction) unless (i) it obtains the consent of the Authority, which consent shall not be unreasonably withheld, provided, however, that no such consent shall be required if the sale, lease, transfer or disposition is the Seabrook Transfer, or if such transaction has been approved by or consented to by the New Hampshire Public Utilities Commission; (ii) if there are any Outstanding Tax-Exempt Refunding Bonds, it obtains an opinion of Bond Counsel addressed to and reasonably satisfactory to the Trustee and the Authority that such sale, lease, transfer or other disposition will not affect the exclusion of the interest on any Outstanding Tax-Exempt Refunding Bonds from the gross income of the owners thereof for federal income tax purposes, provided, however, that no such opinion shall be required in connection with the Seabrook Transfer; and (iii) if the sale, lease, transfer or disposition is the Seabrook Transfer, the Company and the Seabrook Transferee each executes and delivers an Assumption Agreement substantially in the form attached hereto as Exhibit B (the "Assumption Agreement"). No sale, lease, transfer or other disposition of the Project Facilities or the Station shall relieve the Company of any of its obligations under this Agreement.

The Company shall not make any material change in the purposes for which the Project Facilities are used without the consent of the Authority, which consent shall not be unreasonably withheld. The Company at its own expense may alter, remodel or improve the Project Facilities and construct other facilities at the site of the Project Facilities, provided such action shall not result in any substantial change in the Project Facilities or the character of the activities conducted by the Company at the Project Facilities site without the consent of the Authority, which consent shall not be unreasonably withheld.

Section 506. Books and Records.

The Authority and the Trustee and their respective duly authorized agents shall have the right at all reasonable times and upon the furnishing of reasonable notice under the circumstances to examine the books and records of the Company relating to the Project Facilities.

Section 507. Undivided Interest.

The undertakings of the Company contained in Sections 502, 503, 504 and 505 are limited to those consistent with the Company's undivided percentage interest in the facilities of which the Project Facilities are a part.

ARTICLE VI: DEFAULT AND REMEDIES

Section 601. Default by the Company.

(a) Events of Default; Default. "Event of Default" in this Agreement means any one of the events set forth below and "Default" means any Event of Default without regard to any lapse of time or notice.

(i) Debt Service on Bonds; Required Purchase. Any principal of, premium, if any, or interest on any Bond shall not be paid when due, whether at maturity, by acceleration, upon redemption or otherwise or any Purchase Price for Bonds shall not be paid as provided in Sections 301, 308, 311 or 312, except that it shall not be an Event of Default if interest (other than interest due at maturity, by acceleration, or upon redemption, or interest included in the Purchase Price) on any Bond not supported by a Credit Facility is paid within thirty (30) days after it becomes due.

(ii) Other Obligations. The Company (or the Seabrook Transferee) shall fail to observe or perform any of its other covenants or agreements contained herein or in the Assumption Agreement and such failure shall continue for a period of sixty (60) days after written notice given to the Company by the Trustee or the Bondowners of at least 25% in principal amount of the Bonds Outstanding; provided, however, that if such default cannot be cured by the Company or the Seabrook Transferee within such sixty (60) day period, it shall not constitute an Event of Default if curative action is instituted by the Company or the Seabrook Transferee within such sixty (60) day period and thereafter is diligently pursued until such Default is cured.

(iii) First Mortgage Bond Default. The occurrence of any "event of default" as defined in the First Mortgage Bond Indenture.

(iv) Reimbursement Agreement. The Trustee and the Paying Agent shall have received written notice from the Bank of the occurrence of an event of default under the Reimbursement Agreement and of the Bank's determination to terminate the Credit Facility on the fifth Business Day following receipt by the Trustee and the Paying Agent of such notice.

(v) Non-Reinstatement under the Credit Facility. If any Bonds are in the Weekly or Multiannual Mode, the Paying Agent shall receive written notice from the Bank within five (5) days after a drawing under the Credit Facility that the Bank has not reinstated the amount so drawn, and such non-reinstatement causes the total amount of the obligation of the Bank under the Credit Facility to be less than the principal amount of the Outstanding Bonds supported by the Credit Facility, plus accrued interest (1) for a period of forty-five (45) days at the Maximum Interest Rate with respect to the principal amount of such Bonds then Outstanding in the Weekly Mode, and (2) for a period of one hundred ninety (190) days at the Maximum Interest Rate with respect to the principal amount of such Bonds then Outstanding in the Multiannual Mode.

Immediately upon receipt of written notice from the Bank of the non-reinstatement of an amount drawn under the Credit Facility, the Paying Agent shall determine whether such non-reinstatement causes the total amount of the obligation of the Bank under the Credit Facility to be less than the principal amount of the Outstanding Bonds supported by the Credit Facility plus accrued interest thereon calculated in the manner set forth in the preceding sentence. Notwithstanding the outcome of such determination, the Paying Agent shall immediately notify the Trustee of the Bank's failure to reinstate the full amount drawn under the Credit Facility.

The Company agrees to notify the Authority, the Bank, the Remarketing Agent, the Paying Agent and the Trustee promptly in writing of the occurrence of any Default or Event of Default of which it has knowledge. Within seven (7) days after becoming aware of a Default or an Event of Default the Paying Agent will give notice to the Bondowners and, in the case of a Default or Event of Default under (i), (ii), (iv), or (v) above, the Trustee shall give notice to the First Mortgage Bond Trustee.

Notwithstanding anything in this section to the contrary, no action or failure to act by the Company (or the Seabrook Transferee) which results in interest on any Tax-Exempt Refunding Bonds becoming includable in gross income of the owners thereof for federal income tax purposes shall constitute a Default or Event of Default under this Agreement so long as (I) the Company shall have delivered the opinion described in clause (i) of the first paragraph of Section 405 or shall have complied with the last paragraph of Section 405 and (II) the redemption provided by Section 405 occurs. In such event, no owner of Tax-Exempt Refunding Bonds shall be entitled to any claim for monetary damages hereunder and the redemption of the Bonds as provided under Section 405 shall be the exclusive recourse of owners of Tax-Exempt

Refunding Bonds.

(b) Waiver. At any time before an acceleration pursuant to Paragraph 602(a)(i), the Trustee may waive a Default (other than a Default in the payment of the Purchase Price, principal of, premium, if any, or interest on the Bonds) and its consequences with respect to Bonds subject to acceleration pursuant to Paragraph 602(a)(i), by written notice to the Company, and in the absence of inconsistent instructions from Bondowners pursuant to Sections 606 or 901 shall do so upon written instruction of the owners of at least twenty-five per cent (25%) in principal amount of such Bonds Outstanding. No waiver under this section shall affect the right of the Trustee or the Authority to enforce the payment of any amounts owing to it. The Trustee shall not waive any Event of Default under Paragraphs 601(a)(i), 601(a)(iv) or 601(a)(v).

Any cure or waiver of any "event of default" under the First Mortgage Bond Indenture and a rescission and annulment of its consequences shall constitute a cure or waiver of the corresponding Event of Default under Paragraph 601(a)(iii) and a rescission and annulment of the consequences thereof, and the Trustee, upon obtaining knowledge thereof, shall give written notice of such cure or waiver, rescission or annulment to the Authority and the Company, and shall give notice thereof by mail to all Bondowners; but no such cure or waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

Section 602. Remedies for Events of Default.

If an Event of Default occurs and is continuing:

(a) Acceleration.

(i) Bonds Not Supported by a Credit Facility. If the Event of Default is one described in Paragraph 601(a)(i), (ii) or (iii), the Trustee may, and upon the written request of the Bondowners of at least 25% in principal amount of the Bonds Outstanding (other than Bonds that are supported by a Credit Facility, Pledged Bonds and Company Bonds) shall, by written notice to the Company, the Authority, the Paying Agent, and the Remarketing Agent declare immediately due and payable the principal of the Outstanding Bonds (other than Bonds that are supported by a Credit Facility and Pledged Bonds, but including Company Bonds) and the accrued interest thereon, whereupon the same shall become immediately due and payable without any further action or notice. If at any time after such acceleration and before any judgment or decree for the payment of moneys with respect thereto has been entered all amounts payable to the Authority and the Trustee hereunder and on Bonds subject to acceleration under this Paragraph 602(a)(i) (except principal of and interest on the Bonds which are due solely by reason of such acceleration) shall have been paid or provided for by deposit with the Trustee and all existing Defaults shall have been cured or waived, then the Bondowners representing a majority in principal amount of the Bonds subject to acceleration under this Paragraph 602(a)(i) may annul such acceleration and its consequences by written notice to the Authority, the Trustee and the Company. Such annulment shall be binding upon the Authority, the Trustee and all of the Bondowners, but no such annulment shall extend to or affect any subsequent Default or impair any right or remedy consequent thereto.

(ii) Bonds Supported by a Credit Facility. If the Event of Default is one described in Paragraph 601(a)(i), (iv) or (v), the principal of the Bonds that are supported by a Credit Facility and Pledged Bonds and accrued interest thereon shall automatically become immediately due and payable without any further notice or action, subject, however, to the proviso set forth in Section 605. Notwithstanding the foregoing, if an Event of Default described in Paragraph 601(a)(i) occurs due to the failure of the Paying Agent to receive sufficient funds for the payment of the Purchase Price of all Bonds supported by a Credit Facility tendered for purchase on any Purchase Date, the Paying Agent shall immediately draw under the Credit Facility an amount equal to such deficiency (except to the extent that one or more drawings have been made previously in respect of the same deficiency), plus one day's accrued interest on such Bonds, and only if such Event of Default is not cured by the close of business on the next Business Day shall there be such an automatic acceleration of the payment of principal of and accrued interest on the Bonds.

(b) Rights as a Secured Party. The Trustee may exercise all of the rights and remedies of a secured party under the UCC. Notice sent by registered or certified mail, postage prepaid, or delivered during business hours, to the Company at least seven (7) days before an event under UCC Section 9-504(3) or any successor provision of law shall constitute reasonable notification of such event.

Section 603. Court Proceedings.

The Trustee may enforce the provisions of this Agreement by appropriate legal proceedings for the specific performance of any covenant, obligation or agreement contained herein whether or not a Default or an Event of Default

exists, or for the enforcement of any other appropriate legal or equitable remedy, and may recover damages caused by any breach by the Company of the provisions of this Agreement, including (to the extent this Agreement may lawfully provide) court costs, reasonable attorney's fees and other costs and expenses incurred in enforcing the obligations of the Company hereunder. The Authority may likewise enforce obligations owed to it hereunder which it has not assigned to the Trustee. All rights under this Agreement and the Bonds may be enforced by the Trustee without the possession of any Bonds or the production thereof at the trial or other proceedings relative thereto, and any proceeding instituted by the Trustee shall be brought in its name for the ratable benefit of the Bondowners.

Section 604. Revenues after Default.

After the occurrence of an Event of Default, any funds pledged as security hereunder and any other moneys received by the Trustee (other than amounts irrevocably set aside to pay particular Bonds) shall be applied to amounts due under Section 308 (without regard to any grace periods), which amounts shall be applied in the order specified in Section 307.

Section 605. The Credit Facility; Acceleration.

Upon acceleration of the Bonds prior to expiration of the Credit Facility, the Trustee shall instruct the Paying Agent to draw immediately on the Credit Facility in an amount equal to the aggregate unpaid principal of and interest on the Bonds supported by the Credit Facility to the date of final payment (which shall be the date of acceleration for Bonds in the Weekly and Multiannual Modes and the next Purchase Date for each Bond in the Flexible Mode); provided, however, that the Paying Agent shall hold in trust for the benefit of owners of Bonds in the Flexible Mode any amounts so drawn in respect of such Bonds and shall release such amounts only on the applicable Purchase Date for each such Bond. The owners of such Bonds shall have no right to make any claim for such amounts until such Purchase Date. The Trustee shall not require indemnification for any instruction required by this Section 605 to be given by the Trustee to the Paying Agent to draw on the Credit Facility, prior to the time such instruction is given, except and unless such instruction is prohibited by or violates applicable law or any outstanding or pending court or governmental order or decree.

Section 606. Rights of Bondowners.

If an Event of Default occurs and is continuing, and if the Bondowners representing not less than 25% in principal amount of the Bonds Outstanding shall have requested the Trustee in writing to exercise one or more of the rights and remedies provided hereunder and offered it indemnity as provided in Subsection 702(e), the Trustee shall be required to exercise such one or more of the rights and remedies hereunder as the Trustee shall determine to be in the best interest of the Bondowners and not inconsistent with any directions given in accordance with Section 901. No Bondowner shall have any right to institute an action in law or equity or to pursue any other remedy hereunder with respect to any Bond unless (i) an Event of Default of which the Trustee has been notified has occurred and Bondowners representing not less than 25% in principal amount of the Bonds Outstanding shall have requested the Trustee in writing to exercise its rights and remedies with respect thereto and shall have offered the Trustee reasonable opportunity to do so and indemnity as provided in Subsection 702(e), and (ii) the Trustee shall within a reasonable time thereafter fail to exercise any of such rights or remedies. No Bondowner shall have any right to institute any action or pursue any other remedy if and to the extent that the surrender, impairment, waiver, or loss of the lien of this Agreement would, under applicable law, result. Notwithstanding the foregoing, each Bondowner shall have a right of action to enforce payment of the Bonds at and after the due dates thereof at the place, from the sources and in the manner expressed in the Bonds. For purposes of this Section 606, so long as a Credit Facility has paid all amounts due on Bonds it supports, the Bank issuing such Credit Facility shall be treated as owner of such Bonds.

Section 607. Performance of Company's Obligations.

If the Company shall fail to observe or perform any of its agreements or obligations hereunder, the Authority or the Trustee may perform the same in its own name or in the Company's name and each is hereby irrevocably appointed the Company's attorney-in-fact for such purpose. Unless an Event of Default exists, the Authority or the Trustee, as the case may be, shall give at least five (5) days' notice to the Company before taking action under this section, except that in case of emergency as reasonably determined by the acting party, it may act on lesser notice or give the notice promptly after rather than before taking the action. The reasonable cost of any such action performed by the Trustee or the Authority shall be paid or reimbursed by the Company within thirty (30) days after the Trustee or the Authority notify the Company of such cost.

Section 608. Remedies Cumulative; No Waiver.

The rights and remedies under this Agreement shall be cumulative and

shall not exclude any other rights and remedies allowed by law, provided there is no duplication of recovery. Neither the failure to insist upon a strict performance of any of the obligations of the Company nor the failure to exercise any remedy for any violation thereof, shall be taken as a waiver for the future of the right to insist upon strict performance of the obligation or of the right to exercise any remedy for the violation.

ARTICLE VII: THE TRUSTEE

Section 701. Corporate Organization, Authorization and Capacity.

The Trustee represents and warrants that it is a trust company duly organized and validly existing under the laws of The Commonwealth of Massachusetts and duly licensed or qualified to do business in Massachusetts, with the capacity to exercise the powers and duties of the Trustee hereunder, and that by proper corporate action it has duly authorized the execution and delivery of this Agreement.

Section 702. Rights and Duties of the Trustee.

(a) Moneys to be Held in Trust. All moneys deposited with the Trustee under this Agreement (other than amounts received for its own use) shall be held by the Trustee in trust and applied subject to the provisions of this Agreement, but need not be segregated from other funds except as required herein or by law.

(b) Accounts. The Trustee shall keep proper accounts of its transactions hereunder (separate from its other accounts), which shall be open to inspection at reasonable times by the Authority, the Company and the Bondowners and their representatives duly authorized in writing.

(c) Performance of the Authority's Obligations. If the Authority shall fail to observe or perform any agreement or obligation contained in this Agreement, the Trustee may take whatever legal proceedings may be required to compel full performance by the Authority of its obligations, and in addition, the Trustee may, to whatever extent it deems appropriate for the protection of the Bondowners, itself or the Company, perform any such obligation in the name of the Authority and on its behalf.

(d) Responsibility. The Trustee shall be entitled to the advice of counsel (who may be the Trustee's counsel, counsel for the Authority, the Company or any Bondowner) and shall be wholly protected as to any action taken or omitted to be taken in good faith in reliance on such advice. The Trustee may rely conclusively on any notice, certificate or other document furnished to it hereunder and reasonably believed by it to be genuine. The Trustee shall not be liable for any action taken by it in good faith and reasonably believed by it to be within the discretion or powers conferred upon it, in good faith omitted to be taken by it and reasonably believed to be beyond the discretion or powers conferred upon it, taken by it pursuant to any direction or instruction by which it is governed hereunder, or omitted to be taken by it by reason of the lack of direction or instruction required hereby for such action; nor shall it be responsible for the consequences of any error of judgment reasonably made by it. The duties of the Trustee are those expressly set forth in this Agreement, and no additional duties shall be implied. When any payment, consent or other action by it is called for hereby, it may defer such action pending receipt of such evidence, if any, as it may require in support thereof. The Trustee shall in no event be liable for the application or misapplication of funds, or for other acts or defaults by any person, firm, or corporation, except its own directors, officers, and employees. No recourse shall be had by the Company, the Authority or any Bondowner for any claim based on this Agreement or any Bond against any director, officer, employee, or agent of the Trustee alleging personal liability on the part of such person, unless such claim is based upon the bad faith, negligence, fraud or deceit of such person. The Trustee has no responsibility for the validity or sufficiency of this Agreement or the Bonds or any security therefor.

(e) Limitations on Actions. The Trustee shall not be required to monitor the financial condition of the Company or the physical condition of the Project Facilities and, unless otherwise expressly provided, shall not have any responsibility with respect to notices, certificates or other documents filed with it hereunder, except to make them available for inspection by the Bondowners. The Trustee shall not be deemed to have knowledge of and shall not be required to take notice of any Default or Event of Default, except for a Default or Event of Default described in Paragraph 601(a)(i) relating to the payment of principal of, premium, if any, and interest on the Bonds, unless the Trustee shall be specifically notified in writing by the Company, the Authority or Bondowners representing not less than 25% in principal amount of the Bonds Outstanding, or in the case of a Default or Event of Default described in Paragraph 601(a)(iii), the Trustee shall be notified in writing by the First Mortgage Bond Trustee, or in the case of a Default or Event of Default described in Paragraph 601(a)(iv) or (v), the Trustee shall be notified in writing by the Bank or the Paying Agent. It shall not be required to take any remedial action (other than the giving of notice) unless indemnity reasonably satisfactory to it is furnished

for any expense or liability to be incurred therein, other than liability for failure to meet the standards set forth in this section. The Trustee shall be entitled to reimbursement from the Company for its expenses reasonably incurred or advances reasonably made, which reimbursement shall be due and payable thirty (30) days after notifying the Company of such expenses or advances, in the exercise of its rights or the performance of its obligations hereunder, whether or not it acts without previously obtaining indemnity.

A permissive right or power to act shall not be construed as a requirement to act. Upon receipt of written notice, direction, instruction, and indemnity as provided above and, after making such investigation, if any, as it deems appropriate to verify the occurrence of any Default of which it is notified by the Bondowners or the Bank, the Trustee shall pursue such remedies hereunder (not contrary to such direction) as it deems appropriate for the protection of the Bondowners (including the Bank as provided in Section 901); and in its actions under this provision, the Trustee shall be required to act for the protection of the Bondowners with the same prudence as would be expected of a prudent person in the conduct of such person's affairs.

(f) Financial Obligations. Nothing contained in this Agreement shall in any way obligate the Trustee to pay any debt or meet any financial obligations to any person in relation to the Project Facilities except from moneys received under the provisions of this Agreement (including from the exercise of its rights and remedies hereunder) other than moneys received for its own purposes.

(g) Ownership of Bonds. The Trustee or any affiliate of the Trustee may be or become the owner of Bonds with the same rights as if it were not Trustee.

(h) No Surety Bond. The Trustee shall not be required to furnish any bond or surety.

(i) Requests by the Company. Upon any request by the Company to the Trustee to take any action under this Agreement (including but not limited to any proposed amendment pursuant to Section 1101) the Trustee shall be entitled to receive from the Company prior to taking such action, and to rely upon, a certificate of a Company Representative and an opinion of counsel reasonably satisfactory to the Trustee (who may be counsel to the Company), and, if applicable in the reasonable judgment of the Trustee, a certificate of an accountant satisfactory to the Company (who may be an employee of the Company), each to the effect that in the signer's opinion all conditions precedent applicable to such action under this Agreement, if any, have been satisfied (and, in the case of the certificate of the Company Representative, including but not limited to the absence of any Default or Event of Default) and such action is permitted by this Agreement.

(j) Trustee as Holder of Series G First Mortgage Bonds. So long as no Default has occurred and is continuing, the Trustee may, but shall have no obligation to, take any action in its capacity as the registered holder of the Series G First Mortgage Bonds (other than the duty to exercise reasonable care in the safekeeping thereof and the giving of notices set forth below), unless and except to the extent the Trustee is directed in writing by the Bondowners as provided in Section 901 of this Agreement. The Trustee shall promptly notify the Bondowners of the receipt of and contents of any notice it receives under the First Mortgage Bond Indenture (other than notices solely of payments being made on the Series G First Mortgage Bonds).

(k) Authentication of Bonds. The Trustee shall act as authenticating agent for the Bonds. The Trustee may either sign the Certificate of Authentication in its own name or may appoint one or more agents to sign the Certificate of Authentication on the Trustee's behalf. So long as Bonds are in the Flexible or Weekly Mode the Trustee shall use its best efforts to have the ability to cause the Certificate of Authentication to be executed in New York, New York at a location satisfactory to the Paying Agent. To satisfy this requirement, the Trustee hereby initially appoints Security Pacific National Trust Company (New York) to act as its agent for the purpose of signing the Certificate of Authentication and delivery of the Bonds. The Trustee shall have no liability for the negligence or wrongful conduct (in each case whether by act or omission) of any such agent appointed with reasonable care. The Trustee shall have no liability if, after its best efforts, it finds that it does not have the ability (either directly or through an agent) to cause the Certificate of Authentication to be executed and delivered in New York, New York on a timely basis when Bonds are in the Flexible or Weekly Mode.

Section 703. Fees and Expenses of the Trustee.

The Company shall pay to the Trustee reasonable compensation for its services and prepay or reimburse the Trustee for its reasonable expenses and disbursements, including attorney's fees, hereunder. The Company shall indemnify and save the Trustee harmless against any and all (a) claims as set forth in Section 1002, (b) costs, counsel fees, expenses or liabilities reasonably incurred in connection with such claims, and (c) expenses and

liabilities which it may incur in the exercise of its duties hereunder and which are not due to the bad faith, negligence, fraud or deceit of any director, officer, employee or agent of the Trustee. Any fees, expenses, reimbursements, or other charges which the Trustee may be entitled to receive from the Company hereunder shall be due and payable thirty (30) days after a request for payment has been made by the Trustee, and if not otherwise paid, shall be a first lien upon any funds or other property then or thereafter held hereunder by the Trustee; provided, however, that the lien of the Trustee shall be subordinate to the lien for the benefit of the Bondowners upon the moneys drawn under the Credit Facility, and the proceeds of any remarketing of the Bonds and other Eligible Funds, if any, which are the basis of the determination made by the Paying Agent of the amount to be drawn under the Credit Facility, including, without limitation, such funds held by the Trustee under Section 204 and Subsection 304(c). If any such moneys are so applied, the Company shall be immediately obligated to restore the moneys so applied. The Trustee shall not require indemnification for any payment when due of principal, premium or interest on any Bond to be made by the Trustee to any Bondowner, prior to the time such payment is made by the Trustee, except and unless such payment is prohibited by or violates applicable law or any outstanding or pending court or governmental order or decree.

Section 704. Resignation or Removal of Trustee.

The Trustee may resign on not less than sixty (60) days' notice given in writing to the Authority, the Bondowners, the Bank and the Company, but such resignation shall not take effect until a successor has been appointed and has assumed the duties hereunder. The Trustee will promptly certify to the other parties that it has mailed such notice to all Bondowners and such certificate shall be conclusive evidence that such notice was given in the manner required hereby. The Trustee may be removed by written notice to the parties from the Bondowners representing a majority in principal amount of the Bonds Outstanding, but no such removal shall take effect until a successor has been appointed and assumed the duties hereunder. A petition in a court of competent jurisdiction for removal of the Trustee and the appointment of a successor may be filed by the Bondowners representing not less than 25% in principal amount of the Bonds Outstanding.

Section 705. Successor Trustee.

Any corporation or association which succeeds to the corporate trust business of the Trustee as a whole, or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall become vested with all the property, rights and powers of the Trustee hereunder, without any further act or conveyance.

In case the Trustee resigns or is removed or becomes incapable of acting, or becomes bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property is appointed, or if a public officer takes charge or control of the Trustee, or of its property or affairs, a successor shall be appointed (but only with the consent of the Bank, if any Bonds shall then be entitled to the benefits of a Credit Facility, which consent shall not be unreasonably withheld) by written notice from the Company to the Authority. The Company shall notify the Bondowners of the appointment in writing within twenty (20) days from the appointment. The Company will promptly certify to the successor Trustee that it has mailed such notice to all Bondowners and such certificate will be conclusive evidence that such notice was given in the manner required hereby. If no appointment of a successor is made within twenty (20) days after the giving of written notice in accordance with Section 704 or after the occurrence of any other event requiring or authorizing such appointment, the outgoing Trustee or any Bondowner may apply to any court of competent jurisdiction for the appointment of such a successor, and such court may thereupon, after such notice, if any, as such court may deem proper, appoint such successor. Any successor Trustee appointed under this section shall be a trust company or a bank having the powers of a trust company that meets the requirements of the Act, shall have a capital and surplus of not less than $50,000,000 and shall at the time of the appointment be rated not less than Baa3/P-3 by Moody's or otherwise be acceptable to Moody's. Any such successor Trustee shall notify the Authority and the Company of its acceptance of the appointment and, upon giving such notice, shall become Trustee, vested with all the property, rights and powers of the Trustee hereunder, without any further act or conveyance. Such successor Trustee shall execute, deliver, record and file such instruments as are required to confirm or perfect its succession hereunder and any predecessor Trustee shall from time to time execute, deliver, record and file such instruments as the incumbent Trustee may reasonably require to confirm or perfect any succession hereunder.

ARTICLE VIII: THE AUTHORITY

Section 801. Limited Obligation.

Under no circumstances shall the Authority be obligated directly or indirectly to pay Project Costs, principal of or premium, if any, and interest on the Bonds, or expenses of operation, maintenance and upkeep of

the Project Facilities except from Bond proceeds or from funds received under this Agreement, exclusive of funds received hereunder by the Authority for its own use. This Agreement does not create any debt of the State of New Hampshire with respect to the Project Facilities other than a special obligation of the Authority acting on behalf of the State of New Hampshire pursuant to the Act. Nothing contained herein shall in any way obligate the State of New Hampshire to raise any money by taxation or use other public funds for any purpose in relation to the Project Facilities. Neither the State of New Hampshire nor the Authority shall pay or promise to pay any debt or meet any financial obligation to any person at any time in relation to the Project Facilities except (i) from moneys received or to be received under the provisions hereof or derived from the exercise of the Authority's right hereunder, other than moneys received for its own purposes, or (ii) as may be required by law other than the provisions of the Act. Nothing contained in this Agreement shall be construed to require or authorize the Authority to operate the Project Facilities itself or to conduct any business enterprise in connection therewith.

Section 802. Rights and Duties of the Authority.

(a) Remedies of the Authority. Notwithstanding any contrary provision in this Agreement, the Authority shall have the right to take any action or make any decision with respect to proceedings for indemnity against the liability of the Authority and for collection or reimbursement from sources other than moneys or property held under this Agreement or subject to the lien hereof. The Authority may enforce its rights under this Agreement which have not been assigned to the Trustee by legal proceedings for the specific performance of any obligation contained herein or for the enforcement of any other appropriate legal or equitable remedy, and may recover damages caused by any breach by the Company of its obligations to the Authority under this Agreement, including court costs, reasonable attorney's fees and other costs and expenses incurred in enforcing such obligations.

(b) Limitations on Actions. The Authority shall not be required to monitor the financial condition of the Company or the physical condition of the Project Facilities and, unless otherwise expressly provided, shall not have any responsibility with respect to notices, certificates or other documents filed with it hereunder. The Authority shall not be required to take notice of any breach or default except when given notice thereof by the Trustee. The Authority shall not be responsible for the payment of any rebate to the United States under IRC Section 148(f). The Authority shall not be required to take any action unless indemnity reasonably satisfactory to it is furnished for expenses or liability to be incurred therein (other than the giving of notice). The Authority, upon written request of the Bondowners, the Bank or the Trustee, and upon receipt of reasonable indemnity for expenses or liability, shall cooperate to the extent reasonably necessary to enable the Trustee to exercise any power granted to the Trustee by this Agreement. The Authority shall be entitled to reimbursement pursuant to Section 803 to the extent that it acts without previously obtaining full indemnity.

(c) Responsibility. The Authority shall be entitled to the advice of counsel (who may be counsel for any party, for the Bank, the Paying Agent or the Remarketing Agent, or for any Bondowner) and shall be wholly protected as to any action taken or omitted to be taken in good faith in reliance on such advice. The Authority may rely conclusively on any notice, certificate or other document furnished to it under this Agreement and reasonably believed by it to be genuine. The Authority shall not be liable for any action taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or in good faith omitted to be taken by it and reasonably believed to be beyond such discretion or power, or taken by it pursuant to any direction or instruction by which it is governed under this Agreement or omitted to be taken by it by reason of the lack of direction or instruction required for such action under this Agreement, or be responsible for the consequences of any error of judgment reasonably made by it. When any payment, consent or other action by the Authority is called for by this Agreement, the Authority may defer such action pending such investigation or inquiry or receipt of such evidence, if any, as it may require in support thereof. A permissive right or power to act shall not be construed as a requirement to act, and no delay in the exercise of a right or power shall affect the subsequent exercise thereof. The Authority shall in no event be liable for the application or misapplication of funds, or for other acts or defaults by any person or entity except by its own directors, officers and employees. No recourse shall be had by the Company, the Trustee or any Bondowner for any claim based on this Agreement or the Bonds against any director, officer, employee or agent of the Authority unless such claim is based upon the bad faith, fraud or deceit of such person. No covenant, obligation or agreement of the Authority contained in this Agreement shall be deemed to be a covenant, obligation or agreement of any present or future director, officer, employee or agent of the Authority in his individual capacity, and no person executing a Bond shall be liable personally thereon or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 803. Expenses of the Authority.

The Company shall pay when due the Authority's Service Charge and shall prepay or reimburse the Authority within thirty (30) days after notice for all expenses (including reasonable attorney's fees) incurred by the Authority in connection with the issuance and carrying of the Bonds and all expenses reasonably incurred or advances reasonably made in the exercise of the Authority's rights or their performance of its obligations hereunder. Any fees, expenses, reimbursements or other charges which the Authority may be entitled to receive from the Company hereunder, if not paid when due, shall bear interest at 15% per annum.

Section 804. Matters to be Considered by Authority.

In approving, concurring in or consenting to action or in exercising any discretion or in making any determination under this Agreement, the Authority may consider the interests of the public, which shall include the anticipated effect of any transaction on tax revenues and employment, as well as the interests of the other parties hereto and the Bondowners; provided, however, nothing herein shall be construed as conferring on any person other than the other parties and the Bondowners any right to notice, hearing or participation in the Authority's consideration, and nothing in this section shall be construed as conferring on any of them any right additional to those conferred elsewhere herein. Subject to the foregoing, the Authority will not unreasonably withhold any approval or consent to be given by it hereunder.

Section 805. Actions by Authority.

Any action which may be taken by the Authority hereunder shall be deemed sufficiently taken if taken on its behalf by its Chairman, its Vice Chairman or its Executive Director or by any other director, officer or agent whom it may designate from time to time.

ARTICLE IX: THE BONDOWNERS

Section 901. Action by Bondowners.

Subject to Subsections 601(b), 602(a) and Section 1101 (as to the waivers and consents granted thereby), Bondowners representing a majority in principal amount of the Bonds Outstanding shall have the right at any time, by written notice to the Trustee and upon offering it indemnity as provided in Subsection 702(e), to direct the Trustee (i) in the granting of any consents, waivers or similar actions pertaining to the Bonds, (ii) in the time, method and place of conducting all proceedings, (iii) in the exercise of any rights or remedies available to the Trustee hereunder, or (iv) in the exercise of any other right or power conferred upon the Trustee for the protection of the Bondowners, provided that such direction shall be in accordance with the provisions of law and this Agreement, and the Trustee may take any other action determined proper by the Trustee which is not inconsistent with such direction.

Except with respect to the matters provided below, Bondowners representing a majority in principal amount of the Bonds Outstanding shall have the right, at any time, by written notice to the Trustee and the offering of indemnity as provided in Subsection 702(e), to direct the Trustee, as holder of all of the Series G First Mortgage Bonds, to exercise the rights available to it as holder of such bonds under the First Mortgage Bond Indenture, including, without limitation, as to rendering notice to the First Mortgage Bond Trustee of the occurrence of a default thereunder, the institution of any suit, action or proceeding to enforce payments on the Series G First Mortgage Bonds which were not paid when due or other proceeding in respect of the First Mortgage Bond Indenture which the Trustee, as holder of the Series G First Mortgage Bonds, is entitled to institute, and as to the time, place and method of any such proceeding for any remedy available to the Trustee, as holder of the Series G First Mortgage Bonds, subject however to compliance with the applicable provisions of the First Mortgage Bond Indenture.

Where the First Mortgage Bond Trustee is required or permitted to take any action under the First Mortgage Bond Indenture upon the direction, authorization, consent, notice or request of the holders of a specified percentage of principal amount of bonds outstanding thereunder or of outstanding bonds thereunder which would be adversely affected by such action, including with respect to acceleration of the maturity of such bonds under Section 10.1 of the First Mortgage Bond Indenture, the time, method and place of proceedings and waivers of events of default, as provided in Section 10.12 of the First Mortgage Bond Indenture and amendments of the First Mortgage Bond Indenture under Article 15 thereof, each Bondowner shall be deemed the holder of its pro-rata portion of the principal amount of Series G First Mortgage Bonds and shall have the right to direct the Trustee whether or not to render such direction, authorization, consent, notice or request under the First Mortgage Bond Indenture in respect of such Bondowner's pro-rata portion, whereupon the Trustee shall notify the First Mortgage Bond Trustee of the action to be taken in respect of the applicable principal amount of Series G First Mortgage Bonds.

Any request, authorization, direction, notice, consent, waiver or other action provided by this Agreement to be given or taken by Bondowners may be contained in and evidenced by one or more writings of substantially the same tenor signed by the Bondowners of the requisite percentage of principal amount of Bonds Outstanding or their attorneys duly appointed in writing. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, shall be sufficient for any purpose of this Agreement (except as otherwise herein expressly provided) if made in the following manner, but the Authority or the Trustee may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

The fact and date of the execution by any Bondowner or his or her attorney of such instrument may be proved by the certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the Authority or to the Trustee or of any notary public or other officer authorized to take acknowledgments of the deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him or her the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondowner may be established without further proof if such instrument is signed by a person purporting to be the president or a vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its clerk or secretary or an assistant clerk or assistant secretary.

The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books for the Bonds maintained by the Trustee.

Any request, consent or vote of the owner of any Bond shall bind all future owners of such Bond. Bonds owned or held by or for the account of the Authority, the Company, or any related person to the Company within the meaning of Section 147(a) of the IRC shall not be deemed Outstanding Bonds for the purpose of any consent or other action by Bondowners, except that for such purposes Pledged Bonds shall be treated as Outstanding and shall be deemed to be owned by the Bank. So long as no Default exists under Paragraph 601(a)(i) with respect to any Bonds supported by a Credit Facility, the Bank and not the Bondowner shall be treated as the owner of all Bonds entitled to the benefits of such Credit Facility for the purpose of any consent or other action by Bondowners.

ARTICLE X: THE COMPANY

Section 1001. Existence and Good Standing; Merger; Consolidation.

The Company will maintain its corporate existence, qualification to do business and good standing under the laws of the State of New Hampshire and will maintain itself as a foreign corporation duly qualified to do business and in good standing, where applicable, in each jurisdiction in which the failure to so qualify would have a material adverse effect upon its business or properties. The Company shall not merge or consolidate with or sell all or substantially all of its assets to another entity, except that the Company may transfer the Station in connection with a transfer of the Project Facilities pursuant to Section 505 and the Company may so merge or consolidate with or sell all or substantially all of its assets to another corporation if (i) the surviving or transferee corporation is qualified to do business in New Hampshire, (ii) the surviving or transferee corporation (if not the Company) has assumed in writing all of the Company's obligations hereunder and under the Series G First Mortgage Bonds, and (iii) upon such assumption there will not be a Default hereunder or an event of default under the First Mortgage Bond Indenture (disregarding any required passage of time or giving of notice thereunder).

Section 1002. Indemnification by the Company.

The Company, regardless of any agreement to maintain insurance, will indemnify the Authority and the Trustee against (a) any and all claims by any person related to the participation of the Authority or the Trustee in the transactions contemplated by this Agreement, including without limitation claims arising out of any condition of the Project Facilities or Station or the construction, use, occupancy or management thereof; any accident, injury or damage to any person occurring in or about the Station; any breach by the Company of its obligations under this Agreement; any act or omission of the Company or any of its agents, contractors, servants, employees or licensees; or the offering, issuance, sale or any resale of the Bonds to the extent permitted by law, and (b) all costs, counsel fees, expenses or liabilities reasonably incurred in connection with any such claim or any action or proceeding brought thereon. In case any action or proceeding is brought against the Authority or the Trustee by reason of any such claim, the Company will defend the same at its expense upon notice from the Authority or the Trustee, and the Authority or the Trustee, as the case may be, will cooperate with the Company, at the expense of the Company, in connection therewith.

ARTICLE XI: MISCELLANEOUS

Section 1101. Amendments.

(a) Without Bondowners' Consent. The parties may from time to time, without the consent of any Bondowner, amend this Agreement in order to (i) cure any ambiguity, defect or omission in this Agreement that does not materially adversely affect the interests of the Bondowners, (ii) grant additional rights or security to the Trustee for the benefit of the Bondowners, (iii) add additional Events of Default as shall not be inconsistent with the provisions of this Agreement and which shall not materially adversely affect the interests of the Bondowners, (iv) qualify this Agreement under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, (v) provide for the establishment of a book entry system of registration for the Bonds through a securities depository, (vi) effective upon any Conversion Date to a new Mode, make any amendment affecting only the Bonds being converted, (vii) add provisions relating to the partial conversion of Bonds to a new Mode or the issuance of Tax-Exempt Refunding Bonds which do not impair the security for the outstanding Bonds, or (viii) make such other provisions in regard to matters or questions arising under this Agreement as shall not be inconsistent with the provisions of this Agreement and which shall not materially adversely affect the interests of the Bondowners.

(b) With Bondowners' Consent. Except as set forth in Subsection 1101(a), the parties may from time to time amend this Agreement with the consent of the owners of more than 50% in aggregate principal amount of the Bonds Outstanding; provided, that no amendment shall be made which adversely affects the rights of some but less than all the Bonds Outstanding without the consent of the owners of more than 50% in aggregate principal amount of the Bonds so affected; and provided further, that no amendment of this Agreement shall be effective to (i) change the principal, premium or interest on any Bonds, (ii) change the interest payment dates, maturity dates or purchase or redemption provisions of any Bonds, (iii) reduce the percentage of Bondowners whose consent is required for the amendment of this Agreement or (iv) modify the lien upon or pledge of the payments and other revenues assigned and pledged hereunder (including any Credit Facility), without the consent, in each case, of the owner of each Bond which would be affected by the action proposed to be taken.

When the Trustee determines that the requisite number of consents have been obtained for an amendment which requires Bondowner consents, it shall, within ninety (90) days, file a certificate to that effect in its records and mail notice to the Bondowners. No action or proceeding to invalidate the amendment shall be instituted or maintained unless it is commenced within sixty (60) days after such mailing. The Trustee will promptly certify to the Authority that it has mailed such notice to all Bondowners and such certificate will be conclusive evidence that such notice was given in the manner required hereby. A consent to an amendment may be revoked by a notice given by the Bondowner and received by the Trustee prior to the Trustee's certification that the requisite consents have been obtained.

(c) General. Any amendment of this Agreement shall be accompanied by an opinion of Bond Counsel reasonably satisfactory to the Authority and the Trustee to the effect that the amendment is permitted by this Agreement and, if there are any Tax-Exempt Refunding Bonds outstanding, that such amendment will not adversely affect the exclusion from gross income for federal income tax purposes of interest on such Tax-Exempt Refunding Bonds. So long as a Credit Facility supports any of the Bonds no amendment to this Agreement shall be made without the consent of the Bank.

Notice of any amendment of this Agreement, or any material change to the Reimbursement Agreement or any remarketing agreement entered into by the Remarketing Agent and the Company shall be sent by the Company to Moody's.

Section 1102. Notices.

Unless otherwise expressly provided, all notices to the Authority, the Trustee, the Paying Agent and the Company shall be in writing and shall be deemed sufficiently given if sent by registered or certified mail, postage prepaid, or delivered during a Business Day as follows: (a) to the Authority at its office at 14 Dixon Avenue, Suite 101, Concord, New Hampshire 03301-4954, attention of Executive Director, (b) to the Trustee at P.O. Box 778, Boston, Massachusetts 02102 (if by mail) or Two International Place - 4th Floor, Boston, Massachusetts 02110 (if by courier), in each case attention of Corporate Trust Department, (c) to the Paying Agent at 2 Rector Street, New York, New York 10006, attention of Corporate Trust Division, (d) to the Company at 1000 Elm Street, Manchester, New Hampshire 03105, attention of Treasurer with a copy to Northeast Utilities Service Company at 107 Selden Street, Berlin, Connecticut 06037, attention of the Assistant Treasurer, (e) to Moody's at 99 Church Street, New York, New York 10007, and (f) to S&P at 25 Broadway, New York, New York 10004, or, as to all of the foregoing, to such other address as the addressee shall have indicated by prior written notice to the one giving notice. All notices to a Bondowner shall be in writing and shall be deemed sufficiently given if sent by first class mail,

postage prepaid, to the Bondowner at the address shown on the registration books for the Bonds maintained by the Paying Agent. A Bondowner may direct the Paying Agent to change its address as shown on the registration books by written notice to the Paying Agent. All notices to Bondowners shall identify the Bonds by name, CUSIP number, date of original issuance, maturity date, and such other descriptive information as may be needed to identify accurately the Bonds.

All notices sent to Bondowners by the Trustee or Paying Agent shall simultaneously be sent by registered or certified mail, postage prepaid, to Moody's, S&P, at least two (2) national information services that publish or disseminate notices of redemption of obligations such as the Bonds, such as S&P's Called Bond Service and Kenney Information Systems Notification Service, and all registered securities depositories that are registered owners of the Bonds, provided that the failure to give such notice shall not affect the validity of any notice given to the Bondowners. The selection of the national information services to receive any notice shall be at the sole discretion of the Trustee or the Paying Agent, as the case may be.

Notice hereunder may be waived prospectively or retrospectively by the person entitled to the notice, but no waiver shall affect any notice requirement as to other persons.

Section 1103. Time.

All references to times of day in this Agreement are references to New York City time.

Section 1104. Agreement Not for the Benefit of Other Parties.

This Agreement is not intended for the benefit of and shall not be construed to create rights in parties other than the Company, the Authority, the Trustee and the Bondowners.

Section 1105. Severability.

In the event that any provision of this Agreement shall be held to be invalid in any circumstance, such invalidity shall not affect any other provisions or circumstances.

Section 1106. Counterparts.

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

Section 1107. Captions.

The captions and table of contents of this Agreement are for convenience only and shall not affect the construction hereof.

Section 1108. Governing Law.

This instrument shall be governed by the laws of State of New Hampshire.
[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, THE BUSINESS FINANCE AUTHORITY OF THE STATE OF NEW HAMPSHIRE HAS CAUSED THIS AGREEMENT TO BE SIGNED AND ITS OFFICIAL SEAL TO BE IMPRESSED HEREON BY ITS EXECUTIVE DIRECTOR; PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE HAS CAUSED THIS AGREEMENT TO BE SIGNED AND ITS CORPORATE SEAL TO BE IMPRESSED HEREON BY AN AUTHORIZED OFFICER; AND STATE STREET BANK AND TRUST COMPANY, AS TRUSTEE, HAS CAUSED THIS AGREEMENT TO BE SIGNED AND ITS CORPORATE SEAL TO BE IMPRESSED HEREON BY AN AUTHORIZED OFFICER.
BUSINESS FINANCE AUTHORITY OF THE STATE OF NEW HAMPSHIRE
(Seal)
By:
Jack Donovan
Executive Director
PUBLIC SERVICE COMPANY OF
NEW HAMPSHIRE
(Seal)
By:
Randy A. Shoop
Assistant Treasurer - Finance
STATE STREET BANK AND TRUST COMPANY,
as Trustee
(Seal)
By:
Name:
Title:
The undersigned hereby consents
to this Agreement
BARCLAYS BANK PLC, NEW YORK BRANCH
By:
Name:

Title:

EXHIBIT A

THE PROJECT FACILITIES

The Project Facilities to be financed by the Bonds consist of certain air or water pollution control and sewage or solid waste disposal facilities at the Seabrook Station Plant, Unit No. 1, in which Public Service Company of New Hampshire has a 35.56942 percent ownership interest. The Project Facilities include the following:

Waste Water Run-Off System

The Waste Water Run-Off System collects and treats yard area drainage to remove pollutants. The System includes catch basins, yard waste water drain pipes, and a site settling pond.

Chemical and Oily Waste Treatment System

The Chemical and Oily Waste Treatment System collects, stores, processes, treats and disposes of non-radioactive chemical and oily wastes. The wastes result from construction, start-up and operation of the Seabrook Station Plant. The wastes are collected and treated to remove pollutants. The System includes tanks, an acid and caustic handling system, waste lagoons, system flush piping, and oil separator, curbs and drains, pipes, valves, transfer pumps, controls and instrumentation and related support equipment.

Sanitary Waste System

Sanitary waste is collected, treated and disposed of by the Sanitary Waste System. The System includes sanitary drains, sumps and pumps, a holding tank, a pump station, a sewage treatment plant, piping, transfer pumps and related support equipment.

Radioactive Gaseous Waste System

The Radioactive Gaseous Waste System collects, processes, stores and treats radioactive gaseous waste produced during normal operations. The System includes the following components: a main gas collection header, a waste gas condenser with associated primary cooling water components, gas chiller compressor units, iodine guard beds, a regeneration subsystem for dryers, waste gas dryers, a waste gas compressor package, ambient carbon delay beds, particulate filters, an after cooler, a hydrogen surge tank, a waste gas radiation monitor, an equipment vent system, a hydrogenated vent header, and associated piping, valves, controls and instrumentation.

Exhaust Filtration System

The Exhaust Filtration System collects, filters and discharges exhaust containing low level radioactive contamination resulting from normal operations. The System includes exhaust filters, exhaust fans, exhaust ducts, plenums, dampers, piping, flow control valves, and controls and instrumentation.

Liquid Radwaste System

The Liquid Radwaste System collects, processes, treats, recycles and disposes of low level radioactive liquid waste resulting from normal operations. The System includes tanks, filters, strainers, pumps, a reboiler, an evaporator, an evaporator distillate condenser, an evaporator distillate accumulator, an evaporator distillate cooler, an evaporator bottoms cooler, a waste demineralizer and filter, equipment drains, chemical drains, a radiation monitor, and associated controls and instrumentation.

Boron Recycle System

The Boron Recycle System collects, stores, treats, recycles and disposes of reactor coolant letdown during normal operations. This System is required to maintain reactor coolant letdown in accordance with federal pollution control standards as to radioactivity. The System includes the following components: Drain tanks, a degasifier, a preheater, a degasifier regenerative heat exchanger, trim coolers, a degasifier prefilter, cesium removal ion exchangers, recovery filters, waste storage tanks, recovery evaporator packages, recovery test tanks, recovery demineralizers, recovery demineralizer filters, a letdown rehead heat exchanger, a letdown chiller heat exchanger, a letdown moderating heat exchanger, a chiller surge tank, a chiller, thermal regenerative demineralizers, radiation monitors, associated pumps, piping and valves, and controls and instrumentation.

Steam Generator Blowdown Treatment System

The Steam Generator Blowdown Treatment System collects, processes, stores and treats steam generator blowdown for discharge or recycle during

normal operation. This is necessary in compliance with pollution control requirements which limit the discharge of untreated steam generator blowdown. The System includes the following components: Blowdown evaporators, an evaporator distillate condenser, an evaporator condensate accumulator, an evaporator distillate pump, an evaporator condensate cooler, an evaporator bottoms pump, an evaporator bottoms cooler, blowdown demineralizers, acid and caustic systems, blowdown heat exchangers, and associated piping, controls and instrumentation.

Solid Radwaste System

The Solid Radwaste System collects, stores, packages and prepares solid radioactive waste for disposal. Radioactive solid wastes processed by this System include spent demineralizer resins, expended filter cartridges, evaporator concentrates as well as dry active waste consisting of rags, clothing, paper and other trash. The System includes the following components: A spent resin storage tank, an evaporator bottoms storage tank, associated collection piping, pumps and valves, a dry waste compactor, a filter transfer vehicle, and associated controls and instrumentation.

Waste Processing Building

The Waste Processing Building is a reinforced concrete structure which houses equipment used for exempt facilities. The purpose of this building is to house the air and water pollution control facilities and the solid waste disposal facilities.

Auxiliary Building

The Auxiliary Building is a reinforced concrete structure which houses both pollution control and production related equipment. Pollution control facilities located in the Auxiliary Building include portions of the liquid radwaste and gaseous radwaste systems. The cost of the Auxiliary Building and general support equipment has been allocated to the exempt facilities according to the ratio of space used for qualified equipment to the total space used in the building for all equipment.

Spent Nuclear Fuel Facility

The Spent Nuclear Fuel Facility is located in a separate building with enclosed fuel handling equipment for production functions and for spent fuel storage. The fuel handling facility includes a Seismic Category 1 structure containing a spent fuel pool with racks, spent fuel cooling and purification systems, a new fuel storage area, a spent fuel cask loading pit, and a cask washdown area. Also included are cranes and equipment supporting the fuel handling operations as well as the transfer canal leading the reactor containment. The cost of the Spent Nuclear Fuel Facility is determined through an allocation of the cost of the overall fuel facility between spent fuel facilities and production facilities.

Circulating Water System

The Circulating Water System will provide cooling water to the main condensers of Seabrook Station. The Circulating Water System is a once-through system using sea water from the Atlantic Ocean to remove the heat of condensation from the steam cycle and to dispose of that heat in an environmentally acceptable manner. The points of inlet and discharge of the cooling water are offshore, east of Hampton Beach, New Hampshire.

The System includes the following structures: Two 19-foot inside diameter tunnels, lined with reinforced concrete, which connect the plant with the offshore inlet and outlet structures; a pumphouse, located at the plant site which encloses traveling screens and pumps for the circulating water and service water systems; and a piping system at the plant site, for the most part underground, interconnecting the tunnels, the pumphouse, and the condensers.

The tunnels extend through the underlying rock in an east-west direction at an elevation between 200 and 250 feet below sea level. They end at the plant site with two 19-foot diameter vertical shafts, which reach above grade transforming at the top into two transition boxes open to the atmosphere. At the offshore end, the intake tunnel terminates with three 9-foot inside diameter vertical shafts connecting to three submerged inlet heads. The discharge tunnel terminates with eleven 5-foot inside diameter vertical shafts, each connecting to a submerged bifurcated diffuser head.

Service Water Cooling Tower System

The Service Water Cooling Tower System disposes of waste heat from the plant service water system. Waste heat from equipment throughout the plant is collected by the service water cooling system piping. The service water transfers waste heat to the service water cooling tower, which discharges heat to the atmosphere, thereby controlling discharge of waste heat to the natural water resources adjacent to the station. The Service Water Cooling Tower System components include the service water cooling tower, service

water piping, pumps and associated electrical service, mechanical equipment, controls and instrumentation.

Screen Wash System

The Screen Wash System collects, stores and disposes of debris removed from the circulating and service water systems. This debris is solid waste with no market or other value. After removal, the debris is transferred to a landfill for final disposal. The components of the Screen Wash System include the screen wash pumps, trash trough, trash container, piping and valves, associated electrical service, mechanical equipment, controls and instrumentation.

EXHIBIT B

ASSUMPTION AGREEMENT

This Assumption Agreement (the "Assumption Agreement") is entered into as of , by The Industrial Development Authority of the State of New Hampshire (with its successors, the "Authority"), a body corporate and politic created under New Hampshire Revised Statutes Annotated 162-A:3; Public Service Company of New Hampshire (with its successors, the "Company"), a New Hampshire corporation; (with its successors, the "Seabrook Transferee"), a corporation; and State Street Bank and Trust Company, a Massachusetts trust company, as Trustee (with its successors, the "Trustee") under a Series E Loan and Trust Agreement dated as of May 1, 1991 (the "LTA") among the Authority, the Company and the Trustee, which secures the Authority's $114,500,000 in aggregate principal amount Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 1991 Taxable Series E) and any Tax-Exempt Refunding Bonds issued thereunder (the "Bonds"). Capitalized terms not otherwise defined herein shall have the meaning given them in the LTA.

This Assumption Agreement is entered into pursuant to Section 505 of the LTA in connection with the transfer by the Company of its interest in the Station (including the Project Facilities) to the Seabrook Transferee. The purpose of this Assumption Agreement is to ensure the exclusion of interest on the Tax-Exempt Refunding Bonds from gross income of the owners thereof for federal income tax purposes and to satisfy certain requirements of the Authority with respect to facilities financed under the Act. This Assumption Agreement shall remain in effect until no Bonds remain Outstanding.

In consideration of the mutual promises contained in this Assumption Agreement, the rights conferred and the obligations assumed hereby, and other good and valuable consideration, the receipt of which is hereby acknowledged, each of the Company, the Seabrook Transferee, the Authority and the Trustee agree, assign, covenant, grant, pledge, promise, represent and warrant as set forth herein for their own benefit and for the benefit of the Bondowners.

Section 1. Representations and Covenants of the Company. The Company represents, warrants, covenants and agrees as follows:

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of New Hampshire; is duly qualified to do business and in good standing in each jurisdiction in which the failure so to qualify would have a material adverse affect on its business or properties; and has full corporate power to enter into this Assumption Agreement;

(b) This Assumption Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and binding obligation of the Company enforceable against the Company as provided herein and in the LTA, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and to the exercise of judicial discretion in appropriate cases.

(c) No Default or Event of Default exists, or immediately after the Seabrook Transfer, will exist under the LTA.

(d) The Company and the Seabrook Transferee are members of the same affiliated group within the meaning of IRC Section 1504.

(e) The Seabrook Transfer is in all material respects as contemplated by the Third Amended Joint Plan of Reorganization dated December 28, 1989 of the Company as confirmed by an order of the United States Bankruptcy Court for the District of New Hampshire (Case No. BK88-00043) on April 20, 1990.

(f) The Company has obtained all regulatory approvals necessary to enter into this Assumption Agreement and to consummate the Seabrook Transfer and all such approvals have become final.

(g) The Company's execution and delivery of this Assumption Agreement and the consummation of the Seabrook Transfer do not violate or constitute a default under the Company's charter or by-laws, any applicable law, any order or decree of any court or governmental authority having jurisdiction over the

Company, or any agreement or instrument binding on the Company or its properties.

Section 2. Representations and Covenants of the Seabrook Transferee. The Seabrook Transferee represents, warrants, covenants and agrees as follows:

(a) The Seabrook Transferee is a corporation duly organized, validly existing and in good standing under the laws of ; is duly qualified to do business and in good standing in the State of New Hampshire and in each jurisdiction in which the failure so to qualify would have a material adverse affect on its business or properties; and has full corporate power to enter into this Assumption Agreement.

(b) This Assumption Agreement has been duly authorized, executed and delivered by the Seabrook Transferee and constitutes a valid and binding obligation of the Seabrook Transferee enforceable against the Seabrook Transferee as provided herein, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and to the exercise of judicial discretion in appropriate cases.

(c) The Seabrook Transferee and the Company are members of the same affiliated group within the meaning of IRC Section 1504.

(d) The Seabrook Transfer is in all material respects as contemplated by the Third Amended Joint Plan of Reorganization dated December 28, 1989 of the Company as confirmed by an order of the United States Bankruptcy Court for the District of New Hampshire (Case No. BK88-00043) on April 20, 1990.

(e) The Seabrook Transferee has obtained all regulatory approvals necessary to enter into this Assumption Agreement and to consummate the Seabrook Transfer and all such approvals have become final.

(f) The Seabrook Transferee's execution and delivery of this Assumption Agreement and the consummation of the Seabrook Transfer do not violate or constitute a default under the Seabrook Transferee's charter or by-laws, any applicable law, any order or decree of any court or governmental authority having jurisdiction over the Seabrook Transferee, or any agreement or instrument binding on the Seabrook Transferee or its properties.

(g) The Seabrook Transferee will maintain its corporate existence and its qualification to do business and good standing under the laws of the State of New Hampshire and will maintain itself as a foreign corporation duly qualified to do business and in good standing, where applicable, in each jurisdiction in which the failure to so qualify would have a material adverse effect upon its business or properties. The Seabrook Transferee shall not merge or consolidate with or sell all or substantially all of its assets to another entity, except that the Seabrook Transferee may so merge or consolidate with or sell all or substantially all of its assets to another corporation if (i) the surviving or transferee corporation is qualified to do business in New Hampshire, and (ii) the surviving or transferee corporation (if not the Seabrook Transferee) has assumed in writing all of the Seabrook Transferee's obligations hereunder.

Section 3. Use of the Project.

(a) Notwithstanding any provision herein or in the LTA to the contrary, the Seabrook Transferee will not operate the Project Facilities in any manner, and will not take or omit any action or permit any action to be taken or omitted with the result that interest on any Tax-Exempt Refunding Bonds is included in the gross income of the owners thereof for federal income tax purposes. The Seabrook Transferee's use of the Project Facilities (or facilities replacing the same) shall be in furtherance of the purpose of air or water pollution control or sewage or solid waste disposal and in compliance with the Act.

(b) Notwithstanding any provision herein or in the LTA to the contrary, the Seabrook Transferee shall not permit the Project Facilities to fail to qualify as (1) "industrial facilities" under the Act, (2) a facility described in Section 1312(a) of the Tax Reform Act of 1986, or (3) "sewage or solid waste disposal facilities" or "air or water pollution control facilities" within the meaning of Section 103(b)(4)(E) or (F) of the 1954 Code; provided, however, that if the Company waives the application of clauses (b) and (c) of Section 502 of the LTA as provided in said Section 502, clauses (2) and (3) of this Subsection 3(b) shall likewise be waived. The Seabrook Transferee acknowledges that it is fully familiar with the physical condition of the Project Facilities and that it is not relying on any representation of any kind by the Authority or the Trustee concerning the nature or condition thereof. Neither the Authority nor the Trustee shall be liable to the Seabrook Transferee or any other person for any latent or patent defect in the Project Facilities.

(c) In the acquisition, maintenance, improvement and operation of the Project Facilities, the Seabrook Transferee has and will comply in all material respects with all applicable building, subdivision, zoning and land

use, environmental protection, sanitary and safety and other laws, rules and regulations and will not permit any nuisance thereat and will to the extent of its ownership and control, permit no nuisance to be committed thereat by others while the Seabrook Transferee is, or is entitled to be, in possession thereof. It shall not be a breach of this section if the Seabrook Transferee fails to comply with such laws, rules and regulations during any period in which the Seabrook Transferee shall in good faith be diligently contesting the validity thereof.

(d) The Seabrook Transferee shall pay in a timely manner all costs of maintaining and operating the Project Facilities, including without limitation all taxes, excises and other governmental charges lawfully levied thereon or with respect to its interests therein or use thereof to the extent of the Seabrook Transferee's interest therein. It shall not be a breach of this section if the Seabrook Transferee fails to pay any such costs, taxes or charges during any period in which the Seabrook Transferee shall in good faith be contesting the validity or amount thereof and no foreclosure proceedings have been commenced, unless the procedures applicable to such contest require payment thereof and proceedings for their refund or abatement.

(e) The Seabrook Transferee shall not sell, lease, transfer or otherwise dispose of the Project Facilities (other than the grant of a mortgage pursuant to a financing transaction) unless (i) it obtains the consent of the Authority, which consent shall not be unreasonably withheld, provided, however, that no such consent shall be required if such transaction has been approved by or consented to by the New Hampshire Public Utilities Commission; and (ii) if there are any Outstanding Tax-Exempt Refunding Bonds, it obtains an opinion of Bond Counsel addressed to and reasonably satisfactory to the Trustee and the Authority that such sale, lease, transfer or other disposition will not affect the exclusion of the interest on any Outstanding Tax-Exempt Refunding Bonds from the gross income of the owners thereof for federal income tax purposes.

The Seabrook Transferee shall not make any material change in the purposes for which the Project Facilities are used without the consent of the Authority, which consent shall not be unreasonably withheld. The Seabrook Transferee at its own expense may alter, remodel or improve the Project Facilities and construct other facilities at the site of the Project Facilities, provided such action shall not result in any substantial change in the Project Facilities or the character of the activities conducted by the Seabrook Transferee at the Project Facilities site without the consent of the Authority, which consent shall not be unreasonably withheld.

(f) The Authority and the Trustee and their respective duly authorized agents shall have the right at all reasonable times and upon the furnishing of reasonable notice under the circumstances to examine the books and records of the Seabrook Transferee relating to the Project Facilities.

(g) The undertakings of the Seabrook Transferee contained in Subsections 3(b), (c), (d) and (e) are limited to those consistent with the Seabrook Transferee's undivided percentage interest in the facilities of which the Project Facilities are a part.

Section 4. Indemnification by the Seabrook Transferee. The Seabrook Transferee, regardless of any agreement to maintain insurance, will indemnify the Authority and the Trustee against (a) any and all claims by any person related to the participation of the Authority or the Trustee in the financing of the Project Facilities, including without limitation claims arising out of any condition of the Project Facilities or Station or the construction, use, occupancy or management thereof; any accident, injury or damage to any person occurring in or about the Station; any breach by the Seabrook Transferee of its obligations under this Assumption Agreement; any act or omission of the Seabrook Transferee or any of its agents, contractors, servants, employees or licensees; and (b) all costs, counsel fees, expenses or liabilities reasonably incurred in connection with any such claim or any action or proceeding brought thereon. In case any action or proceeding is brought against the Authority or the Trustee by reason of any such claim, the Seabrook Transferee will defend the same at its expense upon notice from the Authority or the Trustee, and the Authority or the Trustee, as the case may be, will cooperate with the Seabrook Transferee, at the expense of the Seabrook Transferee, in connection therewith.

Section 5. Failure to Comply. The Seabrook Transferee shall immediately notify the Authority, the Company and the Trustee of any failure to observe or perform any of its covenants or agreements contained herein, and thereafter shall keep the Authority, the Company and the Trustee informed with respect to any curative action instituted by the Seabrook Transferee in order to cure such failure.

Section 6. Amendment. This Assumption Agreement may be amended by the parties hereto, provided, however, that in connection with any amendment the Company or the Seabrook Transferee shall furnish the Authority and the Trustee with an opinion of Bond Counsel stating that the amendment will not impair the exclusion of interest on the Bonds from gross income of the owners

thereof for federal income tax purposes.

Section 7. Agreement Not for the Benefit of Other Parties. This Assumption Agreement is not intended for the benefit of and shall not be construed to create rights in parties other than the Authority, the Company, the Seabrook Transferee, the Trustee and the Bondowners.

Section 8. Severability. In the event that any provision of this Assumption Agreement shall be held to be invalid in any circumstance, such invalidity shall not affect any other provisions or circumstances.

Section 9. Counterparts. This Assumption Agreement may be executed and delivered in any number of counterparts, each of which shall be deemed to be an original; but such counterparts together shall constitute one and the same instrument.

Section 10. Governing Law. This Assumption Agreement shall be governed by the laws of the State of New Hampshire.

IN WITNESS WHEREOF, The Industrial Development Authority of the State of New Hampshire has caused this Assumption Agreement to be signed by one of its members and directors duly designated and authorized for the purpose and its official seal to be impressed hereon and attested by its Executive Director; Public Service Company of New Hampshire has caused this Assumption Agreement to be signed and its corporate seal to be impressed hereon and attested by authorized officers; [the Seabrook Transferee] has caused this Assumption Agreement to be signed and its corporate seal impressed hereon and attested by authorized officers; and State Street Bank and Trust Company, as Trustee, has caused this Assumption Agreement to be signed and its corporate seal to be impressed hereon and attested by authorized officers.

THE INDUSTRIAL DEVELOPMENT AUTHORITY (Seal)
OF THE STATE OF NEW HAMPSHIRE Attest:

By
Title: Executive Director

PUBLIC SERVICE COMPANY (Seal)
OF NEW HAMPSHIRE Attest:

By
Title: Title:

[SEABROOK TRANSFEREE] (Seal)

Attest:

By
Title: Title:

STATE STREET BANK AND TRUST (Seal)
COMPANY, as Trustee Attest:

By
Title: Title:

EXHIBIT C

FORM OF FLEXIBLE 1991 SERIES E BOND

$ No. R-

ANY BONDHOLDER WHO FAILS TO DELIVER A BOND FOR PURCHASE AT THE TIMES AND AT THE PLACE REQUIRED HEREIN SHALL HAVE NO FURTHER RIGHTS HEREUNDER EXCEPT THE RIGHT TO RECEIVE THE PURCHASE PRICE HEREOF UPON PRESENTATION AND SURRENDER OF THIS BOND TO THE PAYING AGENT AS DESCRIBED HEREIN, AND SHALL HOLD THIS BOND AS AGENT FOR THE PAYING AGENT.

UNITED STATES OF AMERICA
STATE OF NEW HAMPSHIRE
THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE STATE OF NEW HAMPSHIRE
Pollution Control Revenue Bond
(Public Service Company of New Hampshire
Project - 1991 Taxable Series E)

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

INTEREST DUE: $
(on the Next Purchase Date)
INTEREST RATE:
(to the Next Purchase Date)

NEXT PURCHASE DATE:
COMMENCEMENT DATE OF RATE PERIOD:
MATURITY DATE: May 1, 2021
CUSIP:

DATE OF THIS BOND:
(Date as of which Bonds of this
series were initially issued.)
MODE: Flexible

THIS BOND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE STATE OF NEW HAMPSHIRE OR OF THE AUTHORITY EXCEPT TO THE EXTENT PERMITTED BY NEW HAMPSHIRE RSA CHAPTER 162-I. ALL AMOUNTS OWED HEREUNDER ARE PAYABLE ONLY FROM THE SOURCES PROVIDED IN THE LOAN AND TRUST AGREEMENT DESCRIBED BELOW, AND NO PUBLIC FUNDS MAY BE USED FOR THAT PURPOSE.

The Industrial Development Authority of the State of New Hampshire (the "Authority"), for value received, promises to pay to the REGISTERED OWNER, or registered assigns, but solely from the moneys to be provided under the Agreement mentioned below, upon presentation and surrender hereof, in lawful money of the United States of America, the PRINCIPAL AMOUNT on the MATURITY DATE, unless paid earlier as provided below, with interest from the most recent Interest Payment Date, as defined below, to which interest has been paid or duly provided for or, if no interest has been paid, from the DATE OF THIS BOND set forth above, until paid in full, at the rates set forth below, payable on each Interest Payment Date. So long as this bond is in the Flexible Mode, interest shall be due on this bond on each Purchase Date (as defined below) and on the MATURITY DATE, and when this bond is in any other Mode interest shall be due on the dates provided in the Agreement (the "Interest Payment Dates"). Until conversion to the Weekly, Multiannual or Fixed Rate Mode as provided below, this bond shall bear interest at the Flexible Rate. The Flexible Rate for this bond shall be the rate of interest determined by the Remarketing Agent designated as provided in the Agreement (herein, with its successors, the "Remarketing Agent"), for each Rate Period, as defined below, to be the lowest rate which in its judgment, on the basis of prevailing financial market conditions, is necessary on and as of the Effective Date, as defined below, to remarket each Bond having such Rate Period in a secondary market transaction at a price equal to the principal amount thereof, but not in excess of the Maximum Interest Rate. If this bond is converted to the Weekly, Multiannual or Fixed Rate Mode it shall bear interest at the Weekly, Multiannual or Fixed Rate, as the case may be, as defined in the Agreement. The Remarketing Agent shall determine the initial Flexible Rate on or before the date of issue in or of conversion to the Flexible Mode, which rate shall remain in effect as provided in the Agreement. Thereafter, the Remarketing Agent shall redetermine the Flexible Rate for each Rate Period as provided below. The amount of interest due on any Interest Payment Date shall be the amount of unpaid interest accrued on this bond through the day preceding such Interest Payment Date or, if such Interest Payment Date is not a Business Day, through the day preceding the first Business Day succeeding such Interest Payment Date.

This bond is one of a series of Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 1991 Taxable Series E) (the "Bonds") in the aggregate principal amount of $114,500,000 issued under New Hampshire RSA Chapter 162-I (the "Act"). The proceeds of the Bonds are being loaned to Public Service Company of New Hampshire (the "Company"), a New Hampshire corporation, pursuant to a Series E Loan and Trust Agreement (the "Agreement") dated as of May 1, 1991 among the Company, the Authority and State Street Bank and Trust Company, as Trustee (the "Trustee") to finance certain costs associated with the Company's ownership interest in air or water pollution control and sewage or solid waste disposal facilities installed for use by Unit No. 1 at the nuclear electric generating station (the "Station") in Seabrook, New Hampshire (the "Project Facilities"). Pursuant to the Agreement, the Company has unconditionally agreed to repay such loan in the amounts and at the times necessary to pay the principal of, premium, if any, and interest on the Bonds when due. To evidence and secure such loan and the Company's reimbursement and certain other obligations under the Reimbursement Agreement (as defined below), the Company has issued and delivered to the Trustee its First Mortgage Bonds, Series G (the "Series G First Mortgage Bonds") issued under the First Mortgage Indenture dated as of August 15, 1978, as amended, and the Tenth Supplemental Indenture thereto dated as of May 1, 1991 between the Company and First Fidelity Bank, National Association, New Jersey, as Trustee (as amended and supplemented from time to time, the "First Mortgage Bond Indenture") in an aggregate principal amount, and with an interest rate, maturity date and redemption provisions corresponding to those of the Bonds. As provided in the Agreement, payments of principal of, and premium, if any, and interest on the Series G First Mortgage Bonds shall, upon receipt by the Trustee, be deemed to constitute payments in corresponding amounts by the Company in respect of the Bonds. Reference is hereby made to the Agreement for the provisions thereof with respect to the rights, limitations of rights, duties, obligations and immunities of the Company, the Authority, the Trustee, the Paying Agent, and the Bondowners, including the order of payments in the event of insufficient funds, the disposition of unclaimed moneys held by the Trustee and restrictions on the rights of owners of the Bonds to bring suit. The

Agreement may be amended to the extent and in the manner provided therein. Copies of the Agreement are available for inspection at the corporate trust office of the Trustee.

The Purchase Price (as defined below) and principal of and interest on this bond while it is in the Flexible Mode is also payable from moneys drawn by the Paying Agent on an irrevocable letter of credit for the Bonds (together with any extensions and renewals thereof, the "Letter of Credit") issued by Citibank, N.A. in the initial aggregate stated amount of $121,014,000 pursuant to the terms of a Series E Letter of Credit and Reimbursement Agreement dated as of May 1, 1991 (the "Reimbursement Agreement") by and between the Company and Citibank, N.A. (together with any other issuer of a Credit Facility, the "Bank"). The Letter of Credit initially expires on the fourth anniversary of the DATE OF THIS BOND but may be terminated earlier upon the occurrence of certain events set forth in the Agreement and the Reimbursement Agreement or extended as provided in the Reimbursement Agreement. The Company may substitute the Letter of Credit in whole or in part with one or more new letters of credit (collectively with the Letter of Credit, a "Credit Facility") as provided in the Agreement and the Reimbursement Agreement. The Company may substitute a new Letter of Credit as provided in the Agreement.

Unless otherwise defined herein, capitalized terms used in this bond shall have the meaning given them in the Agreement. The following terms are defined as follows:

"Business Day" means a day (i) that is not a Sunday or legal holiday or a day on which banking institutions are authorized pursuant to law to close, (ii) that is not a day on which the corporate trust office of the First Mortgage Bond Trustee is not open for business, (iii) that is a day on which banks are not required or authorized to close in New York, New York, and (iv) that is a day on which banking institutions in all of the cities in which the principal offices of the Trustee and the Paying Agent and, if applicable, the Remarketing Agent and the Bank are located are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

"Effective Date" means, with respect to a Bond in the Flexible, Weekly and Multiannual Modes, the date on which a new Rate Period for that Bond takes effect.

"Mode" means the period for and the manner in which the interest rates on the Bonds are set and includes the Flexible Mode, the Weekly Mode, the Multiannual Mode and the Fixed Rate Mode.

"Purchase Date" means, while this bond is in the Flexible Mode, the date on which this bond shall be required to be purchased pursuant to a mandatory tender in accordance with the provisions hereof.

"Rate Period" or "Period" means, when used with respect to any particular rate of interest for a Bond in the Flexible, Weekly or Multiannual Mode, the period during which such rate of interest determined for such Bond will remain in effect as described herein.

At the option of the Company and upon certain conditions provided for in the Agreement described below, all or a portion of the Bonds (a) may be converted or reconverted from time to time to or from the Weekly Mode or Multiannual Mode, which means that the Rate Period is, respectively, one week or one year or any multiple of one year, (b) may be converted or reconverted from time to time to or from the Flexible Mode, and will have Rate Periods of from one to 270 days as provided herein, or (c) may be converted to the Fixed Rate Mode; provided, however, that in the Multiannual Mode the first rate period occurring after conversion to such Mode may be shorter than the applicable multiple of one year as provided in the Agreement. While this bond is in the Flexible Mode, a new interest rate shall take effect on the date such Mode takes effect, and on the Effective Date of the next Flexible Rate Period, as defined herein, applicable to this bond.

While this bond is in the Flexible Mode, conversions to any other Mode may take place only on an Effective Date. Conversion of this bond to another Mode shall be subject to certain conditions set forth in the Agreement. In the event that the conditions for a proposed conversion to a new Mode are not met (i) such new Mode shall not take effect on the proposed conversion date, notwithstanding any prior notice to the Bondowners of such conversion and (ii) this bond shall remain in the Flexible Mode with a Rate Period of one day. In no event shall the failure of this bond to be converted to another Mode be deemed to be a Default or an Event of Default under the Agreement as long as the Purchase Price (as defined below) is made available on the failed conversion date to owners of all Bonds that were to have been converted.

While Bonds bear interest at Flexible Rates, the interest rate for each particular Bond in the Flexible Mode will be determined by the Remarketing Agent and will remain in effect from and including the Effective Date of the Rate Period selected for that Bond by the Remarketing Agent through the last date thereof. While the Bonds are in the Flexible Mode, Bonds may have successive Rate Periods of any duration up to 270 days each and ending on a

Business Day and any Bond may bear interest at a rate and for a period different from any other Bond.

In the event that the Remarketing Agent no longer determines, or fails to determine when required, any Rate Period or any Flexible Rate for any Bonds, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the Rate Period for any such Bond shall be deemed to be a Flexible Rate Period with a duration of one day and the Flexible Rate shall be determined as provided in the Agreement.

While this bond is in the Flexible Mode it is subject to mandatory tender for purchase on each applicable Effective Date at a price (the "Purchase Price") of par plus accrued interest to the Effective Date. THE OWNER OF THIS BOND, BY ACCEPTANCE HEREOF, AGREES TO SELL AND SURRENDER THIS BOND IN ACCORDANCE WITH THE PROVISIONS OF THE AGREEMENT AND, ON THE PURCHASE DATE, TO SURRENDER THIS BOND TO THE PAYING AGENT FOR PAYMENT OF THE PURCHASE PRICE. UPON DEPOSIT OF THE PURCHASE PRICE WITH THE PAYING AGENT ON THE PURCHASE DATE, THIS BOND SHALL BE DEEMED TENDERED FOR PURCHASE AND SHALL CEASE TO BE OUTSTANDING UNDER THE AGREEMENT, INTEREST HEREON SHALL CEASE TO ACCRUE AS OF THE PURCHASE DATE, AND THE REGISTERED OWNER HEREOF SHALL BE ENTITLED ONLY TO RECEIVE THE PURCHASE PRICE SO DEPOSITED WITH THE PAYING AGENT UPON SURRENDER OF THIS CERTIFICATE TO THE PAYING AGENT. The Purchase Price shall be paid on the Delivery Date, which shall be the Effective Date or any subsequent Business Day on which this bond is delivered to the Paying Agent. The Purchase Price of this bond shall be paid only upon surrender of this bond to the Paying Agent as provided herein. From and after the Effective Date, no further interest shall be payable to the REGISTERED OWNER during the preceding Rate Period, provided that there are sufficient funds available on the Effective Date to pay the Purchase Price.

Each determination and redetermination of the Flexible Rate shall be conclusive and binding on the Authority, the Trustee, the Paying Agent, the Bank, the Company and the Bondowners.

While this bond is in the Flexible Mode, interest shall be computed on the basis of actual days elapsed divided by 360. From and after the date on which this bond becomes due, any unpaid principal will bear interest at the then effective interest rate until paid or duly provided for.

While this bond is in the Flexible Mode, the principal of and interest on this bond due on the MATURITY DATE are payable when due by wire or bank transfer of immediately available funds within the continental United States to the REGISTERED OWNER hereof but only upon presentation and surrender of this bond at the offices of Security Pacific National Trust Company (New York), New York, New York, as Paying Agent (with its successors in such capacity, the "Paying Agent"). While this bond is in the Flexible Mode, the Purchase Price of this bond (which includes accrued interest to the Purchase Date) tendered for purchase is payable by wire or bank transfer within the continental United States from the Paying Agent to the REGISTERED OWNER at its address shown on the registration books maintained by the Paying Agent. Payment of the Purchase Price of this bond to such owner shall be made on the Purchase Date if presentation and surrender of this bond is made prior to 11:00 A.M., New York City time, on the Purchase Date or on such later Business Day upon which presentation and surrender of this bond is made prior to 11:00 A.M., New York City time. The Purchase Price of this bond shall be paid in immediately available funds. Overdue interest on this bond, or interest on overdue principal while in the Flexible Mode is payable in immediately available funds by wire or bank transfer within the continental United States from the Paying Agent to the REGISTERED OWNER, determined as of the close of business on the applicable special record date as determined by the Trustee, at its address as shown on the registration books maintained by the Paying Agent. The special record date may be not more than thirty (30) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date. The Paying Agent will promptly certify to the Authority, the Trustee and the Remarketing Agent that it has mailed such notice to all Bondowners, and such certificate will be conclusive evidence that notice was given in the manner required hereby.

This bond is transferable by the REGISTERED OWNER, in person or by its attorney duly authorized in writing, at the office of the Paying Agent, upon surrender of this bond to the Paying Agent for cancellation. Upon the transfer, a new Bond or Bonds in authorized denominations of the same aggregate principal amount will be issued to the transferee at the same office. No transfer will be effective unless represented by such surrender and reissue. This bond may also be exchanged at the office of the Paying Agent for a new Bond or Bonds in authorized denominations of the same aggregate principal amount without transfer to a new registered owner. Exchanges and transfers will be without expense to the owner except for applicable taxes or other governmental charges, if any.

The Bonds are issuable only in fully registered form and while in the Flexible Mode shall be in denominations of $100,000 or any multiple of $1,000 in excess of $100,000.

The Authority, the Trustee, the Paying Agent and the Company may treat the REGISTERED OWNER as the absolute owner of this bond for all purposes, notwithstanding any notice to the contrary.

No director, officer, employee or agent of the Authority nor any person executing this bond (by facsimile signature or otherwise) shall be personally liable, either jointly or severally, hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

This bond will not be valid until the Certificate of Authentication has been signed by the Trustee or its duly appointed agent for such purpose.

REFERENCE IS MADE TO THE FURTHER PROVISIONS OF THIS BOND ON THE BACK, WHICH HAVE THE SAME EFFECT AS IF SET FORTH HERE.

THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE STATE OF NEW HAMPSHIRE

(Seal) By:
Title:

By:
Title:

Certificate of Authentication
This bond is one of the Bonds described in the Loan and Trust Agreement.

STATE STREET BANK AND TRUST
COMPANY, as Trustee

Date of Registration:
By: , or
Authorized Signature

By: SECURITY PACIFIC NATIONAL TRUST
COMPANY (NEW YORK), as agent of the Trustee

By:
Authorized Signature

Assignment

For value received the undersigned sells, assigns and transfers this bond to
(Name and Address of Assignee)

Social Security or Other Identifying Number of Assignee
and irrevocably appoints attorney-in-fact to transfer it on the books kept for registration of the bond, with full power of substitution.

NOTE: The signature to this assignment must correspond with the name as written on the face of the bond without alteration or enlargement or other change and must be guaranteed by a national bank, trust company or member firm of a national stock exchange.

Dated:

Signature Guaranteed:

Bank, Trust Company or Brokerage Firm

By:
Authorized Signature

The following abbreviations, when used in the inscription on the face of this bond, shall be construed as though they were written out in full according to applicable law.

TEN COM - as tenants in common
TEN ENT - as tenants by the entirety
JT TEN - as joint tenants with rights

UNIF GIFT MIN ACT - Custodian
(Cust) (Minor)

of survivorship and not as
tenants in common
Act (State)

Additional abbreviations may also be used though not set forth in the list above.

EXHIBIT D

FORM OF WEEKLY 1991 SERIES E BOND

$ No. R-

ANY BONDHOLDER WHO FAILS TO DELIVER A BOND FOR PURCHASE AT THE TIMES AND AT THE PLACE REQUIRED HEREIN SHALL HAVE NO FURTHER RIGHTS HEREUNDER EXCEPT THE RIGHT TO RECEIVE THE PURCHASE PRICE HEREOF UPON PRESENTATION AND SURRENDER OF THIS BOND TO THE PAYING AGENT AS DESCRIBED HEREIN, AND SHALL HOLD THIS BOND AS AGENT FOR THE PAYING AGENT.

UNITED STATES OF AMERICA
STATE OF NEW HAMPSHIRE
THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE STATE OF NEW HAMPSHIRE
Pollution Control Revenue Bond
(Public Service Company of New Hampshire
Project - 1991 Taxable Series E)

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

INTEREST PAYMENT DATES: (i) the first Business Day of each calendar month, and (ii) the Maturity Date.

MATURITY DATE: May 1, 2021
DATE OF THIS BOND:
(Date as of which Bonds of this
series were initially issued.)
MODE: Weekly
CUSIP:

THIS BOND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE STATE OF NEW HAMPSHIRE OR OF THE AUTHORITY EXCEPT TO THE EXTENT PERMITTED BY NEW HAMPSHIRE RSA CHAPTER 162-I. ALL AMOUNTS OWED HEREUNDER ARE PAYABLE ONLY FROM THE SOURCES PROVIDED IN THE LOAN AND TRUST AGREEMENT DESCRIBED BELOW, AND NO PUBLIC FUNDS MAY BE USED FOR THAT PURPOSE.

The Industrial Development Authority of the State of New Hampshire (the "Authority"), for value received, promises to pay to the REGISTERED OWNER, or registered assigns, but solely from the moneys to be provided under the Agreement mentioned below, upon presentation and surrender hereof, in lawful money of the United States of America, the PRINCIPAL AMOUNT on the MATURITY DATE, unless paid earlier as provided below, with interest from the most recent INTEREST PAYMENT DATE to which interest has been paid or duly provided for or, if no interest has been paid, from the DATE OF THIS BOND set forth above, until paid in full, at the rates set forth below, payable on each INTEREST PAYMENT DATE. Until conversion to the Flexible, Multiannual or Fixed Rate Mode as provided below, this bond shall bear interest at the Weekly Rate. The Weekly Rate for this bond shall be the rate of interest determined by the Remarketing Agent designated as provided in the Agreement (herein, with its successors, the "Remarketing Agent"), for each Rate Period, as defined below, to be the lowest rate which in its judgment, on the basis of prevailing financial market conditions, would permit the sale of the Bonds (as defined below) in the Weekly Mode at par plus accrued interest on and as of the Effective Date, as defined below, but not in excess of the Maximum Interest Rate. If this bond is converted to the Flexible, Multiannual or Fixed Rate Mode it shall bear interest at the Flexible, Multiannual or Fixed Rate, as the case may be, as defined in the Agreement. The Remarketing Agent shall determine the initial Weekly Rate on or before the date of issue in or of conversion to the Weekly Mode, which rate shall remain in effect as provided in the Agreement. Thereafter, the Remarketing Agent shall redetermine the Weekly Rate for each Rate Period as provided below. The amount of interest due on any INTEREST PAYMENT DATE shall be the amount of unpaid interest accrued on this bond through the day preceding such INTEREST PAYMENT DATE.

This bond is one of a series of Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 1991 Taxable Series E) (the "Bonds") in the aggregate principal amount of $114,500,000 issued under New Hampshire RSA Chapter 162-I (the "Act"). The proceeds of the Bonds are being loaned to Public Service Company of New Hampshire (the "Company"), a New Hampshire corporation, pursuant to a Series E Loan and Trust Agreement (the "Agreement") dated as of May 1, 1991 among the Company, the Authority and State Street Bank and Trust Company, as Trustee (the "Trustee") to finance certain costs associated with the Company's ownership interest in air or water pollution control and sewage or solid waste disposal facilities installed for use by Unit No. 1 at the nuclear electric generating station (the "Station") in Seabrook, New Hampshire (the "Project Facilities"). Pursuant to the Agreement, the Company has unconditionally agreed to repay such loan in the amounts and at the times necessary to pay the principal of, premium, if any, and interest on the Bonds when due. To evidence and secure such loan and the Company's reimbursement and certain other obligations under the Reimbursement Agreement (as defined below), the Company has issued and

delivered to the Trustee its First Mortgage Bonds, Series G (the "Series G First Mortgage Bonds") issued under the First Mortgage Indenture dated as of August 15, 1978, as amended, and the Tenth Supplemental Indenture thereto dated as of May 1, 1991 between the Company and First Fidelity Bank, National Association, New Jersey, as Trustee (as amended and supplemented from time to time, the "First Mortgage Bond Indenture") in an aggregate principal amount, and with an interest rate, maturity date and redemption provisions corresponding to those of the Bonds. As provided in the Agreement, payments of principal of, and premium, if any, and interest on the Series G First Mortgage Bonds shall, upon receipt by the Trustee, be deemed to constitute payments in corresponding amounts by the Company in respect of the Bonds. Reference is hereby made to the Agreement for the provisions thereof with respect to the rights, limitations of rights, duties, obligations and immunities of the Company, the Authority, the Trustee, the Paying Agent, and the Bondowners, including the order of payments in the event of insufficient funds, the disposition of unclaimed moneys held by the Trustee and restrictions on the rights of owners of the Bonds to bring suit. The Agreement may be amended to the extent and in the manner provided therein. Copies of the Agreement are available for inspection at the corporate trust office of the Trustee.

The Purchase Price (as defined below) and principal of and interest on this bond while it is in the Weekly Mode is also payable from moneys drawn by the Paying Agent on an irrevocable letter of credit for the Bonds (together with any extensions and renewals thereof, the "Letter of Credit") issued by pursuant to the terms of a Reimbursement Agreement dated as of (the "Reimbursement Agreement") by and between the Company and (together with any other issuer of a Credit Facility, the "Bank"). The Paying Agent may draw on the Letter of Credit presently in place for the payment of up to forty-five (45) days' interest for Bonds in the Weekly Mode. The Letter of Credit initially expires on , but may be terminated earlier upon the occurrence of certain events set forth in the Agreement and the Reimbursement Agreement or extended as provided in the Reimbursement Agreement. Unless the Letter of Credit is extended or renewed or a substitute letter of credit (collectively with the Letter of Credit, a "Credit Facility") is provided in accordance with the Agreement, the Bonds will become subject to mandatory purchase as described below. The Company may substitute a new Credit Facility as provided in the Agreement.

In case any Event of Default occurs and is continuing, the principal amount of this bond together with accrued interest may become or be declared immediately due and payable in the manner and with the effect provided in the Agreement.

Unless otherwise defined herein, capitalized terms used in this bond shall have the meaning given them in the Agreement. The following terms are defined as follows:

"Business Day" means a day (i) that is not a Sunday or legal holiday or a day on which banking institutions are authorized pursuant to law to close, (ii) that is not a day on which the corporate trust office of the First Mortgage Bond Trustee is not open for business, (iii) that is a day on which banks are not required or authorized to close in New York, New York, and (iv) that is a day on which banking institutions in all of the cities in which the principal offices of the Trustee and the Paying Agent and, if applicable, the Remarketing Agent and the Bank are located are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

"Effective Date" means, with respect to a Bond in the Flexible, Weekly and Multiannual Modes, the date on which a new Rate Period for that Bond takes effect.

"Mode" means the period for and the manner in which the interest rates on the Bonds are set and includes the Flexible Mode, the Weekly Mode, the Multiannual Mode and the Fixed Rate Mode.

"Purchase Date" means, while this bond is in the Weekly Mode, the date on which this bond shall be required to be purchased pursuant to a mandatory or optional tender in accordance with the provisions hereof.

"Rate Period" or "Period" means, when used with respect to any particular rate of interest for a Bond in the Flexible, Weekly or Multiannual Mode, the period during which such rate of interest determined for such Bond will remain in effect as described herein. While this bond is in the Weekly Mode, a new interest rate shall take effect on the date such Mode takes effect and thereafter on each Wednesday.

At the option of the Company and upon certain conditions provided for in the Agreement described below, all or a portion of the Bonds (a) may be converted or reconverted from time to time to or from the Weekly Mode or Multiannual Mode, which means that the Rate Period is, respectively, one week or one year or any multiple of one year, (b) may be converted or reconverted from time to time to or from the Flexible Mode, and will have Rate Periods of from one to 270 days as provided herein, or (c) may be converted to the Fixed

Rate Mode; provided, however, that in the Multiannual Mode the first rate period occurring after conversion to such Mode may be shorter than the applicable multiple of one year as provided in the Agreement.

While this bond is in the Weekly Mode, conversions to any other Mode may take place only on the first Business Day of any calendar month upon thirty (30) days' prior written notice from the Paying Agent to the REGISTERED OWNER of this bond. Conversion of this bond to another Mode shall be subject to the conditions set forth in the Agreement. In the event that the conditions for a proposed conversion to a new Mode are not met (i) such new Mode shall not take effect on the proposed conversion date, notwithstanding any prior notice to the Bondowners of such conversion, (ii) this bond shall automatically convert to the Flexible Mode with a Rate Period of one day, and (iii) this bond shall be subject to mandatory tender for purchase as provided below. In no event shall the failure of this bond to be converted to another Mode be deemed to be a Default or an Event of Default under the Agreement as long as the Purchase Price (as defined below) is made available on the failed conversion date to owners of all Bonds that were to have been converted.

When this bond is in the Weekly Mode, the Weekly Rate in effect for each Rate Period (the "Effective Rate" for such Period) shall be determined not later than the Business Day next preceding the Effective Date. If the Remarketing Agent fails to make such determination or fails to announce the Effective Rate as required with respect to any Bonds in the Weekly Mode, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the rate on such Bonds to take effect on that Effective Date shall be the Weekly Rate in effect on the day preceding such date. The Remarketing Agent shall announce the Effective Rate by telephone to the Paying Agent on the date of determination thereof, and shall promptly confirm such notice in writing. While this bond is in the Weekly Mode, any Bondowner may ascertain the Effective Rate at any time by contacting the Paying Agent or the Remarketing Agent.

Each determination and redetermination of the Weekly Rate shall be conclusive and binding on the Authority, the Trustee, the Paying Agent, the Bank, the Company and the Bondowners.

While this bond is in the Weekly Mode, interest shall be computed on the basis of a 365- or 366-day year, as appropriate, and actual days elapsed. From and after the date on which this bond becomes due, any unpaid principal will bear interest at the then effective interest rate until paid or duly provided for.

While this bond is in the Weekly Mode the principal of this bond is payable when due by wire or bank transfer of immediately available funds within the continental United States to the REGISTERED OWNER hereof but only upon presentation and surrender of this bond at the office of Security Pacific National Trust Company (New York) New York, New York, as Paying Agent, (with its successors in such capacity, the "Paying Agent"). Interest on this bond while in the Weekly Mode is payable in immediately available funds by wire or bank transfer within the continental United States from the Paying Agent to the REGISTERED OWNER, determined as of the close of business on the applicable record date, at its address as shown on the registration books maintained by the Paying Agent. The Purchase Price (as defined below) of Bonds tendered for purchase shall be paid as provided below.

The record date for payment of interest while this bond is in the Weekly Mode is the Business Day preceding the date on which interest is to be paid. With respect to overdue interest or interest payable on redemption of this bond other than on an INTEREST PAYMENT DATE or interest on any overdue amount, the Trustee may establish a special record date. The special record date may be not more than thirty (30) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date. The Paying Agent will promptly certify to the Authority, the Trustee and the Remarketing Agent that it has mailed such notice to all Bondowners, and such certificate will be conclusive evidence that notice was given in the manner required hereby.

While this bond is in the Weekly Mode, the REGISTERED OWNER shall have the right to tender this bond for purchase in multiples of $100,000 at a price (the "Purchase Price") equal to 100% of the principal amount thereof, plus accrued interest, if any, to the Purchase Date, upon compliance with the conditions described below, provided that if the Purchase Date is an INTEREST PAYMENT DATE, accrued interest shall be paid separately, and not as part of the Purchase Price on such date. In order to exercise the right to tender, the REGISTERED OWNER must deliver to the Paying Agent a written irrevocable notice of tender substantially in the form of the Bondowner's Election Notice set forth hereon and satisfactory to the Paying Agent. While this bond is in the Weekly Mode, it will be purchased on the Business Day specified in such Bondowner's Election Notice, provided such date is at least seven calendar days after receipt by the Paying Agent of such notice. If the REGISTERED OWNER of this bond has elected to require purchase as provided above, the REGISTERED OWNER shall be deemed, by such election, to have agreed irrevocably to sell this bond to any purchaser determined in accordance with the provisions of the Agreement on the date fixed for purchase at the

Purchase Price.

Tender of this bond will not be effective and this bond will not be purchased if at the time fixed for purchase an acceleration of the maturity of the Bonds shall have occurred and not have been annulled in accordance with the Agreement. Notice of tender of this bond is irrevocable. All notices of tender of Bonds shall be made to the Paying Agent at , New York, New York, or such other address specified in writing by the Paying Agent to the Bondowners. All deliveries of tendered bonds, including deliveries of Bonds subject to mandatory tender, shall be made to the Paying Agent at , New York, New York, Attention: , or such other address specified in writing by the Paying Agent to the Bondowners.

This bond is subject to mandatory tender for purchase at the Purchase Price (i) on the date of conversion or proposed conversion from one Mode to another Mode and (ii) on (a) the effective date of a substitute Credit Facility if such substitution would result in a withdrawal or reduction (excluding a withdrawal or reduction resulting from a change in Modes) of the rating of this bond, if any, by either Moody's or S&P or (b) a date that is not more than fifteen (15) or less than ten (10) days prior to the expiration or termination of the Credit Facility other than upon conversion to a new Mode. Notice of mandatory tender shall be given or caused to be given by the Trustee in writing to the REGISTERED OWNER at least thirty (30) days prior to the mandatory Purchase Date. THE OWNER OF THIS BOND, BY ACCEPTANCE HEREOF, AGREES TO SELL AND SURRENDER THIS BOND AT SUCH PRICE TO ANY PURCHASER DETERMINED IN ACCORDANCE WITH THE PROVISIONS OF THE AGREEMENT IN THE EVENT OF SUCH MANDATORY TENDER AND, ON SUCH PURCHASE DATE, TO SURRENDER THIS BOND TO THE PAYING AGENT FOR PAYMENT OF THE PURCHASE PRICE. From and after the Purchase Date, no further interest on this bond shall be payable to the REGISTERED OWNER, provided that there are sufficient funds available on the Effective Date to pay the Purchase Price.

The Purchase Price of this bond shall be paid to the REGISTERED OWNER by the Paying Agent on the Delivery Date, which shall be the Purchase Date or any subsequent Business Day on which this bond is delivered to the Paying Agent. The Purchase Price of this bond shall be paid only upon surrender of this bond to the Paying Agent as provided herein. From and after the Purchase Date, no further interest on this bond shall be payable to the REGISTERED OWNER who gave notice of tender for purchase, provided that there are sufficient funds available on the Purchase Date to pay the Purchase Price. The Purchase Price of Bonds tendered for purchase is payable for Bonds in the Weekly Mode by wire or bank transfer within the continental United States in immediately available funds from the Paying Agent to the REGISTERED OWNER at its address shown on the registration books maintained by the Paying Agent. If on any date this bond is subject to mandatory tender for purchase or is required to be purchased at the election of the REGISTERED OWNER, payment of the Purchase Price of this bond to such owner shall be made on the Purchase Date if presentation and surrender of this bond is made prior to 11:00 A.M., New York City time, on the Purchase Date or on such later Business Day upon which presentation and surrender of this bond is made prior to 11:00 A.M., New York City time.

Bonds in the Weekly Mode are subject to redemption in whole or in part at the direction of the Company on any INTEREST PAYMENT DATE at a redemption price of par plus accrued interest.

If less than all of the Outstanding Bonds are to be called for redemption, the Bonds (or portions thereof) to be redeemed shall be selected as provided in the Agreement with Bonds in the Weekly Mode being redeemed in units of $100,000.

In the event this bond is selected for redemption, notice will be mailed no more than forty-five (45) nor less than thirty (30) days prior to the redemption date to the REGISTERED OWNER at its address shown on the registration books maintained by the Paying Agent. Failure to mail notice to the owner of any other Bond or any defect in the notice to such an owner shall not affect the redemption of this bond.

If this bond is of a denomination in excess of one hundred thousand dollars ($100,000), portions of the principal amount in the amount of one hundred thousand dollars ($100,000) or any multiple thereof may be redeemed. If less than all of the principal amount is to be redeemed, upon surrender of this bond to the Paying Agent, there will be issued to the REGISTERED OWNER, without charge, a new Bond or Bonds, at the option of the REGISTERED OWNER, for the unredeemed principal amount.

Notice of redemption having been duly mailed, this bond, or the portion called for redemption, will become due and payable on the redemption date at the applicable redemption price and, moneys for the redemption having been deposited with the Paying Agent, from and after the date fixed for redemption, interest on this bond (or such portion) will no longer accrue.

IN CERTAIN CIRCUMSTANCES SET OUT HEREIN, THIS BOND (OR PORTION HEREOF) IS SUBJECT TO PURCHASE OR REDEMPTION, IN EACH CASE UPON NOTICE TO OR FROM THE

OWNER HEREOF AS OF A DATE PRIOR TO SUCH PURCHASE OR REDEMPTION. IN EACH SUCH EVENT AND UPON DEPOSIT OF THE PURCHASE OR REDEMPTION PRICE WITH THE PAYING AGENT ON THE PURCHASE OR REDEMPTION DATE, AS THE CASE MAY BE, THIS BOND (OR PORTION HEREOF) SHALL CEASE TO BE OUTSTANDING UNDER THE AGREEMENT, INTEREST HEREON SHALL CEASE TO ACCRUE AS OF THE PURCHASE OR REDEMPTION DATE, AND THE REGISTERED OWNER HEREOF SHALL BE ENTITLED ONLY TO RECEIVE THE PURCHASE OR REDEMPTION PRICE SO DEPOSITED WITH THE PAYING AGENT UPON SURRENDER OF THIS CERTIFICATE TO THE PAYING AGENT.

This bond is transferable by the REGISTERED OWNER, in person or by its attorney duly authorized in writing, at the office of the Paying Agent, upon surrender of this bond to the Paying Agent for cancellation. Upon the transfer, a new Bond or Bonds in authorized denominations of the same aggregate principal amount will be issued to the transferee at the same office. No transfer will be effective unless represented by such surrender and reissue. This bond may also be exchanged at the office of the Paying Agent for a new Bond or Bonds in authorized denominations of the same aggregate principal amount without transfer to a new registered owner. Exchanges and transfers will be without expense to the owner except for applicable taxes or other governmental charges, if any. The Paying Agent will not be required to make an exchange or transfer of this bond (except in connection with any optional or mandatory tender of this bond) (i) if this bond (or any portion thereof) has been selected for redemption or (ii) during the fifteen (15) days preceding any date fixed for selection for redemption if this bond (or any portion thereof) is eligible to be selected for redemption.

The Bonds are issuable only in fully registered form and while in the Weekly Mode shall be in denominations of $100,000 or any multiple thereof.

The Authority, the Trustee, the Paying Agent and the Company may treat the REGISTERED OWNER as the absolute owner of this bond for all purposes, notwithstanding any notice to the contrary.

No director, officer, employee or agent of the Authority nor any person executing this bond (by facsimile signature or otherwise) shall be personally liable, either jointly or severally, hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

This bond will not be valid until the Certificate of Authentication has been signed by the Trustee or its duly appointed agent for such purpose.

REFERENCE IS MADE TO THE FURTHER PROVISIONS OF THIS BOND ON THE BACK, WHICH HAVE THE SAME EFFECT AS IF SET FORTH HERE.

THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE STATE OF NEW HAMPSHIRE

(Seal) By:
Title:

By:
Title:

Certificate of Authentication

This bond is one of the Bonds described in the Loan and Trust Agreement.

STATE STREET BANK AND TRUST
COMPANY as Trustee

Date of Registration: By: , or

Authorized Signature

By: SECURITY PACIFIC NATIONAL TRUST
COMPANY (NEW YORK), as agent of
the Trustee

By:
Authorized Signature

Assignment

For value received the undersigned sells, assigns and transfers this bond to

(Name and Address of Assignee)

Social Security or Other Identifying Number of Assignee
and irrevocably appoints attorney-in-fact
to transfer it on the books kept for registration of the bond, with full power of substitution.

NOTE: The signature to this assignment must correspond with the name as written on the face of the bond without alteration or enlargement or other change and must be guaranteed by a national bank, trust company or member firm of a national stock exchange.

Dated:

Signature Guaranteed:

Bank, Trust Company or Brokerage Firm

By:
Authorized Signature

The following abbreviations, when used in the inscription on the face of this bond, shall be construed as though they were written out in full according to applicable law.

TEN COM - as tenants in common	UNIF GIFT MIN ACT - Custodian
TEN ENT - as tenants by the entirety	(Cust) (Minor)
JT TEN - as joint tenants with rights of survivorship and not as tenants in common	Act (State)

Additional abbreviations may also be used though not set forth in the list above.

The following is the Bondowner's Election Notice described herein:

BONDOWNER'S ELECTION NOTICE

The Industrial Development Authority of the State of New Hampshire Pollution Control [Refunding] Revenue Bonds (Public Service Company of New Hampshire Project - [Year] [Tax-Exempt Refunding] [Taxable] Series)

Principal Amount	CUSIP	Principal Amount Tendered for Purchase	Bond Numbers	Purchase Date

The undersigned hereby certifies that it is the registered owner of the Bonds described above (the "Tendered Bonds"), all of which are in the Weekly Mode, and hereby agrees that the delivery of this instrument of transfer to the Paying Agent constitutes an irrevocable offer to sell the Tendered Bonds to the Company or its designee on the Purchase Date, which shall be a Business Day at least seven (7) calendar days following delivery of this instrument, at a purchase price equal to the unpaid principal balance thereof plus accrued and unpaid interest thereon to the Purchase Date (the "Purchase Price"). The undersigned acknowledges and agrees that this election notice is irrevocable and that the undersigned will have no further rights with respect to the Tendered Bonds except payment, upon presentation and surrender of the Tendered Bonds, of the Purchase Price by payment by wire or bank transfer within the continental United States from the Paying Agent to the undersigned at its address as shown on the registration books of the Paying Agent (i) on the Purchase Date if the Tendered Bonds shall have been surrendered to the Paying Agent prior to 11:00 A.M., New York City time, on the Purchase Date or (ii) on any Delivery Date subsequent to the Purchase Date on which Tendered Bonds are delivered to the Paying Agent by 11:00 A.M., New York City time.

Except as otherwise indicated herein and unless the context otherwise requires, the terms used herein shall have the meanings set forth in the Series E Loan and Trust Agreement dated as of May 1, 1991 relating to the Bonds.

Date: Signature(s)

Street City State Zip

IMPORTANT: The above signature(s) must correspond with the name(s) as set forth on the face of the Tendered Bond(s) with respect to which this Bondowner's Election Notice is being delivered without any change whatsoever. If this notice is signed by a person other than the registered owner of any Tendered Bond(s), the Tendered Bond(s) must be either endorsed on the Assignment appearing on each Bond or accompanied by appropriate bond powers, in each case signed exactly as the name or names of the registered owner or owners appear on the bond register. The method of presenting this notice to the Paying Agent is the choice of the person making such presentation. If it is made by mail, it should be by registered mail with return receipt

requested.

EXHIBIT E

FORM OF MULTIANNUAL 1991 SERIES E BOND

$ No. R-

ANY BONDHOLDER WHO FAILS TO DELIVER A BOND FOR PURCHASE AT THE TIMES AND AT THE PLACE REQUIRED HEREIN SHALL HAVE NO FURTHER RIGHTS HEREUNDER EXCEPT THE RIGHT TO RECEIVE THE PURCHASE PRICE HEREOF UPON PRESENTATION AND SURRENDER OF THIS BOND TO THE PAYING AGENT AS DESCRIBED HEREIN, AND SHALL HOLD THIS BOND AS AGENT FOR THE PAYING AGENT.

UNITED STATES OF AMERICA
STATE OF NEW HAMPSHIRE
THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE STATE OF NEW HAMPSHIRE
Pollution Control Revenue Bond
(Public Service Company of New Hampshire
Project - 1991 Taxable Series E)

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS
INTEREST PAYMENT DATES: (i) the first day of the sixth full calendar month after the Mode takes effect and the first day of each sixth calendar month thereafter, and (ii) the Maturity Date.

CURRENT EFFECTIVE DATE:
INTEREST RATE:
(To Next Purchase Date)
NEXT PURCHASE DATE:
COMMENCEMENT DATE OF RATE PERIOD:
MATURITY DATE: May 1, 2021
DATE OF THIS BOND:
(Date as of which Bonds of this series were initially issued.)
MODE: Multiannual
CUSIP:

THIS BOND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE STATE OF NEW HAMPSHIRE OR OF THE AUTHORITY EXCEPT TO THE EXTENT PERMITTED BY NEW HAMPSHIRE RSA CHAPTER 162-I. ALL AMOUNTS OWED HEREUNDER ARE PAYABLE ONLY FROM THE SOURCES PROVIDED IN THE LOAN AND TRUST AGREEMENT DESCRIBED BELOW, AND NO PUBLIC FUNDS MAY BE USED FOR THAT PURPOSE.

The Industrial Development Authority of the State of New Hampshire (the "Authority"), for value received, promises to pay to the REGISTERED OWNER, or registered assigns, but solely from the moneys to be provided under the Agreement mentioned below, upon presentation and surrender hereof, in lawful money of the United States of America, the PRINCIPAL AMOUNT on the MATURITY DATE, unless paid earlier as provided below, with interest from the most recent INTEREST PAYMENT DATE to which interest has been paid or duly provided for or, if no interest has been paid, from the DATE OF THIS BOND set forth above, until paid in full, at the rates set forth below, payable on each INTEREST PAYMENT DATE. Until conversion to the Flexible, Weekly or Fixed Rate as provided below, this bond shall bear interest at the Multiannual Rate. The Multiannual Rate shall be the rate of interest determined by the Remarketing Agent designated as provided in the Agreement (herein, with its successors, the "Remarketing Agent"), for each Rate Period, as defined below, to be the lowest rate which in its judgment, on the basis of prevailing financial market conditions, would permit the sale of the Bonds (as defined below) with the same Rate Period at par plus accrued interest on and as of the Effective Date, as defined below, but if the Bonds are supported by a Credit Facility (as defined below) not in excess of the Maximum Interest Rate. If this bond is converted to the Flexible, Weekly, or Fixed Rate Mode it shall bear interest at the Flexible, Weekly or Fixed Rate, as the case may be, as defined in the Agreement. The Remarketing Agent shall determine the initial Multiannual Rate on or before the date of issue in or of conversion to the Multiannual Mode, which rate shall remain in effect as provided in the Agreement. Thereafter, the Remarketing Agent shall redetermine the Multiannual Rate for each Rate Period as provided below. If any payment, redemption or maturity date for principal, premium or interest shall not be a Business Day, then the payment thereof may be made on the next succeeding Business Day 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.

This bond is one of a series of Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 1991 Taxable Series E) (the "Bonds") in the aggregate principal amount of $114,500,000 issued under New Hampshire RSA Chapter 162-I (the "Act"). The proceeds of the Bonds are being loaned to Public Service Company of New Hampshire (the "Company"), a New Hampshire corporation, pursuant to a Series E Loan and Trust Agreement (the

"Agreement") dated as of May 1, 1991 among the Company, the Authority and State Street Bank and Trust Company, as Trustee (the "Trustee") to finance certain costs associated with the Company's ownership interest in air or water pollution control and sewage or solid waste disposal facilities installed for use by Unit No. 1 at the nuclear electric generating station (the "Station") in Seabrook, New Hampshire (the "Project Facilities"). Pursuant to the Agreement, the Company has unconditionally agreed to repay such loan in the amounts and at the times necessary to pay the principal of, premium, if any, and interest on the Bonds when due. To evidence and secure such loan and the Company's reimbursement and certain other obligations, if any, under the Reimbursement Agreement, (as defined [below] [in the Agreement]), the Company has issued and delivered to the Trustee its First Mortgage Bonds, Series G (the "Series G First Mortgage Bonds") issued under the First Mortgage Indenture dated as of August 15, 1978, as amended, and the Tenth Supplemental Indenture thereto dated as of May 1, 1991 between the Company and First Fidelity Bank, National Association, New Jersey, as Trustee (as amended and supplemented from time to time, the "First Mortgage Bond Indenture") in an aggregate principal amount, and with an interest rate, maturity date and redemption provisions corresponding to those of the Bonds. As provided in the Agreement, payments of principal of, and premium, if any, and interest on the Series G First Mortgage Bonds shall, upon receipt by the Trustee, be deemed to constitute payments in corresponding amounts by the Company in respect of the Bonds. Reference is hereby made to the Agreement for the provisions thereof with respect to the rights, limitations of rights, duties, obligations and immunities of the Company, the Authority, the Trustee, the Paying Agent, and the Bondowners, including the order of payments in the event of insufficient funds, the disposition of unclaimed moneys held by the Trustee and restrictions on the rights of owners of the Bonds to bring suit. The Agreement may be amended to the extent and in the manner provided therein. Copies of the Agreement are available for inspection at the corporate trust office of the Trustee.

[Modify as appropriate; delete if bond is not supported by a Credit Facility: The Purchase Price (as defined below) and principal of, premium, if any, and interest on this bond while it is in the Multiannual Mode is also payable from moneys drawn by the Paying Agent on an irrevocable letter of credit for the Bonds (together with any extensions and renewals thereof, the "Letter of Credit") issued by pursuant to the terms of a Reimbursement Agreement dated as of , (the "Reimbursement Agreement") by and between the Company and (together with any other issuer of a Credit Facility, the "Bank"). The Paying Agent may draw on the Letter of Credit presently in place for the payment of up to 190 days' interest for Bonds in the Multiannual Mode. The Letter of Credit initially expires on , but may be terminated earlier upon the occurrence of certain events set forth in the Agreement and the Reimbursement Agreement or extended as provided in the Reimbursement Agreement. Unless the Letter of Credit is extended or renewed or a substitute letter of credit (collectively with the Letter of Credit, a "Credit Facility") is provided in accordance with the Agreement, the Bonds will become subject to mandatory purchase as described below. The Company may substitute a new Credit Facility as provided in the Agreement.]

In case any Event of Default occurs and is continuing, the principal amount of this bond together with accrued interest may become or be declared immediately due and payable in the manner and with the effect provided in the Agreement.

Unless otherwise defined herein, capitalized terms used in this bond shall have the meaning given them in the Agreement. The following terms are defined as follows:

"Business Day" means a day (i) that is not a Sunday or legal holiday or a day on which banking institutions are authorized pursuant to law to close, (ii) that is not a day on which the corporate trust office of the First Mortgage Bond Trustee is not open for business, (iii) that is a day on which banks are not required or authorized to close in New York, New York, and (iv) that is a day on which banking institutions in all of the cities in which the principal offices of the Trustee and the Paying Agent and, if applicable, the Remarketing Agent and the Bank are located are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

"Effective Date" means, with respect to a Bond in the Flexible, Weekly and Multiannual Modes, the date on which a new Rate Period for that Bond takes effect.

"Mode" means the period for and the manner in which the interest rates on the Bonds are set and includes the Flexible Mode, the Weekly Mode, the Multiannual Mode and the Fixed Rate Mode.

"Purchase Date" means, while this bond is in a Multiannual Mode, the date on which this bond shall be required to be purchased pursuant to a mandatory tender in accordance with the provisions hereof.

"Rate Period" or "Period" means, when used with respect to any particular rate of interest for a Bond in the Flexible, Weekly or Multiannual

Mode, the period during which such rate of interest determined for such Bond will remain in effect as described herein.

At the option of the Company and upon certain conditions provided for in the Agreement described below, all or a portion of the Bonds (a) may be converted or reconverted from time to time to or from the Weekly Mode or Multiannual Mode, which means that the Rate Period is, respectively, one week or one year or any multiple of one year, (b) may be converted or reconverted from time to time to or from the Flexible Mode, and will have Rate Periods of from one to 270 days as provided herein, or (c) may be converted to the Fixed Rate Mode; provided, however, that in the Multiannual Mode the first rate period occurring after conversion to such Mode may be shorter or longer than the applicable multiple of one year as provided in the Agreement. While this bond is in the Multiannual Mode, a new interest rate shall take effect on the date such Mode takes effect and thereafter on the INTEREST PAYMENT DATE ending the Rate Period designated by the Company.

While this bond is in the Multiannual Mode, conversions to any other Mode, or conversions to new Rate Periods of the same or different lengths while in the Multiannual Mode, may take place only on a date which would have been an Effective Date for this bond, or if conversion is to the Flexible or Weekly Mode and such day is not a Business Day, the first Business Day thereafter. Conversion of this bond to another Mode, or to a new Rate Period in the Multiannual Mode of the same or a different length, shall be subject to the conditions set forth in the Agreement. In the event that the conditions for a proposed conversion to a new Mode, or to a new Rate Period in the Multiannual Mode of the same or different length, are not met (i) such new Mode or Rate Period shall not take effect on the proposed conversion date, notwithstanding any prior notice to the Bondowners of such conversion and (ii) this bond shall automatically convert to the Flexible Mode with a Rate Period of one day. In no event shall the failure of this bond to be converted to another Mode or Rate Period be deemed to be a Default or an Event of Default under the Agreement as long as the Purchase Price (as defined below) is made available on the failed conversion date to owners of all Bonds that were to have been converted.

When this bond is in any Multiannual Mode, the Multiannual Rate in effect for each Rate Period (the "Effective Rate" for such Period) shall be determined not later than two (2) Business Days prior to the Effective Date. If the Remarketing Agent fails to make such determination or fails to announce the Effective Rate as required with respect to any Bonds in the Multiannual Mode, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the rate to take effect on any Effective Date shall be automatically converted to the Flexible Mode with a Rate Period of one day. The Remarketing Agent shall announce the Effective Rate by telephone to the Paying Agent on the date of determination thereof, and shall promptly confirm such notice in writing.

Each determination and redetermination of the Multiannual Rate shall be conclusive and binding on the Authority, the Trustee, the Paying Agent, the Company, the Bondowners and, if applicable, the Bank.

While this bond is in the Multiannual Mode, interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months. From and after the date on which this bond becomes due, any unpaid principal will bear interest at the then effective interest rate until paid or duly provided for.

While this bond is in the Multiannual Mode, the principal of and premium, if any, on this bond are payable when due by check or draft in clearinghouse funds to the REGISTERED OWNER hereof but only upon presentation and surrender of this bond at the office of Security Pacific National Trust Company (New York), New York, New York, as Paying Agent, (with its successors in such capacity, the "Paying Agent"). Interest on this bond while in the Multiannual Mode is payable by check or draft in clearinghouse funds mailed on the applicable payment date by the Paying Agent to the REGISTERED OWNER, determined as of the close of business on the applicable record date, at its address as shown on the registration books. The Purchase Price (as defined below) of Bonds tendered for purchase shall be paid as provided below.

The record date for payment of interest while this bond is in the Multiannual Mode is the fifteenth day of the month immediately preceding the date on which the interest is to be paid, provided that with respect to overdue interest or interest payable on redemption of this bond other than on an INTEREST PAYMENT DATE or interest on any overdue amount, the Trustee may establish a special record date. The special record date may be not more than thirty (30) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date. The Paying Agent will promptly certify to the Authority, the Trustee and the Remarketing Agent that it has mailed such notice to all Bondowners, and such certificate will be conclusive evidence that notice was given in the manner required hereby.

While this bond is in the Multiannual Mode, this bond is subject to mandatory tender for purchase at a price (the "Purchase Price") equal to 100% of the principal amount thereof, plus accrued interest, if any, on each

Effective Date. THE OWNER OF THIS BOND, BY ACCEPTANCE HEREOF, AGREES TO SELL AND SURRENDER THIS BOND IN ACCORDANCE WITH THE PROVISIONS OF THE AGREEMENT AND, ON THE PURCHASE DATE, TO SURRENDER THIS BOND TO THE PAYING AGENT FOR PAYMENT OF THE PURCHASE PRICE. UPON DEPOSIT OF THE PURCHASE PRICE WITH THE PAYING AGENT ON THE PURCHASE DATE, THIS BOND SHALL BE DEEMED TENDERED FOR PURCHASE AND SHALL CEASE TO BE OUTSTANDING UNDER THE AGREEMENT, INTEREST HEREON SHALL CEASE TO ACCRUE AS OF THE PURCHASE DATE, AND THE REGISTERED OWNER HEREOF SHALL BE ENTITLED ONLY TO RECEIVE THE PURCHASE PRICE SO DEPOSITED WITH THE PAYING AGENT UPON SURRENDER OF THIS CERTIFICATE TO THE PAYING AGENT. All deliveries of tendered Bonds, including deliveries of Bonds subject to mandatory tender, shall be made to the Paying Agent at , New York, New York, Attention: , or such other address specified in writing by the Paying Agent to the Bondowners.

The Purchase Price of this bond shall be paid to the REGISTERED OWNER by the Paying Agent on the Delivery Date, which shall be the Purchase Date or any subsequent Business Day on which this bond is delivered to the Paying Agent. The Purchase Price of this bond shall be paid only upon surrender of this bond to the Paying Agent as provided herein. From and after the Purchase Date, no further interest on this bond shall be payable to the REGISTERED OWNER who gave notice of tender for purchase, provided that there are sufficient funds available on the Purchase Date to pay the Purchase Price. The Purchase Price of Bonds tendered for purchase is payable for Bonds in the Multiannual Mode by check or draft in clearinghouse funds from the Paying Agent to the REGISTERED OWNER at its address shown on the registration books maintained by the Paying Agent. If on any date this bond is subject to mandatory tender for purchase, payment of the Purchase Price of this bond to such owner shall be made on the Purchase Date if presentation and surrender of this bond is made prior to 11:00 A.M., New York City time, on the Purchase Date or on such later Business Day upon which presentation and surrender of this bond is made prior to 11:00 A.M., New York City time.

In the Multiannual Mode and after the expiration of the applicable No Call Period (measured from the COMMENCEMENT DATE OF RATE PERIOD) set forth in the following schedule, the Bonds shall be subject to redemption at the direction of the Company in whole or in part at any time at the following redemption prices expressed as a percentage of the principal amount redeemed, plus interest accrued to the redemption date:

[No call periods and redemption prices are to be determined by the Company upon conversion to the Multiannual Mode or change of Rate Period within the Multiannual Mode, except that upon the issuance of a series of Tax-Exempt Refunding Bonds all redemption terms for such series of Bonds shall be fixed.]

[1991 Series E Bonds:
Redemption

No Call Period Price

years %, declining by % on each succeeding anniversary of the end of the No Call Period until reaching 100% and thereafter at 100%]

[Tax-Exempt Refunding Bonds:
Length of

Multiannual Rate Period | No Call Period | Redemption Price

Greater than years | years | %, declining by % on each succeeding anniversary of the end of the no call period until reaching 100% and thereafter at 100%

Greater than , but not years | years | %, declining by greater than years | % on each succeeding anniversary of the end of the no call period until reaching 100% and thereafter at 100%

Greater than , but not years | years | %, declining by greater than years | % on the next anniversary of the end of the no call period and thereafter at 100%

Greater than , but not years | years | %, declining greater than years | by % on the next anniversary of the end of the no call period and thereafter at 100%

Greater than ___, but not years | years | %, declining greater than years

by % on the next anniversary of the end of the no call period and thereafter at 100%

Greater than , but not greater than years		year	100%
1 year or less	Bonds not subject to optional redemption until commencement of next Rate Period.]		

In addition, at the option of the Company, the Bonds in the Multiannual Mode are subject to redemption prior to maturity as a whole at any time at 100% of the principal amount thereof, plus accrued interest to the redemption date, within nine (9) months of the occurrence of certain extraordinary events consisting of (a) damage or destruction, or loss of title by eminent domain, to the Station or the Project Facilities, (b) changes in law affecting the enforceability of the Agreement or imposing unreasonable burdens or excessive liabilities on the Company relating to the Station or the Project Facilities or their operation, (c) the enjoining or prohibiting of the operation of the Station or the Project Facilities, or (d) changes in the economic availability of fuel, materials, supplies, labor, equipment or other properties or things rendering the continued operation of the Station uneconomical, all as more fully described in the Agreement. The Company's right to direct the redemption of the Bonds in the Multiannual Mode upon the occurrence of any event listed above shall expire six (6) months after such event occurs.

If less than all of the outstanding Bonds are to be called for redemption, the Bonds (or portions thereof) to be redeemed shall be selected as provided in the Agreement with Bonds in the Multiannual Mode being redeemed in units of $5,000.

In the event this bond is selected for redemption, notice will be mailed no more than forty-five (45) nor less than thirty (30) days prior to the redemption date to the REGISTERED OWNER at its address shown on the registration books maintained by the Paying Agent. Failure to mail notice to the owner of any other Bond or any defect in the notice to such an owner shall not affect the redemption of this bond.

If this bond is of a denomination in excess of five thousand dollars ($5,000), portions of the principal amount in the amount of five thousand dollars ($5,000) or any multiple thereof may be redeemed. If less than all of the principal amount is to be redeemed, upon surrender of this bond to the Paying Agent, there will be issued to the REGISTERED OWNER, without charge, a new Bond or Bonds, at the option of the REGISTERED OWNER, for the unredeemed principal amount.

Notice of redemption having been duly mailed, this bond, or the portion called for redemption, will become due and payable on the redemption date at the applicable redemption price and, moneys for the redemption having been deposited with the Paying Agent, from and after the date fixed for redemption, interest on this bond (or such portion) will no longer accrue.

IN CERTAIN CIRCUMSTANCES SET OUT HEREIN, THIS BOND (OR PORTION HEREOF) IS SUBJECT TO PURCHASE OR REDEMPTION. IN EACH SUCH EVENT AND UPON DEPOSIT OF THE PURCHASE OR REDEMPTION PRICE WITH THE PAYING AGENT ON THE PURCHASE OR REDEMPTION DATE, AS THE CASE MAY BE, THIS BOND (OR PORTION HEREOF) SHALL CEASE TO BE DEEMED TO BE OUTSTANDING UNDER THE AGREEMENT, INTEREST HEREON SHALL CEASE TO ACCRUE AS OF THE PURCHASE OR REDEMPTION DATE, AND THE REGISTERED OWNER HEREOF SHALL BE ENTITLED ONLY TO RECEIVE THE PURCHASE OR REDEMPTION PRICE SO DEPOSITED WITH THE PAYING AGENT ONLY UPON SURRENDER OF THIS CERTIFICATE TO THE PAYING AGENT.

This bond is transferable by the REGISTERED OWNER, in person or by its attorney duly authorized in writing, at the office of the Paying Agent, upon surrender of this bond to the Paying Agent for cancellation. Upon the transfer, a new Bond or Bonds in authorized denominations of the same aggregate principal amount will be issued to the transferee at the same office. No transfer will be effective unless represented by such surrender and reissue. This bond may also be exchanged at the office of the Paying Agent for a new Bond or Bonds in authorized denominations of the same aggregate principal amount without transfer to a new registered owner. Exchanges and transfers will be without expense to the owner except for applicable taxes or other governmental charges, if any. The Paying Agent will not be required to make an exchange or transfer of this bond (except in connection with any optional or mandatory tender of this bond) (i) if this bond (or any portion thereof) has been selected for redemption or (ii) during the fifteen (15) days preceding any date fixed for selection for redemption if this bond (or any portion thereof) is eligible to be selected for redemption.

The Bonds are issuable only in fully registered form in denominations of

five thousand dollars ($5,000) or any multiple thereof.

The Authority, the Trustee, the Paying Agent and the Company may treat the REGISTERED OWNER as the absolute owner of this bond for all purposes, notwithstanding any notice to the contrary.

No director, officer, employee or agent of the Authority nor any person executing this bond (by facsimile signature or otherwise) shall be personally liable, either jointly or severally, hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

This bond will not be valid until the Certificate of Authentication has been signed by the Trustee or its duly appointed agent for such purpose.

REFERENCE IS MADE TO THE FURTHER PROVISIONS OF THIS BOND ON THE BACK, WHICH HAVE THE SAME EFFECT AS IF SET FORTH HERE.

THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE STATE OF NEW HAMPSHIRE

(Seal) By:
Title:

By:
Title:

Certificate of Authentication

This bond is one of the Bonds described in the Loan and Trust Agreement.

STATE STREET BANK AND TRUST
COMPANY, as Trustee

Date of Registration: By: , or

Authorized Signature

By: SECURITY PACIFIC NATIONAL TRUST
COMPANY (NEW YORK), as agent of
the Trustee

By:
Authorized Signature

Assignment

For value received the undersigned sells, assigns and transfers this bond to

(Name and Address of Assignee)

Social Security or Other Identifying Number of Assignee
and irrevocably appoints attorney-in-fact to transfer it on the books kept for registration of the bond, with full power of substitution.

NOTE: The signature to this assignment must correspond with the name as written on the face of the bond without alteration or enlargement or other change and must be guaranteed by a national bank, trust company or member firm of a national stock exchange.

Dated:
Signature Guaranteed:

Bank, Trust Company or Brokerage Firm

By:
Authorized Signature

The following abbreviations, when used in the inscription on the face of this bond, shall be construed as though they were written out in full according to applicable law.

TEN COM - as tenants in common
TEN ENT - as tenants by the entirety
JT TEN - as joint tenants with rights of survivorship and not as tenants in common

UNIF GIFT MIN ACT - Custodian
(Cust) (Minor)
Act
(State)

Additional abbreviations may also be used though not set forth in the list

above.

EXHIBIT F

FORM OF FIXED RATE 1991 SERIES E BOND

$ No. R-

UNITED STATES OF AMERICA
STATE OF NEW HAMPSHIRE
THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE STATE OF NEW HAMPSHIRE
Pollution Control Revenue Bond
(Public Service Company of New Hampshire
Project - 1991 Taxable Series E)

INTEREST RATE: CUSIP:

MATURITY DATE: May 1, 2021

DATE OF THIS BOND:
(Date as of which Bonds of this
series were initially issued.)

INTEREST PAYMENT DATES: May 1 and November 1
(but not before
,)

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

THIS BOND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE STATE OF NEW HAMPSHIRE OR OF THE AUTHORITY EXCEPT TO THE EXTENT PERMITTED BY NEW HAMPSHIRE RSA CHAPTER 162-I. ALL AMOUNTS OWED HEREUNDER ARE PAYABLE ONLY FROM THE SOURCES PROVIDED IN THE LOAN AND TRUST AGREEMENT DESCRIBED BELOW, AND NO PUBLIC FUNDS MAY BE USED FOR THAT PURPOSE.

The Industrial Development Authority of the State of New Hampshire (the "Authority"), for value received promises to pay to the REGISTERED OWNER, or registered assigns, but solely from the moneys to be provided under the Agreement mentioned below, upon presentation and surrender hereof, in lawful money of the United States of America, the PRINCIPAL AMOUNT on the MATURITY DATE, unless paid earlier as provided below, with interest (computed on the basis of a 360-day year consisting of twelve 30-day months) from the most recent INTEREST PAYMENT DATE to which interest has been paid or duly provided for or, if no interest has been paid, from the DATE OF THIS BOND, at the INTEREST RATE per annum, payable semiannually on the INTEREST PAYMENT DATES, until the date on which this bond becomes due, whether at maturity or by acceleration or redemption. From and after that date, any unpaid principal will bear interest at the same rate until paid or duly provided for. The principal and premium, if any, of this bond is payable in clearinghouse funds at the office of , as Paying Agent (with its successors, the "Paying Agent"). Interest is payable by check or draft in clearinghouse funds mailed by the Paying Agent to the REGISTERED OWNER of this bond (or of one or more predecessor or successor Bonds (as defined below)), determined as of the close of business on the applicable record date, at its address as shown on the registration books maintained by the Paying Agent. If any payment, redemption or maturity date for principal, premium or interest 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 office of the Trustee or the First Mortgage Bond Trustee is 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.

The record date for payment of interest is the fifteenth day of the month preceding the date on which the interest is to be paid, provided that, with respect to overdue interest or interest payable on redemption of this bond other than on an INTEREST PAYMENT DATE or interest on any overdue amount, the Trustee (as defined below) may establish a special record date. The special record date may be not more than thirty (30) days before the date set for payment. The Paying Agent will mail notice of a special record date to the registered owners of the Bonds (the "Bondowners") at least ten (10) days before the special record date. The Paying Agent will promptly certify to the Authority and the Trustee that it has mailed such notice to all Bondowners, and such certificate will be conclusive evidence that such notice was given in the manner required hereby.

This bond is one of a series of Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 1991 Taxable Series E) (the "Bonds") in the aggregate principal amount of $114,500,000 issued under New Hampshire RSA Chapter 162-I (the "Act"). The proceeds of the Bonds are being loaned to Public Service Company of New Hampshire (the "Company"), a New

Hampshire corporation, pursuant to a Series E Loan and Trust Agreement (the "Agreement") dated as of May 1, 1991 among the Company, the Authority and State Street Bank and Trust Company, as Trustee (the "Trustee") to finance certain costs associated with the Company's ownership interest in air or water pollution control and sewage or solid waste disposal facilities installed for use by Unit No. 1 at the nuclear electric generating station (the "Station") in Seabrook, New Hampshire (the "Project Facilities"). Pursuant to the Agreement, the Company has unconditionally agreed to repay such loan in the amounts and at the times necessary to pay the principal of, premium, if any, and interest on the Bonds when due. To evidence and secure such loan and the Company's reimbursement and certain other obligations, if any, under the Reimbursement Agreement (as defined in the Agreement), the Company has issued and delivered to the Trustee its First Mortgage Bonds, Series G (the "Series G First Mortgage Bonds") issued under the First Mortgage Indenture dated as of August 15, 1978, as amended, and the Tenth Supplemental Indenture thereto dated as of May 1, 1991 between the Company and First Fidelity Bank, National Association, New Jersey, as Trustee (as amended and supplemented from time to time, the "First Mortgage Bond Indenture") in an aggregate principal amount, and with an interest rate, maturity date and redemption provisions corresponding to those of the Bonds. As provided in the Agreement, payments of principal of, and premium, if any, and interest on the Series G First Mortgage Bonds shall, upon receipt by the Trustee, be deemed to constitute payments in corresponding amounts by the Company in respect of the Bonds. Reference is hereby made to the Agreement for the provisions thereof with respect to the rights, limitations of rights, duties, obligations and immunities of the Company, the Authority, the Trustee, the Paying Agent, and the Bondowners, including the order of payments in the event of insufficient funds, the disposition of unclaimed moneys held by the Trustee and restrictions on the rights of owners of the Bonds to bring suit. The Agreement may be amended to the extent and in the manner provided therein. Copies of the Agreement are available for inspection at the corporate trust office of the Trustee.

In case any Event of Default (as defined in the Agreement) occurs and is continuing, the principal amount of this bond together with accrued interest may be declared due and payable in the manner and with the effect provided in the Agreement.

The Bonds are redeemable pursuant to the Agreement prior to maturity beginning on , , at the option of the Authority by direction of the Company, as a whole or in part at any time, at the following prices expressed in percentages of their principal amount, plus accrued interest to the redemption date:

Period During Which Redeemed	Redemption Price %

[Table to be prepared upon Fixed Rate conversion. For Tax-Exempt Refunding Bonds, the table shall be based on redemption schedule established for the bond in the Multiannual Mode.]

In addition, at the option of the Company, this bond is subject to redemption prior to maturity at 100% of the principal amount thereof, plus accrued interest to the redemption date within nine (9) months of the occurrence of certain extraordinary events consisting of (a) damage or destruction, or loss of title by eminent domain, to the Station or the Project Facilities, (b) changes in law affecting the enforceability of the Agreement or imposing unreasonable burdens or excessive liabilities on the Company relating to the Station or the Project Facilities or their operation, (c) the enjoining or prohibiting of the operation of the Station or the Project Facilities, or (d) changes in the economic availability of fuel, materials, supplies, labor, equipment or other properties or things rendering the continued operation of the Station uneconomical, all as more fully described in the Agreement. The Company's right to direct the redemption of this bond upon the occurrence of any event listed above shall expire six (6) months after such event occurs.

If less than all of the outstanding Bonds are to be called for redemption, the Bonds (or portions thereof) to be redeemed shall be selected as provided in the Agreement.

In the event this bond is selected for redemption, notice will be mailed no more than forty-five (45) nor less than thirty (30) days prior to the redemption date to the REGISTERED OWNER at its address shown on the registration books maintained by the Paying Agent. Failure to mail notice to the owner of any other Bond or any defect in the notice to such an owner shall not affect the redemption of this bond.

If this bond is of a denomination in excess of five thousand dollars ($5,000), portions of the principal amount in the amount of five thousand dollars ($5,000) or any multiple thereof may be redeemed. If less than all of the principal amount is to be redeemed, upon surrender of this bond to the Paying Agent, there will be issued to the REGISTERED OWNER, without charge, a new Bond or Bonds, at the option of the REGISTERED OWNER, for the unredeemed principal amount.

Notice of redemption having been duly mailed, this bond, or the portion called for redemption, will become due and payable on the redemption date at the applicable redemption price and, moneys for the redemption having been deposited with the Paying Agent, from and after the date fixed for redemption, interest on this bond (or such portion) will no longer accrue.

This bond is transferable by the REGISTERED OWNER, in person or by its attorney duly authorized in writing, at the office of the Paying Agent, upon surrender of this Bond to the Paying Agent for cancellation. Upon the transfer, a new Bond or Bonds in authorized denominations of the same aggregate principal amount will be issued to the transferee at the same office. No transfer will be effective unless represented by such surrender and reissue. This bond may also be exchanged at the office of the Paying Agent for a new Bond or Bonds of the same aggregate principal amount without transfer to a new registered owner. Exchanges and transfers will be without expense to the holder except for applicable taxes or other governmental charges, if any. The Paying Agent will not be required to make an exchange or transfer of this bond during the fifteen (15) days preceding any date fixed for selection for redemption if this bond (or any part thereof) is eligible to be selected or has been selected for the redemption.

This bond is issuable only in fully registered form in the denominations of five thousand dollars ($5,000) or any multiple thereof.

The Authority, the Trustee, the Paying Agent and the Company may treat the REGISTERED OWNER as the absolute owner of this bond for all purposes, notwithstanding any notice to the contrary.

No director, officer, employee or agent of the Authority nor any person executing this bond (by facsimile signature or otherwise) shall be personally liable, either jointly or severally, hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

This bond will not be valid until the Certificate of Authentication has been signed by the Trustee or its duly appointed agent for such purpose.

REFERENCE IS MADE TO THE FURTHER PROVISIONS OF THIS BOND ON THE BACK, WHICH HAVE THE SAME EFFECT AS IF SET FORTH HERE.

THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE STATE OF NEW HAMPSHIRE

(Seal)
By:
Title:

By:
Title:

Certificate of Authentication

This bond is one of the Bonds described in the Loan and Trust Agreement.

STATE STREET BANK AND TRUST COMPANY
as Trustee

Date of Registration: By: , or
Authorized Signature

By: , as agent of the Trustee

By:
Authorized Signature

Assignment

For value received the undersigned sells, assigns and transfers this bond to

(Name and Address of Assignee)

Social Security or Other Identifying Number of Assignee
and irrevocably appoints attorney-in-fact to transfer it on the books kept for registration of the bond, with full power of substitution.

NOTE: The signature to this assignment must correspond with the name as written on the face of the bond without alteration or enlargement or other change and must be guaranteed by a national bank, trust company or member firm of a national stock exchange.

Dated:
Signature Guaranteed:

Bank, Trust Company or Brokerage Firm

By:
Authorized Signature

The following abbreviations, when used in the inscription on the face of this bond, shall be construed as though they were written out in full according to applicable law.

TEN COM - as tenants in common	UNIF GIFT MIN ACT -
TEN ENT - as tenants by the entirety	Custodian
JT TEN - as joint tenants with rights of survivorship and not as	(Cust) (Minor)
tenants in common	Act
(State)	

Additional abbreviations may also be used though not set forth in the list above.

EXHIBIT G

FORM OF FLEXIBLE 1993 SERIES E BOND

$ No. R-

ANY BONDOWNER WHO FAILS TO DELIVER A BOND FOR PURCHASE AT THE TIMES AND AT THE PLACE REQUIRED HEREIN SHALL HAVE NO FURTHER RIGHTS HEREUNDER EXCEPT THE RIGHT TO RECEIVE THE PURCHASE PRICE HEREOF UPON PRESENTATION AND SURRENDER OF THIS BOND TO THE PAYING AGENT AS DESCRIBED HEREIN, AND SHALL HOLD THIS BOND AS AGENT FOR THE PAYING AGENT.

UNITED STATES OF AMERICA
STATE OF NEW HAMPSHIRE
BUSINESS FINANCE AUTHORITY
OF THE STATE OF NEW HAMPSHIRE
Pollution Control Refunding Revenue Bond
(Public Service Company of New Hampshire
Project - 1993 Tax-Exempt Series E)

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

INTEREST DUE: $
(on the Next Purchase Date)
INTEREST RATE:
(to the Next Purchase Date)
NEXT PURCHASE DATE:
COMMENCEMENT DATE OF RATE PERIOD:
MATURITY DATE: May 1, 2021
CUSIP:

DATE OF THIS BOND:
(Date as of which Bonds of this series were initially issued.)

MODE: Flexible

THIS BOND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE STATE OF NEW HAMPSHIRE OR OF THE AUTHORITY EXCEPT TO THE EXTENT PERMITTED BY NEW HAMPSHIRE RSA CHAPTER 162-I. ALL AMOUNTS OWED HEREUNDER ARE PAYABLE ONLY FROM THE SOURCES PROVIDED IN THE LOAN AND TRUST AGREEMENT DESCRIBED BELOW, AND NO PUBLIC FUNDS MAY BE USED FOR THAT PURPOSE.

The Business Finance Authority of the State of New Hampshire (the "Authority"), for value received, promises to pay to the REGISTERED OWNER, or registered assigns, but solely from the moneys to be provided under the Agreement mentioned below, upon presentation and surrender hereof, in lawful money of the United States of America, the PRINCIPAL AMOUNT on the MATURITY DATE, unless paid earlier as provided below, with interest from the most recent Interest Payment Date, as defined below, to which interest has been paid or duly provided for or, if no interest has been paid, from the DATE OF THIS BOND set forth above, until paid in full, at the rates set forth below, payable on each Interest Payment Date. So long as this bond is in the Flexible Mode, interest shall be due on this bond on each Purchase Date (as defined below) and on the MATURITY DATE, and when this bond is in any other Mode interest shall be due on the dates provided in the Agreement (the "Interest Payment Dates"). Until conversion to the Weekly, Multiannual or Fixed Rate Mode as provided below, this bond shall bear interest at the Flexible Rate. The Flexible Rate for this bond shall be the rate of interest determined by the Remarketing Agent designated as provided in the Agreement (herein, with its successors, the "Remarketing Agent"), for each Rate Period, as defined below, to be the lowest rate which in its judgment, on the basis

of prevailing financial market conditions, is necessary on and as of the Effective Date, as defined below, to remarket each Bond having such Rate Period in a secondary market transaction at a price equal to the principal amount thereof, but not in excess of the Maximum Interest Rate. If this bond is converted to the Weekly, Multiannual or Fixed Rate Mode it shall bear interest at the Weekly, Multiannual or Fixed Rate, as the case may be, as defined in the Agreement. The Remarketing Agent shall determine the initial Flexible Rate on or before the date of issue in or of conversion to the Flexible Mode, which rate shall remain in effect as provided in the Agreement. Thereafter, the Remarketing Agent shall redetermine the Flexible Rate for each Rate Period as provided below. The amount of interest due on any Interest Payment Date shall be the amount of unpaid interest accrued on this bond through the day preceding such Interest Payment Date or, if such Interest Payment Date is not a Business Day, through the day preceding the first Business Day succeeding such Interest Payment Date.

This bond is one of a series of Pollution Control Refunding Revenue Bonds (Public Service Company of New Hampshire Project - 1993 Tax-Exempt Series E) (the "Bonds") in the aggregate principal amount of $44,800,000 issued under New Hampshire RSA Chapter 162-I (the "Act"). The proceeds of the Bonds are being loaned to Public Service Company of New Hampshire (the "Company"), a New Hampshire corporation, pursuant to a Series E Loan and Trust Agreement dated as of May 1, 1991, as supplemented and amended by a First Supplement dated as of December 1, 1993 (the "Agreement") among the Company, the Authority and State Street Bank and Trust Company, as Trustee (the "Trustee") to refund a like principal amount of the Authority's $114,500,000 Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 1991 Taxable Series E) (the "1991 Bonds"), which were originally issued to finance certain costs associated with the Company's ownership interest in air or water pollution control and sewage or solid waste disposal facilities installed for use by Unit No.1 at the nuclear electric generating station (the "Station") in Seabrook, New Hampshire (the "Project Facilities"). Pursuant to the Agreement, the Company has unconditionally agreed to repay such loan in the amounts and at the times necessary to pay the principal of, premium, if any, and interest on the Bonds when due. To evidence and secure such loan and the Company's reimbursement and certain other obligations under the Reimbursement Agreement (as defined below), the Company has issued and delivered to the Trustee its First Mortgage Bonds, Series G (the "Series G First Mortgage Bonds") issued under the First Mortgage Indenture dated as of August 15, 1978, as amended, and the Tenth Supplemental Indenture thereto dated as of May 1, 1991 between the Company and First Fidelity Bank, National Association, New Jersey, as Trustee (as amended and supplemented from time to time, the "First Mortgage Bond Indenture") in an aggregate principal amount, and with an interest rate, maturity date and redemption provisions corresponding to those of the Bonds and certain other bonds issued under the Agreement, including the 1991 Bonds. As provided in the Agreement, payments of principal of, and premium, if any, and interest on the Series G First Mortgage Bonds shall, upon receipt by the Trustee, be deemed to constitute payments in corresponding amounts by the Company in respect of the Bonds and certain other bonds issued under the Agreement, including the 1991 Bonds. Reference is hereby made to the Agreement for the provisions thereof with respect to the rights, limitations of rights, duties, obligations and immunities of the Company, the Authority, the Trustee, the Paying Agent, and the Bondowners, including the order of payments in the event of insufficient funds, the disposition of unclaimed moneys held by the Trustee and restrictions on the rights of owners of the Bonds to bring suit. The Agreement may be amended to the extent and in the manner provided therein. Copies of the Agreement are available for inspection at the corporate trust office of the Trustee.

The Purchase Price (as defined below) and principal of and interest on this bond while it is in the Flexible Mode is also payable from moneys drawn by the Paying Agent on an irrevocable letter of credit for the Bonds and certain other bonds issued under the Agreement, including the 1991 Bonds (together with any extensions, amendments and renewals thereof, the "Letter of Credit"), issued by , pursuant to the terms of a Reimbursement Agreement dated as of (the "Reimbursement Agreement") by and between the Company and (together with any other issuer of a Credit Facility, the "Bank"). The Letter of Credit initially expires on but may be terminated earlier upon the occurrence of certain events set forth in the Agreement and the Reimbursement Agreement or extended as provided in the Reimbursement Agreement. The Company may substitute the Letter of Credit in whole or in part with one or more new letters of credit (collectively with the Letter of Credit, a "Credit Facility") as provided in the Agreement and the Reimbursement Agreement. The Company may substitute a new Credit Facility as provided in the Agreement.

Unless otherwise defined herein, capitalized terms used in this bond shall have the meaning given them in the Agreement. The following terms are defined as follows:

"Business Day" means a day (i) that is not a Sunday or legal holiday or a day on which banking institutions are authorized pursuant to law to close, (ii) that is not a day on which the corporate trust office of the First

Mortgage Bond Trustee is not open for business, (iii) that is a day on which banks are not required or authorized to close in New York, New York, and (iv) that is a day on which banking institutions in all of the cities in which the principal offices of the Trustee and the Paying Agent and, if applicable, the Remarketing Agent and the Bank are located are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

"Effective Date" means, with respect to a Bond in the Flexible, Weekly and Multiannual Modes, the date on which a new Rate Period for that Bond takes effect.

"Mode" means the period for and the manner in which the interest rates on the Bonds are set and includes the Flexible Mode, the Weekly Mode, the Multiannual Mode and the Fixed Rate Mode.

"Purchase Date" means, while this bond is in the Flexible Mode, the date on which this bond shall be required to be purchased pursuant to a mandatory tender in accordance with the provisions hereof.

"Rate Period" or "Period" means, when used with respect to any particular rate of interest for a Bond in the Flexible, Weekly or Multiannual Mode, the period during which such rate of interest determined for such Bond will remain in effect as described herein.

At the option of the Company and upon certain conditions provided for in the Agreement described below, all or a portion of the Bonds (a) may be converted or reconverted from time to time to or from the Weekly Mode or Multiannual Mode, which means that the Rate Period is, respectively, one week or one year or any multiple of one year, (b) may be converted or reconverted from time to time to or from the Flexible Mode, and will have Rate Periods of from one to 270 days as provided herein, or (c) may be converted to the Fixed Rate Mode; provided, however, that in the Multiannual Mode the first rate period occurring after conversion to such Mode may be shorter than the applicable multiple of one year as provided in the Agreement. While this bond is in the Flexible Mode, a new interest rate shall take effect on the date such Mode takes effect, and on the Effective Date of the next Flexible Rate Period, as defined herein, applicable to this bond.

While this bond is in the Flexible Mode, conversions to any other Mode may take place only on an Effective Date. Conversion of this bond to another Mode shall be subject to certain conditions set forth in the Agreement. In the event that the conditions for a proposed conversion to a new Mode are not met (i) such new Mode shall not take effect on the proposed conversion date, notwithstanding any prior notice to the Bondowners of such conversion and (ii) this bond shall remain in the Flexible Mode with a Rate Period of one day. In no event shall the failure of this bond to be converted to another Mode be deemed to be a Default or an Event of Default under the Agreement as long as the Purchase Price (as defined below) is made available on the failed conversion date to owners of all Bonds that were to have been converted.

While Bonds bear interest at Flexible Rates, the interest rate for each particular Bond in the Flexible Mode will be determined by the Remarketing Agent and will remain in effect from and including the Effective Date of the Rate Period selected for that Bond by the Remarketing Agent through the last date thereof. While the Bonds are in the Flexible Mode, Bonds may have successive Rate Periods of any duration up to 270 days each and ending on a Business Day and any Bond may bear interest at a rate and for a period different from any other Bond.

In the event that the Remarketing Agent no longer determines, or fails to determine when required, any Rate Period or any Flexible Rate for any Bonds, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the Rate Period for any such Bond shall be deemed to be a Flexible Rate Period with a duration of one day and the Flexible Rate shall be determined as provided in the Agreement.

While this bond is in the Flexible Mode it is subject to mandatory tender for purchase on each applicable Effective Date at a price (the "Purchase Price") of par plus accrued interest to the Effective Date. THE OWNER OF THIS BOND, BY ACCEPTANCE HEREOF, AGREES TO SELL AND SURRENDER THIS BOND IN ACCORDANCE WITH THE PROVISIONS OF THE AGREEMENT AND, ON THE PURCHASE DATE, TO SURRENDER THIS BOND TO THE PAYING AGENT FOR PAYMENT OF THE PURCHASE PRICE. UPON DEPOSIT OF THE PURCHASE PRICE WITH THE PAYING AGENT ON THE PURCHASE DATE, THIS BOND SHALL BE DEEMED TENDERED FOR PURCHASE AND SHALL CEASE TO BE OUTSTANDING UNDER THE AGREEMENT, INTEREST HEREON SHALL CEASE TO ACCRUE AS OF THE PURCHASE DATE, AND THE REGISTERED OWNER HEREOF SHALL BE ENTITLED ONLY TO RECEIVE THE PURCHASE PRICE SO DEPOSITED WITH THE PAYING AGENT UPON SURRENDER OF THIS CERTIFICATE TO THE PAYING AGENT. The Purchase Price shall be paid on the Delivery Date, which shall be the Effective Date or any subsequent Business Day on which this bond is delivered to the Paying Agent. The Purchase Price of this bond shall be paid only upon surrender of this bond to the Paying Agent as provided herein. From and after the Effective Date, no further interest shall be payable to the REGISTERED OWNER during the preceding Rate Period, provided that there are sufficient funds available on the Effective Date to pay the Purchase Price.

Each determination and redetermination of the Flexible Rate shall be conclusive and binding on the Authority, the Trustee, the Paying Agent, the Bank, the Company and the Bondowners.

While this bond is in the Flexible Mode, interest shall be computed on the basis of actual days elapsed divided by 365 or 366, as appropriate. From and after the date on which this bond becomes due, any unpaid principal will bear interest at the then effective interest rate until paid or duly provided for.

While this bond is in the Flexible Mode, the principal of and interest on this bond due on the MATURITY DATE are payable when due by wire or bank transfer of immediately available funds within the continental United States to the REGISTERED OWNER hereof but only upon presentation and surrender of this bond at the offices of

, , , as Paying Agent (with its successors in such capacity, the "Paying Agent"). While this bond is in the Flexible Mode, the Purchase Price of this bond (which includes accrued interest to the Purchase Date) tendered for purchase is payable by wire or bank transfer within the continental United States from the Paying Agent to the REGISTERED OWNER at its address shown on the registration books maintained by the Paying Agent. Payment of the Purchase Price of this bond to such owner shall be made on the Purchase Date if presentation and surrender of this bond is made prior to 11:00 A.M., New York City time, on the Purchase Date or on such later Business Day upon which presentation and surrender of this bond is made prior to 11:00 A.M., New York City time. The Purchase Price of this bond shall be paid in immediately available funds. Overdue interest on this bond, or interest on overdue principal while in the Flexible Mode is payable in immediately available funds by wire or bank transfer within the continental United States from the Paying Agent to the REGISTERED OWNER, determined as of the close of business on the applicable special record date as determined by the Trustee, at its address as shown on the registration books maintained by the Paying Agent. The special record date may be not more than thirty (30) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date. The Paying Agent will promptly certify to the Authority, the Trustee and the Remarketing Agent that it has mailed such notice to all Bondowners, and such certificate will be conclusive evidence that notice was given in the manner required hereby.

The Bonds are subject to mandatory redemption at any time at a redemption price of 100% of the principal amount of the Bonds so redeemed plus accrued interest in the event (i) the Company delivers to the Trustee an opinion of nationally recognized bond counsel selected by the Company and reasonably satisfactory to the Trustee ("Bond Counsel") stating that interest on the Bonds is or will become includable in gross income of the owners thereof for federal income tax purposes, or (ii) it is finally determined by the Internal Revenue Service or a court of competent jurisdiction, as a result of (A) a proceeding in which the Company has participated or been given notice and an opportunity to participate, and, (B) either (1) a failure by the Company (or the Seabrook Transferee as defined in the Agreement) to observe any covenant or agreement undertaken in or pursuant to the Agreement, or the inaccuracy of any representation made by the Company (or the Seabrook Transferee) in or pursuant to the Agreement, or (2) the Seabrook Transfer (as defined in the Agreement), that interest payable on the Bonds is includable for federal income tax purposes in the gross income of any owner thereof (other than an owner which is a "substantial user" or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986). Any determination under clause (ii) above will not be considered final for this purpose until the earliest of the conclusion of any appellate review, the denial of appellate review or the expiration of the period for seeking appellate review. Redemption under this paragraph shall be in whole unless not less than forty-five (45) days prior to the redemption date the Company delivers to the Trustee an opinion of Bond Counsel reasonably satisfactory to the Trustee to the effect that a redemption of less than all of the Bonds will preserve the tax-exempt status of interest on the remaining Bonds outstanding subsequent to such redemption. Except as provided in the next sentence, any such redemption shall be made on the 90th day after the date on which the opinion described in clause (i) is delivered or the determination described in clause (ii) becomes final or on such earlier date as the Company may designate by notice given to the Trustee at least forty-five (45) days prior to such designated date. Any Bond in the Flexible Mode that has a Purchase Date prior to the redemption date established for that Bond pursuant to the preceding sentence shall be redeemed on that Purchase Date. If such redemption shall occur in accordance with the terms of the Agreement, then such failure by the Company (or the Seabrook Transferee as described above) to observe such covenant or agreement, or the inaccuracy of any such representation will not, in and of itself, constitute a default thereunder.

If the Trustee receives written notice from any Bondowner stating that (i) such Bondowner has been notified in writing by the Internal Revenue Service that it proposes to include the interest on the Bonds in the gross

income of such owner for federal income tax purposes, or any other proceeding has been instituted against such owner which may lead to a like determination, and (ii) such owner will afford the Company the opportunity to participate at its own expense in the proceeding, either directly or in the name of such owner, until the conclusion of any appellate review, and the Trustee has examined such written notice and it appears to be accurate on its face, then the Trustee shall promptly give notice thereof to the Company, the Authority, and each Bondowner whose Bonds may be affected. The Trustee shall thereafter keep itself reasonably informed of the progress of any administrative proceedings or litigation relating to such notice. Under the Agreement the Company is required to give the Trustee written notice of such a final determination within forty-five (45) days of such final determination.

If the Purchase Date of this bond is after the redemption date, notice of redemption of this bond will be given by first class mail, postage prepaid, not more than forty-five (45) nor less than thirty (30) days prior to the redemption date to the REGISTERED OWNER at its registered address. Failure to mail notice to the owner of any other Bond or any defect in the notice to such other owner shall not affect the redemption of this bond.

This bond is transferable by the REGISTERED OWNER, in person or by its attorney duly authorized in writing, at the office of the Paying Agent, upon surrender of this bond to the Paying Agent for cancellation. Upon the transfer, a new Bond or Bonds in authorized denominations of the same aggregate principal amount will be issued to the transferee at the same office. No transfer will be effective unless represented by such surrender and reissue. This bond may also be exchanged at the office of the Paying Agent for a new Bond or Bonds in authorized denominations of the same aggregate principal amount without transfer to a new registered owner. Exchanges and transfers will be without expense to the owner except for applicable taxes or other governmental charges, if any.

The Bonds are issuable only in fully registered form and while in the Flexible Mode shall be in denominations of $100,000 or any multiple of $1,000 in excess of $100,000.

The Authority, the Trustee, the Paying Agent and the Company may treat the REGISTERED OWNER as the absolute owner of this bond for all purposes, notwithstanding any notice to the contrary.

No director, officer, employee or agent of the Authority nor any person executing this bond (by facsimile signature or otherwise) shall be personally liable, either jointly or severally, hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

This bond will not be valid until the Certificate of Authentication has been signed by the Trustee or the Paying Agent.

REFERENCE IS MADE TO THE FURTHER PROVISIONS OF THIS BOND ON THE BACK, WHICH HAVE THE SAME EFFECT AS IF SET FORTH HERE.

BUSINESS FINANCE AUTHORITY
OF THE STATE OF NEW HAMPSHIRE

(Seal) By:
Title:

By:
Title:

Certificate of Authentication

This bond is one of the Bonds described in the Agreement.

STATE STREET BANK AND TRUST
COMPANY
as Trustee

Date of Registration:

By: , or
Authorized Signature

By: ,
as Paying Agent

By:
Authorized Signature

Assignment

For value received the undersigned sells, assigns and transfers this

bond to

(Name and Address of Assignee)

Social Security or Other Identifying Number of Assignee
and irrevocably appoints attorney-in-fact to transfer it on the books kept for registration of the bond, with full power of substitution.

NOTE: The signature to this assignment must correspond with the name as written on the face of the bond without alteration or enlargement or other change and must be guaranteed by a Participant in a Recognized Signature Guaranty Medallion Program.

Dated:

Signature Guaranteed:

Participant in a Recognized
Signature Guaranty Medallion Program

By:
Authorized Signature

The following abbreviations, when used in the inscription on the face of this bond, shall be construed as though they were written out in full according to applicable law.

TEN COM	- as tenants in common	UNIF GIFT MIN ACT -	
TEN ENT	- as tenants by the entirety	Custodian	
JT TEN	- as joint tenants with rights of survivorship and not as	(Cust)	(Minor)
tenants in common		Act	
(State)			

Additional abbreviations may also be used though not set forth in the list above.

EXHIBIT H

FORM OF WEEKLY 1993 SERIES E BOND

$ No. R-

ANY BONDOWNER WHO FAILS TO DELIVER A BOND FOR PURCHASE AT THE TIMES AND AT THE PLACE REQUIRED HEREIN SHALL HAVE NO FURTHER RIGHTS HEREUNDER EXCEPT THE RIGHT TO RECEIVE THE PURCHASE PRICE HEREOF UPON PRESENTATION AND SURRENDER OF THIS BOND TO THE PAYING AGENT AS DESCRIBED HEREIN, AND SHALL HOLD THIS BOND AS AGENT FOR THE PAYING AGENT.

UNITED STATES OF AMERICA
STATE OF NEW HAMPSHIRE
BUSINESS FINANCE AUTHORITY
OF THE STATE OF NEW HAMPSHIRE
Pollution Control Refunding Revenue Bond
(Public Service Company of New Hampshire
Project - 1993 Tax-Exempt Series E)

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

INTEREST PAYMENT DATES:

(i) the first Business Day of each calendar month, and (ii) the Maturity Date.

MATURITY DATE: May 1, 2021

DATE OF THIS BOND:
(Date as of which Bonds of this
series were initially issued.)
MODE: Weekly
CUSIP:

THIS BOND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE STATE OF NEW HAMPSHIRE OR OF THE AUTHORITY EXCEPT TO THE EXTENT PERMITTED BY NEW HAMPSHIRE RSA CHAPTER 162-I. ALL AMOUNTS OWED HEREUNDER ARE PAYABLE ONLY FROM THE SOURCES PROVIDED IN THE LOAN AND TRUST AGREEMENT DESCRIBED BELOW, AND NO PUBLIC FUNDS MAY BE USED FOR THAT PURPOSE.

The Business Finance Authority of the State of New Hampshire (the "Authority"), for value received, promises to pay to the REGISTERED OWNER, or registered assigns, but solely from the moneys to be provided under the Agreement mentioned below, upon presentation and surrender hereof, in lawful

money of the United States of America, the PRINCIPAL AMOUNT on the MATURITY DATE, unless paid earlier as provided below, with interest from the most recent INTEREST PAYMENT DATE to which interest has been paid or duly provided for or, if no interest has been paid, from the DATE OF THIS BOND set forth above, until paid in full, at the rates set forth below, payable on each INTEREST PAYMENT DATE. Until conversion to the Flexible, Multiannual or Fixed Rate Mode as provided below, this bond shall bear interest at the Weekly Rate. The Weekly Rate for this bond shall be the rate of interest determined by the Remarketing Agent designated as provided in the Agreement (herein, with its successors, the "Remarketing Agent"), for each Rate Period, as defined below, to be the lowest rate which in its judgment, on the basis of prevailing financial market conditions, would permit the sale of the Bonds (as defined below) in the Weekly Mode at par plus accrued interest on and as of the Effective Date, as defined below, but not in excess of the Maximum Interest Rate. If this bond is converted to the Flexible, Multiannual or Fixed Rate Mode it shall bear interest at the Flexible, Multiannual or Fixed Rate, as the case may be, as defined in the Agreement. The Remarketing Agent shall determine the initial Weekly Rate on or before the date of issue in or of conversion to the Weekly Mode, which rate shall remain in effect as provided in the Agreement. Thereafter, the Remarketing Agent shall redetermine the Weekly Rate for each Rate Period as provided below. The amount of interest due on any INTEREST PAYMENT DATE shall be the amount of unpaid interest accrued on this bond through the day preceding such INTEREST PAYMENT DATE.

This bond is one of a series of Pollution Control Refunding Revenue Bonds (Public Service Company of New Hampshire Project - 1993 Tax-Exempt Series E) (the "Bonds") in the aggregate principal amount of $44,800,000 issued under New Hampshire RSA Chapter 162-I (the "Act"). The proceeds of the Bonds are being loaned to Public Service Company of New Hampshire (the "Company"), a New Hampshire corporation, pursuant to a Series E Loan and Trust Agreement dated as of May 1, 1991, as supplemented and amended by a First Supplement dated as of December 1, 1993 (the "Agreement") among the Company, the Authority and State Street Bank and Trust Company, as Trustee (the "Trustee") to refund a like principal amount of the Authority's $114,500,000 Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 1991 Taxable Series E) (the "1991 Bonds"), which were originally issued to finance certain costs associated with the Company's ownership interest in air or water pollution control and sewage or solid waste disposal facilities installed for use by Unit No. 1 at the nuclear electric generating station (the "Station") in Seabrook, New Hampshire (the "Project Facilities"). Pursuant to the Agreement, the Company has unconditionally agreed to repay such loan in the amounts and at the times necessary to pay the principal of, premium, if any, and interest on the Bonds when due. To evidence and secure such loan and the Company's reimbursement and certain other obligations under the Reimbursement Agreement (as defined below), the Company has issued and delivered to the Trustee its First Mortgage Bonds, Series G (the "Series G First Mortgage Bonds") issued under the First Mortgage Indenture dated as of August 15, 1978, as amended, and the Tenth Supplemental Indenture thereto dated as of May 1, 1991 between the Company and First Fidelity Bank, National Association, New Jersey, as Trustee (as amended and supplemented from time to time, the "First Mortgage Bond Indenture") in an aggregate principal amount, and with an interest rate, maturity date and redemption provisions corresponding to those of the Bonds and certain other bonds issued under the Agreement, including the 1991 Bonds. As provided in the Agreement, payments of principal of, and premium, if any, and interest on the Series G First Mortgage Bonds shall, upon receipt by the Trustee, be deemed to constitute payments in corresponding amounts by the Company in respect of the Bonds and certain other bonds issued under the Agreement, including the 1991 Bonds. Reference is hereby made to the Agreement for the provisions thereof with respect to the rights, limitations of rights, duties, obligations and immunities of the Company, the Authority, the Trustee, the Paying Agent, and the Bondowners, including the order of payments in the event of insufficient funds, the disposition of unclaimed moneys held by the Trustee and restrictions on the rights of owners of the Bonds to bring suit. The Agreement may be amended to the extent and in the manner provided therein. Copies of the Agreement are available for inspection at the corporate trust office of the Trustee.

The Purchase Price (as defined below) and principal of and interest on this bond while it is in the Weekly Mode is also payable from moneys drawn by the Paying Agent on an irrevocable letter of credit for the Bonds and certain other bonds issued under the Agreement, including the 1991 Bonds (together with any extensions, amendments, and renewals thereof, the "Letter of Credit"), issued by Citibank, N.A. pursuant to the terms of a Series E Letter of Credit and Reimbursement Agreement dated as of May 1, 1991 (the "Reimbursement Agreement") by and among the Company, Citibank, N.A. (together with any other issuer of a Credit Facility, the "Bank") and the participating banks named therein. The Paying Agent may draw on the Letter of Credit presently in place for the payment of up to forty-five (45) days' interest for Bonds in the Weekly Mode. The Letter of Credit initially expires on May 16, 1995 but may be terminated earlier upon the occurrence of certain events set forth in the Agreement and the Reimbursement Agreement or extended as provided in the Reimbursement Agreement. Unless the Letter of Credit is extended or renewed or a substitute letter of credit (collectively with the

Letter of Credit, a "Credit Facility") is provided in accordance with the Agreement, the Bonds will become subject to mandatory purchase as described below. The Company may substitute a new Credit Facility as provided in the Agreement.

In case any Event of Default occurs and is continuing, the principal amount of this bond together with accrued interest may become or be declared immediately due and payable in the manner and with the effect provided in the Agreement.

Unless otherwise defined herein, capitalized terms used in this bond shall have the meaning given them in the Agreement. The following terms are defined as follows:

"Business Day" means a day (i) that is not a Sunday or legal holiday or a day on which banking institutions are authorized pursuant to law to close, (ii) that is not a day on which the corporate trust office of the First Mortgage Bond Trustee is not open for business, (iii) that is a day on which banks are not required or authorized to close in New York, New York, and (iv) that is a day on which banking institutions in all of the cities in which the principal offices of the Trustee and the Paying Agent and, if applicable, the Remarketing Agent and the Bank are located are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

"Effective Date" means, with respect to a Bond in the Flexible, Weekly and Multiannual Modes, the date on which a new Rate Period for that Bond takes effect.

"Mode" means the period for and the manner in which the interest rates on the Bonds are set and includes the Flexible Mode, the Weekly Mode, the Multiannual Mode and the Fixed Rate Mode.

"Purchase Date" means, while this bond is in the Weekly Mode, the date on which this bond shall be required to be purchased pursuant to a mandatory or optional tender in accordance with the provisions hereof.

"Rate Period" or "Period" means, when used with respect to any particular rate of interest for a Bond in the Flexible, Weekly or Multiannual Mode, the period during which such rate of interest determined for such Bond will remain in effect as described herein. While this bond is in the Weekly Mode, a new interest rate shall take effect on the date such Mode takes effect and thereafter on each Wednesday.

At the option of the Company and upon certain conditions provided for in the Agreement described below, all or a portion of the Bonds (a) may be converted or reconverted from time to time to or from the Weekly Mode or Multiannual Mode, which means that the Rate Period is, respectively, one week or one year or any multiple of one year, (b) may be converted or reconverted from time to time to or from the Flexible Mode, and will have Rate Periods of from one to 270 days as provided herein, or (c) may be converted to the Fixed Rate Mode; provided, however, that in the Multiannual Mode the first rate period occurring after conversion to such Mode may be shorter than the applicable multiple of one year as provided in the Agreement.

While this bond is in the Weekly Mode, conversions to any other Mode may take place only on the first Business Day of any calendar month upon thirty (30) days' prior written notice from the Paying Agent to the REGISTERED OWNER of this bond. Conversion of this bond to another Mode shall be subject to the conditions set forth in the Agreement. In the event that the conditions for a proposed conversion to a new Mode are not met (i) such new Mode shall not take effect on the proposed conversion date, notwithstanding any prior notice to the Bondowners of such conversion, (ii) this bond shall automatically convert to the Flexible Mode with a Rate Period of one day, and (iii) this bond shall be subject to mandatory tender for purchase as provided below. In no event shall the failure of this bond to be converted to another Mode be deemed to be a Default or an Event of Default under the Agreement as long as the Purchase Price (as defined below) is made available on the failed conversion date to owners of all Bonds that were to have been converted.

When this bond is in the Weekly Mode, the Weekly Rate in effect for each Rate Period (the "Effective Rate" for such Period) shall be determined not later than the Business Day next preceding the Effective Date. If the Remarketing Agent fails to make such determination or fails to announce the Effective Rate as required with respect to any Bonds in the Weekly Mode, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the rate on such Bonds to take effect on that Effective Date shall be the Weekly Rate in effect on the day preceding such date. The Remarketing Agent shall announce the Effective Rate by telephone to the Paying Agent on the date of determination thereof, and shall promptly confirm such notice in writing. While this bond is in the Weekly Mode, any Bondowner may ascertain the Effective Rate at any time by contacting the Paying Agent or the Remarketing Agent.

Each determination and redetermination of the Weekly Rate shall be conclusive and binding on the Authority, the Trustee, the Paying Agent, the

Bank, the Company and the Bondowners.

While this bond is in the Weekly Mode, interest shall be computed on the basis of a 365- or 366-day year, as appropriate, and actual days elapsed. From and after the date on which this bond becomes due, any unpaid principal will bear interest at the then effective interest rate until paid or duly provided for.

While this bond is in the Weekly Mode the principal of this bond is payable when due by wire or bank transfer of immediately available funds within the continental United States to the REGISTERED OWNER hereof but only upon presentation and surrender of this bond at the office of BankAmerica National Trust Company, New York, New York, as Paying Agent, (with its successors in such capacity, the "Paying Agent"). Interest on this bond while in the Weekly Mode is payable in immediately available funds by wire or bank transfer within the continental United States from the Paying Agent to the REGISTERED OWNER, determined as of the close of business on the applicable record date, at its address as shown on the registration books maintained by the Paying Agent. The Purchase Price (as defined below) of Bonds tendered for purchase shall be paid as provided below.

The record date for payment of interest while this bond is in the Weekly Mode is the Business Day preceding the date on which interest is to be paid. With respect to overdue interest or interest payable on redemption of this bond other than on an INTEREST PAYMENT DATE or interest on any overdue amount, the Trustee may establish a special record date. The special record date may be not more than thirty (30) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date. The Paying Agent will promptly certify to the Authority, the Trustee and the Remarketing Agent that it has mailed such notice to all Bondowners, and such certificate will be conclusive evidence that notice was given in the manner required hereby.

While this bond is in the Weekly Mode, the REGISTERED OWNER shall have the right to tender this bond for purchase in multiples of $100,000 at a price (the "Purchase Price") equal to 100% of the principal amount thereof, plus accrued interest, if any, to the Purchase Date, upon compliance with the conditions described below, provided that if the Purchase Date is an INTEREST PAYMENT DATE, accrued interest shall be paid separately, and not as part of the Purchase Price on such date. In order to exercise the right to tender, the REGISTERED OWNER must deliver to the Paying Agent a written irrevocable notice of tender substantially in the form of the Bondowner's Election Notice set forth hereon or such other form as may be satisfactory to the Paying Agent. While this bond is in the Weekly Mode, it will be purchased on the Business Day specified in such Bondowner's Election Notice, provided such date is at least seven calendar days after receipt by the Paying Agent of such notice. If the REGISTERED OWNER of this bond has elected to require purchase as provided above, the REGISTERED OWNER shall be deemed, by such election, to have agreed irrevocably to sell this bond to any purchaser determined in accordance with the provisions of the Agreement on the date fixed for purchase at the Purchase Price.

Tender of this bond will not be effective and this bond will not be purchased if at the time fixed for purchase an acceleration of the maturity of the Bonds shall have occurred and not have been annulled in accordance with the Agreement. Notice of tender of this bond is irrevocable. All notices of tender of Bonds shall be made to the Paying Agent at 2 Rector Street, New York, New York, or such other address specified in writing by the Paying Agent to the Bondowners. All deliveries of tendered Bonds, including deliveries of Bonds subject to mandatory tender, shall be made to the Paying Agent at 2 Rector Street, New York, New York, Attention: Corporate Trust Department, or such other address specified in writing by the Paying Agent to the Bondowners.

This bond is subject to mandatory tender for purchase at the Purchase Price (i) on the date of conversion or proposed conversion from one Mode to another Mode and (ii) on (a) the effective date of a substitute Credit Facility unless the Trustee receives written evidence from Moody's (if this bond is rated by Moody's) and S&P (if this bond is rated by S&P) that such substitution will not result in a withdrawal or reduction (excluding a withdrawal or reduction resulting from a change in Modes) of the rating of this bond or (b) a date that is not more than fifteen (15) or less than ten (10) days prior to the expiration or termination of the Credit Facility other than upon conversion to a new Mode. Notice of mandatory tender shall be given or caused to be given by the Paying Agent in writing to the REGISTERED OWNER at least thirty (30) days prior to the mandatory Purchase Date. THE OWNER OF THIS BOND, BY ACCEPTANCE HEREOF, AGREES TO SELL AND SURRENDER THIS BOND AT SUCH PRICE TO ANY PURCHASER DETERMINED IN ACCORDANCE WITH THE PROVISIONS OF THE AGREEMENT IN THE EVENT OF SUCH MANDATORY TENDER AND, ON SUCH PURCHASE DATE, TO SURRENDER THIS BOND TO THE PAYING AGENT FOR PAYMENT OF THE PURCHASE PRICE. From and after the Purchase Date, no further interest on this bond shall be payable to the REGISTERED OWNER, provided that there are sufficient funds available on the Effective Date to pay the Purchase Price.

The Purchase Price of this bond shall be paid to the REGISTERED OWNER by

the Paying Agent on the Delivery Date, which shall be the Purchase Date or any subsequent Business Day on which this bond is delivered to the Paying Agent. The Purchase Price of this bond shall be paid only upon surrender of this bond to the Paying Agent as provided herein. From and after the Purchase Date, no further interest on this bond shall be payable to the REGISTERED OWNER who gave notice of tender for purchase, provided that there are sufficient funds available on the Purchase Date to pay the Purchase Price. The Purchase Price of Bonds tendered for purchase is payable for Bonds in the Weekly Mode by wire or bank transfer within the continental United States in immediately available funds from the Paying Agent to the REGISTERED OWNER at its address shown on the registration books maintained by the Paying Agent. If on any date this bond is subject to mandatory tender for purchase or is required to be purchased at the election of the REGISTERED OWNER, payment of the Purchase Price of this bond to such owner shall be made on the Purchase Date if presentation and surrender of this bond is made prior to 11:00 A.M., New York City time, on the Purchase Date or on such later Business Day upon which presentation and surrender of this bond is made prior to 11:00 A.M., New York City time.

Bonds in the Weekly Mode are subject to redemption in whole or in part at the direction of the Company on any INTEREST PAYMENT DATE at a redemption price of par plus accrued interest.

The Bonds are subject to mandatory redemption at any time at a redemption price of 100% of the principal amount of the Bonds so redeemed plus accrued interest in the event (i) the Company delivers to the Trustee an opinion of nationally recognized bond counsel selected by the Company and reasonably satisfactory to the Trustee ("Bond Counsel") stating that interest on the Bonds is or will become includable in gross income of the owners thereof for federal income tax purposes, or (ii) it is finally determined by the Internal Revenue Service or a court of competent jurisdiction, as a result of (A) a proceeding in which the Company has participated or been given notice and an opportunity to participate, and, (B) either (1) a failure by the Company (or the Seabrook Transferee as defined in the Agreement) to observe any covenant or agreement undertaken in or pursuant to the Agreement, or the inaccuracy of any representation made by the Company (or the Seabrook Transferee) in or pursuant to the Agreement, or (2) the Seabrook Transfer (as defined in the Agreement), that interest payable on the Bonds is includable for federal income tax purposes in the gross income of any owner thereof (other than an owner which is a "substantial user" or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986). Any determination under clause (ii) above will not be considered final for this purpose until the earliest of the conclusion of any appellate review, the denial of appellate review or the expiration of the period for seeking appellate review. Redemption under this paragraph shall be in whole unless not less than forty-five (45) days prior to the redemption date the Company delivers to the Trustee an opinion of Bond Counsel reasonably satisfactory to the Trustee to the effect that a redemption of less than all of the Bonds will preserve the tax-exempt status of interest on the remaining Bonds outstanding subsequent to such redemption. Except as provided in the next sentence, any such redemption shall be made on the 90th day after the date on which the opinion described in clause (i) is delivered or the determination described in clause (ii) becomes final or on such earlier date as the Company may designate by notice given to the Trustee at least forty-five (45) days prior to such designated date. Any Bond in the Flexible Mode that has a Purchase Date prior to the redemption date established for that Bond pursuant to the preceding sentence shall be redeemed on that Purchase Date. If such redemption shall occur in accordance with the terms of the Agreement, then such failure by the Company (or the Seabrook Transferee as described above) to observe such covenant or agreement, or the inaccuracy of any such representation will not, in and of itself, constitute a default thereunder.

If the Trustee receives written notice from any Bondowner stating that (i) such Bondowner has been notified in writing by the Internal Revenue Service that it proposes to include the interest on the Bonds in the gross income of such owner for federal income tax purposes, or any other proceeding has been instituted against such owner which may lead to a like determination, and (ii) such owner will afford the Company the opportunity to participate at its own expense in the proceeding, either directly or in the name of such owner, until the conclusion of any appellate review, and the Trustee has examined such written notice and it appears to be accurate on its face, then the Trustee shall promptly give notice thereof to the Company, the Authority, and each Bondowner whose Bonds may be affected. The Trustee shall thereafter keep itself reasonably informed of the progress of any administrative proceedings or litigation relating to such notice. Under the Agreement the Company is required to give the Trustee written notice of such a final determination within forty-five (45) days of such final determination.

If less than all of the Outstanding Bonds are to be called for redemption, the Bonds (or portions thereof) to be redeemed shall be selected as provided in the Agreement with Bonds in the Weekly Mode being redeemed in units of $100,000.

In the event this bond is selected for redemption, notice will be mailed

no more than forty-five (45) nor less than thirty (30) days prior to the redemption date to the REGISTERED OWNER at its address shown on the registration books maintained by the Paying Agent. Failure to mail notice to the owner of any other Bond or any defect in the notice to such an owner shall not affect the redemption of this bond.

If this bond is of a denomination in excess of one hundred thousand dollars ($100,000), portions of the principal amount in the amount of one hundred thousand dollars ($100,000) or any multiple thereof may be redeemed. If less than all of the principal amount is to be redeemed, upon surrender of this bond to the Paying Agent, there will be issued to the REGISTERED OWNER, without charge, a new Bond or Bonds, at the option of the REGISTERED OWNER, for the unredeemed principal amount.

Notice of redemption having been duly mailed, this bond, or the portion called for redemption, will become due and payable on the redemption date at the applicable redemption price and, moneys for the redemption having been deposited with the Paying Agent, from and after the date fixed for redemption, interest on this bond (or such portion) will no longer accrue.

IN CERTAIN CIRCUMSTANCES SET OUT HEREIN, THIS BOND (OR PORTION HEREOF) IS SUBJECT TO PURCHASE OR REDEMPTION, IN EACH CASE UPON NOTICE TO OR FROM THE OWNER HEREOF AS OF A DATE PRIOR TO SUCH PURCHASE OR REDEMPTION. IN EACH SUCH EVENT AND UPON DEPOSIT OF THE PURCHASE OR REDEMPTION PRICE WITH THE PAYING AGENT ON THE PURCHASE OR REDEMPTION DATE, AS THE CASE MAY BE, THIS BOND (OR PORTION HEREOF) SHALL CEASE TO BE OUTSTANDING UNDER THE AGREEMENT, INTEREST HEREON SHALL CEASE TO ACCRUE AS OF THE PURCHASE OR REDEMPTION DATE, AND THE REGISTERED OWNER HEREOF SHALL BE ENTITLED ONLY TO RECEIVE THE PURCHASE OR REDEMPTION PRICE SO DEPOSITED WITH THE PAYING AGENT UPON SURRENDER OF THIS CERTIFICATE TO THE PAYING AGENT.

This bond is transferable by the REGISTERED OWNER, in person or by its attorney duly authorized in writing, at the office of the Paying Agent, upon surrender of this bond to the Paying Agent for cancellation. Upon the transfer, a new Bond or Bonds in authorized denominations of the same aggregate principal amount will be issued to the transferee at the same office. No transfer will be effective unless represented by such surrender and reissue. This bond may also be exchanged at the office of the Paying Agent for a new Bond or Bonds in authorized denominations of the same aggregate principal amount without transfer to a new registered owner. Exchanges and transfers will be without expense to the owner except for applicable taxes or other governmental charges, if any. The Paying Agent will not be required to make an exchange or transfer of this bond (except in connection with any optional or mandatory tender of this bond) (i) if this bond (or any portion thereof) has been selected for redemption or (ii) during the fifteen (15) days preceding any date fixed for selection for redemption if this bond (or any portion thereof) is eligible to be selected for redemption.

The Bonds are issuable only in fully registered form and while in the Weekly Mode shall be in denominations of $100,000 or any multiple thereof.

The Authority, the Trustee, the Paying Agent and the Company may treat the REGISTERED OWNER as the absolute owner of this bond for all purposes, notwithstanding any notice to the contrary.

No director, officer, employee or agent of the Authority nor any person executing this bond (by facsimile signature or otherwise) shall be personally liable, either jointly or severally, hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

This bond will not be valid until the Certificate of Authentication has been signed by the Trustee or the Paying Agent.

REFERENCE IS MADE TO THE FURTHER PROVISIONS OF THIS BOND ON THE BACK, WHICH HAVE THE SAME EFFECT AS IF SET FORTH HERE.

BUSINESS FINANCE AUTHORITY
OF THE STATE OF NEW HAMPSHIRE

(Seal) By:
Title:

By:
Title:

Certificate of Authentication

This bond is one of the Bonds described in the Agreement.

STATE STREET BANK AND TRUST
COMPANY,
as Trustee

Date of Registration: By: , or

Authorized Signature

By: BANKAMERICA NATIONAL TRUST COMPANY, as Paying Agent

By:
Authorized Signature

Assignment

For value received the undersigned sells, assigns and transfers this bond to

(Name and Address of Assignee)

Social Security or Other Identifying Number of Assignee
and irrevocably appoints attorney-in-fact to transfer it on the books kept for registration of the bond, with full power of substitution.

NOTE: The signature to this assignment must correspond with the name as written on the face of the bond without alteration or enlargement or other change and must be guaranteed by a Participant in a Recognized Signature Guaranty Medallion Program.

Dated:

Signature Guaranteed:

Participant in a Recognized
Signature Guaranty Medallion Program

By: Authorized Signature

The following abbreviations, when used in the inscription on the face of this bond, shall be construed as though they were written out in full according to applicable law.

TEN COM	-	as tenants in common	UNIF GIFT MIN ACT -		
TEN ENT	-	as tenants by the entirety		Custodian	
JT TEN	-	as joint tenants with rights	(Cust)		(Minor)

of survivorship and not as
tenants in common
Act
(State)

Additional abbreviations may also be used though not set forth in the list above.

The following is the Bondowner's Election Notice described herein:

BONDOWNER'S ELECTION NOTICE

Business Finance Authority of the State of New Hampshire Pollution Control Refunding Revenue Bonds (Public Service Company of New Hampshire Project - 1993 Tax-Exempt Series E)

Principal Amount	CUSIP	Principal Amount Tendered for Purchase	Bond Numbers	Purchase Date

The undersigned hereby certifies that it is the registered owner of the Bonds described above (the "Tendered Bonds"), all of which are in the Weekly Mode, and hereby agrees that the delivery of this instrument of transfer to the Paying Agent constitutes an irrevocable offer to sell the Tendered Bonds to the Company or its designee on the Purchase Date, which shall be a Business Day at least seven (7) calendar days following delivery of this instrument, at a purchase price equal to the unpaid principal balance thereof plus accrued and unpaid interest thereon to the Purchase Date (the "Purchase Price"). The undersigned acknowledges and agrees that this election notice is irrevocable and that the undersigned will have no further rights with respect to the Tendered Bonds except payment, upon presentation and surrender of the Tendered Bonds, of the Purchase Price by payment by wire or bank transfer within the continental United States from the Paying Agent to the undersigned at its address as shown on the registration books of the Paying Agent (i) on the Purchase Date if the Tendered Bonds shall have been surrendered to the Paying Agent prior to 11:00 A.M., New York City time, on the Purchase Date or (ii) on any Delivery Date subsequent to the Purchase Date on which Tendered Bonds are delivered to the Paying Agent by 11:00 A.M., New York City time, provided that for so long as the Bonds are in the Book-

Entry Only System, physical surrender of the Bonds to the Paying Agent shall not be required and the Bonds shall be tendered pursuant to the procedures described in Subsection 303(g) of the First Supplement referred to below.

Except as otherwise indicated herein and unless the context otherwise requires, the terms used herein shall have the meanings set forth in the Series E Loan and Trust Agreement dated as of May 1, 1991 and in the First Supplement dated as of December 1, 1993 relating to the Bonds.

Date: Signature(s)

Street City State Zip

IMPORTANT: The above signature(s) must correspond with the name(s) as set forth on the face of the Tendered Bond(s) with respect to which this Bondowner's Election Notice is being delivered without any change whatsoever. If this notice is signed by a person other than the registered owner of any Tendered Bond(s), the Tendered Bond(s) must be either endorsed on the Assignment appearing on each Bond or accompanied by appropriate bond powers, in each case signed exactly as the name or names of the registered owner or owners appear on the bond register. The method of presenting this notice to the Paying Agent is the choice of the person making such presentation. If it is made by mail, it should be by registered mail with return receipt requested.

EXHIBIT I

FORM OF MULTIANNUAL 1993 SERIES E BOND

$ No. R-

ANY BONDOWNER WHO FAILS TO DELIVER A BOND FOR PURCHASE AT THE TIMES AND AT THE PLACE REQUIRED HEREIN SHALL HAVE NO FURTHER RIGHTS HEREUNDER EXCEPT THE RIGHT TO RECEIVE THE PURCHASE PRICE HEREOF UPON PRESENTATION AND SURRENDER OF THIS BOND TO THE PAYING AGENT AS DESCRIBED HEREIN, AND SHALL HOLD THIS BOND AS AGENT FOR THE PAYING AGENT.

UNITED STATES OF AMERICA
STATE OF NEW HAMPSHIRE
BUSINESS FINANCE AUTHORITY
OF THE STATE OF NEW HAMPSHIRE
Pollution Control Refunding Revenue Bond
(Public Service Company of New Hampshire
Project - 1993 Tax-Exempt Series E)

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

INTEREST PAYMENT DATES: (i) the first day of the sixth full calendar month after the Mode takes effect and the first day of each sixth calendar month thereafter, and (ii) the Maturity Date.

CURRENT EFFECTIVE DATE:

INTEREST RATE:
(To Next Purchase Date)
NEXT PURCHASE DATE:
COMMENCEMENT DATE OF RATE PERIOD:
MATURITY DATE: May 1, 2021
DATE OF THIS BOND:
(Date as of which Bonds of this series were initially issued.)
MODE: Multiannual
CUSIP:

THIS BOND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE STATE OF NEW HAMPSHIRE OR OF THE AUTHORITY EXCEPT TO THE EXTENT PERMITTED BY NEW HAMPSHIRE RSA CHAPTER 162-I. ALL AMOUNTS OWED HEREUNDER ARE PAYABLE ONLY FROM THE SOURCES PROVIDED IN THE LOAN AND TRUST AGREEMENT DESCRIBED BELOW, AND NO PUBLIC FUNDS MAY BE USED FOR THAT PURPOSE.

The Business Finance Authority of the State of New Hampshire (the "Authority"), for value received, promises to pay to the REGISTERED OWNER, or registered assigns, but solely from the moneys to be provided under the Agreement mentioned below, upon presentation and surrender hereof, in lawful money of the United States of America, the PRINCIPAL AMOUNT on the MATURITY DATE, unless paid earlier as provided below, with interest from the most recent INTEREST PAYMENT DATE to which interest has been paid or duly provided for or, if no interest has been paid, from the DATE OF THIS BOND set forth above, until paid in full, at the rates set forth below, payable on each INTEREST PAYMENT DATE. Until conversion to the Flexible, Weekly or Fixed Rate as provided below, this bond shall bear interest at the Multiannual Rate. The Multiannual Rate shall be the rate of interest determined by the

Remarketing Agent designated as provided in the Agreement (herein, with its successors, the "Remarketing Agent"), for each Rate Period, as defined below, to be the lowest rate which in its judgment, on the basis of prevailing financial market conditions, would permit the sale of the Bonds (as defined below) with the same Rate Period at par plus accrued interest on and as of the Effective Date, as defined below. If this bond is converted to the Flexible, Weekly, or Fixed Rate Mode it shall bear interest at the Flexible, Weekly or Fixed Rate, as the case may be, as defined in the Agreement. The Remarketing Agent shall determine the initial Multiannual Rate on or before the date of issue in or of conversion to the Multiannual Mode, which rate shall remain in effect as provided in the Agreement. Thereafter, the Remarketing Agent shall redetermine the Multiannual Rate for each Rate Period as provided below. If any payment, redemption or maturity date for principal, premium or interest shall not be a Business Day, then the payment thereof may be made on the next succeeding Business Day 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.

This bond is one of a series of Pollution Control Refunding Revenue Bonds (Public Service Company of New Hampshire Project - 1993 Tax-Exempt Series E) (the "Bonds") in the aggregate principal amount of $44,800,000 issued under New Hampshire RSA Chapter 162-I (the "Act"). The proceeds of the Bonds are being loaned to Public Service Company of New Hampshire (the "Company"), a New Hampshire corporation, pursuant to a Series E Loan and Trust Agreement dated as of May 1, 1991, as supplemented and amended by a First Supplement dated as of December 1, 1993 (the "Agreement") among the Company, the Authority and State Street Bank and Trust Company, as Trustee (the "Trustee") to refund a like principal amount of the Authority's $114,500,000 Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 1991 Taxable Series E) (the "1991 Bonds"), which were originally issued to finance certain costs associated with the Company's ownership interest in air or water pollution control and sewage or solid waste disposal facilities installed for use by Unit No. 1 at the nuclear electric generating station (the "Station") in Seabrook, New Hampshire (the "Project Facilities"). Pursuant to the Agreement, the Company has unconditionally agreed to repay such loan in the amounts and at the times necessary to pay the principal of, premium, if any, and interest on the Bonds when due. To evidence and secure such loan and the Company's reimbursement and certain other obligations, if any, under the Reimbursement Agreement, (as defined in the Agreement), the Company has issued and delivered to the Trustee its First Mortgage Bonds, Series G (the "Series G First Mortgage Bonds") issued under the First Mortgage Indenture dated as of August 15, 1978, as amended, and the Tenth Supplemental Indenture thereto dated as of May 1, 1991 between the Company and First Fidelity Bank, National Association, New Jersey, as Trustee (as amended and supplemented from time to time, the "First Mortgage Bond Indenture") in an aggregate principal amount, and with an interest rate, maturity date and redemption provisions corresponding to those of the Bonds and certain other bonds issued under the Agreement, including the 1991 Bonds. As provided in the Agreement, payments of principal of, and premium, if any, and interest on the Series G First Mortgage Bonds shall, upon receipt by the Trustee, be deemed to constitute payments in corresponding amounts by the Company in respect of the Bonds and certain other bonds issued under the Agreement, including the 1991 Bonds. Reference is hereby made to the Agreement for the provisions thereof with respect to the rights, limitations of rights, duties, obligations and immunities of the Company, the Authority, the Trustee, the Paying Agent, and the Bondowners, including the order of payments in the event of insufficient funds, the disposition of unclaimed moneys held by the Trustee and restrictions on the rights of owners of the Bonds to bring suit. The Agreement may be amended to the extent and in the manner provided therein. Copies of the Agreement are available for inspection at the corporate trust office of the Trustee.

In case any Event of Default occurs and is continuing, the principal amount of this bond together with accrued interest may become or be declared immediately due and payable in the manner and with the effect provided in the Agreement.

Unless otherwise defined herein, capitalized terms used in this bond shall have the meaning given them in the Agreement. The following terms are defined as follows:

"Business Day" means a day (i) that is not a Sunday or legal holiday or a day on which banking institutions are authorized pursuant to law to close, (ii) that is not a day on which the corporate trust office of the First Mortgage Bond Trustee is not open for business, (iii) that is a day on which banks are not required or authorized to close in New York, New York, and (iv) that is a day on which banking institutions in all of the cities in which the principal offices of the Trustee and the Paying Agent and, if applicable, the Remarketing Agent and the Bank (as defined in the Agreement) are located are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

"Effective Date" means, with respect to a Bond in the Flexible, Weekly and Multiannual Modes, the date on which a new Rate Period for that Bond

takes effect.

"Mode" means the period for and the manner in which the interest rates on the Bonds are set and includes the Flexible Mode, the Weekly Mode, the Multiannual Mode and the Fixed Rate Mode.

"Purchase Date" means, while this bond is in a Multiannual Mode, the date on which this bond shall be required to be purchased pursuant to a mandatory tender in accordance with the provisions hereof.

"Rate Period" or "Period" means, when used with respect to any particular rate of interest for a Bond in the Flexible, Weekly or Multiannual Mode, the period during which such rate of interest determined for such Bond will remain in effect as described herein.

At the option of the Company and upon certain conditions provided for in the Agreement described below, all or a portion of the Bonds (a) may be converted or reconverted from time to time to or from the Weekly Mode or Multiannual Mode, which means that the Rate Period is, respectively, one week or one year or any multiple of one year, (b) may be converted or reconverted from time to time to or from the Flexible Mode, and will have Rate Periods of from one to 270 days as provided herein, or (c) may be converted to the Fixed Rate Mode; provided, however, that in the Multiannual Mode the first rate period occurring after conversion to such Mode may be shorter or longer than the applicable multiple of one year as provided in the Agreement. While this bond is in the Multiannual Mode, a new interest rate shall take effect on the date such Mode takes effect and thereafter on the INTEREST PAYMENT DATE ending the Rate Period designated by the Company.

While this bond is in the Multiannual Mode, conversions to any other Mode, or conversions to new Rate Periods of the same or different lengths while in the Multiannual Mode, may take place only on a date which would have been an Effective Date for this bond, or if conversion is to the Flexible or Weekly Mode and such day is not a Business Day, the first Business Day thereafter. Conversion of this bond to another Mode, or to a new Rate Period in the Multiannual Mode of the same or a different length, shall be subject to the conditions set forth in the Agreement. In the event that the conditions for a proposed conversion to a new Mode, or to a new Rate Period in the Multiannual Mode of the same or different length, are not met (i) such new Mode or Rate Period shall not take effect on the proposed conversion date, notwithstanding any prior notice to the Bondowners of such conversion and (ii) this bond shall automatically convert to the Flexible Mode with a Rate Period of one day. In no event shall the failure of this bond to be converted to another Mode or Rate Period be deemed to be a Default or an Event of Default under the Agreement as long as the Purchase Price (as defined below) is made available on the failed conversion date to owners of all Bonds that were to have been converted.

When this bond is in any Multiannual Mode, the Multiannual Rate in effect for each Rate Period (the "Effective Rate" for such Period) shall be determined not later than two (2) Business Days prior to the Effective Date. If the Remarketing Agent fails to make such determination or fails to announce the Effective Rate as required with respect to any Bonds in the Multiannual Mode, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the rate to take effect on any Effective Date shall be automatically converted to the Flexible Mode with a Rate Period of one day. The Remarketing Agent shall announce the Effective Rate by telephone to the Paying Agent on the date of determination thereof, and shall promptly confirm such notice in writing.

Each determination and redetermination of the Multiannual Rate shall be conclusive and binding on the Authority, the Trustee, the Paying Agent, the Company, the Bondowners and, if applicable, the Bank.

While this bond is in the Multiannual Mode, interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months. From and after the date on which this bond becomes due, any unpaid principal will bear interest at the then effective interest rate until paid or duly provided for.

While this bond is in the Multiannual Mode, the principal of and premium, if any, on this bond are payable when due by check or draft in clearinghouse funds to the REGISTERED OWNER hereof but only upon presentation and surrender of this bond at the office of , , as Paying Agent, (with its successors in such capacity, the "Paying Agent"). Interest on this bond while in the Multiannual Mode is payable by check or draft in clearinghouse funds mailed on the applicable payment date by the Paying Agent to the REGISTERED OWNER, determined as of the close of business on the applicable record date, at its address as shown on the registration books. The Purchase Price (as defined below) of Bonds tendered for purchase shall be paid as provided below.

The record date for payment of interest while this bond is in the Multiannual Mode is the fifteenth day of the month immediately preceding the date on which the interest is to be paid, provided that with respect to overdue interest or interest payable on redemption of this bond other than on

an INTEREST PAYMENT DATE or interest on any overdue amount, the Trustee may establish a special record date. The special record date may be not more than thirty (30) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date. The Paying Agent will promptly certify to the Authority, the Trustee and the Remarketing Agent that it has mailed such notice to all Bondowners, and such certificate will be conclusive evidence that notice was given in the manner required hereby.

While this bond is in the Multiannual Mode, this bond is subject to mandatory tender for purchase at a price (the "Purchase Price") equal to 100% of the principal amount thereof, plus accrued interest, if any, on each Effective Date. THE OWNER OF THIS BOND, BY ACCEPTANCE HEREOF, AGREES TO SELL AND SURRENDER THIS BOND IN ACCORDANCE WITH THE PROVISIONS OF THE AGREEMENT AND, ON THE PURCHASE DATE, TO SURRENDER THIS BOND TO THE PAYING AGENT FOR PAYMENT OF THE PURCHASE PRICE. UPON DEPOSIT OF THE PURCHASE PRICE WITH THE PAYING AGENT ON THE PURCHASE DATE, THIS BOND SHALL BE DEEMED TENDERED FOR PURCHASE AND SHALL CEASE TO BE OUTSTANDING UNDER THE AGREEMENT, INTEREST HEREON SHALL CEASE TO ACCRUE AS OF THE PURCHASE DATE, AND THE REGISTERED OWNER HEREOF SHALL BE ENTITLED ONLY TO RECEIVE THE PURCHASE PRICE SO DEPOSITED WITH THE PAYING AGENT UPON SURRENDER OF THIS CERTIFICATE TO THE PAYING AGENT. All deliveries of tendered Bonds shall be made to the Paying Agent at , New York, New York, Attention: , or such other address specified in writing by the Paying Agent to the Bondowners.

The Purchase Price of this bond shall be paid to the REGISTERED OWNER by the Paying Agent on the Delivery Date, which shall be the Purchase Date or any subsequent Business Day on which this bond is delivered to the Paying Agent. The Purchase Price of this bond shall be paid only upon surrender of this bond to the Paying Agent as provided herein. From and after the Purchase Date, no further interest on this bond shall be payable to the REGISTERED OWNER, provided that there are sufficient funds available on the Purchase Date to pay the Purchase Price. The Purchase Price of Bonds is payable for Bonds in the Multiannual Mode by check or draft in clearinghouse funds from the Paying Agent to the REGISTERED OWNER at its address shown on the registration books maintained by the Paying Agent. If on any date this bond is subject to mandatory tender for purchase, payment of the Purchase Price of this bond to such owner shall be made on the Purchase Date if presentation and surrender of this bond is made prior to 11:00 A.M., New York City time, on the Purchase Date or on such later Business Day upon which presentation and surrender of this bond is made prior to 11:00 A.M., New York City time.

In the Multiannual Mode and after the expiration of the applicable No Call Period (measured from the COMMENCEMENT DATE OF RATE PERIOD) set forth in the following schedule, the Bonds shall be subject to redemption at the direction of the Company in whole or in part at any time at the following redemption prices expressed as a percentage of the principal amount redeemed, plus interest accrued to the redemption date:

Length of Multiannual Rate Period	Redemption No Call Period	Price
Greater than 15 years	10 years	102%, declining by 1/2% on each succeeding anniversary of the end of the no call period until reaching 100% and thereafter at 100%
Greater than 10, but not greater than 15 years	8 years	101 1/2%, declining by 1/2% on each succeeding anniversary of the end of the no call period until reaching 100% and thereafter at 100%
Greater than 5, but not greater than 10 years	5 years	101%, declining by 1/2% on the next anniversary of the end of the no call period and thereafter at 100%
5 years or less	Bonds not subject to optional redemption until commencement of next Rate Period.	

In addition, at the option of the Company, the Bonds in the Multiannual

Mode are subject to redemption prior to maturity as a whole at any time at 100% of the principal amount thereof, plus accrued interest to the redemption date, within nine (9) months of the occurrence of certain extraordinary events consisting of (a) damage or destruction, or loss of title by eminent domain, to the Station or the Project Facilities, (b) changes in law affecting the enforceability of the Agreement or imposing unreasonable burdens or excessive liabilities on the Company relating to the Station or the Project Facilities or their operation, (c) the enjoining or prohibiting of the operation of the Station or the Project Facilities, or (d) changes in the economic availability of fuel, materials, supplies, labor, equipment or other properties or things rendering the continued operation of the Station uneconomical, all as more fully described in the Agreement. The Company's right to direct the redemption of the Bonds in the Multiannual Mode upon the occurrence of any event listed above shall expire six (6) months after such event occurs.

The Bonds are subject to mandatory redemption at any time at a redemption price of 100% of the principal amount of the Bonds so redeemed plus accrued interest in the event (i) the Company delivers to the Trustee an opinion of nationally recognized bond counsel selected by the Company and reasonably satisfactory to the Trustee ("Bond Counsel") stating that interest on the Bonds is or will become includable in gross income of the owners thereof for federal income tax purposes, or (ii) it is finally determined by the Internal Revenue Service or a court of competent jurisdiction, as a result of (A) a proceeding in which the Company has participated or been given notice and an opportunity to participate, and, (B) either (1) a failure by the Company (or the Seabrook Transferee as defined in the Agreement) to observe any covenant or agreement undertaken in or pursuant to the Agreement, or the inaccuracy of any representation made by the Company (or the Seabrook Transferee) in or pursuant to the Agreement, or (2) the Seabrook Transfer (as defined in the Agreement), that interest payable on the Bonds is includable for federal income tax purposes in the gross income of any owner thereof (other than an owner which is a "substantial user" or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986). Any determination under clause (ii) above will not be considered final for this purpose until the earliest of the conclusion of any appellate review, the denial of appellate review or the expiration of the period for seeking appellate review. Redemption under this paragraph shall be in whole unless not less than forty-five (45) days prior to the redemption date the Company delivers to the Trustee an opinion of Bond Counsel reasonably satisfactory to the Trustee to the effect that a redemption of less than all of the Bonds will preserve the tax-exempt status of interest on the remaining Bonds outstanding subsequent to such redemption. Except as provided in the next sentence, any such redemption shall be made on the 90th day after the date on which the opinion described in clause (i) is delivered or the determination described in clause (ii) becomes final or on such earlier date as the Company may designate by notice given to the Trustee at least forty-five (45) days prior to such designated date. Any Bond in the Flexible Mode that has a Purchase Date prior to the redemption date established for that Bond pursuant to the preceding sentence shall be redeemed on that Purchase Date. If such redemption shall occur in accordance with the terms of the Agreement, then such failure by the Company (or the Seabrook Transferee as described above) to observe such covenant or agreement, or the inaccuracy of any such representation will not, in and of itself, constitute a default thereunder.

If the Trustee receives written notice from any Bondowner stating that (i) such Bondowner has been notified in writing by the Internal Revenue Service that it proposes to include the interest on the Bonds in the gross income of such owner for federal income tax purposes, or any other proceeding has been instituted against such owner which may lead to a like determination, and (ii) such owner will afford the Company the opportunity to participate at its own expense in the proceeding, either directly or in the name of such owner, until the conclusion of any appellate review, and the Trustee has examined such written notice and it appears to be accurate on its face, then the Trustee shall promptly give notice thereof to the Company, the Authority, and each Bondowner whose Bonds may be affected. The Trustee shall thereafter keep itself reasonably informed of the progress of any administrative proceedings or litigation relating to such notice. Under the Agreement the Company is required to give the Trustee written notice of such a final determination within forty-five (45) days of such final determination.

If less than all of the outstanding Bonds are to be called for redemption, the Bonds (or portions thereof) to be redeemed shall be selected as provided in the Agreement with Bonds in the Multiannual Mode being redeemed in units of $5,000.

In the event this bond is selected for redemption, notice will be mailed no more than forty-five (45) nor less than thirty (30) days prior to the redemption date to the REGISTERED OWNER at its address shown on the registration books maintained by the Paying Agent. Failure to mail notice to the owner of any other Bond or any defect in the notice to such an owner shall not affect the redemption of this bond.

If this bond is of a denomination in excess of five thousand dollars

($5,000), portions of the principal amount in the amount of five thousand dollars ($5,000) or any multiple thereof may be redeemed. If less than all of the principal amount is to be redeemed, upon surrender of this bond to the Paying Agent, there will be issued to the REGISTERED OWNER, without charge, a new Bond or Bonds, at the option of the REGISTERED OWNER, for the unredeemed principal amount.

Notice of redemption having been duly mailed, this bond, or the portion called for redemption, will become due and payable on the redemption date at the applicable redemption price and, moneys for the redemption having been deposited with the Paying Agent, from and after the date fixed for redemption, interest on this bond (or such portion) will no longer accrue.

IN CERTAIN CIRCUMSTANCES SET OUT HEREIN, THIS BOND (OR PORTION HEREOF) IS SUBJECT TO PURCHASE OR REDEMPTION. IN EACH SUCH EVENT AND UPON DEPOSIT OF THE PURCHASE OR REDEMPTION PRICE WITH THE PAYING AGENT ON THE PURCHASE OR REDEMPTION DATE, AS THE CASE MAY BE, THIS BOND (OR PORTION HEREOF) SHALL CEASE TO BE DEEMED TO BE OUTSTANDING UNDER THE AGREEMENT, INTEREST HEREON SHALL CEASE TO ACCRUE AS OF THE PURCHASE OR REDEMPTION DATE, AND THE REGISTERED OWNER HEREOF SHALL BE ENTITLED ONLY TO RECEIVE THE PURCHASE OR REDEMPTION PRICE SO DEPOSITED WITH THE PAYING AGENT ONLY UPON SURRENDER OF THIS CERTIFICATE TO THE PAYING AGENT.

This bond is transferable by the REGISTERED OWNER, in person or by its attorney duly authorized in writing, at the office of the Paying Agent, upon surrender of this bond to the Paying Agent for cancellation. Upon the transfer, a new Bond or Bonds in authorized denominations of the same aggregate principal amount will be issued to the transferee at the same office. No transfer will be effective unless represented by such surrender and reissue. This bond may also be exchanged at the office of the Paying Agent for a new Bond or Bonds in authorized denominations of the same aggregate principal amount without transfer to a new registered owner. Exchanges and transfers will be without expense to the owner except for applicable taxes or other governmental charges, if any. The Paying Agent will not be required to make an exchange or transfer of this bond (except in connection with any optional or mandatory tender of this bond) (i) if this bond (or any portion thereof) has been selected for redemption or (ii) during the fifteen (15) days preceding any date fixed for selection for redemption if this bond (or any portion thereof) is eligible to be selected for redemption.

The Bonds are issuable only in fully registered form in denominations of five thousand dollars ($5,000) or any multiple thereof.

The Authority, the Trustee, the Paying Agent and the Company may treat the REGISTERED OWNER as the absolute owner of this bond for all purposes, notwithstanding any notice to the contrary.

No director, officer, employee or agent of the Authority nor any person executing this bond (by facsimile signature or otherwise) shall be personally liable, either jointly or severally, hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

This bond will not be valid until the Certificate of Authentication has been signed by the Trustee or the Paying Agent.

REFERENCE IS MADE TO THE FURTHER PROVISIONS OF THIS BOND ON THE BACK, WHICH HAVE THE SAME EFFECT AS IF SET FORTH HERE.

BUSINESS FINANCE AUTHORITY
OF THE STATE OF NEW HAMPSHIRE
(Seal)
By:
Title:

By:
Title:

Certificate of Authentication

This bond is one of the Bonds described in the Agreement.

STATE STREET BANK AND TRUST COMPANY
as Trustee

Date of Registration: By: , or
Authorized Signature
By: ,
as Paying Agent

By:
Authorized Signature

Assignment

For value received the undersigned sells, assigns and transfers this bond to

(Name and Address of Assignee)

Social Security or Other Identifying Number of Assignee
and irrevocably appoints attorney-in-fact to transfer it on the books kept for registration of the bond, with full power of substitution.

NOTE: The signature to this assignment must correspond with the name as written on the face of the bond without alteration or enlargement or other change and must be guaranteed by a Participant in a Recognized Signature Guaranty Medallion Program.

Dated:
Signature Guaranteed:

Participant in a Recognized
Signature Guaranty Medallion Program

By:
Authorized Signature

The following abbreviations, when used in the inscription on the face of this bond, shall be construed as though they were written out in full according to applicable law.

TEN COM -	as tenants in common	UNIF GIFT MIN ACT -	
TEN ENT -	as tenants by the entirety	Custodian	
JT TEN -	as joint tenants with rights of survivorship and not as tenants in common	(Cust)	(Minor)
Act			
(State)			

Additional abbreviations may also be used though not set forth in the list above.

EXHIBIT J

FORM OF FIXED RATE 1993 SERIES E BOND

$ No. R-

UNITED STATES OF AMERICA
STATE OF NEW HAMPSHIRE
BUSINESS FINANCE AUTHORITY
OF THE STATE OF NEW HAMPSHIRE
Pollution Control Refunding Revenue Bond
(Public Service Company of New Hampshire
Project - 1993 Tax-Exempt Series E)

INTEREST RATE: CUSIP:

MATURITY DATE: May 1, 2021
DATE OF THIS BOND:
(Date as of which Bonds of this series were initially issued.)
INTEREST PAYMENT DATES: May 1 and November 1
(but not before
,)
REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

THIS BOND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE STATE OF NEW HAMPSHIRE OR OF THE AUTHORITY EXCEPT TO THE EXTENT PERMITTED BY NEW HAMPSHIRE RSA CHAPTER 162-I. ALL AMOUNTS OWED HEREUNDER ARE PAYABLE ONLY FROM THE SOURCES PROVIDED IN THE LOAN AND TRUST AGREEMENT DESCRIBED BELOW, AND NO PUBLIC FUNDS MAY BE USED FOR THAT PURPOSE.

The Business Finance Authority of the State of New Hampshire (the "Authority"), for value received promises to pay to the REGISTERED OWNER, or registered assigns, but solely from the moneys to be provided under the Agreement mentioned below, upon presentation and surrender hereof, in lawful money of the United States of America, the PRINCIPAL AMOUNT on the MATURITY DATE, unless paid earlier as provided below, with interest (computed on the basis of a 360-day year consisting of twelve 30-day months) from the most recent INTEREST PAYMENT DATE to which interest has been paid or duly provided for or, if no interest has been paid, from the DATE OF THIS BOND, at the INTEREST RATE per annum, payable semiannually on the INTEREST PAYMENT DATES, until the date on which this bond becomes due, whether at maturity or by acceleration or redemption. From and after that date, any unpaid principal

will bear interest at the same rate until paid or duly provided for. The principal and premium, if any, of this bond is payable in clearinghouse funds at the office of , as Paying Agent (with its successors, the "Paying Agent"). Interest is payable by check or draft in clearinghouse funds mailed by the Paying Agent to the REGISTERED OWNER of this bond (or of one or more predecessor or successor Bonds (as defined below)), determined as of the close of business on the applicable record date, at its address as shown on the registration books maintained by the Paying Agent. If any payment, redemption or maturity date for principal, premium or interest 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 office of the Trustee or the First Mortgage Bond Trustee is 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.

The record date for payment of interest is the fifteenth day of the month preceding the date on which the interest is to be paid, provided that, with respect to overdue interest or interest payable on redemption of this bond other than on an INTEREST PAYMENT DATE or interest on any overdue amount, the Trustee (as defined below) may establish a special record date. The special record date may be not more than thirty (30) days before the date set for payment. The Paying Agent will mail notice of a special record date to the registered owners of the Bonds (the "Bondowners") at least ten (10) days before the special record date. The Paying Agent will promptly certify to the Authority and the Trustee that it has mailed such notice to all Bondowners, and such certificate will be conclusive evidence that such notice was given in the manner required hereby.

This bond is one of a series of Pollution Control Refunding Revenue Bonds (Public Service Company of New Hampshire Project - 1993 Tax-Exempt Series E) (the "Bonds") in the aggregate principal amount of $44,800,000 issued under New Hampshire RSA Chapter 162-I (the "Act"). The proceeds of the Bonds are being loaned to Public Service Company of New Hampshire (the "Company"), a New Hampshire corporation, pursuant to a Series E Loan and Trust Agreement dated as of May 1, 1991, as supplemented and amended by a First Supplement dated as of December 1, 1993 (the "Agreement") among the Company, the Authority and State Street Bank and Trust Company, as Trustee (the "Trustee") to refund a like principal amount of the Authority's $114,500,000 Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 1991 Taxable Series E) (the "1991 Bonds"), which were originally issued to finance certain costs associated with the Company's ownership interest in air or water pollution control and sewage or solid waste disposal facilities installed for use by Unit No. 1 at the nuclear electric generating station (the "Station") in Seabrook, New Hampshire (the "Project Facilities"). Pursuant to the Agreement, the Company has unconditionally agreed to repay such loan in the amounts and at the times necessary to pay the principal of, premium, if any, and interest on the Bonds when due. To evidence and secure such loan and the Company's reimbursement and certain other obligations, if any, under the Reimbursement Agreement (as defined in the Agreement), the Company has issued and delivered to the Trustee its First Mortgage Bonds, Series G (the "Series G First Mortgage Bonds") issued under the First Mortgage Indenture dated as of August 15, 1978, as amended, and the Tenth Supplemental Indenture thereto dated as of May 1, 1991 between the Company and First Fidelity Bank, National Association, New Jersey, as Trustee (as amended and supplemented from time to time, the "First Mortgage Bond Indenture") in an aggregate principal amount, and with an interest rate, maturity date and redemption provisions corresponding to those of the Bonds and certain other bonds issued under the Agreement, including the 1991 Bonds. As provided in the Agreement, payments of principal of, and premium, if any, and interest on the Series G First Mortgage Bonds shall, upon receipt by the Trustee, be deemed to constitute payments in corresponding amounts by the Company in respect of the Bonds and certain other bonds issued under the Agreement, including the 1991 Bonds. Reference is hereby made to the Agreement for the provisions thereof with respect to the rights, limitations of rights, duties, obligations and immunities of the Company, the Authority, the Trustee, the Paying Agent, and the Bondowners, including the order of payments in the event of insufficient funds, the disposition of unclaimed moneys held by the Trustee and restrictions on the rights of owners of the Bonds to bring suit. The Agreement may be amended to the extent and in the manner provided therein. Copies of the Agreement are available for inspection at the corporate trust office of the Trustee.

In case any Event of Default (as defined in the Agreement) occurs and is continuing, the principal amount of this bond together with accrued interest may be declared due and payable in the manner and with the effect provided in the Agreement.

The Bonds are redeemable pursuant to the Agreement prior to maturity beginning on , , at the option of the Authority by direction of the Company, as a whole or in part at any time, at the following prices expressed in percentages of their principal amount, plus accrued interest to the redemption date:

Period During Which Redeemed Redemption Price

%

[Table to be prepared upon Fixed Rate conversion. The table shall be based on redemption schedule established for the bond in the Multiannual Mode.]

In addition, at the option of the Company, this bond is subject to redemption prior to maturity at 100% of the principal amount thereof, plus accrued interest to the redemption date within nine (9) months of the occurrence of certain extraordinary events consisting of (a) damage or destruction, or loss of title by eminent domain, to the Station or the Project Facilities, (b) changes in law affecting the enforceability of the Agreement or imposing unreasonable burdens or excessive liabilities on the Company relating to the Station or the Project Facilities or their operation, (c) the enjoining or prohibiting of the operation of the Station or the Project Facilities, or (d) changes in the economic availability of fuel, materials, supplies, labor, equipment or other properties or things rendering the continued operation of the Station uneconomical, all as more fully described in the Agreement. The Company's right to direct the redemption of this bond upon the occurrence of any event listed above shall expire six (6) months after such event occurs.

The Bonds are subject to mandatory redemption at any time at a redemption price of 100% of the principal amount of the Bonds so redeemed plus accrued interest in the event (i) the Company delivers to the Trustee an opinion of nationally recognized bond counsel selected by the Company and reasonably satisfactory to the Trustee ("Bond Counsel") stating that interest on the Bonds is or will become includable in gross income of the owners thereof for federal income tax purposes, or (ii) it is finally determined by the Internal Revenue Service or a court of competent jurisdiction, as a result of (A) a proceeding in which the Company has participated or been given notice and an opportunity to participate, and, (B) either (1) a failure by the Company (or the Seabrook Transferee as defined in the Agreement) to observe any covenant or agreement undertaken in or pursuant to the Agreement, or the inaccuracy of any representation made by the Company (or the Seabrook Transferee) in or pursuant to the Agreement, or (2) the Seabrook Transfer (as defined in the Agreement), that interest payable on the Bonds is includable for federal income tax purposes in the gross income of any owner thereof (other than an owner which is a "substantial user" or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986). Any determination under clause (ii) above will not be considered final for this purpose until the earliest of the conclusion of any appellate review, the denial of appellate review or the expiration of the period for seeking appellate review. Redemption under this paragraph shall be in whole unless not less than forty-five (45) days prior to the redemption date the Company delivers to the Trustee an opinion of Bond Counsel reasonably satisfactory to the Trustee to the effect that a redemption of less than all of the Bonds will preserve the tax-exempt status of interest on the remaining Bonds outstanding subsequent to such redemption. Except as provided in the next sentence, any such redemption shall be made on the 90th day after the date on which the opinion described in clause (i) is delivered or the determination described in clause (ii) becomes final or on such earlier date as the Company may designate by notice given to the Trustee at least forty-five (45) days prior to such designated date. Any Bond in the Flexible Mode that has a Purchase Date prior to the redemption date established for that Bond pursuant to the preceding sentence shall be redeemed on that Purchase Date. If such redemption shall occur in accordance with the terms of the Agreement, then such failure by the Company (or the Seabrook Transferee as described above) to observe such covenant or agreement, or the inaccuracy of any such representation will not, in and of itself, constitute a default thereunder.

If the Trustee receives written notice from any Bondowner stating that (i) such Bondowner has been notified in writing by the Internal Revenue Service that it proposes to include the interest on the Bonds in the gross income of such owner for federal income tax purposes, or any other proceeding has been instituted against such owner which may lead to a like determination, and (ii) such owner will afford the Company the opportunity to participate at its own expense in the proceeding, either directly or in the name of such owner, until the conclusion of any appellate review, and the Trustee has examined such written notice and it appears to be accurate on its face, then the Trustee shall promptly give notice thereof to the Company, the Authority, and each Bondowner whose Bonds may be affected. The Trustee shall thereafter keep itself reasonably informed of the progress of any administrative proceedings or litigation relating to such notice. Under the Agreement the Company is required to give the Trustee written notice of such a final determination within forty-five (45) days of such final determination.

If less than all of the outstanding Bonds are to be called for redemption, the Bonds (or portions thereof) to be redeemed shall be selected as provided in the Agreement.

In the event this bond is selected for redemption, notice will be mailed

no more than forty-five (45) nor less than thirty (30) days prior to the redemption date to the REGISTERED OWNER at its address shown on the registration books maintained by the Paying Agent. Failure to mail notice to the owner of any other Bond or any defect in the notice to such an owner shall not affect the redemption of this bond.

If this bond is of a denomination in excess of five thousand dollars ($5,000), portions of the principal amount in the amount of five thousand dollars ($5,000) or any multiple thereof may be redeemed. If less than all of the principal amount is to be redeemed, upon surrender of this bond to the Paying Agent, there will be issued to the REGISTERED OWNER, without charge, a new Bond or Bonds, at the option of the REGISTERED OWNER, for the unredeemed principal amount.

Notice of redemption having been duly mailed, this bond, or the portion called for redemption, will become due and payable on the redemption date at the applicable redemption price and, moneys for the redemption having been deposited with the Paying Agent, from and after the date fixed for redemption, interest on this bond (or such portion) will no longer accrue.

This bond is transferable by the REGISTERED OWNER, in person or by its attorney duly authorized in writing, at the office of the Paying Agent, upon surrender of this Bond to the Paying Agent for cancellation. Upon the transfer, a new Bond or Bonds in authorized denominations of the same aggregate principal amount will be issued to the transferee at the same office. No transfer will be effective unless represented by such surrender and reissue. This bond may also be exchanged at the office of the Paying Agent for a new Bond or Bonds of the same aggregate principal amount without transfer to a new registered owner. Exchanges and transfers will be without expense to the holder except for applicable taxes or other governmental charges, if any. The Paying Agent will not be required to make an exchange or transfer of this bond during the fifteen (15) days preceding any date fixed for selection for redemption if this bond (or any part thereof) is eligible to be selected or has been selected for the redemption.

This bond is issuable only in fully registered form in the denominations of five thousand dollars ($5,000) or any multiple thereof.

The Authority, the Trustee, the Paying Agent and the Company may treat the REGISTERED OWNER as the absolute owner of this bond for all purposes, notwithstanding any notice to the contrary.

No director, officer, employee or agent of the Authority nor any person executing this bond (by facsimile signature or otherwise) shall be personally liable, either jointly or severally, hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

This bond will not be valid until the Certificate of Authentication has been signed by the Trustee or the Paying Agent.

REFERENCE IS MADE TO THE FURTHER PROVISIONS OF THIS BOND ON THE BACK, WHICH HAVE THE SAME EFFECT AS IF SET FORTH HERE.

BUSINESS FINANCE AUTHORITY
OF THE STATE OF NEW HAMPSHIRE
(Seal)

By:
Title:

By:
Title:

Certificate of Authentication

This bond is one of the Bonds described in the Agreement.

STATE STREET BANK AND TRUST COMPANY
as Trustee

Date of Registration: By: , or
Authorized Signature

By: ,
as Paying Agent

By:
Authorized Signature

Assignment

For value received the undersigned sells, assigns and transfers this bond to

(Name and Address of Assignee)

Social Security or Other Identifying Number of Assignee
and irrevocably appoints attorney-in-fact to transfer it on the books kept for registration of the bond, with full power of substitution.

NOTE: The signature to this assignment must correspond with the name as written on the face of the bond without alteration or enlargement or other change and must be guaranteed by a Participant in a Recognized Signature Guaranty Medallion Program.

Dated:
Signature Guaranteed:

Participant in a Recognized
Signature Guaranty Medallion Program

By:
Authorized Signature

The following abbreviations, when used in the inscription on the face of this bond, shall be construed as though they were written out in full according to applicable law.

TEN COM -	as tenants in common	UNIF GIFT MIN ACT -	
TEN ENT -	as tenants by the entirety	Custodian	
JT TEN -	as joint tenants with rights of survivorship and not as tenants in common	(Cust)	(Minor)
Act			
(State)			

Additional abbreviations may also be used though not set forth in the list above.

EXHIBIT K

FORM OF BOOK-ENTRY ONLY SYSTEM FLEXIBLE 1991 SERIES E BOND

$69,700,000 No. R-1

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to 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.

ANY BONDHOLDER WHO FAILS TO DELIVER A BOND FOR PURCHASE AT THE TIMES AND AT THE PLACE REQUIRED HEREIN SHALL HAVE NO FURTHER RIGHTS HEREUNDER EXCEPT THE RIGHT TO RECEIVE THE PURCHASE PRICE HEREOF UPON PRESENTATION AND SURRENDER OF THIS BOND TO THE PAYING AGENT AS DESCRIBED HEREIN, AND SHALL HOLD THIS BOND AS AGENT FOR THE PAYING AGENT.

UNITED STATES OF AMERICA
STATE OF NEW HAMPSHIRE
THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE STATE OF NEW HAMPSHIRE
Pollution Control Revenue Bond
(Public Service Company of New Hampshire
Project - 1991 Taxable Series E)

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: SIXTY-NINE MILLION SEVEN HUNDRED THOUSAND DOLLARS

MATURITY DATE: May 1, 2021
CUSIP:

DATE OF THIS BOND: May 16, 1991

(Date as of which Bonds of this
series were initially issued.)
MODE: Flexible

THIS BOND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE STATE OF NEW HAMPSHIRE OR OF THE AUTHORITY EXCEPT TO THE EXTENT PERMITTED BY NEW HAMPSHIRE RSA CHAPTER 162-I. ALL AMOUNTS OWED HEREUNDER ARE PAYABLE ONLY FROM THE SOURCES PROVIDED IN THE LOAN AND TRUST AGREEMENT DESCRIBED BELOW, AND NO PUBLIC FUNDS MAY BE USED FOR THAT PURPOSE.

The Industrial Development Authority of the State of New Hampshire (the "Authority"), for value received, promises to pay to the REGISTERED OWNER, or registered assigns, but solely from the moneys to be provided under the Agreement mentioned below, upon presentation and surrender hereof, in lawful money of the United States of America, the PRINCIPAL AMOUNT on the MATURITY DATE, unless paid earlier as provided below, with interest from the most recent Interest Payment Date, as defined below, to which interest has been paid or duly provided for or, if no interest has been paid, from the DATE OF THIS BOND set forth above, until paid in full, at the rates set forth below, payable on each Interest Payment Date. So long as this bond is in the Flexible Mode, interest shall be due on this bond on each Purchase Date (as defined below) and on the MATURITY DATE, and when this bond is in any other Mode interest shall be due on the dates provided in the Agreement (the "Interest Payment Dates"). Until conversion to the Weekly, Multiannual or Fixed Rate Mode as provided below, this bond shall bear interest at the Flexible Rate. The Flexible Rate for this bond shall be the rate of interest determined by the Remarketing Agent designated as provided in the Agreement (herein, with its successors, the "Remarketing Agent"), for each Rate Period, as defined below, to be the lowest rate which in its judgment, on the basis of prevailing financial market conditions, is necessary on and as of the Effective Date, as defined below, to remarket each Bond having such Rate Period in a secondary market transaction at a price equal to the principal amount thereof, but not in excess of the Maximum Interest Rate. If this bond is converted to the Weekly, Multiannual or Fixed Rate Mode it shall bear interest at the Weekly, Multiannual or Fixed Rate, as the case may be, as defined in the Agreement. The Remarketing Agent shall determine the initial Flexible Rate on or before the date of issue in or of conversion to the Flexible Mode, which rate shall remain in effect as provided in the Agreement. Thereafter, the Remarketing Agent shall redetermine the Flexible Rate for each Rate Period as provided below. The amount of interest due on any Interest Payment Date shall be the amount of unpaid interest accrued on this bond through the day preceding such Interest Payment Date or, if such Interest Payment Date is not a Business Day, through the day preceding the first Business Day succeeding such Interest Payment Date.

This bond is one of a series of Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 1991 Taxable Series E) (the "Bonds") in the aggregate principal amount of $114,500,000 issued under New Hampshire RSA Chapter 162-I (the "Act"). The proceeds of the Bonds are being loaned to Public Service Company of New Hampshire (the "Company"), a New Hampshire corporation, pursuant to a Series E Loan and Trust Agreement (the "Agreement") dated as of May 1, 1991 among the Company, the Authority and State Street Bank and Trust Company, as Trustee (the "Trustee") to finance certain costs associated with the Company's ownership interest in air or water pollution control and sewage or solid waste disposal facilities installed for use by Unit No. 1 at the nuclear electric generating station (the "Station") in Seabrook, New Hampshire (the "Project Facilities"). Pursuant to the Agreement, the Company has unconditionally agreed to repay such loan in the amounts and at the times necessary to pay the principal of, premium, if any, and interest on the Bonds when due. To evidence and secure such loan and the Company's reimbursement and certain other obligations under the Reimbursement Agreement (as defined below), the Company has issued and delivered to the Trustee its First Mortgage Bonds, Series G (the "Series G First Mortgage Bonds") issued under the First Mortgage Indenture dated as of August 15, 1978, as amended, and the Tenth Supplemental Indenture thereto dated as of May 1, 1991 between the Company and First Fidelity Bank, National Association, New Jersey, as Trustee (as amended and supplemented from time to time, the "First Mortgage Bond Indenture") in an aggregate principal amount, and with an interest rate, maturity date and redemption provisions corresponding to those of the Bonds. As provided in the Agreement, payments of principal of, and premium, if any, and interest on the Series G First Mortgage Bonds shall, upon receipt by the Trustee, be deemed to constitute payments in corresponding amounts by the Company in respect of the Bonds. Reference is hereby made to the Agreement for the provisions thereof with respect to the rights, limitations of rights, duties, obligations and immunities of the Company, the Authority, the Trustee, the Paying Agent, and the Bondowners, including the order of payments in the event of insufficient funds, the disposition of unclaimed moneys held by the Trustee and restrictions on the rights of owners of the Bonds to bring suit. The Agreement may be amended to the extent and in the manner provided therein. Copies of the Agreement are available for inspection at the corporate trust office of the Trustee.

The Purchase Price (as defined below) and principal of and interest on this bond while it is in the Flexible Mode is also payable from moneys drawn by the Paying Agent on an irrevocable letter of credit for the Bonds (together with any extensions and renewals thereof, the "Letter of Credit") issued by Swiss Bank Corporation, New York Branch pursuant to the terms of a Second Series E Letter of Credit and Reimbursement Agreement dated as of May 1, 1995 (the "Reimbursement Agreement") by and between the Company and Swiss Bank Corporation, New York Branch (together with any other issuer of a Credit Facility, the "Bank"). The Letter of Credit initially expires on May 1, 1998 but may be terminated earlier upon the occurrence of certain events set forth in the Agreement and the Reimbursement Agreement or extended as provided in

the Reimbursement Agreement. The Company may substitute the Letter of Credit in whole or in part with one or more new letters of credit (collectively with the Letter of Credit, a "Credit Facility") as provided in the Agreement and the Reimbursement Agreement. The Company may substitute a new Letter of Credit as provided in the Agreement.

Unless otherwise defined herein, capitalized terms used in this bond shall have the meaning given them in the Agreement. The following terms are defined as follows:

"Business Day" means a day (i) that is not a Sunday or legal holiday or a day on which banking institutions are authorized pursuant to law to close, (ii) that is not a day on which the corporate trust office of the First Mortgage Bond Trustee is not open for business, (iii) that is a day on which banks are not required or authorized to close in New York, New York, and (iv) that is a day on which banking institutions in all of the cities in which the principal offices of the Trustee and the Paying Agent and, if applicable, the Remarketing Agent and the Bank are located are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

"Effective Date" means, with respect to a Bond in the Flexible, Weekly and Multiannual Modes, the date on which a new Rate Period for that Bond takes effect.

"Mode" means the period for and the manner in which the interest rates on the Bonds are set and includes the Flexible Mode, the Weekly Mode, the Multiannual Mode and the Fixed Rate Mode.

"Purchase Date" means, while this bond is in the Flexible Mode, the date on which this bond shall be required to be purchased pursuant to a mandatory tender in accordance with the provisions hereof.

"Rate Period" or "Period" means, when used with respect to any particular rate of interest for a Bond in the Flexible, Weekly or Multiannual Mode, the period during which such rate of interest determined for such Bond will remain in effect as described herein.

At the option of the Company and upon certain conditions provided for in the Agreement described below, all or a portion of the Bonds (a) may be converted or reconverted from time to time to or from the Weekly Mode or Multiannual Mode, which means that the Rate Period is, respectively, one week or one year or any multiple of one year, (b) may be converted or reconverted from time to time to or from the Flexible Mode, and will have Rate Periods of from one to 270 days as provided herein, or (c) may be converted to the Fixed Rate Mode; provided, however, that in the Multiannual Mode the first rate period occurring after conversion to such Mode may be shorter than the applicable multiple of one year as provided in the Agreement. While this bond is in the Flexible Mode, a new interest rate shall take effect on the date such Mode takes effect, and on the Effective Date of the next Flexible Rate Period, as defined herein, applicable to this bond.

While this bond is in the Flexible Mode, conversions to any other Mode may take place only on an Effective Date. Conversion of this bond to another Mode shall be subject to certain conditions set forth in the Agreement. In the event that the conditions for a proposed conversion to a new Mode are not met (i) such new Mode shall not take effect on the proposed conversion date, notwithstanding any prior notice to the Bondowners of such conversion and (ii) this bond shall remain in the Flexible Mode with a Rate Period of one day. In no event shall the failure of this bond to be converted to another Mode be deemed to be a Default or an Event of Default under the Agreement as long as the Purchase Price (as defined below) is made available on the failed conversion date to owners of all Bonds that were to have been converted.

While Bonds bear interest at Flexible Rates, the interest rate for each particular Bond in the Flexible Mode will be determined by the Remarketing Agent and will remain in effect from and including the Effective Date of the Rate Period selected for that Bond by the Remarketing Agent through the last date thereof. While the Bonds are in the Flexible Mode, Bonds may have successive Rate Periods of any duration up to 270 days each and ending on a Business Day and any Bond may bear interest at a rate and for a period different from any other Bond.

In the event that the Remarketing Agent no longer determines, or fails to determine when required, any Rate Period or any Flexible Rate for any Bonds, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the Rate Period for any such Bond shall be deemed to be a Flexible Rate Period with a duration of one day and the Flexible Rate shall be determined as provided in the Agreement.

While this bond is in the Flexible Mode it is subject to mandatory tender for purchase on each applicable Effective Date at a price (the "Purchase Price") of par plus accrued interest to the Effective Date. THE OWNER OF THIS BOND, BY ACCEPTANCE HEREOF, AGREES TO SELL AND SURRENDER THIS BOND IN ACCORDANCE WITH THE PROVISIONS OF THE AGREEMENT AND, ON THE PURCHASE DATE, TO SURRENDER THIS BOND TO THE PAYING AGENT FOR PAYMENT OF THE PURCHASE

PRICE. UPON DEPOSIT OF THE PURCHASE PRICE WITH THE PAYING AGENT ON THE PURCHASE DATE, THIS BOND SHALL BE DEEMED TENDERED FOR PURCHASE AND SHALL CEASE TO BE OUTSTANDING UNDER THE AGREEMENT, INTEREST HEREON SHALL CEASE TO ACCRUE AS OF THE PURCHASE DATE, AND THE REGISTERED OWNER HEREOF SHALL BE ENTITLED ONLY TO RECEIVE THE PURCHASE PRICE SO DEPOSITED WITH THE PAYING AGENT UPON SURRENDER OF THIS CERTIFICATE TO THE PAYING AGENT. The Purchase Price shall be paid on the Delivery Date, which shall be the Effective Date or any subsequent Business Day on which this bond is delivered to the Paying Agent. The Purchase Price of this bond shall be paid only upon surrender of this bond to the Paying Agent as provided herein. From and after the Effective Date, no further interest shall be payable to the REGISTERED OWNER during the preceding Rate Period, provided that there are sufficient funds available on the Effective Date to pay the Purchase Price.

Each determination and redetermination of the Flexible Rate shall be conclusive and binding on the Authority, the Trustee, the Paying Agent, the Bank, the Company and the Bondowners.

While this bond is in the Flexible Mode, interest shall be computed on the basis of actual days elapsed divided by 360. From and after the date on which this bond becomes due, any unpaid principal will bear interest at the then effective interest rate until paid or duly provided for.

While this bond is in the Flexible Mode, the principal of and interest on this bond due on the MATURITY DATE are payable when due by wire or bank transfer of immediately available funds within the continental United States to the REGISTERED OWNER hereof but only upon presentation and surrender of this bond at the offices of BankAmerica National Trust Company, New York, New York, as Paying Agent (with its successors in such capacity, the "Paying Agent"). While this bond is in the Flexible Mode, the Purchase Price of this bond (which includes accrued interest to the Purchase Date) tendered for purchase is payable by wire or bank transfer within the continental United States from the Paying Agent to the REGISTERED OWNER at its address shown on the registration books maintained by the Paying Agent. Payment of the Purchase Price of this bond to such owner shall be made on the Purchase Date if presentation and surrender of this bond is made prior to 11:00 A.M., New York City time, on the Purchase Date or on such later Business Day upon which presentation and surrender of this bond is made prior to 11:00 A.M., New York City time. The Purchase Price of this bond shall be paid in immediately available funds. Overdue interest on this bond, or interest on overdue principal while in the Flexible Mode is payable in immediately available funds by wire or bank transfer within the continental United States from the Paying Agent to the REGISTERED OWNER, determined as of the close of business on the applicable special record date as determined by the Trustee, at its address as shown on the registration books maintained by the Paying Agent. The special record date may be not more than thirty (30) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date. The Paying Agent will promptly certify to the Authority, the Trustee and the Remarketing Agent that it has mailed such notice to all Bondowners, and such certificate will be conclusive evidence that notice was given in the manner required hereby.

This bond is transferable by the REGISTERED OWNER, in person or by its attorney duly authorized in writing, at the office of the Paying Agent, upon surrender of this bond to the Paying Agent for cancellation. Upon the transfer, a new Bond or Bonds in authorized denominations of the same aggregate principal amount will be issued to the transferee at the same office. No transfer will be effective unless represented by such surrender and reissue. This bond may also be exchanged at the office of the Paying Agent for a new Bond or Bonds in authorized denominations of the same aggregate principal amount without transfer to a new registered owner. Exchanges and transfers will be without expense to the owner except for applicable taxes or other governmental charges, if any.

The Bonds are issuable only in fully registered form and while in the Flexible Mode shall be in denominations of $100,000 or any multiple of $1,000 in excess of $100,000.

The Authority, the Trustee, the Paying Agent and the Company may treat the REGISTERED OWNER as the absolute owner of this bond for all purposes, notwithstanding any notice to the contrary.

No director, officer, employee or agent of the Authority nor any person executing this bond (by facsimile signature or otherwise) shall be personally liable, either jointly or severally, hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

This bond will not be valid until the Certificate of Authentication has been signed by the Trustee or its duly appointed agent for such purpose.

THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE STATE OF NEW HAMPSHIRE

(Seal) By:

Chairman

By:
Executive Director

Certificate of Authentication

This bond is one of the Bonds described in the Loan and Trust Agreement.

STATE STREET BANK AND TRUST
COMPANY, as Trustee
Date of Registration:

By: , or
Authorized Signature

By: BANKAMERICA NATIONAL TRUST
COMPANY, as agent of the Trustee

By:
Authorized Signature

Assignment

For value received the undersigned sells, assigns and transfers this bond to

(Name and Address of Assignee)

Social Security or Other Identifying Number of Assignee
and irrevocably appoints attorney-in-fact to transfer it on the books kept for registration of the bond, with full power of substitution.

NOTE: The signature to this assignment must correspond with the name as written on the face of the bond without alteration or enlargement or other change and must be guaranteed by a Participant in a Recognized Signature Guaranty Medallion Program.

Dated:
Signature Guaranteed:

Participant in a Recognized
Signature Guaranty Medallion Program
Firm

By:
Authorized Signature

The following abbreviations, when used in the inscription on the face of this bond, shall be construed as though they were written out in full according to applicable law.

TEN COM - as tenants in common
TEN ENT - as tenants by the entirety
JT TEN - as joint tenants with rights of survivorship and not as tenants in common

UNIF GIFT MIN ACT - Custodian
(Cust) (Minor)
Act
(State)

Additional abbreviations may also be used though not set forth in the list above.

EXHIBIT L
REPRESENTATION LETTER

EXHIBIT M
1993 SERIES E BONDS REPRESENTATION LETTER

(1) Footnotes (i) indicate amendments made by the First Supplement, (ii) indicate amendments made by the Second Supplement, (iii) indicate text taken from the First Supplement or the Second Supplement and added concurrently with the amendment and restatement hereof, (iv) indicate certain other changes made concurrently with the amendment and restatement hereof, and (v) provide explanations with respect to certain amendments and changes. Footnotes are for convenience only and shall not affect the construction hereof.
(2) Fees with respect to 1993 Series E Bonds from Paragraph 102(a)(3) of First Supplement, added concurrently with the amendment and restatement hereof.
(3) Paragraph 102(a)(4) amended concurrently with the amendment and restatement hereof as follows:
(4) "Bank" means Barclays Bank PLC, acting through its New York Branch, in

its capacity as issuer of the Letter of Credit and any other issuer of a Credit Facility.

(4) Paragraph 102(a)(8) amended concurrently with the amendment and restatement hereof as follows:

(8) "Bonds" means the 1991 Series E Bonds, the 1993 Series E Bonds, any other Tax-Exempt Refunding Bonds and any bond or bonds duly issued in exchange or replacement therefor.

(5) First sentence of Paragraph 102(a)(13) amended by Subsection 310(b) of First Supplement as follows:

"Credit Facility" means the Letter of Credit and any substitute irrevocable transferable letter of credit delivered to the Paying Agent pursuant to this Agreement and then in effect, as each may be amended from time to time pursuant to the terms of this Agreement or any amendment or supplement to this Agreement.

(6) Paragraph 102(a)(31) amended concurrently with the amendment and restatement hereof as follows:

(31) "Letter of Credit" means the $73,666,000 irrevocable letter of credit No. 841785 issued by Barclays Bank PLC, acting through its New York Branch, for the benefit of the Paying Agent.

(7) New last sentence of Paragraph 102(a)(33) from Section 305 of First Supplement, added concurrently with the amendment and restatement hereof.

(8) New definition of 1993 Series E Bonds in clause (ii) of Paragraph 102(a)(39) from Paragraph 102(a)(7) of First Supplement, added concurrently with the amendment and restatement hereof.

(9) Paragraph 102(a)(50) amended concurrently with the amendment and restatement hereof as follows:

(50) "Reimbursement Agreement" means the Third Series E Letter of Credit and Reimbursement Agreement dated as of April 1, 1999 among the Company, Barclays Bank PLC, New York Branch, as agent and issuing bank thereunder, and the participating banks referred to therein, and any other agreement between the Company and a Bank under which the Company is obligated to reimburse the Bank for payments made by the Bank under a Credit Facility.

(10) Paragraph 102(a)(57) amended concurrently with the amendment and restatement hereof as follows:

(57) "Tax-Exempt Refunding Bonds" means Bonds issued to refund the 1991 Series E Bonds pursuant to Article IV hereof, including, unless the context otherwise requires, the 1993 Series E Bonds.

(11) Subsection 201(a) formerly Section 201.

(12) New Subsection 201(b) from Section 201 of First Supplement, added concurrently with the amendment and restatement hereof.

(13) Forms of 1991 Series E Bonds moved from text to Exhibits concurrently with the amendment and restatement hereof. Forms of 1993 Series E Bonds from Section 301 of First Supplement and form of Book-Entry Only System Flexible 1991 Series E Bond from Subsection 201(b) and Exhibit A of Second Supplement added concurrently with the amendment and restatement hereof.

(14) Paragraph 301(b)(i) formerly Subsection 301(b).

(15) New Paragraph 301(b)(ii) from Section 302 of First Supplement, added concurrently with the amendment and restatement hereof.

(16) Clause (i) of Paragraph 301(d)(ii) amended concurrently with the amendment and restatement hereof to change "one year" to "364 days."

(17) First sentence of Paragraph 301(e)(ii) amended by Subsection 311(a) of First Supplement as follows:

The Bonds in the Weekly Mode or any portion of such Bonds may be converted on the first Business Day of any calendar month at the election of the Company from the Weekly Mode to a Multiannual, Flexible, or Fixed Rate Mode, as provided in the form of Weekly Bonds, so long as no Default hereunder exists as certified to the Trustee by a Company Representative.

(18) Clause (i) of Paragraph 301(e)(ii) amended concurrently with the amendment and restatement hereof to change "one year" to "364 days."

(19) Last sentence of Subparagraph 301(e)(iv)(A) amended by Subsection 311(b) of First Supplement as follows:

At least forty (40) days prior to the mandatory tender date, the Trustee shall give notice to the Paying Agent as to whether or not it has received the notices described in the immediately preceding sentence from Moody's and S&P, and if the Trustee has not received such notices or if the Credit Facility is expiring without substitution or replacement, the Paying Agent shall give notice to the Bondowners of the mandatory tender of the Bonds at least thirty (30) days prior to the mandatory tender date.

(20) Clause (i) of Paragraph 301(f)(ii) amended concurrently with the amendment and restatement hereof to change "one year" to "364 days."

(21) Subsection 303(a) formerly Section 303.

(22) New Subsection 303(b) from Section 304 of First Supplement, added concurrently with the amendment and restatement hereof.

(23) First sentence of Paragraph 308(c)(i) amended by Subsection 312(a) of First Supplement as follows:

If a Credit Facility is available for any portion of the Bonds, the Paying Agent shall not later than 4:00 P.M. on the Business Day next preceding any date on which payments of the principal of, premium, if any, or interest on such Bonds are due, whether at maturity, on an interest payment date, by acceleration, redemption, or otherwise, draw on the Credit Facility an amount sufficient to pay in full the principal, premium, if any, and interest then coming due on such Bonds.

(24) Paragraph 308(c)(iii) amended by Subsection 312(b) of First Supplement as follows:

(iii) Use of Credit Facility. All amounts received by the Paying Agent under any Credit Facility shall be held in a fund separate and apart from all other amounts held by the Paying Agent, shall remain uninvested and used solely to pay the Purchase Price or principal of, premium, if any, and interest on the Bonds for which the Credit Facility is available. Principal and Purchase Price of, premium, if any, and interest on Company Bonds, Pledged Bonds and Bonds not supported by a Credit Facility shall not be paid from amounts drawn on a Credit Facility.

Paragraph 308(c)(iii) further amended concurrently with the amendment and restatement hereof as follows:

(iii) Use of Credit Facility. All amounts received by the Paying Agent under any Credit Facility shall be held in a segregated account, shall remain uninvested and shall be used solely to pay the Purchase Price or principal of, premium, if any, and interest on the Bonds for which the Credit Facility is available. Principal and Purchase Price of, premium, if any, and interest on Company Bonds, Pledged Bonds and Bonds not supported by a Credit Facility shall not be paid from amounts drawn on a Credit Facility.

(25) Paragraph 308(c)(iv) added by Subsection 312(c) of First Supplement.

(26) Subsection 310(c) amended by Section 307 of First Supplement as follows:

(c) Notice by the Company. The Company shall exercise its option to have Bonds redeemed under Subsection 310(a) or (b) by giving notice to the Trustee, the Authority, the Paying Agent, and the Remarketing Agent at least five (5) days before the redemption date in the case of Bonds in the Flexible Mode, and forty-five (45) days before the redemption date in the case of Bonds in any other Mode.

(27) Subsection 310(e) amended by Section 308 of First Supplement as follows:

(e) Notice of Redemption. When Bonds are to be redeemed, the Paying Agent shall give notice to the Bondowners in the name of the Authority, which notice shall identify the Bonds to be redeemed, state the date fixed for redemption and specify the office of the Paying Agent at which such Bonds will be redeemed. The notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the redemption price thereof, together with interest accrued to the redemption date, and that moneys therefor having been deposited with the Paying Agent, from and after such date, interest thereon shall cease to accrue and that the Bonds or portions thereof called for redemption shall cease to be entitled to any benefit under this Agreement except the right to receive payment of the redemption price. The Paying Agent shall mail the redemption notice the number of days prior to the date fixed for redemption provided in the forms of Bond for the Mode the Bonds are in, to the registered owners of any Bonds which are to be redeemed, at their addresses shown on the registration books maintained by the Paying Agent. Failure to mail notice to a particular Bondowner, or any defect in the notice to such Bondowner, shall not affect the redemption of any other Bond. No notice shall be given of redemption of Bonds in the Flexible Mode, except for such redemption pursuant to Section 405 as and when provided in the form of Flexible Bonds.

(28) Subsection 311(c) added by Section 313 of First Supplement.

(29) Fifth sentence of second paragraph of Subsection 312(a) amended by Section 314 of First Supplement as follows:

Upon receipt by the Paying Agent of notice from the Remarketing Agent that a purchaser has been found for Pledged Bonds or Company Bonds held by the Paying Agent, the Paying Agent shall register and deliver such Bonds to such purchaser (at which time such Bonds shall cease to be Pledged Bonds or Company Bonds) upon receipt by the Paying Agent of the Purchase Price of such Bonds, provided, however, that no Pledged Bond or Company Bond shall be so registered and delivered unless the Paying Agent has received from the Bank a written notice of the reinstatement of the principal and interest component of the Credit Facility, or if prior to or simultaneously with such registration or delivery, the amount available to be drawn under the Credit Facility is otherwise less than the amount described in Paragraph 317(b)(ii) determined as if Bonds which are to continue as Pledged Bonds were not Outstanding.

(30) The second paragraph of Subsection 317(a) amended concurrently with the amendment and restatement hereof as follows:

Prior to the replacement of any Credit Facility the Company shall have delivered to the Trustee and the Paying Agent: (i) an opinion of counsel for the issuer of the substitute Credit Facility to the effect that it constitutes a legal, valid and binding obligation of the issuer enforceable in accordance with its terms; (ii) a certificate of the Bank that all amounts due under the Reimbursement Agreement have been paid and that the Company has fulfilled all its obligations arising out of such Agreement; and (iii) unless all of the Bonds to be supported by the substitute Credit Facility are in the Weekly Mode or are subject to mandatory tender for purchase on the date of replacement, written evidence from Moody's, if such Bonds are then rated by Moody's, and from S&P, if such Bonds are then rated by S&P, that the replacement of the Credit Facility will not in itself result in the reduction or withdrawal of the rating on the Bonds. Notice of the substitution or replacement of a Credit Facility shall be sent by the Trustee to Moody's and S&P.

(31) Clause (iii) of Subsection 317(b) amended concurrently with the amendment and restatement hereof to change "one year" to "364 days."

(32) New Section 320 from Section 201 of Second Supplement, added

concurrently with the amendment and restatement hereof.
(33) New Section 321 from Section 303 of First Supplement, added concurrently with the amendment and restatement hereof.
(34) See also new Section 406 from Section 306 of First Supplement for additional limitations on conversions of 1993 Series E Bonds to new Modes.
(35) Last sentence of Section 405 added by Section 315 of First Supplement.
(36) New Section 406 from Section 306 of First Supplement, added concurrently with the amendment and restatement hereof.
(37) New Section 407 from Paragraphs 102(a)(2), (4), and (11) and Section 309 of First Supplement, added concurrently with the amendment and restatement hereof.
(38) Now Section 321(g) of this Agreement

IRREVOCABLE LETTER OF CREDIT
NO. 841785

April 14, 1999

U.S. Bank Trust National Association
100 Wall Street, Suite 1600
New York, New York 10005

Attention: Corporate Trust Division

Dear Sir or Madam:

We hereby establish, at the request and for the account of Public Service Company of New Hampshire (the "Account Party"), in your favor, as paying agent (the "Paying Agent") under that certain Amended and Restated Series E Loan and Trust Agreement, dated as of April 1, 1999 (the "Indenture"), by and among the Business Finance Authority (formerly The Industrial Development Authority) of the State of New Hampshire (the "Issuer"), the Account Party and State Street Bank and Trust Company, as trustee (the "Trustee"), pursuant to which $69,700,000 in outstanding aggregate principal amount of the Issuer's Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 1991 Taxable Series E) (the "Bonds"), have been issued, our Irrevocable Letter of Credit No. 841785, in the amount of US $73,666,000 (SEVENTY-THREE MILLION SIX HUNDRED SIXTY-SIX THOUSAND AND NO ONE-HUNDREDTHS UNITED STATES DOLLARS), subject to reduction and reinstatement as provided below.

(1) Credit Termination Date. This Letter of Credit shall expire on the earliest to occur of (i) April 12, 2000 (the "Stated Termination Date"), (ii) the date upon which we honor a draft accompanying a written and completed certificate signed by you in substantially the form of Exhibit 2 attached hereto, and stating therein that such draft is the final draft to be drawn under this Letter of Credit and that, upon the honoring of such draft, this Letter of Credit will expire in accordance with its terms, (iii) the date upon which we receive a written certificate signed by you and stating therein that no Bonds entitled to the benefits of this Letter of Credit (as determined in accordance with the Indenture) ("Eligible Bonds") are "outstanding" under the Indenture, (iv) the fifth business day following receipt by you and the Trustee of written notice from us that an Event of Default (as defined below) has occurred under the Reimbursement Agreement (as defined below) and of our determination to terminate this Letter of Credit on such fifth business day and (v) the date upon which we receive a written certificate signed by you and stating therein that a substitute or replacement Credit Facility (as defined in the Indenture) has been provided pursuant to Section 317 of the Indenture (such earliest date being the "Credit Termination Date").

As used herein, the term "business day" shall mean any day of the year (i) that is not a Sunday or legal holiday or a day on which banking institutions are authorized pursuant to law to close, (ii) that is not a day on which the corporate trust office of the First Mortgage Bond Trustee (as defined in the Indenture) is not open for business, (iii) that is a day on which banks are not required or authorized to close in New York City and (iv) that is a day on which banking institutions in all of the cities in which the principal offices of the Trustee, the Paying Agent and the Remarketing Agent (as defined in the Indenture) are located are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

As used herein "Reimbursement Agreement" shall mean the Third Series E Letter of Credit and Reimbursement Agreement, dated as of April 14, 1999, between the Account Party, us and certain Participating Banks referred to therein, and the term "Event of Default" shall mean an "Event Default" as that term is defined in the Reimbursement Agreement.

(2) Principal, Interest and Premium Components. The aggregate amount which may be drawn under this Letter of Credit, subject to reductions in

amount and reinstatement as provided below, is US $73,666,000 (SEVENTY-THREE MILLION SIX HUNDRED SIXTY-SIX THOUSAND AND NO ONE-HUNDREDTHS UNITED STATES DOLLARS), of which the aggregate amounts set forth below may be drawn as indicated.

(i) An aggregate amount not exceeding US$69,700,000 (SIXTY-NINE MILLION SEVEN HUNDRED THOUSAND AND NO ONE-HUNDREDTHS UNITED STATES DOLLARS), as such amount may be reduced and reinstated as provided below, (the "Principal Component") may be drawn in respect of payment of principal (whether upon scheduled or accelerated maturity, or upon redemption) of Eligible Bonds or the portion of the purchase price of Eligible Bonds corresponding to principal.

(ii) An aggregate amount not exceeding US$3,966,000 (THREE MILLION NINE HUNDRED SIXTY-SIX THOUSAND AND NO ONE-HUNDREDTHS UNITED STATES DOLLARS), as such amount may be reduced and reinstated as provided below, (the "Interest Component") may be drawn in respect of payment of:

(A) accrued and unpaid interest on Eligible Bonds not in the Flexible Mode (as defined in the Indenture) or that portion of the redemption price or purchase price of such Eligible Bonds corresponding to accrued and unpaid interest, but not more than an amount equal to accrued and unpaid interest on such Eligible Bonds for up to a maximum of 128 days immediately preceding the date of such drawing; and

(B) unpaid interest (whether accrued or to accrue) on Eligible Bonds in the Flexible Mode or that portion of the redemption price or purchase price of such Eligible Bonds corresponding to such interest, but not more than an amount equal to such interest on such Eligible Bonds for up to a maximum of 128 days immediately preceding the next Purchase Date (as defined in the Indenture) for each such Eligible Bond (or, if interest on any such Eligible Bond was not paid on the most recent Purchase Date for such Bond, for up to a maximum of 128 days immediately preceding the date of such drawing);

calculated, in each case referred to in the foregoing clause (A) or clause (B) at a maximum rate of sixteen percent (16%) per annum on the basis of a year of 360 days for the actual days elapsed, or such lesser rate of interest as shall equal the Maximum Interest Rate (as defined in the Indenture) in effect under the Indenture with respect to such Eligible Bonds (whether or not in the Flexible Mode).

(iii) An aggregate amount not exceeding US$0.00 (ZERO UNITED STATES DOLLARS) may be drawn in respect of premium on Eligible Bonds (the "Premium Component"). If, subsequent to the date hereof, the Premium Component shall be increased by us at the request of the Account Party, the Premium Component shall be subject to reduction as provided below, and amounts drawn in respect thereof shall not be subject to reinstatement.

(3) Drawings. Funds under this Letter of Credit are available to you against (i) your draft, stating on its face: "Drawn under Irrevocable Letter of Credit No. 841785, dated April 14, 1999", and (ii) the appropriate certificate specified below, purportedly executed by you and appropriately completed.

Type of Drawing	Exhibit Setting Forth Form of Certificate Required
Tender Drawing (as hereinafter defined)	Exhibit 1
Redemption/Mandatory Purchase Drawing (as hereinafter defined)	Exhibit 2
Interest Drawing (as hereinafter defined)	Exhibit 3

Drafts and certificates hereunder shall be dated the date of presentation and shall be presented at our office located at 222 Broadway, 12th Floor, New York, New York 10038, Attention: Trade Services Group (or at such other office as we may designate by written notice to you). Presentation of such drafts and certificates may be made (a) by physical presentation of such drafts and certificates or (b) by facsimile transmission of such drafts and certificates received by us at (212) 412-5111 (or at such other number as we may designate by written notice to you) with prior telephone notice to us at (212) 412-5121, Attention: Pam Seeley (or at such other number as we may designate by written notice to you) that such presentation is to be made by facsimile transmission and with the original executed drafts and certificates to be received by us not later than our close of business on the next business day, it being understood that payments hereunder shall be made upon receipt by us of such facsimile transmission; provided however; that

presentations of drafts and certificates relating to Tender Drawings in respect of Eligible Bonds in the Flexible Mode shall in all instances be made in accordance with the foregoing clause (b). Drafts drawn under and in strict compliance with the terms of this Letter of Credit will be duly honored by us upon presentation thereof in accordance with this Paragraph 3 if presented on or prior to 4:00 P.M. (New York City time) on the Credit Termination Date as follows:

(i) Tender Drawings; Flexible Mode: In the case of drafts and certificates relating to Tender Drawings in respect of Eligible Bonds in the Flexible Mode presented in accordance with the foregoing clause (b):

(A) if such drafts and certificates are presented as aforesaid at or prior to 1:30 P.M. (New York City time) on a business day, and provided that such drafts and certificates strictly conform to the requirements of this Letter of Credit, we will initiate a wire transfer of the amount so drawn to your account indicated below at or prior to 3:30 P.M. (New York City time) on the same business day;

(B) if such drafts and certificates are presented as aforesaid after 1:30 P.M. but at or prior to 4:00 P.M. New York City time) on a business day, and provided that such drafts and certificates strictly conform to the requirements of this Letter of Credit, we will initiate a wire transfer of the amount so drawn to your account indicated below at or prior to 10:00 A.M. on the business day next succeeding the business day on which such drafts and certificates were presented (notwithstanding that such day of presentation may have been the Credit Termination Date); and

(C) if such drafts and certificates are presented as aforesaid after 4:00 P.M. (New York City time) on a business day, and provided that such drafts and certificates strictly conform to the requirements of this Letter of Credit, we will initiate a wire transfer of the amount so drawn to your account indicated below at or prior to 1:00 P.M. (New York City time) on the business day next succeeding the business day on which such drafts and certificates were presented (notwithstanding that such day of presentation may have been the Credit Termination Date);

and

(i) All Other Drawings: In the case of any other drafts and certificates:

(A) if such drafts and certificates are presented as aforesaid at or prior to 4:00 P.M. (New York City time) on a business day, and provided that such drafts strictly conform to the requirements of this Letter of Credit, we will initiate a wire transfer of the amount so drawn to your account indicated below at or prior to 10:00 A.M. (New York City time) on the business day next succeeding the business day on which such drafts and certificates were presented (notwithstanding that such day of presentation may have been the Credit Termination Date); and

(B) if such drafts and certificates are presented as aforesaid after 4:00 P.M. New York City time) on a business day, and provided that such drafts and certificates strictly conform to the requirements of this Letter of Credit, we will initiate a wire transfer of the amount so drawn to your account indicated below at or prior to 1:00 P.M. (New York City time) on the business day next succeeding the business day on which such drafts and certificates were presented (notwithstanding that such day of presentation may have been the Credit Termination Date).

Wire transfers of funds paid in respect of any drawing hereunder shall be made to your Account No. 173101851827 at U.S. Bank Trust, N.A. (ABA # 091000022), Attn: Merilyn Hess, reference: State of New Hampshire (PSNH), or to such other account as you may from time to time specific to us in writing. All payments made by us under this Letter of Credit will be made with our own funds and not with any funds of the Account Party or the Issuer.

(4) Reductions. The Interest Component shall be reduced immediately following our honoring any draft drawn hereunder to pay unpaid interest on Eligible Bonds or to pay that portion of the purchase price or redemption price corresponding to unpaid interest on Eligible Bonds, in each case by an amount equal to the amount of such draft (any such drawing being an "Interest Drawing"). The Principal Component shall be reduced immediately following our honoring any draft drawn hereunder: (i) pursuant to Section 308(c)(ii) of the Indenture to pay that portion of purchase price corresponding to principal of Eligible Bonds that are (A) subject to mandatory tender for purchase pursuant to Section 301(d)(iii), 301(e)(iv)(B) or 301(f)(iii) of the Indenture or (B) tendered for purchase by the holders thereof pursuant to Section 301(e)(iii) of the Indenture (any such drawing in respect of the circumstances referred to in this clause (i) being a "Tender Drawing"), (ii) pursuant to Section

308(c)(i) of the Indenture to pay the principal of Eligible Bonds or that portion of the redemption price of Eligible Bonds corresponding to principal, whether at stated maturity, upon acceleration or upon redemption, or (iii) pursuant to Section 308(c)(ii) of the Indenture to pay that portion of the purchase price corresponding to principal of Eligible Bonds that are subject to mandatory tender for purchase pursuant to Section 301(e)(iv)(A) of the Indenture (any such drawing in respect of the circumstances referred to in the foregoing clause (ii) or in this clause (iii) being a "Redemption/Mandatory Purchase Drawing"), in each such case by an amount equal to the amount of such draft. The Premium Component shall be reduced immediately following our honoring any draft drawn hereunder to pay premium on Eligible Bonds in connection with a Redemption/Mandatory Purchase Drawing, by an amount equal to the amount of such draft.

Additionally, upon receipt of a Notice of Reduction in the form of Exhibit 4 to this Letter of Credit purportedly executed by you, we will reduce the Principal Component, Interest Component and Premium Component to the amounts therein stated.

(5) Reinstatement. The Interest Component and the Principal Component shall, from time to time, be reinstated by us in accordance with, and only to the extent provided in, the following subparagraphs (i) and (ii). In no event shall reductions in the Premium Component be reinstated.

(i) Interest Component. Reductions in the Interest Component resulting from Interest Drawings shall be reinstated as follows:

(A) Immediately following each drawing hereunder to pay unpaid interest on Eligible Bonds in the Flexible Mode or to pay that portion of purchase price, but not redemption price, corresponding to unpaid interest on Eligible Bonds in the Flexible Mode, the amount so drawn shall be automatically reinstated to the Interest Component unless, not later than the business day preceding such drawing you shall have received written notice from us that we will not reinstate the Interest Component in the amount of such drawing. On the fifth day following each drawing hereunder to pay accrued and unpaid interest on Eligible Bonds that are not in the Flexible Mode, or to pay that portion of purchase price, but not redemption price, corresponding to accrued and unpaid interest on Eligible Bonds that are not in the flexible Mode, the amount so drawn shall be automatically reinstated to the Interest Component, unless you shall have theretofore received written notice from us that we will not reinstate the Interest Component in the amount of such drawing. Any notice of non-reinstatement delivered pursuant to this subparagraph (i)(A) shall be in writing and shall be delivered to you by hand delivery or facsimile transmission.

(B) If, subsequent to any such delivery of a notice of non-reinstatement as aforesaid, we shall deliver to you, by hand delivery or facsimile transmission, a Notice of Reinstatement in the form of Exhibit 5 hereto, then, upon such delivery to you, the Interest Component shall be immediately reinstated to the extent specified in such Notice of Reinstatement.

(C) In no event shall the Interest Component be reinstated to an amount in excess of 128 days' interest on all Eligible Bonds, computed at the rate of 16% per annum on the basis of a year of 360 days for the actual days elapsed, or such lesser rate of interest as shall equal the Maximum Interest Rate (as defined in the Indenture) in effect under the Indenture with respect to such Eligible Bonds.

(ii) Principal Component. Reductions in the Principal Component resulting from Redemption/Mandatory Purchase Drawings shall in no event be reinstated. Reductions in the Principal Component resulting from Tender Drawings shall be reinstated as follows:

(A) Immediately upon receipt by us of proceeds from the remarketing of Pledged Bonds (as defined in the Indenture), or of written notice from you that you have received such proceeds (or a window receipt guaranteeing same day payment in immediately available funds of such proceeds as contemplated by Section 312(a) of the Indenture), the Principal Component shall be reinstated automatically by the amount of such proceeds.

(B) Immediately upon your receipt from us, by hand delivery or facsimile transmission, of a Notice of Reinstatement in the form of Exhibit 5 hereto, the Principal Component shall be immediately reinstated to the extent specified in such Notice of Reinstatement.

(C) In no event shall the Principal Component be reinstated to an amount in excess of the aggregate principal Eligible Bonds then outstanding under the Indenture.

Any Notice of Reinstatement delivered to you in the form set forth in Exhibit

5 hereto, whether delivered pursuant to subparagraph (i) or subparagraph (ii), above, may be combined, in a single such Notice, with any other Notice of Reinstatement delivered pursuant to the other such subparagraph.

(6) Notices. Communications (other than drawings) with respect to this Letter of Credit shall be in writing and shall be addressed to us at 222 Broadway, 12th Floor, New York, New York 10038, Attention: Client Services Unit, (telephone: (212) 412-3721, telecopy: (212) 412-5306), with a copy to: Utilities Group, (telephone (212) 412-2470, telecopy: (212) 412-6709), or, in each case, at such other office or telepcopy number as we may designate by written notice to you specifically referring to the number of this Letter of Credit.

(7) Transfer. This Letter of Credit is transferable in its entirety (but not in part) to any transferee who has succeeded you as Paying Agent under the Indenture and may be successively so transferred. Transfer of the available balance under this Letter of Credit to such transferee shall be effected by the presentation to us of this Letter of Credit accompanied by a certificate substantially in form set forth in Exhibit 6.

(8) Governing Law, Etc. Except as otherwise provided herein, this Letter of Credit shall be governed by and construed in accordance with the International Standby Practices 1998 ("ISP 98") and, to the extent not inconsistent with the ISP, the laws of the State of New York, including the Uniform Commercial Code as in effect in the State of New York. This Letter of Credit sets forth in full our undertaking, and, except as expressly set forth herein, such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Bonds, the Indenture and the Reimbursement Agreement), except only the certificates and the drafts referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except for such certificates and such drafts. Whenever and wherever the terms of this Letter of Credit shall refer to the purpose of a draft hereunder, or the provisions of any agreement or document pursuant to which such draft may be presented hereunder, such purpose or provisions shall be conclusively determined by reference to the certificate accompanying such draft; in furtherance of this sentence, whether any drawing is in respect of payment of regularly scheduled interest on the Bonds or of principal of or interest on the Bonds upon scheduled or accelerated maturity or is a Tender Drawing or a Redemption/Mandatory Purchase Drawing shall be conclusively determined by reference to the certificate accompanying such drawing.

Very truly yours,

BARCLAYS BANK PLC,
NEW YORK BRANCH

By
Title:

By
Title:

EXHIBIT 1
TO THE LETTER OF CREDIT

CERTIFICATE FOR TENDER DRAWING

The undersigned, a duly authorized officer of (the "Paying Agent"), hereby certifies as follows to Barclays Bank PLC, New York Branch (the "Bank"), with reference to Irrevocable Letter of Credit No. (the "Letter of Credit") issued by the Bank in favor of the Paying Agent. Terms defined in the Letter of Credit and used but not defined herein shall have the meanings given them in the Letter of Credit.

(1) The Paying Agent is the Paying Agent under the Indenture for the holders of the Bonds.

(2) The Paying Agent is making a Tender Drawing under the Letter of Credit in the amount of $ pursuant to Section 308(c)(ii) of the Indenture to pay that portion of the purchase price corresponding to principal of Eligible Bonds that are

[subject to mandatory tender for purchase pursuant to Section [301(d)(iii)] [301(e)(iv)(B)] [301(f)(iii)] of the Indenture.]

[tendered for purchase by the holders thereof pursuant to Section 301(e)(iii) of the Indenture.]

(3) The amount of purchase price corresponding to principal of Eligible Bonds and with respect to the payment of which the Paying Agent, pursuant to

the foregoing Sections of the Indenture, is drawing under the Letter of Credit, is as follows, and the amount of the draft accompanying this Certificate does not exceed such amount:

Principal: $

(4) The amount of the draft accompanying this Certificate being drawn in respect of purchase price corresponding to principal of Eligible Bonds, as indicated in paragraph (3), above, does not exceed the Principal Component of the Letter of Credit. The amount of the draft accompanying this Certificate in respect of purchase price corresponding to principal of such Bonds has been computed in accordance with the terms and conditions of such Eligible Bonds and the Indenture.

(5) No proceeds of this drawing will be applied to the payment of purchase price of any Bonds that are not Eligible Bonds, including any Pledged Bonds (as defined in the Indenture), any Company Bonds (as defined in the Indenture) and any Bonds in the Fixed Rate Mode (as defined in the Indenture).

[(6) The Eligible Bonds in respect of which this drawing is being made are Eligible Bonds in the Flexible Mode, and payment of this drawing shall be made in accordance with Paragraph 3(i) of the Letter of Credit.]

[(6) The Eligible Bonds in respect of which this drawing is being made are not Eligible Bonds in the Flexible Mode, and payment of this drawing shall be made in accordance with Paragraph 3(ii) of the Letter of Credit].

IN WITNESS WHEREOF, the Paying Agent has executed and delivered this Certificate as of the day of , .

[NAME OF PAYING AGENT],
as Paying Agent

By
Title:

EXHIBIT 2
TO THE LETTER OF CREDIT

CERTIFICATE FOR REDEMPTION/
MANDATORY PURCHASE DRAWING

The undersigned, a duly authorized officer of (the "Paying Agent"), hereby certifies as follows to Barclays Bank PLC, New York Branch (the "Bank"), with reference to Irrevocable Letter of Credit No. (the "Letter of Credit") issued by the Bank in favor of the Paying Agent. Terms defined in the Letter of Credit and used but not defined herein shall have the meanings given them in the Letter of Credit.

(1) The Paying Agent is the Paying Agent under the Indenture for the holders of the Bonds.

(2) The Paying Agent is making a Redemption/Mandatory Purchase Drawing under the Letter of Credit in the amount of $

[pursuant to Section 308(c)(i) and Section 605 of the Indenture to pay the principal of Eligible Bonds due pursuant to the Indenture upon maturity or as a result of acceleration of such Eligible Bonds in accordance with the Indenture and the terms of such Eligible Bonds.]

[pursuant to Section 308(c)(i) of the Indenture to pay that portion of the redemption price corresponding to principal of [and premium on Eligible Bonds due pursuant to the Indenture upon redemption of such Eligible Bonds in accordance with the Indenture and the terms of such Eligible Bonds.]

[pursuant to Section 308(c)(ii) of the Indenture to pay that portion of the purchase price of Eligible Bonds corresponding to principal that are subject to mandatory tender for purchase pursuant to Section 301(e)(iv)(A) of the Indenture.]

(3) The amount of [principal of] [redemption price corresponding to principal of] [and premium on] [purchase price corresponding to principal of] Eligible Bonds which is due and payable and with respect to the payment of which the Paying Agent, pursuant to the foregoing Section[s] of the Indenture, is to draw under the Letter of Credit is as follows, and the amount of the draft accompanying this Certificate does not exceed such amount:

Principal: $
[Premium $]

(4) The amount of the draft accompanying this Certificate being drawn in respect of payment of [principal] [redemption price corresponding to principal] [purchase price corresponding to principal] of Eligible Bonds, as indicated in paragraph (3), above, does not exceed the Principal Component of the Letter of Credit. [The amount of the draft accompanying this Certificate being drawn in respect of that portion of the redemption price of Eligible Bonds corresponding to premium, as indicated in paragraph (3), above, does not exceed the Premium Component of the Letter of Credit.] The amount of the draft accompanying this Certificate in respect of payment of [principal] [redemption price corresponding to principal] [and premium] [purchase price corresponding to principal] of such Eligible Bonds has been computed in accordance with the terms and conditions of such Eligible Bonds and the Indenture.

(5) No proceeds of this drawing will be applied to the payment of principal, redemption price (including premium, if any) or purchase price of any Bonds that are not Eligible Bonds, including any Pledged Bonds (as defined in the Indenture), any Company Bonds (as defined in the Indenture), and any Bonds in the Fixed Rate Mode (as defined in the Indenture).

(6) Payment of this drawing shall be made in accordance with Paragraph 3(ii) of the Letter of Credit.

[(7) The draft accompanying this Certificate is the final draft to be drawn under the Letter of Credit, and, upon the honoring of such draft, the Letter of Credit will expire in accordance with its terms.]

IN WITNESS WHEREOF, the Paying Agent has and delivered executed
this Certificate as of the day of , .

[NAME OF PAYING AGENT],
as Paying Agent

By
Title:

EXHIBIT 3
TO THE LETTER OF CREDIT

CERTIFICATE FOR INTEREST DRAWING

The undersigned, a duly authorized officer of (the "Paying Agent"), hereby certifies as follows to Barclays Bank PLC, New York Branch (the "Bank"), with reference to Irrevocable Letter of Credit No. (the "Letter of Credit") issued by the Bank in favor of the Paying Agent. Terms defined in the Letter of Credit and used but not defined herein shall have the meanings given them in the Letter of Credit.

(1) The Paying Agent is the Paying Agent under the Indenture for the holders of the Bonds.

(2) The Paying Agent is making a drawing under the Letter of Credit in the amount of $ with respect to [the payment of interest] [the payment of the portion of redemption price corresponding to interest] [the payment of the portion of purchase price corresponding to interest] on Eligible Bonds in accordance with the Indenture.

(3) The amount of [interest] [redemption price corresponding to interest] [purchase price corresponding to interest] on Eligible Bonds that is due and owing is as follows, and the amount of the draft accompanying this Certificate does not exceed such amount:

Interest: $

(4) The amount of the draft accompanying this Certificate being drawn in respect of payment of [interest] [redemption price corresponding to interest] [purchase price corresponding to interest] on Eligible Bonds, as indicated in paragraph (3), above, does not exceed the Interest Component of the Letter of Credit. The amount of the draft accompanying this Certificate in respect of payment of [interest] [redemption price corresponding to interest] [purchase price corresponding to interest] on Eligible Bonds has been computed in accordance with the terms and conditions of such Eligible Bonds and the Indenture.

(5) Payment of this drawing shall be made in accordance with Paragraph 3(ii) of the Letter of Credit.

IN WITNESS WHEREOF, the Paying Agent has executed and delivered this

Certificate as of the day of , .

[NAME OF PAYING AGENT],
as Paying Agent

By
Title:

EXHIBIT 4
TO THE LETTER OF CREDIT

NOTICE OF REDUCTION

The undersigned, a duly authorized officer of (the "Paying Agent"), hereby certifies as follows to Barclays Bank PLC, New York Branch (the "Bank"), with reference to Irrevocable Letter of Credit No. (the "Letter of Credit") issued by the Bank in favor of the Paying Agent. Terms defined in the Letter of Credit and used but not defined herein shall have the meanings given them in the Letter of Credit.

(1) The Paying Agent is the Paying Agent under the Indenture for the holders of the Bonds.

(2) As of the date hereof; the aggregate principal amount of Eligible Bonds (including for this purpose all Pledged Bonds and all Company Bonds) outstanding is

Principal: $

(3) You are hereby directed to reduce the [Principal] [Premium] [and] [Interest] Components of the Letter of Credit as follows:

[The Principal Component of the Letter is reduced to $.]

[The Premium Component of the Letter of Credit is reduced to $.]

[The Interest Component of the Letter of Credit is reduced to $.]

IN WITNESS WHEREOF, the Paying Agent has delivered this Certificate as of the day of , .

[NAME OF PAYING AGENT],
as Paying Agent

By
Title:

EXHIBIT 5
TO THE LETTER OF CREDIT

NOTICE OF REINSTATEMENT

The undersigned, a duly authorized officer of Barclays Bank PLC, New York Branch (the "Bank"), hereby gives the following notice to as paying agent (the "Paying Agent"), with reference to Irrevocable Letter of Credit No. (the "Letter of Credit") issued by the Bank in favor of the Paying Agent. Terms defined in the Letter of Credit and used but not defined herein have the meanings given them in the Letter of Credit.

The Bank hereby notifies you that:

[1.] [Pursuant to Paragraph 5(i)(B) of the Letter of Credit and Section 2.04(b)(ii) of the Reimbursement Agreement, the Interest Component has been reinstated by $.]

[2.] [Pursuant to Paragraph 5(ii)(B) of the Letter of Credit and Section 2.04(c) of the Reimbursement Agreement, the Principal Component has been reinstated by $.]

IN WITNESS WHEREOF, the Bank has executed and delivered this Notice Reinstatement as of the day of ,

BARCLAYS BANK PLC,
NEW YORK BRANCH

By
Title:

EXHIBIT 6
TO THE LETTER OF CREDIT

INSTRUCTIONS TO TRANSFER

Re: Irrevocable Letter of Credit No.

Gentlemen:

The undersigned, as Paying Agent under that certain Amended and Restated Series E Loan and Trust Agreement, dated as of April 1, 1999 (the "Indenture"), by and among the Business Finance Authority (formerly The Industrial Development Authority) of the State of New Hampshire (the "Issuer"), Public Service Company of New Hampshire and the State Street Bank and Trust Company, as Trustee, is named as beneficiary in the Letter of Credit referred to above (the "Letter of Credit"). The Transferee named below has succeeded the undersigned as Paying Agent under such Indenture.

(Name of Transferee)

(Address)

Therefore, for value received, the undersigned hereby irrevocably instructs you to transfer to such Transferee all rights of the undersigned to draw under the Letter of Credit.

Such Transferee shall hereafter have the sole rights as beneficiary under the Letter of Credit; provided, however, that no rights shall be deemed to have been transferred to such Transferee until such transfer complies with the requirements of the Letter of Credit pertaining to transfers.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Certificate as of the day of , .

[NAME OF RETIRING PAYING AGENT],
as Paying Agent

By
Title:

The undersigned, [Name of Transferee], hereby accepts the foregoing transfer of rights under the Letter of Credit.

[Name of Transferee]

By
Title:

Address of Principal
Corporate Trust Office:

[insert address]

EXHIBIT 1.01B to
Reimbursement Agreement

PARTICIPATION ASSIGNMENT

Dated , 19

Reference is made to the Third Series E Letter of Credit and Reimbursement Agreement, dated as of April 14, 1999 (said Agreement as it may hereafter be amended or otherwise modified from time to time, being the "Agreement"; unless otherwise defined herein terms defined in the Agreement are used herein with the same meaning), among Public Service Company of New Hampshire (the "Account Party"), Barclays Bank PLC, New York Branch ("Barclays"), as Issuing Bank, the Participating Banks named therein and from time to time parties thereto, and Barclays, as Agent. Pursuant to the Agreement, (the "Assignor") has purchased a participation from the Issuing Bank in and to the Letter of Credit and each payment thereunder and demand loan made by the Issuing Bank and has committed to make Advances to the Account Party.

The Assignor and (the "Assignee") agree as follows:

1. The Assignor hereby sells and assigns, without recourse, to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, without recourse to the Assignor that portion set forth in Section 1(c) of Schedule 1 hereto (the "Assigned Interest") of the Assignor's rights and obligations under the Agreement and the Pledge Agreement, including, without limitation, the participation purchased by the Assignor pursuant to Section 3.07 of the Agreement in respect of unreimbursed amounts and demand loans owing from time to time to the Issuing Bank, the Commitment of the Assignor to make Advances and the Advances outstanding on the Effective Date (as hereinafter defined). Such Assigned Interest represents the percentage interest specified in Section 2(b) of Schedule 1 of all outstanding rights and obligations of the Participating Banks under the Agreement, and, after giving effect to such sale and assignment, the Assignee's and Assignor's Participation Percentages will be as set forth in Sections 2(b) and 2(c), respectively, of Schedule 1. The effective date of this sale and assignment shall be the date specified in Section 3 of Schedule 1 (the "Effective Date").

2. On the Effective Date, the Assignee will pay to the Assignor, in same day funds, at such address and account as the Assignor shall advise the Assignee, an amount equal to (1) the aggregate amount of unreimbursed letter of credit payments, demand loans and Advances outstanding (as set forth in Section 1 of Schedule 1) times (2) the Assigned Interest. From and after the Effective Date, the Assignor agrees that the Assignee shall be entitled to all rights, powers and privileges of the Assignor under the Agreement and the Pledge Agreement to the extent of the Assigned Interest, including without limitation (i) the right to receive all payments in respect of the Assigned Interest for the period from and after the Effective Date, whether on account of reimbursements, principal, interest, fees, indemnities in respect of claims arising after the Effective Date, increased costs, additional amounts or otherwise; (ii) the right to vote and to instruct the Agent and the Issuing Bank under the Agreement based on the Assigned Interest; (iii) the right to set-off and to appropriate and apply deposits of the Account Party as set forth in the Agreement; and (iv) the right to receive notices, requests, demands and other communications. The Assignor agrees that it will promptly remit to the Assignee any amount received by it in respect of the Assigned Interest (whether from the Account Party, the Agent or otherwise) in the same funds in which such amount is received by the Assignor.

3. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Agreement or the Related Documents or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Agreement the Related Documents or any other instrument or document furnished pursuant thereto; and (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Account Party or the performance or observance by the Account Party of any of its obligations under the Agreement, the Related Documents or any other instrument or document furnished pursuant thereto.

4. The Assignee (i) confirms that it has received a copy of the Agreement together with copies of the financial statements referred to in Section 6.01(e) thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment; (ii) agrees that it will, independently and without reliance upon the Agent, the Issuing Bank, the Assignor or any other Participating

Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Agreement and the Related Documents; (iii) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Agreement and the Pledge Agreement as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (iv) agrees that it will perform in accordance with its terms all of the obligations which by the terms of the Agreement are required to be performed by it as a Participating Bank and (v) confirms that it has paid the processing fee referred to in subsection 10.06(b) of the Agreement.

5. Following the execution of this Assignment, it will be delivered to the Agent for acceptance and recording by the Agent. Upon such acceptance and recording and receipt of the consent of the Issuing Bank required pursuant to Section 10.06(b) of the Agreement (which shall be evidenced by the Issuing Bank's execution of this Assignment on the appropriate space on Schedule 1), as of the Effective Date, (i) the Assignee shall be a party to the Agreement and, to the extent provided in this Assignment, have the rights and obligations of a Participating Bank thereunder and under the Pledge Agreement and (ii) the Assignor shall, to the extent provided in this Assignment, relinquish its rights and be released from its obligations under the Agreement and the Pledge Agreement.

6. Upon such acceptance, recording and consent, from and after the Effective Date, the Agent shall make all payments under the Agreement in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and fees with respect thereto) to the Assignee at its address set forth on Schedule 1 hereto. The Assignor and Assignee shall make all appropriate adjustments in payments under the Agreement for periods prior to the Effective Date directly between themselves.

7. This Assignment shall be governed by, and construed in accordance with, the laws of the State of New York.

8. This Assignment may be executed in counterparts by the parties hereto, each of which counterpart when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be executed by their respective officers thereunto duly authorized, as of the date first above written, such execution being made on Schedule 1 hereto.

Schedule 1
to
Participation Assignment
Dated , 19

Section 1.

(a) Total Unreimbursed Payments and demand loans

$

(b) Total Advances:

$

(c) Assigned Interest (1)

%

(1) Specify percentage to no more than 8 decimal points.

Section 2.

(a) Assignor's Participation Percentage (immediately prior to the effectiveness of this Assignment)

%

(b) Assignee's Participation Percentage(2)

%

(c) Assignor's Participation Percentage(3) (upon the effectiveness of this Assignment)

%

Section 3.

Effective Date.(3)

[NAME OF ASSIGNOR]

By:
Title:

[NAME OF ASSIGNEE]

By:
Title:

[Address]
Telecopier No.
Attention:

(2) The sum of the percentages set forth in Section 2(b) and (c) shall equal to the percentage set forth in Section 2(a).
(3) Such date shall be at least 5 Business Days after the execution of this Assignment.

Consented to and Accepted this day(4)
of ,

BARCLAYS BANK, PLC,
NEW YORK BRANCH, as
Issuing Bank and as Agent

By:
Title:

APPLICABLE LENDING OFFICES

The Assignee's Applicable Lending Offices are as follows:

Domestic Lending Office:

Eurodollar Lending Office:

(4) Not to be accepted without proof of Account Party's consent pursuant to Section 10.06(b) of the Reimbursement Agreement.

THIRD SERIES E LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

Dated as of April 14, 1999

This THIRD SERIES E LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT, dated as of April 14, 1999 (this "Agreement") is made by and among:

(i) Public Service Company of New Hampshire, a corporation duly organized and validly existing under the laws of the State of New Hampshire (the "Account Party");

(ii) Barclays Bank PLC, New York Branch ("Barclays"), as issuer of the Letter of Credit (the "Issuing Bank");

(iii) The Participating Banks (as hereinafter defined) from time to time party hereto; and

(iv) Barclays as agent (together with any successor agent hereunder, the "Agent") for such Participating Banks and the Issuing Bank.

PRELIMINARY STATEMENT

The Business Finance Authority (formerly The Industrial Development Authority) of the State of New Hampshire (the "Issuer"), pursuant to a Series E Loan and Trust Agreement, dated as of May 1, 1991 (the "Original Indenture"), by and among the Issuer, the Account Party and State Street Bank and Trust Company, as trustee (such entity, or its successor as trustee, being the "Trustee"), previously issued $114,500,000 aggregate principal amount of The Industrial Development Authority of the State of New Hampshire Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project - 1991 Taxable Series E) (such bonds being herein referred to as the "Taxable Bonds"). Pursuant to the Original Indenture, a First Supplement thereto, dated as of December 1, 1993 and a Second Supplement thereto, dated as of May 1, 1995 (the Original Indenture, as so supplemented by such First Supplement and such Second Supplement and as the same may be further supplemented, amended or modified from time to time with the written consent of the Issuing Bank, being herein referred to as the "Existing Indenture"), the Issuer refunded $44,800,000 aggregate principal amount of the Taxable Bonds through the issuance of $44,800,000 aggregate principal amount of Business Finance Authority of the State of New Hampshire Pollution Control Refunding Revenue Bonds (Public Service Company of New Hampshire Project - 1993 Tax-Exempt Series E) (such bonds being herein referred to as the "Original Tax-Exempt Refunding Bonds").

The Account Party previously caused Swiss Bank Corporation ("Swiss Bank") to issue its Irrevocable Letter of Credit No. S561992, dated May 2, 1995 in a stated amount of $119,129,000 (the "Existing Letter of Credit"), in support of the Taxable Bonds and the Original Tax-Exempt Refunding Bonds, and, in connection therewith, the Account Party entered into a Second Series E Letter of Credit and Reimbursement Agreement dated as of May 1, 1995 (the "Existing Reimbursement Agreement") with Swiss Bank as issuing bank and agent thereunder and the participating banks referred to therein.

On April 23, 1998 and May 1, 1998, respectively, the parties to the Existing Reimbursement Agreement: (i) caused the Existing Reimbursement Agreement to be amended and restated in its entirety and (ii) caused the Existing Letter of Credit to be amended and extended, as a result of which transactions, the stated expiry date of the Existing Letter of Credit was extended to April 22, 1999 and the Original Tax-Exempt Refunding Bonds ceased to be entitled to the benefits of the Existing Letter of Credit.

The Account Party now wishes to replace the Existing Letter of Credit with an irrevocable, transferable letter of credit issued by the Issuing Bank in an aggregate amount of $73,666,000 (the "Stated Amount"), of which (i) $69,700,000 shall support the payment of principal of the Taxable Bonds (or the portion of the purchase or redemption price of Taxable Bonds corresponding to principal), (ii) $3,966,000 shall support the payment of up to 128 days' interest on the principal amount of Taxable Bonds (or the portion of the purchase or redemption price of Taxable Bonds corresponding to interest), computed at a maximum interest rate of 16% per annum on the basis of the actual days elapsed and a year of 360 days, subject to modification as provided in Section 2.06 hereof, and (iii) $0.00 shall support the payment of premium on Taxable Bonds, and otherwise in the form of Exhibit 1.01A hereto (such letter of credit, as the same may from time to time be extended, amended or otherwise modified pursuant to the terms of this Agreement, being hereinafter referred to as the "Letter of Credit"). Concurrently therewith, the Issuer, the Account Party and the Trustee are entering into that certain Amended and Restated Series E Loan and Trust Agreement, dated as of April 1, 1999 (the "Indenture"), which Indenture amends and restates the Existing Indenture in its entirety.

The Issuing Bank has agreed to issue the Letter of Credit, and the Participating Banks have agreed to make certain advances and acquire certain participation interests, in each case subject to the terms and conditions set forth in this Agreement (including the terms and conditions relating to the rights and obligations of the Participating Banks).

NOW, THEREFORE, in consideration of the premises set forth herein, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS AND ACCOUNTING TERMS

SECTION I.1. Certain Defined Terms. In addition to the terms defined in the Preliminary Statement hereto, as used in this Agreement, the following terms shall have the following meanings (such meanings to be applicable to the singular and plural forms of the terms defined):

"Advances" means Initial Advances and Term Advances, without differentiation; individually, an "Advance".

"Affiliate" means, with respect to a specified Person, another Person that directly or indirectly through one or more intermediaries controls or is controlled by or is directly or indirectly under common control with such Person. A Person shall be deemed to control another entity if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such entity, whether through the ownership of voting securities, by contract or otherwise.

"Agreement for Capacity Transfer" means the Agreement for Capacity Transfer, dated as of December 1, 1989, between The Connecticut Light and Power Company ("CL&P") and the Account Party, as amended by the First Amendment to Agreement for Capacity Transfer, dated as of May 1, 1992 between CL&P and the Account Party, which provides for capacity transfers from the Account Party to CL&P.

"Alternate Base Rate" means, for any period, a fluctuating interest rate per annum equal at all times to the higher from time to time of:

(a) the rate of interest announced publicly by Barclays in New York, New York, from time to time, as Barclays' prime rate; and

(b) 1/2 of one percent per annum above the Federal Funds Rate from time to time;

plus, in either case, the Applicable Margin for Base Rate Advances. Each change in the Alternate Base Rate shall take effect concurrently with any change in such prime rate or Federal Funds Rate, as the case may be.

"Applicable Commission" means, for any day, two and one-quarter percent (2.25%).

"Applicable Lending Office" means, with respect to each Participating Bank, (i) (A) such Participating Bank's "Domestic Lending Office", in the case of a Base Rate Advance, and (B) such Participating Bank's "Eurodollar Lending Office," in the case of a Eurodollar Rate Advance, in each case as specified opposite such Participating Bank's name on Schedule I hereto (in the case of a Participating Bank initially party to this Agreement) or in the Participation Assignment pursuant to which such Participating Bank became a Participating Bank (in the case of any other Participating Bank), or (ii) such other office or affiliate of such Participating Bank as such Participating Bank may from time to time specify to the Account Party and the Agent.

"Applicable Margin" means, for any day: (i) two and one-quarter percent (2.25%), for any outstanding Eurodollar Rate Advance, and (ii) one and one-quarter percent (1.25%), for any outstanding Base Rate Advance.

"Arranger" means Barclays Bank PLC.

"Available Amount" in effect at any time means the maximum aggregate amount available to be drawn at such time under the Letter of Credit, the determination of such maximum amount to assume compliance with all conditions for drawing and no reduction for (i) any amount drawn by the Paying Agent to make a regularly scheduled payment of interest on the Bonds (unless such amount will not be reinstated under the Letter of Credit) or (ii) any amount not available to be drawn because Bonds are held by or for the account of the Account Party and/or in pledge for the benefit of the Issuing Bank, but after giving effect nevertheless, to any reduction in the Stated Amount effected pursuant to Section 2.06 hereof.

"Bankruptcy Code" means Title 11 of the United States Code, as the same may be amended from time to time, or any successor bankruptcy law of the United States.

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

"Bonds" means (i) the Taxable Bonds outstanding as of the date hereof and (ii) any Tax-Exempt Refunding Bonds (as defined in the Indenture) that may be issued in accordance with the Indenture and this Agreement to refund any of such remaining Taxable Bonds; provided, however, that the term "Bonds" shall in no event include the Original Tax-Exempt Refunding Bonds.

"Business Day" means a day of the year that is not a Sunday, legal holiday or a day on which banks are required or authorized to close in New York City and, (i) if the applicable Business Day relates to any Eurodollar Rate Advance, is a day on which dealings are carried on in the London interbank market and/or (ii) if the applicable Business Day relates to any action to be taken by, or notice furnished to or by, or payment to be made to or by, the Trustee, the Paying Agent, the Remarketing Agent or the First Mortgage Trustee, is a day on which (A) banking institutions are not authorized pursuant to law to close, (B) the corporate trust office of the First Mortgage Trustee is open for business, (C) banking institutions in all of the cities in which the principal offices of the Issuing Bank, the Trustee, the Paying Agent, the First Mortgage Trustee and, if applicable, the Remarketing Agent are located are not required or authorized to remain closed and (D) the New York Stock Exchange is not closed.

"Cash Account" has the meaning assigned to that term in Section 7.05.
"CL&P" has the meaning assigned to that term in the definition of Agreement for Capacity Transfer.

"Closing Date" means the Business Day upon which each of the conditions precedent enumerated in Sections 5.01 and 5.02 of this Agreement shall be fulfilled to the satisfaction of the Agent, the Issuing Bank, the Participating Banks and the Account Party. All transactions contemplated to occur on the Closing Date shall occur contemporaneously on or prior to April 14, 1999, at the offices of King & Spalding, 1185 Avenue of the Americas, New York, New York 10036, at 12:01 A.M. (New York City time), or at such other place and time as the parties hereto may mutually agree.

"Collateral" means all of the collateral in which liens, mortgages or security interests are purported to be granted by any or all of the Security Documents.

"Collateral Agent" means Barclays and any successor as collateral agent under the Intercreditor Agreement.

"Commitment" means, for each Participating Bank, such Participating Bank's Percentage of the Available Amount. "Commitments" shall refer to the aggregate of the Commitments.

"Common Equity" means, at any date, an amount equal to the sum of the aggregate of the par value of or stated capital represented by, the outstanding shares of common stock of the Account Party and the surplus, paid-in, earned and other, if any, of the Account Party.

"Confidential Information" has the meaning assigned to that term in Section 10.09 hereof.

"Conversion", "Convert" or "Converted" each refers to a conversion of Term Advances pursuant to Section 3.04 hereof, including, but not limited to any selection of a longer or shorter Interest Period to be applicable to such Term Advances or any conversion of a Term Advance as described in Section 3.04(c) hereof.

"Credit Termination Date" means the date on which the Letter of Credit shall terminate in accordance with its terms.

"date hereof" means April 14, 1999.

"Debt" means, for any Person, without duplication, (i) indebtedness of such Person for borrowed money, (ii) obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) obligations of such Person to pay the deferred purchase price of property or services, (iv) 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 (not including the Unit Contract), (v) obligations (contingent or otherwise)

of such Person under reimbursement or similar agreements with respect to the issuance of letters of credit (vi) net obligations (contingent or otherwise) of such Person under interest rate swap, "cap", "collar" or other hedging agreements, (vii) obligations of such person to pay rent or other amounts under leases entered into in connection with sale and leaseback transactions involving assets of such Person being sold in connection therewith, (viii) 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 (vii), above, and (ix) liabilities in respect of unfunded vested benefits under ERISA Plans.

"Default Rate" means a fluctuating interest rate equal at all times to 2% per annum above the rate applicable to Base Rate Advances at such time.

"Disclosure Documents" means the Information Memorandum, the 1998 10-K and any Current Report on Form 8-K filed by the Account Party with the Securities and Exchange Commission after December 31, 1998 and furnished to the Participating Banks prior to the execution and delivery of this Agreement.

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

"ERISA Affiliate" means any trade or business (whether or not incorporated, that, together with the Account Party is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

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

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

"ERISA Plan Termination Event" means (i) a "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder (other than an event for which the 30-day notice period is waived) with respect to an ERISA Plan or an ERISA Multiemployer Plan, or (ii) the existence with respect to any ERISA plan of an "accumulated funding deficiency" (as defined in Section 412(d) of the Code or Section 302 of ERISA), whether or not waived; (iii) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any ERISA Plan; (iv) the incurrence by the Account Party or any of its ERISA Affiliates of any liability under Title IV or ERISA with respect to the termination of any ERISA Plan; (v) the receipt by Account Party or any of its ERISA Affiliates from the PBGC or a plan administrator of any notice relating to an intention to terminate any ERISA Plan or an ERISA Multiemployer Plan under Section 4041 of ERISA or to appoint a trustee to administer any ERISA Plan or ERISA Multiemployer Plan; (vi) the receipt by the Account Party or any of its ERISA Affiliates of any notice, or the receipt by an ERISA Multiemployer Plan from the Account Party or any of its ERISA Affiliates of any notice, concerning the imposition of liability due to any withdrawal of the Account Party or any of its ERISA Affiliates from an ERISA Plan or an ERISA Multiemployer Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, or a determination that an ERISA Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA or (vii) any other event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any ERISA Plan or ERISA Multiemployer Plan.

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

"Eurodollar Rate" means for any Interest Period for any Eurodollar Rate Advances comprising part of the same Term Borrowing, an interest rate per annum equal at all times during such Interest Period to the sum of:

(i) the rate per annum (rounded upward to the nearest whole multiple of 1/100 of 1% per annum, if such rate is not such a multiple) determined by the Agent at which deposits in United States dollars in amounts comparable to the Eurodollar Rate Advance of Barclays comprising part of such Term Borrowing and for comparable periods as such Interest Period are offered by the principal office of Barclays in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two

Business Days before the first day of such Interest Period, plus

(ii) the Applicable Margin.

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

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

"Event of Default" has the meaning assigned to that term in Section 8.01.

"Existing Letter of Credit" has the meaning assigned to that term in the Preliminary Statement.

"Existing Reimbursement Agreement" has the meaning assigned to that term in the Preliminary Statement.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published on the next succeeding Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"Final Plan" means the "Final Plan" implementing Chapter 374-F of the Revised Statutes Annotated of New Hampshire, adopted by the NHPUC on February 28, 1997, and any successor plan or proposal.

"First Mortgage Bonds" means first mortgage bonds issued or to be issued by the Account Party and secured, directly or indirectly, collectively or severally, by one or more first-priority liens on all or part of the Indenture Assets pursuant to the First Mortgage Indenture or another indenture in form and substance satisfactory to the Majority Lenders. For purposes hereof, all or part of the First Mortgage Bonds may be issued as collateral for pollution control revenue bonds or industrial revenue bonds, whether taxable or tax exempt issued by the Account Party or by a governmental authority at the Account Party's request.

"First Mortgage Indenture" means the General and Refunding Mortgage Indenture, between the Account Party and New England Merchants National Bank, as trustee and to which First Union National Bank is successor trustee, dated as of August 15, 1978, as amended and supplemented through the date hereof and as the same may thereafter be amended, supplemented or modified from time to time.

"First Mortgage Trustee" means the trustee from time to time under the First Mortgage Indenture.

"Governmental Approval" means any authorization, consent, approval, license, permit, certificate, exemption of, or filing or registration with, any governmental authority or other legal or regulatory body required in connection with any of: (i) the execution, delivery or performance of the Rate Agreement, any Transaction Document, Loan Document, Related Document or Significant Contract, (ii) the grant and perfection of any security interest, lien or mortgage contemplated by the Security Documents, (iii) the nature of the Account Party's business as conducted or the nature of the property owned or leased by it or (iv) any NUG Settlement. For purposes of this Agreement, Chapter 362-C of the Revised Statutes Annotated of New Hampshire, as in effect on May 2, 1995, shall be deemed to be a Governmental Approval.

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

material.

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

"Indenture" has the meaning assigned to that term in the Preliminary Statement.

"Indenture Assets" means fixed assets of the Account Party (including related Governmental Approvals and regulatory assets) which from time to time are subject to the first-priority lien under the First Mortgage Indenture.

"Information Memorandum" means the Confidential Information Memorandum, dated February, 1999 regarding the Account Party, as distributed to the Issuing Bank and the Participating Banks, including, without limitation, all schedules, attachments and supplements, if any, thereto.

"Initial Advance" has the meaning assigned to that term in Section 3.02(a) hereof.

"Initial Repayment Date" has the meaning assigned to that term in Section 3.02(a) hereof.

"Intercreditor Agreement" means the Collateral Agency and Intercreditor Agreement, dated as of April 23, 1998, as amended and restated as of the date hereof by the Intercreditor Amendment, among the Agent, Barclays as "Agent" under the Other Reimbursement Agreement and Barclays as Collateral Agent, as the same may be amended, modified or supplemented from time to time.

"Intercreditor Amendment" means the First Amendment, dated as of April 14, 1999, to the Collateral Agency and Intercreditor Agreement, dated as of April 23, 1998, among The Chase Manhattan Bank ("Chase"), as "Administrative Agent" under the 1998 Revolving Credit Agreement, UBS AG, Stamford Branch, as successor to Swiss Bank, Stamford Branch, as "Agent" under the Existing Reimbursement Agreement, Barclays, as "Agent" under the "Other Reimbursement Agreement" referred to in the Existing Reimbursement Agreement, the Agent, Barclays as "Agent" under the Other Reimbursement Agreement, Chase, as the original Collateral Agent thereunder and Barclays as successor Collateral Agent thereunder.

"Interest Component" has the meaning assigned to that term in the Letter of Credit.

"Interest Drawing" has the meaning assigned to that term in the Letter of Credit.

"Interest Expense" means, for any period, the aggregate amount of any interest on Debt (including long-term and short-term Debt).

"Interest Period" has the meaning assigned to that term in Section 3.03(b) hereof.

"Issuer" has the meaning assigned to that term in the Preliminary Statement.

"Issuer Resolution" means the resolution adopted by the Issuer that authorized the issuance of the Bonds, approved the terms and provisions of the Bonds, and approved those of the documents related to the Bonds to which the Issuer is a party.

"Letter of Credit" has the meaning assigned to that term in the Preliminary Statement.

"Lien" has the meaning assigned to that term in Section 7.02(a) hereof.

"Loan Documents" means this Agreement and the Security Documents, as each may be amended, supplemented or otherwise modified from time to time.

"Major Electric Generating Plants" means the following nuclear, combustion turbine and coal, oil or diesel-fired generating stations of the Account Party: the Merrimack generating station located in Bow, New Hampshire; the Newington generating station located in Newington, New Hampshire; the Schiller generating station located in Portsmouth, New Hampshire; the White Lake combustion turbine located in Tamworth, New Hampshire; the Millstone Unit No. 3 generating station located in Waterford, Connecticut, and the Wyman Unit No. 4 generating station located in Yarmouth, Maine.

"Majority Lenders" means on any date of determination, (i) the Issuing Bank and (ii) Participating Banks who, collectively, on such

date, have Participation Percentages in the aggregate of at least 66-2/3%. Determination of those Participating Banks satisfying the criteria specified above for action by the Majority Lenders shall be made by the Agent and shall be conclusive and binding on all parties absent manifest error.

"Material Adverse Effect" means a material adverse effect upon: (i) the Account Party's business, prospects, operations, properties, assets, or condition (financial or otherwise), (ii) the Account Party's ability to perform under any Loan Document, Related Document, the Rate Agreement or any Significant Contract, (iii) the value, validity, perfection and enforceability of the any Lien granted under or in connection with any Security Document, or (iv) the ability of the Collateral Agent, the Agent or the Issuing Bank to enforce any of the obligations or any of their material rights and remedies under the Loan Documents; provided, that, any material adverse development with respect to the Rate Proceeding, the Rate Agreement or the Final Plan that results in a material adverse effect on the Account Party other than as described in the Disclosure Documents shall automatically be deemed to be a Material Adverse Effect.

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

"NAEC" means North Atlantic Energy Corporation, a wholly-owned subsidiary of NU.

"NHPUC" means the New Hampshire Public Utilities Commission.

"1998 10-K" means the Account Party's 1998 Annual Report and its Annual Report on Form 10-K for the fiscal year ended December 31, 1998.

"1998 Revolving Credit Agreement" means the $75,000,000 (original principal amount) Revolving Credit Agreement, dated as of April 23, 1998, among the Account Party, the Banks named therein and The Chase Manhattan Bank, as Administrative Agent.

"NU" means Northeast Utilities, an unincorporated voluntary business association organized under the laws of the Commonwealth of Massachusetts.

"NUG Settlement" means any buy-out, buy-down or other transaction, or any other arrangement or agreement, entered into or proposed to be entered into by the Account Party to terminate or reduce, or to resolve a dispute concerning, an obligation of the Account Party to purchase power and/or capacity from a non-utility generator.

"NUSCO" means Northeast Utilities Service Company, a Connecticut corporation and a wholly-owned subsidiary of NU.

"Official Statement" means any Official Statement, Preliminary Official Statement or similar disclosure document relating to the Bonds, and shall include any amendment, supplement or "sticker" thereto.

"Operating Income" means, for any period, the Account Party's operating income for such period, adjusted as follows:

(i) increased by the amount of income taxes (including New Hampshire Business Profits Tax and other comparable taxes) paid by the Account Party during such period, if and to the extent they are deducted in the computation of the Account Party's operating income for such period; and

(ii) increased by the amount of any depreciation deducted by the Account Party during such period; and

(iii) increased by the amount of any amortization of acquisition adjustment deducted by the Account Party during such period; and

(iv) decreased by the amount of any capital expenditures paid by the Account Party during such period.

"Original Indenture" has the meaning assigned to that term in the Preliminary Statement.

"Original Tax-Exempt Refunding Bonds" has the meaning assigned to that term in the Preliminary Statement.

"Other Reimbursement Agreement" means (i) the Third Series D Letter of Credit and Reimbursement Agreement, dated as of April 14, 1999, among the Account Party, Barclays, as issuing bank and agent thereunder and the Participating Banks referred to therein relating to the Issuer's Pollution Control Revenue Bonds (Public Service Company of New Hampshire Project-1991 Taxable Series D), as the same may from time to time be

amended, modified or supplemented or (ii) any reimbursement agreement or similar agreement relating to a substitute credit facility applicable to such bonds.

"Participant" shall have the meaning assigned to that term in Section 10.06(b) hereof.

"Participating Banks" means the Persons listed on the signature pages to this Agreement following the heading "Participating Banks" and any other Person who becomes a party hereto pursuant to Section 10.06 hereof.

"Participation Assignment" means a participation assignment entered into pursuant to Section 10.06 hereof by any Participating Bank and an assignee, in substantially the form of Exhibit 1.01B hereto.

"Participation Percentage" means, as of any date of determination: (i) with respect to a Participating Bank initially a party to this Agreement, the percentage set forth opposite such Participating Bank's name on the signature pages hereto, except as provided in clause (iii), below, (ii) with respect to a Participating Bank that becomes a party hereto by operation of Section 10.06 hereof, the Participation Percentage stated to be assumed by such assignee Participating Bank in the relevant Participation Assignment, except as provided in clause (iii), below, and (iii) at any time, with respect to any Participating Bank that assigns a percentage of its interests in accordance with Section 10.06 hereof, its Participation Percentage determined in accordance with clause (i) or clause (ii), above, as reduced by the percentage so assigned.

"Paying Agent" means (i) U.S. Bank Trust National Association (formerly First Trust of New York, National Association), and (ii) any successor paying agent for the Bonds under the Indenture.

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

"Permitted Investments" means (i) securities issued or directly and fully guaranteed or insured by the United States or any agency or instrumentality thereof (provided that the full faith and credit of the United States is pledged in support thereof) having maturities of not more than six (6) months from the date of acquisition by such Person; (ii) time deposits and certificates of deposit, with maturities of not more than six (6) months from the date of acquisition by such Person, of any international commercial bank of recognized standing having capital and surplus in excess of $500,000,000 and having a rating on its commercial paper of at least A-1 or the equivalent thereof by S&P or at least P-1 or the equivalent thereof by Moody's; (iii) commercial paper issued by any Person, which commercial paper is rated at least A-1 or the equivalent thereof by S&P or at least P-1 or the equivalent thereof by Moody's and matures not more than six (6) months after the date of acquisition by such Person; (iv) investments in money market funds substantially all the assets of which are comprised of securities of the types described in clauses (i) and (ii) above and (v) United States Securities and Exchange Commission registered money market mutual funds conforming to Rule 2a-7 of the Investment Company Act of 1940 in effect in the United States, that invest primarily in direct obligations issued by the United States Treasury and repurchase obligations backed by those obligations, and rated in the highest category by S&P and Moody's.

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

"Pledge Agreement" means the Third Series E Pledge Agreement, dated as of April 14, 1999, by the Account Party in favor of the Issuing Bank and substantially in the form of Exhibit 1.01C, as the same may from time to time be amended, modified or supplemented.

"Pledged Bonds" shall have the meaning assigned to that term in the Pledge Agreement.

"Preferred Stock" means 3,000,000 shares of Series A Preferred Stock of the Account Party (par value $25).

"Premium Component" has the meaning assigned to that term in the Letter of Credit.

"Principal Component" has the meaning assigned to that term in the Letter of Credit.

"Rate Agreement" means the Agreement dated as of November 22, 1989, as amended by the First Amendment to Rate Agreement dated as of December 5, 1989, the Second Amendment to Rate Agreement dated as of December 12,

1989, the Third Amendment to Rate Agreement dated as of December 28, 1993, the Fourth Amendment to Rate Agreement dated as of September 21, 1994 and the Fifth Amendment to Rate Agreement dated as of September 9, 1994, among NUSCO, the Governor and Attorney General of the State of New Hampshire and adopted by the Account Party as of July 10,1990 (excluding the Unit Contract appended as Exhibit A thereto subsequent to the effectiveness of such contract).

"Rate Proceeding" means all regulatory proceedings relating to the Account Party and resulting from the NHPUC's adoption of the Final Plan, together with the Federal litigation commenced by the Account Party and certain of its Affiliates in response thereto.

"Recipient" has the meaning assigned to that term in Section 10.09 hereto.

"Related Documents" means the Letter of Credit, the Bonds, the Indenture and any Remarketing Agreement.
"Remarketing Agent" has the meaning assigned to that term in the Indenture.

"Remarketing Agreement" means (i) the Remarketing Agreement, dated as of May 1, 1991, between the Account Party and Morgan Stanley & Co. Incorporated relating to the Taxable Bonds, (ii) any similar agreement subsequently entered into with respect to any Tax-Exempt Refunding Bonds, other than the Original Tax-Exempt Refunding Bonds, and (iii) any successor agreement to any of the foregoing or any similar agreement between the Account Party and a successor Remarketing Agent as shall be in effect from time to time in accordance with the terms of the Indenture.

"Restricted Payment" has the meaning assigned to that term in Section 7.02(e) hereof.

"Revolving Credit Facility" has the meaning assigned to that term in Section 7.04 hereof.

"S&P" means Standard and Poor's Ratings Group or any successor thereto.

"Secured Party" has the meaning assigned to that term in the Intercreditor Agreement.

"Security Agreement" means the Assignment and Security Agreement, dated as of April 23, 1998, as amended and restated as of the date hereof by the Security Agreement Amendment, between the Account Party and the Collateral Agent, pursuant to which the Account Party has granted to the Collateral Agent a security interest in certain of the Account Party's accounts receivable, as the same may be amended, modified or supplemented from time to time in accordance with this Agreement and the Intercreditor Agreement.

"Security Agreement Amendment" means the First Amendment, dated as of April 14, 1999, to the Assignment and Security Agreement, dated as of April 23, 1998, between the Account Party and the Collateral Agent.

"Security Documents" means the Pledge Agreement, the Security Agreement, the Intercreditor Agreement, the Indenture, the First Mortgage Indenture and the Series G First Mortgage Bonds.

"Series G First Mortgage Bonds" means the Account Party's Series G First Mortgage Bonds.

"Sharing Agreement" means the Sharing Agreement, dated as of June 1, 1992, among CL&P, Western Massachusetts Electric Company, Holyoke Water Power Company, Holyoke Power and Electric Company, the Account Party and NUSCO.
"Significant Contract" means the following contracts, in each case as the same may be amended, modified or supplemented from time to time in accordance with this Agreement:

(i) the Agreement for Capacity Transfer;

(ii) the Sharing Agreement;

(iii) the Tax Allocation Agreement; and

(iv) the Unit Contract.

"Stated Amount" has the meaning assigned to that term in the Preliminary Statement hereto.

"Stated Termination Date" means the expiration date specified in clause (i) of the first paragraph of Paragraph (1) of the Letter of Credit, as such date may be extended pursuant to Section 2.05 hereof.

"Swiss Bank" has the meaning assigned to that term in the Preliminary Statement.

"Tax Allocation Agreement" means the Amended and Restated Tax Allocation Agreement, dated as of January 1, 1990, as amended by a First Supplement thereto, dated as of October 26, 1998, among NU and the members of the consolidated group of which NU is the common parent, including, without limitation, the Account Party.

"Taxable Bonds" has the meaning assigned to that term in the Preliminary Statement.

" Tax-Exempt Refunding Bonds" has the meaning assigned to that term in the Indenture.

"Tender Drawing" has the meaning assigned to that term in the Letter of Credit.

"Term Advance" has the meaning assigned to that term in Section 3.02(b) hereof, and refers to a Base Rate Advance or a Eurodollar Rate Advance (each of which shall be a "Type" of Term Advance). The Type of a Term Advance may change from time to time when such Term Advance is Converted. For purposes of this Agreement, all Term Advances of a Participating Bank (or portions thereof) made as, or Converted to, the same Type and Interest Period on the same day shall be deemed a single Term Advance by such Participating Bank until repaid or next Converted.

"Term Borrowing" means a borrowing consisting of Term Advances of the same Type and Interest Period made on the same day by the Participating Banks, ratably in accordance with their respective Participation Percentages. A Term Borrowing may be referred to herein as being a "Type" of Term Borrowing, corresponding to the Type of Term Advances comprising such Term Borrowing. For purposes of this Agreement, all Term Advances made as, or Converted to, the same Type and Interest Period on the same day shall be deemed a single Term Borrowing until repaid or next Converted.

"Termination Date" means the Stated Termination Date or the earlier date of termination of the Commitments pursuant to Sections 2.02 or 8.02 hereunder.

"Total Capitalization" means, as of any day, the aggregate of all amounts that would, in accordance with generally accepted accounting principles applied on a basis consistent with the standards referred to in Section 1.03 hereof, appear on the balance sheet of the Account Party as at such day as the sum of (i) the principal amount of all long-term Debt of the Account Party on such day, (ii) the par value of, or stated capital represented by, the outstanding shares of all classes of common and preferred shares of the Account Party on such day, (iii) the surplus of the Account Party, paid-in, earned and other, if any, on such day and (iv) the unpaid principal amount of all short-term Debt of the Account Party on such day.

"Transaction Documents" means this Agreement, the Intercreditor Amendment, the Security Agreement Amendment, the Other Reimbursement Agreement and the other documents to be delivered by or on behalf of the Account Party on or in connection with the Closing Date.

"Trustee" has the meaning assigned to that term in the Preliminary Statement hereto.

"Type" has the meaning assigned to such term in the definitions of "Term Advance" and "Term Borrowing" herein.

"Unit Contract" means the Unit Contract, dated as of June 1, 1992, between the Account Party and NAEC.

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

"Year 2000 Issue" means the failure of computer software, hardware and firmware systems and equipment containing computer chips to properly receive, transmit, process, manipulate, store, retrieve, re-transmit or in any other way utilize data and information due to the occurrence of the year 2000 or the inclusion of dates on or after January 1, 2000.

SECTION I.2. Computation of Time Periods. In the computation of periods of time under this Agreement any period of a specified number of days or months shall be computed by including the first day or month occurring during such period and excluding the last such day or month. In the case of a period of time "from" a specified date "to" or "until" a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding".

SECTION I.3. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles applied on a basis consistent with the application employed in the preparation of the financial projections and pro formas referred to in Section 5.01 hereof.

SECTION I.4. Computations of Outstandings. Whenever reference is made in this Agreement to the principal amount outstanding on any date under this Agreement, such reference shall refer to the sum of (i) the Available Amount on such date, (ii) the aggregate principal amount of all Advances outstanding on such date and (iii) the aggregate amount of all demand loans under Section 3.01 hereunder on such date, in each case after giving effect to all transactions to be made on such date and the application of the proceeds thereof.

ARTICLE II
THE LETTER OF CREDIT

SECTION II.1. The Letter of Credit. The Issuing Bank agrees, on the terms and conditions hereinafter set forth (including, without limitation, the applicable conditions precedent set forth in Article V hereof), to issue the Letter of Credit to the Paying Agent, upon not less than three Business Days prior notice from the Account Party, on the Closing Date.

SECTION II.2. Termination of the Commitments. The obligation of the Issuing Bank to issue the Letter of Credit shall automatically terminate if not delivered at or prior to 5:00 P.M. (New York City time) on April 22, 1999.

SECTION II.3. Commissions and Fees. (a) The Account Party hereby agrees to pay to the Agent, for the account of the Participating Banks ratably in accordance with their respective Participation Percentages, a letter of credit commission on the Available Amount in effect from time to time from the date hereof until the Letter of Credit shall be surrendered for cancellation (disregarding for such purpose any temporary diminution thereof arising from drawings under the Letter of Credit to pay interest (or purchase price corresponding to interest) on the Bonds, regardless of whether the amount so drawn shall be thereafter reinstated), at a rate per annum equal to the Applicable Commission, payable on the last Business Day of each month and upon such surrender ; provided that if an Event of Default shall have occurred and is continuing, the Applicable Commission in effect from time to time shall be increased by a further 2%.

(a) The Account Party also agrees to pay to the Agent for the account of the Participating Banks ratably in accordance with their respective Participation Percentages, such participation fees as have been agreed among them, the Account Party and the Agent, such participation fee to be payable in full simultaneously with the issuance of the Letter of Credit.

(b) The Account Party also agrees to pay to the Agent, for the account of the Issuing Bank, such other fees as have been agreed upon by the Account Party and the Issuing Bank in that certain Fee Letter, dated February 23, 1999, between the Account Party and the Arranger (the "Fee Agreement").

(c) The Account Party also agrees to pay to the Agent, for its own account and/or the account of Barclays, such other fees as have been agreed upon by the Account Party and the Agent in the Fee Agreement.

SECTION II.4. Reinstatement of the Letter of Credit. (a) The Interest Component and the Principal Component shall, from time to time, be reinstated by the Issuing Bank in accordance with, and only to the extent provided in, the Letter of Credit. In no event shall reductions in the Premium Component be reinstated.

(a) Interest Component. With respect to reinstatement of reductions in the Interest Component resulting from Interest Drawings:

(i) The Issuing Bank may only deliver to the Paying Agent any notice of non-reinstatement pursuant to Paragraph 5(i)(A) of the Letter of Credit if (A) the Issuing Bank and/or the Participating Banks have not been reimbursed in full by the Account Party for one or more drawings, together with interest if any, owing thereon pursuant to this Agreement or (B) an Event of Default has occurred and is then continuing.

(ii) if, subsequent to any such delivery of a notice of non-reinstatement, the circumstances giving rise to the delivery of such notice of non-reinstatement shall have ceased to exist (whether as a result of reimbursement of unreimbursed drawings, or waiver or cure of an Event of Default, or otherwise), then, provided that no other Event of Default shall have occurred and be continuing, the Issuing Bank shall deliver to the Paying Agent, by hand delivery or facsimile transmission, a Notice of Reinstatement in the form of Exhibit 5 to the Letter of

Credit reinstating that portion of the Interest Component in respect of which such notice of non-reinstatement was given.

(b) Principal Component. With respect to reinstatement of a reduction in the Principal Component resulting from any Tender Drawing, IF:

(i) such reduction has not been reinstated pursuant to Paragraph 5(ii)(A) of the Letter of Credit;

(ii) the Issuing Bank and/or the Participating Banks shall have been reimbursed by the Account Party for such Tender Drawing;

(iii) any demand loan(s) and Advance(s) made in respect of such Tender Drawing shall have been repaid by the Account Party, together with any interest thereon and any other amounts payable hereunder in connection therewith; AND

(iv) no Event of Default shall have occurred and then be continuing;

THEN, the Issuing Bank shall deliver to the Paying Agent, by hand delivery or facsimile transmission, a Notice of Reinstatement in the form of Exhibit 5 to the Letter of Credit reinstating the Principal Component to the extent of such Tender Drawing.

SECTION II.5. Extension of the Stated Termination Date. Unless the Letter of Credit shall have previously expired in accordance with its terms, at least 105 days but not more than 120 days before the Stated Termination Date, the Account Party may, by notice to the Agent (any such notice being irrevocable), request the Issuing Bank and the Participating Banks to extend the Stated Termination Date of the Letter of Credit for a period of one year. If the Account Party shall make such request, the Agent shall promptly inform the Issuing Bank and the Participating Banks and, no later than 60 days prior to the Stated Termination Date, the Agent shall notify the Account Party in writing (with a copy of such notice to the Trustee and the Paying Agent) if the Issuing Bank and the Participating Banks consent to such request and the conditions of such consent (including conditions relating to legal documentation). The granting of any such consent shall be in the sole and absolute discretion of the Issuing Bank and the Participating Banks, and if the Agent shall not so notify the Account Party, such lack of notification shall be deemed to be a determination not to consent to such request. No such extension shall occur unless the Issuing Bank and all of the Participating Banks consent thereto (or if less than all the Participating Banks consent thereto, unless one or more other Participating Banks agree to assume all of the Commitments of the non-consenting Participating Banks).

SECTION II.6. Modification of the Letter of Credit. In the event that the Account Party elects to cause the issuance of any additional series of Tax-Exempt Refunding Bonds pursuant to Article IV of the Indenture, the Account Party may, but shall not be obligated to, propose amendments to the Letter of Credit to change the method of computing the Interest Component or such other terms thereof as may be necessary or appropriate in connection with such issuance. Any such proposal shall be furnished to the Issuing Bank in writing not later than 60 days prior to the date proposed for such issuance. If the Issuing Bank shall consent to such amendments (which consent, subject to the provisions of the next succeeding sentence, shall not be unreasonably withheld) the Issuing Bank shall, upon surrender of the Letter of Credit by the beneficiary thereof for amendment (or replacement, as the Issuing Bank may elect), amend the Letter of Credit accordingly (or issue a replacement Letter of Credit therefor reflecting such amendments but otherwise identical to the Letter of Credit so surrendered). Notwithstanding the foregoing, without the consent of the requisite Participating Banks as determined in accordance with Section 10.01, the Issuing Bank shall not consent to any amendment or amendments that (i) increase the Stated Amount or the then-existing Available Amount, (ii) change or modify in any respect the Credit Termination Date or any provision for determining the expiry or other termination of the Letter of Credit, (iii) change or modify in any respect the times, places or manner at or in which drawings under the Letter of Credit are to be presented or paid, (iv) change or modify in any respect the forms of drawing certificates and other annexes to the Letter of Credit, (v) change the beneficiary of the Letter of Credit or the method prescribed therein for the transfer of the Letter of Credit or (vi) as determined in the good faith discretion of the Issuing Bank and its counsel, increase or enlarge the scope, or modify the nature, of the Issuing Bank's and the Participating Banks' credit exposure to the Account Party or any legal risks related thereto or expose the Issuing Bank to any additional liability. In furtherance of the foregoing, the Issuing Bank may condition the granting of such consent on the receipt by the Issuing Bank of such certificates, opinions of counsel and other assurances of the Account Party and its counsel, or bond counsel or the Trustee or Paying Agent, as the Issuing Bank may reasonably require. Each Participating Bank, by its execution of this Agreement, or of the Participation Assignment pursuant to which it became a Participating Bank, consents to, ratifies and affirms all actions taken and to be taken by the Issuing Bank pursuant to this Section 2.06.

ARTICLE III
REIMBURSEMENT AND ADVANCES

SECTION III.1. Reimbursement on Demand. Subject to the provisions of Section 3.02 hereof, the Account Party hereby agrees to pay (whether with the proceeds of Initial Advances made pursuant to this Agreement or otherwise) to the Issuing Bank on demand (a) on and after each date on which the Issuing Bank shall pay any amount under the Letter of Credit pursuant to any draft, but only after so paid by the Issuing Bank, a sum equal to such amount so paid (which sum shall constitute a demand loan from the Issuing Bank to the Account Party from the date of such payment by the Issuing Bank until so paid by the Account Party), plus (b) interest on any amount remaining unpaid by the Account Party to the Issuing Bank under clause (a), above, from the date such amount becomes payable on demand until payment in full, at the Default Rate in effect from time to time. No reinstatement of the Interest Component or the Principal Component despite the failure by the Account Party to reimburse the Issuing Bank for any previous drawing to pay interest on the Bonds shall limit or impair the Account Party's obligations under this Section 3.01.

SECTION III.2. Advances. Each Participating Bank agrees to make Initial Advances and Term Advances for the account of the Account Party from time to time upon the terms and subject to the conditions set forth in this Agreement.

(a) Initial Advances; Repayment of Initial Advances. If the Issuing Bank shall honor any Tender Drawing and if the conditions precedent set forth in Section 5.03 of this Agreement have been satisfied as of the date of such honor, then, each Participating Bank's payment made to the Issuing Bank pursuant to Section 3.07 hereof in respect of such Tender Drawing shall be deemed to constitute an advance made for the account of the Account Party by such Participating Bank (each such advance being an "Initial Advance" made by such Participating Bank). Each Initial Advance shall be made as a Base Rate Advance, shall bear interest at the Alternate Base Rate and shall not be entitled to be Converted. Subject to Article VIII of this Agreement, each Initial Advance and all interest thereon shall be due and payable on the earlier to occur of (i) the date 30 days from the date of such Initial Advance (such repayment date being the "Initial Repayment Date" for such Initial Advance) and (ii) the Termination Date. The Account Party may repay the principal amount of any Initial Advance with (and to the extent of) the proceeds of a Term Advance made pursuant to subsection (b), below, and may prepay Initial Advances in accordance with Section 3.06 hereof.

(b) Term Advances; Repayment. Subject to the satisfaction of the conditions precedent set forth in Section 5.04 hereof and the other conditions of this subsection (b), each Participating Bank agrees to make one or more advances for the account of the Account Party ("Term Advances") on each Initial Repayment Date in an aggregate principal amount equal to the amount of such Participating Bank's Initial Advances maturing on such Initial Repayment Date. All Term Advances comprising a single Term Borrowing shall be made upon written notice given by the Account Party to the Agent not later than 11:00 A.M. (New York City time) (A) in the case of a Term Borrowing comprised of Base Rate Advances, on the Business Day of such proposed Term Borrowing or (B) in the case of a Term Borrowing comprised of Eurodollar Rate Advances, three Business Days prior to the date of such proposed Term Borrowing. The Agent shall notify each Participating Bank of the contents of such notice promptly after receipt thereof. Each such notice shall specify therein the following information: (W) the date on which such Term Borrowing is to be made, (X) the principal amount of Term Advances comprising such Term Borrowing, (Y) the Type of Term Borrowing and (Z) subject to Section 3.05(c), the duration of the initial Interest Period, if applicable, proposed to apply to the Term Advances comprising such Term Borrowing. The proceeds of each Participating Bank's Term Advances shall be applied solely to the repayment of the Initial Advances made by such Participating Bank and shall in no event be made available to the Account Party. The principal amount of each Term Advance, together with all accrued and unpaid interest thereon, shall be due and payable on the earlier to occur of (x) the same calendar date occurring 12 months following the date upon which such Term Advance is made (or, if such month does not have a corresponding date, on the last day of such month) and (y) the Termination Date.

SECTION III.3. Interest on Advances. The Account Party shall pay interest on the unpaid principal amount of each Advance from the date of such Advance until such principal amount is paid in full at the applicable rate set forth below:

(a) Alternate Base Rate. Except to the extent that the Account Party shall elect to pay interest on any Advance for any Interest Period pursuant to paragraph (c) of this Section 3.03, the Account Party shall pay interest on each Advance (including all Initial Advances) from the date thereof until the date such Advance is due, at a fluctuating interest rate per annum in effect from time to time equal to the Alternate Base Rate in effect from time to time. The Account Party shall pay interest on each Advance bearing interest in accordance with this subsection monthly in arrears on the last

Business Day of each month and on the Termination Date or the earlier date for repayment of such Advance (including the Initial Repayment Date therefor, in the case of an Initial Advance); provided that if an Event of Default shall have occurred and is continuing, any principal amounts outstanding shall bear interest during such period, payable on demand, at a rate per annum equal at all times to 2% per annum above the Alternate Base Rate in effect from time to time.

(b) Interest Periods. Subject to the other requirements of this Section 3.03 and to Section 3.05(c), the Account Party may from time to time elect to have the interest on all Term Advances comprising part of the same Term Borrowing determined and payable for a specified period (an "Interest Period" for such Term Advances) in accordance with paragraph (c) of this Section 3.03. The first day of an Interest Period for such Term Advances shall be the date such Advance is made or most recently Converted, which shall be a Business Day. All Interest Periods shall end on or prior to the Stated Termination Date. Any Interest Period for a Term Advance that would otherwise end after the Termination Date or earlier date for the repayment of such Advance shall be deemed to end on the Termination Date or such earlier repayment date, as the case may be.

(c) Eurodollar Rate. Subject to the requirements of this Section 3.03 and Article V hereof, the Account Party may from time to time elect to have any Term Advances comprising part of the same Term Borrowing made as, or Converted to, Eurodollar Rate Advances. Subject to Section 3.05(c), the Interest Period applicable to such Eurodollar Rate Advances shall be of one, two, three or six whole months' duration, as the Account Party shall select in its notice delivered to the Agent pursuant to Section 3.02(b) or 3.04 hereof, as applicable. If the Account Party shall have made such election, the Account Party shall pay interest on such Eurodollar Rate Advances at the Eurodollar Rate for the applicable Interest Period for such Eurodollar Rate Advances, which interest shall be payable on the last day of such Interest Period, on the date for repayment for such Eurodollar Rate Advances and also, in the case of any Interest Period of six months' duration, on that day of the third month of such Interest Period which corresponds with the first day of such Interest Period (or, if any such month does not have a corresponding day, then on the last day of such month); provided that if an Event of Default shall have occurred and is continuing, any principal amounts outstanding shall bear interest during such period, payable on demand, at a rate per annum equal at all times to (A) for the remaining term, if any, of the Interest Period for such Advance, 2% per annum above the Eurodollar Rate for such Interest Period, and (B) thereafter, 2% per annum above the Alternate Base Rate in effect from time to time. Any Interest Period pertaining to Eurodollar Rate Advances that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month.

(d) Interest Rate Determinations. The Agent shall give prompt notice to the Account Party and the Participating Banks of the Eurodollar Rate determined from time to time by the Agent to be applicable to each Eurodollar Rate Advance.

SECTION III.4. Conversion of Term Advances. Subject to the satisfaction of the conditions precedent set forth in Section 5.03 hereof, the Account Party may elect to Convert one or more Term Advances of any Type to one or more Term Advances of the same or any other Type on the following terms and subject to the following conditions:

(a) Each Conversion shall be made as to all Term Advances comprising a single Term Borrowing upon written notice given by the Account Party to the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Conversion. The Agent shall notify each Participating Bank of the contents of such notice promptly after receipt thereof. Each such notice shall specify therein the following information: (A) the date of such proposed Conversion (which in the case of Eurodollar Rate Advances shall be last day of the Interest Period then applicable to such Term Advances to be Converted), (B) Type of, and Interest Period, if any, applicable to the Term Advances proposed to be Converted, (C) the aggregate principal amount of Term Advances proposed to be Converted, and (D) the Type of Term Advances to which such Term Advances are proposed to be Converted and, subject to Section 3.05(c), the Interest Period, if any, to be applicable thereto.

(b) During the continuance of an Unmatured Default or an Event of Default, the right of the Account Party to Convert Term Advances to Eurodollar Rate Advances shall be suspended, and all Eurodollar Rate Advances then outstanding shall be Converted to Base Rate Advances on the last day of the Interest Period then in effect, if, on such day, an Unmatured Default or an Event of Default shall be continuing.

(c) If no notice of Conversion is received by the Agent as provided in subsection (a) above with respect to any outstanding Eurodollar Rate Advances, the Agent shall treat such absence of notice as a deemed notice of Conversion providing for such Advances to be Converted to Base Rate Advances

on the last day of the Interest Period then in effect for such Eurodollar Rate Advances.

SECTION III.5. Other Terms Relating to the Making and Conversion of Advances. (a Notwithstanding anything in Section 3.02, 3.03 or 3.04, above, to the contrary:

(i) at no time shall more than six different Term Borrowings in the aggregate be outstanding hereunder and under the Other Reimbursement Agreement; and

(ii) each Term Borrowing consisting of Eurodollar Rate Advances shall be in the aggregate principal amount of $10,000,000 or an integral multiple of $1,000,000 in excess thereof.
(a) Each notice of borrowing pursuant to Section 3.02(b) hereof and each notice of Conversion pursuant to Section 3.04 hereof shall be irrevocable and binding on the Account Party.

(b) Until such time, if any, as the Majority Lenders shall otherwise agree, the Interest Period for all Eurodollar Rate Advances shall be one month.

SECTION III.6. Prepayment of Advances. (a The Account Party shall have no right to prepay any principal amount of any Advances except in accordance with subsections (b) and (c) below.

(a) The Account Party may, upon at least one Business Day's notice to the Agent stating the proposed date and aggregate principal amount of the prepayment (and if such notice is given the Account Party shall), prepay, in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid, the outstanding principal amount of (i) all Initial Advances made on the same date or (ii) all Term Advances comprising the same Term Borrowing, in each case as the Account Party shall designate in such notice; provided, however, that each partial prepayment shall be in an aggregate principal amount not less than $10,000,000, or, if less, the aggregate principal amount of all Advances then outstanding.

(b) Prior to or simultaneously with the resale of all of the Bonds purchased with the proceeds of a Tender Drawing, the Account Party shall prepay, or cause to be prepaid, in full, the then outstanding principal amount of all Initial Advances and of all Term Advances comprising the same Term Borrowing(s) arising pursuant to such Tender Drawing, together with all interest thereon to the date of such prepayment. If less than all of such Bonds are resold, then prior to or simultaneously with such resale the Account Party shall prepay or cause to be prepaid that portion of such Advances, together with all interest thereon to the date of such prepayment, equal to the then outstanding principal amount thereof multiplied by a fraction, the numerator of which shall be the principal amount of the Bonds resold and the denominator of which shall be the principal amount of all of the Bonds purchased with the proceeds of the relevant Tender Drawing.

SECTION III.7. Participation; Reimbursement of Issuing Bank. (a The Issuing Bank hereby sells and transfers to each Participating Bank, and each Participating Bank hereby acquires from the Issuing Bank, an undivided interest and participation to the extent of such Participating Bank's Participation Percentage in and to (i) the Letter of Credit, including the obligations of the Issuing Bank under and in respect thereof and the Account Party's reimbursement and other obligations in respect thereof and (ii) each demand loan or deemed demand loan made by the Issuing Bank, whether now existing or hereafter arising.

(a) If the Issuing Bank (i) shall not have been reimbursed in full for any payment made by the Issuing Bank under the Letter of Credit on the date of such payment or (ii) shall make any demand loan to the Account Party, the Issuing Bank shall promptly notify the Agent and the Agent shall promptly notify each Participating Bank of such non-reimbursement or demand loan and the amount thereof. Upon receipt of such notice from the Agent, each Participating Bank shall pay to the Issuing Bank, directly, an amount equal to such Participating Bank's ratable portion (according to such Participating Bank's Participation Percentage) of such unreimbursed amount or demand loan paid or made by the Issuing Bank, plus interest on such amount at a rate per annum equal to the Federal Funds Rate from the date of such payment by the Issuing Bank to the date of payment to the Issuing Bank by such Participating Bank. All such payments by each Participating Bank shall be made in United States dollars and in same day funds:

(x) not later than 2:45 P.M. (New York City time) on the day such notice is received by such Participating Bank if such notice is received at or prior to 12:30 P.M. (New York City time) on a Business Day; or

(y) not later than 12:00 Noon (New York City time) on the Business Day next succeeding the day such notice is received by such Participating Bank, if such notice is received after 12:30 P.M. (New York City time) on a Business Day.

If a Participating Bank shall have paid to the Issuing Bank its ratable portion of any unreimbursed amount or demand loan paid or made by the Issuing Bank, together with all interest thereon required by the second sentence of this subsection (b), such Participating Bank shall be entitled to receive its ratable share of all interest paid by the Account Party in respect of such unreimbursed amount or demand loan from the date paid or made by the Issuing Bank. If such Participating Bank shall have made such payment to the Issuing Bank, but without all such interest thereon required by the second sentence of this subsection (b), such Participating Bank shall be entitled to receive its ratable share of the interest paid by the Account Party in respect of such unreimbursed amount or demand loan only from the date it shall have paid all interest required by the second sentence of this subsection (b).

(b) Each Participating Bank's obligation to make each payment to the Issuing Bank, and the Issuing Bank's right to receive the same, shall be absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, the foregoing or Section 4.06 hereof, or the occurrence or continuance of an Event of Default, or the non-satisfaction of any condition precedent set forth in Sections 5.03 or 5.04 hereof, or the failure of any other Participating Bank to make any payment under this Section 3.07. Each Participating Bank further agrees that each such payment shall be made without any offset abatement, withholding or reduction whatsoever.

(c) The failure of any Participating Bank to make any payment to the Issuing Bank in accordance with subsection (b) above, shall not relieve any other Participating Bank of its obligation to make payment, but neither the Issuing Bank nor any Participating Bank shall be responsible for the failure of any other Participating Bank to make such payment. If any Participating Bank shall fail to make any payment to the Issuing Bank in accordance with subsection (b) above, then such Participating Bank shall pay to the Issuing Bank forthwith on demand such corresponding amount together with interest thereon, for each day until the date such amount is repaid to the Issuing Bank at the Federal Funds Rate. Nothing herein shall in any way limit, waive or otherwise reduce any claims that any party hereto may have against any non-performing Participating Bank.

(d) If any Participating Bank shall fail to make any payment to the Issuing Bank in accordance with subsection (b) above, then, in addition to other rights and remedies which the Issuing Bank may have, the Agent is hereby authorized, at the request of the Issuing Bank, to withhold and to apply the payment of such amounts owing to such Participating Bank to the Issuing Bank and any related interest, that portion of any payment received by the Agent that would otherwise be payable to such Participating Bank. In furtherance of the foregoing, if any Participating Bank shall fail to make any payment to the Issuing Bank in accordance with subsection (b), above, and such failure shall continue for five Business Days following written notice of such failure from the Issuing Bank to such Participating Bank, the Issuing Bank may acquire, or transfer to a third party in exchange for the sum or sums due from such Participating Bank, such Participating Bank's interest in the related unreimbursed amounts and demand loans and all other rights of such Participating Bank hereunder in respect thereof, without, however, relieving such Participating Bank from any liability for damages, costs and expenses suffered by the Issuing Bank as a result of such failure. The purchaser of any such interest shall be deemed to have acquired an interest senior to the interest of such Participating Bank and shall be entitled to receive all subsequent payments which the Issuing Bank or the Agent would otherwise have made hereunder to such Participating Bank in respect of such interest.

ARTICLE IV
PAYMENTS

SECTION IV.1. Payments and Computations. (a The Account Party shall make each payment hereunder (i) in the case of reimbursement obligations pursuant to Section 3.01 hereof (excluding any portion thereof in respect of which an Initial Advance is to be made), not later than 2:30 P.M. (New York City time) on the day the related drawing under the Letter of Credit is paid by the Issuing Bank, and (ii) in all other cases, not later than 12:30 P.M. (New York City time) on the day when due, in each case in lawful money of the United States of America to the Agent at its address referred to in Section 10.02 hereof in same day funds. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of reimbursements, principal, interest, fees or other amounts payable to the Issuing Bank and the Participating Banks to whom the same are payable, ratably, at its address set forth in Section 10.02 hereof (in the case of the Issuing Bank) or for the account of their respective Applicable Lending Offices (in the case of the Participating Banks), in each case to be applied in accordance with the terms of this Agreement.

(a) The Account Party hereby authorizes the Issuing Bank, and each Participating Bank, if and to the extent payment owed to the Issuing Bank, or such Participating Bank, as the case may be, is not made when due hereunder, to charge from time to time against any or all of the Account Party's

accounts with the Issuing Bank or such Participating Bank, as the case may be, any amount so due.

(b) All computations of interest based on the Alternate Base Rate when based on Barclays' prime rate referred to in the definition of "Alternate Base Rate" shall be made by the Agent on the basis of a year of 365 or 366 days, as the case may be, for the actual days elapsed. All other computations of interest hereunder (including computations of interest based on the Eurodollar Rate and the Federal Funds Rate (including the Alternate Base Rate if and so long as such Rate is based on the Federal Funds Rate)), all computations of commissions and fees hereunder and all computations of other amounts pursuant to Section 4.03 hereof, shall be made by the Agent or the party claiming such other amounts, as the case may be, on the basis of a year of 360 days for the actual days elapsed. In each such case, such computation shall be made for the actual number of days (including the first day, but excluding the last day) occurring in the period for which such interest, commissions or fees are payable. Each such determination by the Agent or a Participating Bank, as the case may be, shall be conclusive and binding for all purposes, absent manifest error.

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

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

(e) If, after the Agent has paid to the Issuing Bank or any Participating Bank any amount pursuant to subsection (a) above, such payment is rescinded or must otherwise be returned or must be paid over by the Agent or the Issuing Bank to any Person, whether pursuant to any bankruptcy or insolvency law, Section 4.04 hereof or otherwise, such Participating Bank shall, at the request of the Agent or the Issuing Bank, promptly repay to the Agent or the Issuing Bank, as the case may be, an amount equal to its ratable share of such payment, together with any interest required to be paid by the Agent or the Issuing Bank with respect to such payment.

SECTION IV.2. Default Interest. Any amounts payable hereunder that are not paid when due shall (to the fullest extent permitted by law) bear interest, from the date when due until paid in full, at the Default Rate, payable on demand.

SECTION IV.3. Yield Protection. (a Change in Circumstances. Notwithstanding any other provision herein, if after the date hereof; the adoption of or any change in applicable law or regulation or in the interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof (whether or not having the force of law) shall (i) change the basis of taxation of payments to the Issuing Bank or any Participating Bank of the principal of or interest on any Eurodollar Rate Advance made by such Participating Bank or any fees or other amounts payable hereunder (other than changes in respect of taxes imposed on the overall net income of the Issuing Bank or such Participating Bank, or its Applicable Lending Office, by the jurisdiction in which the Issuing Bank or such Participating Bank has its principal office or in which such Applicable Lending Office is located or by any political subdivision or taxing authority therein), or (ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement against letters of credit (or participatory interests therein) issued by, commitments or assets of, deposits with or for the account of, or credit extended by, the Issuing Bank or such Participating Bank, or (iii) shall impose on the Issuing Bank or such Participating Bank any other condition affecting this Agreement, the Letter of Credit or participatory interests therein or Eurodollar Rate Advances, and the result of any of the foregoing shall be (A) to increase the cost to the

Issuing Bank or such Participating Bank of issuing, maintaining or participating in this Agreement or the Letter of Credit or of agreeing to make, making or maintaining any Advance or (B) to reduce the amount of any sum received or receivable by the Issuing Bank or such Participating Bank hereunder (whether of principal, interest or otherwise), then the Account Party will pay to the Issuing Bank or such Participating Bank, upon demand, such additional amount or amounts as will compensate the Issuing Bank or such Participating Bank for such additional costs incurred or reduction suffered.

(a) Capital. If the Issuing Bank or any Participating Bank shall have determined that the applicability of any law, rule, regulation or guideline adopted pursuant to or arising out of the July 1988 report of the Basle Committee on Banking Regulations and Supervisory Practices entitled "International Convergence of Capital Measurement and Capital Standards", or the adoption after the date hereof of any law, rule, regulation or guideline regarding capital adequacy, or any change in any of the foregoing or in the interpretation or administration of any of the foregoing by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Issuing Bank or any Participating Bank (or any Applicable Lending Office of the Issuing Bank or such Participating Bank), or any holding company of any such entity, with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect (i) of reducing the rate of return on such entity's capital or on the capital of such entity's holding company, if any, as a consequence of this Agreement, the Letter of Credit or such entity's participatory interest therein, any Commitment hereunder or the portion of the Advances made by such entity pursuant hereto to a level below that which such entity or such entity's holding company could have achieved, but for such applicability, adoption, change or compliance (taking into consideration such entity's policies and the policies of such entity's holding company with respect to capital adequacy), or (ii) of increasing or otherwise determining the amount of capital required or expected to be maintained by such entity or such entity's holding company based upon the existence of this Agreement, the Letter of Credit or such entity's participatory interest therein, any Commitment hereunder, the portion of the Advances made by such entity pursuant hereto and other similar such credits, participations, commitments, agreements or assets, then from time to time the Account Party shall pay to the Issuing Bank or such Participating Bank, upon demand, such additional amount or amounts as will compensate such entity or such entity's holding company for any such reduction or allocable capital cost suffered.

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

(c) Breakage Indemnity. The Account Party shall indemnify each Participating Bank against any loss, cost or reasonable expense which such Participating Bank may sustain or incur as a consequence of (i) any failure by the Account Party to fulfill on the date of any Advance or Conversion hereunder the applicable conditions set forth in Articles III and V, (ii) any failure by the Account Party to Convert any Advance hereunder after irrevocable notice of Conversion has been given pursuant to Section 3.04 hereof, (iii) any payment, prepayment or Conversion of a Eurodollar Rate Advance required or permitted by any other provision of this Agreement or otherwise made or deemed made on a date other than the last day of the Interest Period applicable thereto, (iv) any default in payment or prepayment of the principal amount of any Advance or any part thereof or interest accrued thereon, as and when due and payable (at the due date thereof, by irrevocable notice of prepayment or otherwise) or (v) the occurrence of any Event of Default, including, in each such case, any loss or reasonable expense sustained or incurred or to be sustained or incurred in liquidating or employing deposits from third parties acquired to effect or maintain such Advance or any part thereof as a Eurodollar Rate Advance. Such loss, cost or reasonable expense shall include an amount equal to the excess, if any, as reasonably determined by such Participating Bank, of (A) its cost of obtaining the funds for the Advance being paid, prepaid, Converted or not borrowed (based on the Eurodollar Rate) for the period from the date of such payment, prepayment, Conversion or failure to borrow to the last day of the Interest Period for such Advance (or, in the case of a failure to borrow, the Interest Period for such Advance which would have commenced on the date of such failure) over (B) the amount of interest (as reasonably determined by such Participating Bank) that would be realized by such Participating Bank in reemploying the funds so paid, prepaid, Converted or not borrowed for such

period or Interest Period, as the case may be. For purposes of this subsection (d), it shall be presumed that each Participating Bank shall have funded each such Advance with a fixed-rate instrument bearing the rates and maturities designated in the determination of the applicable interest rate for such Advance.

(d) Notices. A certificate of the Issuing Bank or any Participating Bank setting forth such entity's claim for compensation hereunder and the amount necessary to compensate such entity or its holding company pursuant to subsections (a) through (d) of this Section 4.03 shall be submitted to the Account Party and the Issuing Bank and shall be conclusive and binding for all purposes, absent manifest error. The Account Party shall pay the Issuing Bank or such Participating Bank directly the amount shown as due on any such certificate within ten days after its receipt of the same. The failure of any entity to provide such notice or to make demand for payment under this Section 4.03 shall not constitute a waiver of such Participating Bank's rights hereunder; provided, that such entity shall not be entitled to demand payment pursuant to subsections (a) through (d) of this Section 4.03 in respect of any loss, cost, expense, reduction or reserve if such demand is made more than one year following the later of such entity's incurrence or sufferance thereof or such entity's actual knowledge of the event giving rise to such entity's rights pursuant to such subsections. The protection of this Section 4.03 shall be available to the Issuing Bank and each Participating Bank regardless of any possible contention of the invalidity or inapplicability of the law, rule, regulation, guideline or other change or condition which shall have occurred or been imposed.

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

(i) declare that Eurodollar Rate Advances will not thereafter be made by such Participating Bank hereunder, whereupon the right of the Account Party to select Eurodollar Rate Advances for any Advance or Conversion shall be forthwith suspended until such Participating Bank shall withdraw such notice as provided hereinbelow or shall cease to be a Participating Bank hereunder; and

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

Upon receipt of any such notice, the Agent shall promptly notify the Participating Banks thereof. Promptly upon becoming aware that the circumstances that caused such Participating Bank to deliver such notice no longer exist, such Participating Bank shall deliver notice thereof to the Account Party and the Agent withdrawing such prior notice (but the failure to do so shall impose no liability upon such Participating Bank). Promptly upon receipt of such withdrawing notice from such Participating Bank, the Agent shall deliver notice thereof to the Account Party and the Participating Banks and such suspension shall terminate. Prior to any Participating Bank giving notice to the Account Party under this subsection (f), such Participating Bank shall use reasonable efforts to change the jurisdiction of its Applicable Lending Office, if such change would avoid such unlawfulness and would not, in the sole determination of such Participating Bank, be otherwise disadvantageous to such Participating Bank. Any notice to the Account Party by any Participating Bank shall be effective as to each Eurodollar Rate Advance on the last day of the Interest Period currently applicable to such Eurodollar Rate Advance; provided that if such notice shall state that the maintenance of such Advance until such last day would be unlawful, such notice shall be effective on the date of receipt by the Account Party and the Agent.

(g) Market Rate Disruptions. If, (i) the Agent determines that an adequate basis does not exist for the determination of the Eurodollar Rate for Eurodollar Rate Advances or (ii) if the Majority Lenders shall notify the Agent that the Eurodollar Rate will not adequately reflect the cost to such Majority Lenders of making, funding or maintaining their respective Eurodollar Rate Advances, the right of the Account Party to select or receive or Convert into Eurodollar Rate Advances shall be forthwith suspended until the Agent shall notify the Account Party and the Participating Banks that the circumstances causing such suspension no longer exist, and until such notification from the Agent, each request for or Conversion into Eurodollar Rate Advances hereunder shall be deemed to be a request for or Conversion into Base Rate Advances.

SECTION IV.4. Sharing of Payments, Etc. If any Participating Bank shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise, but excluding any proceeds received by

assignments or sales of participations in accordance with Section 10.06 hereof to a Person that is not an Affiliate of the Account Party) on account of the Advances owing to it (other than pursuant to Section 4.03 hereof) in excess of its ratable share of payments on account of the Advances obtained by all the Participating Banks, such Participating Bank shall forthwith purchase from the other Participating Banks such participation in the portions of the Advances owing to them as shall be necessary to cause such purchasing Participating Bank to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Participating Bank, such purchase from each Participating Bank shall be rescinded and such Participating Bank shall repay to the purchasing Participating Bank the purchase price to the extent of such recovery together with an amount equal to such Participating Bank's ratable share (according to the proportion of (i) the amount of such Participating Bank's required repayment to (ii) the total amount so recovered from the purchasing Participating Bank) of any interest or other amount paid or payable by the purchasing Participating Bank in respect of the total amount so recovered. The Account Party agrees that any Participating Bank so purchasing a participation from another Participating Bank pursuant to this Section 4.04 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Participating Bank were the direct creditor of the Account Party in the amount of such participation. Notwithstanding the foregoing, if any Participating Bank shall obtain any such excess payment involuntarily, such Participating Bank may, in lieu of purchasing participation from the other Participating Banks in accordance with this Section 4.04, on the date of receipt of such excess payment, return such excess payment to the Agent for distribution in accordance with Section 4.01(a) hereof.

SECTION IV.5. Taxes. (a All payments by the Account Party hereunder shall be made in accordance with Section 4.01, free and clear of and without deduction for all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Participating Bank and the Issuing Bank, taxes imposed on its overall net income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Participating Bank or the Issuing Bank (as the case may be) is organized or any political subdivision thereof and, in the case of each Participating Bank, taxes imposed on its overall net income, and franchise taxes imposed on it, by the jurisdiction of such Participating Bank's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Account Party shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Participating Bank or the Issuing Bank, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 4.05) such Participating Bank or the Issuing Bank (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Account Party shall make such deductions and (iii) the Account Party shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(a) In addition, the Account Party agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement (hereinafter referred to as "Other Taxes").

(b) The Account Party will indemnify each Participating Bank and the Issuing Bank for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes and any Other Taxes imposed by any jurisdiction on amounts payable under this Section 4.05) paid by such Participating Bank or the Issuing Bank (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within 30 days from the date such Participating Bank or the Issuing Bank (as the case may be) makes written demand therefor. If any Taxes or Other Taxes for which a Participating Bank or the Issuing Bank has received payments from the Account Party hereunder shall be finally determined to have been incorrectly or illegally asserted and are refunded to such Participating Bank, such Participating Bank shall promptly forward to the Account Party any such refunded amount. The Account Party's, the Issuing Bank's and each Participating Bank's obligations under this Section 4.05 shall survive the payment in full of the Advances.

(c) Within 30 days after the date of any payment of Taxes, the Account Party will furnish to the Issuing Bank, at its address referred to in Section 10.02 hereof the original or a certified copy of a receipt evidencing payment thereof.

(d) Each Participating Bank not incorporated in the United States or a jurisdiction within the United States shall, on or prior to the date it becomes a Participating Bank hereunder, deliver to the Account Party and the

Issuing Bank such certificates, documents or other evidence, as required by the Internal Revenue Code of 1986, as amended from time to time (the "Code"), or treasury regulations issued pursuant thereto, including Internal Revenue Service Form 4224 and any other certificate or statement of exemption required by Treasury Regulation Section l.1441-1(a) or Section 1.1441-6(c) or any subsequent version thereof, properly completed and duly executed by such Participating Bank establishing that it is (i) not subject to withholding under the Code or (ii) totally exempt from United States of America tax under a provision of an applicable tax treaty. Each Participating Bank shall promptly notify the Account Party and the Issuing Bank of any change in its Applicable Lending Office and shall deliver to the Account Party and the Issuing Bank together with such notice such certificates, documents or other evidence referred to in the immediately preceding sentence. Unless the Account Party and the Issuing Bank have received forms or other documents satisfactory to them indicating that payments hereunder are not subject to United States of America withholding tax or are subject to such tax at a rate reduced by an applicable tax treaty, the Account Party or the Issuing Bank shall withhold taxes from such payments at the applicable statutory rate in the case of payments to or for any Participating Bank organized under the laws of a jurisdiction outside the United States of America. Each Participating Bank represents and warrants that each such form supplied by it to the Issuing Bank and the Account Party pursuant to this Section 4.05, and not superseded by another form supplied by it is or will be, as the case may be, complete and accurate.

(e) Any Participating Bank claiming any additional amounts payable pursuant to this Section 4.05 shall use reasonable efforts (consistent with legal and regulatory restrictions) to file any certificate or document requested by the Account Party or to change the jurisdiction of its Applicable Lending Office if the making of such a filing or change would avoid the need for or reduce the amount of any such additional amounts which may thereafter accrue and would not, in the sole determination of such Participating Bank, be otherwise disadvantageous to such Participating Bank.

(f) Notwithstanding anything to the contrary set forth in this Section 4.05, the failure of any Participating Bank to provide any of the forms referred to therein shall not relieve the Account Party from its obligations under Sections 4.05(a), 4.05(b) and 4.05(c).

SECTION IV.6. Obligations Absolute. The obligations of the Account Party under this Agreement shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement (as the same may be amended from time to time) under all circumstances, including, without limitation, the following circumstances:

(i) any lack of validity or enforceability of this Agreement or any of the Security Documents or Related Documents or any document or agreement delivered in connection therewith;

(ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the obligations of the Account Party in respect of the Letter of Credit or any other amendment or waiver of or any consent to departure from all or any of the Loan Documents or the Related Documents or any document or agreement delivered in connection therewith;

(iii) the existence of any claim, set-off, defense or other right which the Account Party may have at any time against the Paying Agent, the Trustee or any other beneficiary, or any transferee, of the Letter of Credit (or any persons or entities for whom the Paying Agent, the Trustee, any such beneficiary or any such transferee may be acting), the Agent, the Issuing Bank, or any other person or entity, whether in connection with this Agreement, the transactions contemplated in any of the Loan Documents or the Related Documents, or any unrelated transaction;

(iv) any statement or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect except to the extent that a court of competent jurisdiction shall determine that the Issuing Bank shall have engaged in gross negligence or willful misconduct with respect thereto;

(v) payment by the Issuing Bank under the Letter of Credit against presentation of a draft or certificate which does not comply with the terms of the Letter of Credit, except to the extent that a court of competent jurisdiction shall determine that the Issuing Bank shall have engaged in gross negligence or willful misconduct with respect thereto;

(vi) any exchange of, release of or non-perfection of any interest in any collateral, or any release or amendment or waiver of or consent to departure from any guarantee, for all or any of the obligations of the Account Party in respect of the Letter of Credit; or

(vii) any other circumstance or happening whatsoever, whether

or not similar to any of the foregoing.

SECTION IV.7. Evidence of Indebtedness. The Issuing Bank and each Participating Bank shall maintain, in accordance with their usual practice, an account or accounts evidencing the indebtedness of the Account Party resulting from each drawing under the Letter of Credit (in the case of the Issuing Bank) and from each Advance (in the case of each Participating Bank) made from time to time hereunder and the amounts of principal and interest payable and paid from time to time hereunder. In any legal action or proceeding in respect of this Agreement, the entries made in such account or accounts shall, in the absence of manifest error, be conclusive evidence of the existence and amounts of the obligations of the Account Party therein recorded.

ARTICLE V
CONDITIONS PRECEDENT

SECTION V.1. Conditions Precedent to the Issuance of the Letter of Credit. The obligation of the Issuing Bank to issue the Letter of Credit and of each Participating Bank to make the Advances to be made by it is subject to the fulfillment of the conditions precedent that the Agent shall have received on or before the day of such issuance the following, each dated such day (except where specified otherwise below), in form and substance satisfactory to each Participating Bank (except where specified otherwise below) and in sufficient copies for each Participating Bank:

(a) Agreements:

(i) Counterparts of this Agreement, duly executed and delivered by the Account Party, the Agent, the Issuing Bank and each Participating Bank.

(ii) Counterparts of the Pledge Agreement, duly executed by the Account Party, the Agent and the Issuing Bank.

(iii) Counterparts of the Intercreditor Amendment, duly executed by the parties thereto.

(iv) Counterparts of the Security Agreement Amendment, duly executed by the parties thereto.

(v) Executed copies (or duplicate copies thereof certified as of the Closing Date by the Account Party in a manner satisfactory to the Agent to be a true copy) of the Indenture, duly executed by the parties thereto.

(vi) For each Participating Bank who shall so request, executed copies (or duplicate copies thereof certified as of the Closing Date by the Account Party in a manner satisfactory to the Agent to be a true copy) of each other Security Document, duly executed by the parties thereto.

(vii) For each Participating Bank who shall so request, executed copies (or duplicate copies thereof certified as of the Closing Date by the Account Party in a manner satisfactory to the Agent to be a true copy) of the Rate Agreement and each Significant Contract and all amendments, modifications and supplements thereto, in each such case duly executed by the respective parties thereto.

(b) Corporate Matters:

(i) A certificate of the Secretary or an Assistant Secretary of the Account Party certifying that (A) attached to such certificate are true and correct copies of the Articles of Incorporation of the Account Party and the By-laws of the Account Party, in each case as in effect on the Closing Date and (B) attached to such certificate are true and correct copies of the resolutions of the Boards of Directors of the Account Party approving, if and to the extent necessary, the Transaction Documents to which it is a party, and all other agreements and documents required to be executed and delivered by the Account Party in order to carry out, give effect to, and consummate the transactions contemplated by each of the foregoing documents, and of all documents evidencing other necessary corporate action, if any, with respect to the execution, delivery and performance by or on behalf of the Account Party of the Transaction Documents and all such other agreements and documents and certifying that such resolutions and other corporate actions, if any, are in full force and effect and have not been revoked, rescinded or modified.

(ii) A certificate of the Secretary or an Assistant Secretary of the Account Party certifying the names and true signatures of the officers of the Account Party authorized to sign this Agreement, the other Transaction Documents and the other documents to be delivered hereunder and under the other Loan Documents.

(c) Governmental Approvals and Litigation:

(i) A certificate of a duly authorized officer of the Account Party certifying that attached thereto are true and correct copies of all Governmental Approvals referred to in clause (i) of the definition of "Governmental Approval" required to be obtained or made by the Account Party in connection with the execution and delivery of this Agreement and the issuance of the Letter of Credit.

(ii) A certificate of a duly authorized officer of the Account Party to the effect that there is no pending or known threatened action or proceeding (including, without limitation, any action or proceeding relating to any environmental protection laws or regulations) affecting the Account Party or its properties before any court, governmental agency or arbitrator (A) which affects or purports to affect the legality, validity or enforceability of the Loan Documents or the Related Documents or any of them or (B) as to which there is a reasonable possibility of an adverse determination and which, if adversely determined, would materially adversely affect the financial condition, properties, prospects or operations of the Account Party; except, for purposes of clause (B) only, such as is described in the Disclosure Documents or in such certificate.

(d) Financial Accounting and Compliance Matters:

(i) Copies of the Disclosure Documents.

(ii) Financial projections, on assumptions acceptable to the Participating Banks, demonstrating projected compliance with Section 7.01(j) of this Agreement.

(iii) A certificate signed by the Treasurer or Assistant Treasurer of the Account Party, to the effect that: (A0 the statements set forth in subsections (a) through (e) of Section 5.02, below, are true and correct on and as of the date of such issuance; (B0 attached thereto is a listing in reasonable detail of all the Account Party's investments in, or loans to, either directly or indirectly, any affiliate of the Account Party; and (C) the assumptions on which the financial projections contained in the Information Memorandum were based continue to be valid on and as of the Closing Date.

(e) Opinions of Counsel:

Favorable opinions of:

(i) Day, Berry & Howard, counsel to the Account Party, in substantially the form of Exhibit 5.01A and as to such other matters as the Majority Lenders, through the Agent, may reasonably request, together with a letter from such counsel authorizing the Agent, the Issuing Bank and the Participating Banks to rely upon the opinions of such firm rendered in connection with the issuance of the Taxable Bonds;

(ii) Jeffrey C. Miller, Assistant General Counsel of NUSCO, in substantially the form of Exhibit 5.01B and as to such other matters as the Majority Lenders, through the Agent, may reasonably request;

(iii) Catherine E. Shively, Senior Counsel of the Account Party, in substantially the form of Exhibit 5.01C and as to such other matters as the Majority Lenders, through the Agent, may reasonably request;

(iv) Drummond Woodsum & MacMahon, special Maine counsel to the Account Party, in substantially the form of Exhibit 5.01D and as to such other matters as the Majority Lenders, through the Agent, may reasonably request;

(v) Zuccaro Willis & Bent, special Vermont counsel to the Account Party, in substantially the form of Exhibit 5.01E and as to such other matters as the Majority Lenders, through the Agent, may reasonably request; and

(vi) King & Spalding, special New York counsel to the Agent and the Issuing Bank, in substantially the form of Exhibit 5.01F.

(f) Miscellaneous:

(i) A letter from Palmer & Dodge, Bond Counsel, addressed to the Agent, the Issuing Bank and the Participating Banks and stating therein that the Agent, the Issuing Bank and the Participating Banks may rely on the opinions of such firm rendered in connection with the issuance of the Taxable Bonds, together with copies of all such opinions;

(ii) A letter from Palmer & Dodge, counsel to the Issuer, addressed to the Agent, the Issuing Bank and the Participating Banks and stating

therein that the Agent, the Issuing Bank and the Participating Banks may rely on the opinions of such firm rendered in connection with the issuance of the Taxable Bonds, together with copies of all such opinions;

(iii) Such other approvals, opinions and documents as the Majority Lenders, through the Issuing Bank, may reasonably request as to the legality, validity, binding effect or enforceability of the Loan Documents or the financial condition, properties, operations or prospects of the Account Party;

(iv) Copies of all such other agreements, documents and materials (including opinions of counsel or reliance letters in respect thereof) as the Agent, the Issuing Bank or any Participating Bank may reasonably request relating to the issuance, offering and sale of the Taxable Bonds and the Series G First Mortgage Bonds; and

(v) A certificate of UBS AG, successor to Swiss Bank as "Agent" and "Issuing Bank" thereunder, to the effect that (A) all amounts payable in connection with the Existing Reimbursement Agreement and the Existing Letter of Credit have been paid and (B) it thereby surrenders any and all rights it may have under the Related Documents arising in connection with the Existing Reimbursement Agreement and the Existing Letter of Credit, except for any such rights it may have as an indemnified party thereunder.

SECTION V.2. Additional Conditions Precedent to the Issuance of the Letter of Credit. The obligation of the Issuing Bank to issue the Letter of Credit and of each Participating Bank to make the Advances to be made by it shall be subject to the further conditions precedent that, on the date of the issuance of the Letter of Credit, the following statements shall be true:

(a) there has occurred no Material Adverse Effect since December 31, 1998;

(b) the representations and warranties contained in Section 6.01 shall be correct in all material respects on and as of the Closing Date before and after giving effect to the issuance of the Letter of Credit;

(c) no event shall have occurred and be continuing which constitutes an Event of Default or Unmatured Default, or would result from the issuance of the Letter of Credit;

(d) the Other Reimbursement Agreement has been duly executed and delivered by the parties thereto, all conditions precedent to the issuance of the "Letter of Credit" provided for thereunder have been satisfied and no "Event of Default" or "Unmatured Default" (as defined therein) has occurred and is continuing;

(e) the Series G First Mortgage Bonds were duly issued to the Trustee in accordance with the Indenture, are presently outstanding, and no "Event of Default" (as defined in the First Mortgage Indenture) has occurred and is continuing;

(f) all UCC-1, UCC-3 and other filings and recordings in respect of the Collateral shall have been duly completed, the results of all lien and record searches undertaken in connection with the Security Agreement and the Collateral thereunder shall be satisfactory to the Agent and its counsel; and the Security Agreement shall create a first priority perfected security interest in such Collateral;

(g) the Account Party shall have paid all fees under or referenced in Section 2.03 hereof, to the extent then due and payable;

(h) all other matters relating to the issuance of the Letter of Credit, the Other Reimbursement Agreement and the "Letter of Credit" to be issued thereunder shall be satisfactory to the Agent and its counsel; and

(i) the 1998 Revolving Credit Agreement has been terminated and all amounts payable by the Account Party in connection with the 1998 Revolving Credit Agreement have been paid in full, other than in respect of indemnification and similar contingent obligations for which no claim has been made.

SECTION V.3. Conditions Precedent to Initial Advances and Conversions of Advances. The obligation of each Participating Bank to make any Initial Advance or to Convert any Term Advance shall be subject to the conditions precedent that, on the date of such Initial Advance or Conversion, the following statements shall be true:

(a) the representations and warranties contained in Section 6.01 of this Agreement (other than the last sentence of subsection (e) and clause (ii) of subsection (f) thereof) are true and correct on and as of the date of such Initial Advance or Conversion, before and after giving effect to such Initial Advance or Conversion and to the application of the proceeds (if any)

therefrom, as though made on and as of such date; and

(b) no event has occurred and is continuing which constitutes an Event of Default.

Unless the Account Party shall have previously advised the Agent in writing that one or more of the statements contained in subsections (a) and (b) of this Section 5.03 is no longer true, the Account Party shall be deemed to have represented and warranted, on and as of the date of any Initial Advance or Conversion, that the above statements are true.

SECTION V.4. Conditions Precedent to Term Advances. The obligation of each Participating Bank to make any Term Advance shall be subject to the conditions precedent that, on the date of such Term Advance the following statements shall be true:

(a) the representations and warranties contained in Section 6.01 of this Agreement (including the last sentence of subsection (e) and clause (ii) of subsection (f) thereof) are true and correct on and as of the date of such Term Advance, before and after giving effect to such Term Advance and to the application of the proceeds therefrom, as though made on and as of such date; and

(b) no event has occurred and is continuing which constitutes an Event of Default or an Unmatured Default.

Unless the Account Party shall have previously advised the Agent in writing that one or more of the statements contained in subsections (a) and (b) of this Section 5.04 is no longer true, the Account Party shall be deemed to have represented and warranted, on and as of the date of any Term Advance, that the above statements are true.

SECTION V.5. Reliance on Certificates. The Agent, the Issuing Bank and the Participating Banks shall be entitled to rely conclusively upon the certificates delivered from time to time by officers of the Account Party, NU, NUSCO and the other parties to the Loan Documents, Related Documents and the Significant Contracts as to the names, incumbency, authority and signatures of the respective persons named therein until such time as the Agent may receive a replacement certificate, in form acceptable to the Agent, from an officer of such Person identified to the Agent as having authority to deliver such certificate, setting forth the names and true signatures of the officers and other representatives of such Person thereafter authorized to act on behalf of such Person.

ARTICLE VI
REPRESENTATIONS AND WARRANTIES

SECTION VI.1. Representations and Warranties of the Account PartyThe Account Party represents and warrants as follows:

(a) The Account Party is a corporation duly organized and validly existing under the laws of the State of New Hampshire. The Account Party is duly qualified to do business in, and is in good standing in, all other jurisdictions where the nature of its business or the nature of property owned or used by it makes such qualifications necessary.

(b) The execution, delivery and performance by the Account Party of the Rate Agreement and of each Transaction Document, Loan Document, Related Document and Significant Contract to which it is a party, are within the Account Party's corporate powers, have been duly authorized by all necessary corporate action, and do not and will not contravene (i) the Account Party's charter or bylaws or (ii) any law or legal or contractual restriction binding on or affecting the Account Party; and such execution, delivery and performance do not or will not result in or require the creation of any Lien (other than pursuant hereto or pursuant to the Security Documents) upon or with respect to any of its properties.

(c) All Governmental Approvals referred to in clauses (i) and (ii) of the definition of "Governmental Approvals" have been duly obtained or made, and all applicable periods of time for review, rehearing or appeal with respect thereto have expired, except as described in the several opinions of counsel delivered pursuant to Article V of this Agreement. The Account Party has obtained or made all Governmental Approvals referred to in clause (iii) of the definition of "Governmental Approvals", except those which are not yet required but which are obtainable in the ordinary course of business as and when required and those the absence of which would not materially adversely affect the financial condition, properties, prospects or operations of the Account Party as a whole.

(d) This Agreement, the Rate Agreement, each other Transaction Document, Loan Document, Related Document and each Significant Contract to which the Account Party is a party have been duly executed and delivered by or on behalf of the Account Party and are legal, valid and binding obligations of the Account Party enforceable against the Account Party in

accordance with their respective terms; subject to the qualifications, however, that the enforcement of the rights and remedies herein and therein is subject to bankruptcy and other similar laws of general application affecting rights and remedies of creditors and the application of general principles of equity (regardless of whether considered in a proceeding in equity or law), that the remedy of specific performance or of injunctive relief is subject to the discretion of the court before which any proceedings therefor may be brought and that indemnification against violations of securities and similar laws may be subject to matters of public policy.

(e) The audited balance sheet of the Account Party as at December 31, 1998 and the related audited statements of the Account Party setting forth the results of operations, retained earnings and cash flows of the Account Party for the fiscal year then ended, copies of which have been furnished to each Participating Bank, fairly present in all material respects the financial condition, results of operations, retained earnings and cash flows of the Account Party at and for the year ended on such date and have been prepared in accordance with generally accepted accounting principles consistently applied. Except as reflected in such financial statements, the Account Party has no material non-contingent liabilities, and all contingent liabilities have been appropriately reserved. The financial projections referred to in Section 5.01(d)(ii) of this Agreement have been prepared in good faith and on reasonable assumptions. Since December 31, 1998, there has been no material adverse change in the financial condition, operations, properties or prospects of the Account Party, other than as disclosed in the Disclosure Documents; provided, however, that the existence of the Rate Proceeding shall not be deemed in and of itself to be a material adverse change; provided, further, however, that notwithstanding the foregoing, a material adverse change shall be deemed to have occurred and be continuing upon the occurrence of a material adverse change or development in the Rate Proceeding.

(f) Except as set forth in the Disclosure Documents, there is no pending or known threatened action or proceeding (including, without limitation, any action or proceeding relating to any environmental protection laws or regulations) affecting the Account Party or its properties before any court, governmental agency or arbitrator (i) which affects or purports to affect the legality, validity or enforceability of the Transaction Documents, the Loan Documents or the Related Documents, the Rate Agreement, or any Significant Contract, or any of them or (ii) which, if adversely determined, would materially adversely affect the financial condition, operations, properties or prospects of the Account Party as a whole. Notwithstanding the foregoing, any material adverse development in respect of the Rate Proceeding, the Rate Agreement or the Final Plan that results, or would reasonably be expected to result, in a material adverse effect on the financial condition, operations, properties or prospects of the Account Party as a whole, shall be deemed to be an event within clause (ii) of the preceding sentence.

(g) All insurance required by Section 7.01(c) hereof is in full force and effect.

(h) No ERISA Plan Termination Event has occurred nor is reasonably expected to occur with respect to any ERISA Plan which would materially adversely affect the financial condition, properties, prospects or operations of the Account Party, except as disclosed to and consented by the Majority Lenders in writing. Since the date of the most recent Schedule B (Actuarial Information) to the annual report of the Account Party (Form 5500 Series), if any, there has been no material adverse change in the funding status of the ERISA Plans referred to therein and no non-exempt "prohibited transaction" has occurred with respect thereto, except as described in the Disclosure Documents and except as the same may be exempt pursuant to Section 408 of ERISA and regulations and orders thereunder. Neither the Account Party nor any of its ERISA Affiliates has incurred nor reasonably expects to incur any material withdrawal liability under ERISA to any ERISA Multiemployer Plan, except as disclosed to and consented by the Majority Lenders in writing.

(i) The Major Electric Generating Plants are on land in which the Account Party owns a full or an undivided fee interest subject only to Liens permitted by Section 7.02(a) hereof, which do not materially impair the usefulness to the Account Party of such properties; the electric transmission and distribution lines of the Account Party in the main are located in New Hampshire and on land owned in fee by the Account Party or over which the Account Party has easements, or are in or over public highways or public waters pursuant to adequate statutory or regulatory authority, and any defects in the title to such transmission and distribution lands or easements are in the main curable by the exercise of the Account Party's right of eminent domain upon a finding that such eminent domain proceedings are necessary to meet the reasonable requirements of service to the public; the Account Party enjoys peaceful and undisturbed possession under all of the leases under which it is operating, none of which contains any unusual or burdensome provision which will materially affect or impair the operation of the Account Party; and the Security Documents will create valid Liens in the Collateral, subject only to Liens permitted by Section 7.02(a) hereof, and all filings and other actions necessary to perfect and protect such security

interests (to the extent such security interests may be perfected or protected by filing) have been taken; provided, however, that no representation is made as to any Lien purported to be created in favor of the Trustee with respect to any interest of the Issuer in the Indenture.

(j) No material part of the properties, business or operations of the Account Party are materially adversely affected by any fire, explosion, accident, strike, lockout or other labor disputes, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (except for any such circumstance, if any, which is covered by insurance which coverage has been confirmed and not disputed by the relevant insurer or by fully-funded self-insurance programs).

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

(l) No exhibit, schedule, report or other written information provided by the Account Party or its agents to the Agent, the Issuing Bank or the Participating Banks in connection with the negotiation, execution and closing of this Agreement and the other Transaction Documents, or the issuance of the Bonds (including, without limitation, the Information Memorandum and the Official Statements) knowingly contained when made any material misstatement of fact or knowingly omitted to state any material fact necessary to make the statements contained therein not misleading in light of the circumstances under which they were made.

(m) No event has occurred and is continuing which constitutes a material default under the Rate Agreement or any Significant Contract.

(n) The Account Party has not, either directly or indirectly, made any investment in, or loans to, any Affiliate of the Account Party, other than such investments or loans as were outstanding on the date hereof.

(o) No proceeds of any Advance will be used (i) to acquire any equity security of a class which is registered pursuant to Section 12 of the Securities Exchange Act of 1934 or (ii) to buy or carry any margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System) or to extend credit to others for such purpose. The Account Party (X) is not an "investment company" within the meaning ascribed to that term in the Investment Company Act of 1940 or (Y) is not engaged in the business of extending credit for the purpose of buying or carrying margin stock.

(p) The Account Party has reviewed and continues to review the effect of the Year 2000 Issue on the computer software, hardware and firmware systems and equipment containing embedded microchips owned or operated by or for the Account Party or used or relied upon in the conduct of its business (including, without limitation, systems and equipment supplied by others). The costs to the Account Party of any reprogramming and/or remediation required as a result of the Year 2000 Issue to permit the proper functioning of such systems and equipment and the proper processing of data, and testing of such reprogramming or remediation (as the case may be), and of the reasonably foreseeable consequences of the Year 2000 Issue to the Account Party (including, without limitation, reprogramming errors and the failure of systems or equipment supplied by others) are not reasonably expected to result in an Event of Default or an Unmatured Default or to have a Material Adverse Effect.

ARTICLE VII
COVENANTS OF THE ACCOUNT PARTY

SECTION VII.1. Affirmative Covenants. So long as any amounts shall remain available to be drawn under the Letter of Credit or any Advance or other amounts shall remain unpaid hereunder or any Participating Bank shall have any Commitment, the Account Party will, unless the Majority Lenders shall otherwise consent in writing:

(a) Use of Proceeds. Apply all proceeds of each Advance solely as specified in Section 3.02 and Section 6.01(o) hereof.

(b) Payment of Taxes, Etc. Pay and discharge before the same shall become delinquent all taxes, assessments and governmental charges, royalties or levies imposed upon it or upon its property except to the extent the Account Party is contesting the same in good faith by appropriate proceedings and has set aside adequate reserves for the payment thereof.

(c) Maintenance of Insurance. Maintain, or cause to be maintained, insurance (including appropriate plans of self-insurance) covering the Account Party and its properties in effect at all times in such amounts and covering such risks as may be required by law and in addition as is usually

carried by companies engaged in similar businesses and owning similar properties.

(d) Preservation of Existence, Etc. Preserve and maintain its corporate existence, material rights (statutory and otherwise) and franchises except as otherwise expressly provided for in the Security Documents.

(e) Compliance with Laws, Etc. Comply in all material respects with the requirements of all applicable laws, rules, regulations and orders of any governmental authority, including without limitation any such laws, rules, regulations and orders relating to utilities, zoning, environmental protection, use and disposal of Hazardous Substances, land use, construction and building restrictions, and employee safety and health matters relating to business operations, except to the extent (i) that the Account Party is contesting the same in good faith by appropriate proceedings or (ii) that any such noncompliance, and the enforcement or correction thereof, would not materially adversely affect the financial condition, properties, prospects or operations of the Account Party as a whole.

(f) Inspection Rights. At any time and from time to time upon reasonable notice, permit the Agent and its agents and representatives to examine and make copies of and abstracts from the records and books of account of, and the properties of, the Account Party and to discuss the affairs, finances and accounts of the Account Party with the Account Party and of its officers, directors and accountants.

(g) Keeping of Books. Keep proper records and books of account, in which full and correct entries shall be made of all financial transactions of the Account Party and the assets and business of the Account Party, in accordance with good accounting practices consistently applied.

(h) Performance of Related Agreements. Perform and observe all material terms and provisions of the Rate Agreement and each Significant Contract to be performed or observed by the Account Party and take all reasonable steps to enforce such agreements substantially in accordance with their terms and to preserve the rights of the Account Party thereunder; provided, that the foregoing provisions of this Section 7.01(h) shall not preclude the Account Party from any waiver, amendment, modification, consent or termination permitted under Section 7.02(g) hereof.

(i) Collection of Accounts Receivable. Promptly bill, and diligently pursue collection of, in accordance with customary utility practices, all accounts receivable owing to the Account Party and all other amounts that may from time to time be owing to the Account Party for services rendered or goods sold.

(j) Maintenance of Financial Covenants:

(i) Operating Income to Interest Expense. Maintain a ratio of Operating Income to Interest Expense of not less than 2.35 to 1.00 for each period of four consecutive fiscal quarters on each quarter-end ending after December 31, 1998.

(ii) Common Equity to Total Capitalization Ratio. Maintain at all times a ratio of Common Equity to Total Capitalization of not less than 0.325 to 1.00.

(k) Maintenance of Properties, Etc. (i) As to properties of the type described in Section 6.01(i) hereof, maintain title of the quality described therein; and (ii) preserve, maintain, develop, and operate in substantial conformity with all laws, material contractual obligations and prudent practices prevailing in the industry, all of its properties which are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted, except to the extent such non-conformity would not materially adversely affect the financial condition, properties, prospects or operations of the Account Party as a whole.

(l) Governmental Approvals. Duly obtain on or prior to such date as the same may become legally required, and thereafter maintain in effect at all times, all Governmental Approvals on its part to be obtained, except those the absence of which would not materially adversely affect the financial condition, properties, prospects or operations of the Account Party as a whole.

(m) Further Assurances. Promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or that any Participating Bank through the Issuing Bank may reasonably request in order to fully give effect to the interests and properties purported to be covered by the Security Documents.

(n) Related Documents. Perform and comply in all material respects with each of the provisions of each Related Document to which it is a party.

(o) Year 2000. Take all necessary action to complete in all respects by September 30, 1999 the reprogramming and/or remediation of computer

software, hardware and firmware systems and equipment containing embedded microchips owned or operated by or for the Account Party or used or relied upon in the conduct of its business (including, without limitation, systems and equipment supplied by others) required as a result of the Year 2000 Issue to permit the proper functioning of such computer systems and other equipment and the testing of such systems and equipment, as so reprogrammed or remediated (as the case may be), except for any reprogramming, remediation and/or testing the failure of which to complete by such date could not reasonably be expected to result in an Event of Default or an Unmatured Default or to have a Material Adverse Effect. At the request of the Issuing Bank or Majority Lenders, the Account Party shall provide to the Issuing Bank and each Participating Bank reasonable assurance of its compliance with the preceding sentence.

SECTION VII.2. Negative Covenants. So long as any amount shall remain available to be drawn under the Letter of Credit or any Advance or other amounts shall remain unpaid hereunder or any Participating Bank shall have any Commitment, the Account Party will not without the written consent of the Majority Lenders:

(a) Liens, Etc. Create, incur, assume or suffer to exist any lien, security interest, or other charge or encumbrance (including the lien or retained security title of a conditional vendor) of any kind, or any other type of preferential arrangement the intent or effect of which is to assure a creditor against loss or to prefer one creditor over another creditor upon or with respect to any of its properties of any character (any of the foregoing being referred to herein as a "Lien") whether now owned or hereafter acquired, or sign or file under the Uniform Commercial Code of any jurisdiction a financing statement which names the Account Party as debtor, sign any security agreement authorizing any secured party thereunder to file such financing statement, or assign accounts, excluding, however, from the operation of the foregoing restrictions the following, whether now existing or hereafter created or perfected:

(i) The Liens of the First Mortgage Indenture, the Security Agreement, the Pledge Agreement, the "Pledge Agreement" referred to in the Other Reimbursement Agreement, and any lien created pursuant hereto; and

(ii) Permitted Liens (as defined in the First Mortgage Indenture as in effect on the date hereof) on the Indenture Assets; provided, however, that (A) the exclusion contained in clause (a) of such definition with respect to Liens junior to the Lien of the First Mortgage Indenture shall not apply to any Lien created after the date hereof; (B) the exclusion contained in clauses (g) and (h) of such definition shall apply only to the extent that all Liens of the type described therein from time to time existing do not, in the aggregate, materially and adversely affect the value of the security granted under the First Mortgage Indenture and no such Lien secures Debt of the Account Party for borrowed money; and (C) the Account Party shall not, on or after the date hereof, create, incur or assume any purchase money Debt secured by Liens of the type described in clause (o) of such definition;

provided, however, that this Section 7.02(a) shall not be construed to authorize the Account Party to incur, assume, be liable for or suffer to exist any Debt not otherwise permitted hereunder or to create any Lien on its accounts receivable, other than the Lien of the Security Agreement.

(b) Debt. From and after the Closing Date, create, incur or assume any Debt, other than pursuant to this Agreement, the Other Reimbursement Agreement and unsecured debt in an aggregate amount not to exceed $25,000,000, and then only if, after giving effect thereto, (i) no Event of Default or Unmatured Default shall have occurred and be continuing on the date of such creation, incurrence or assumption and (ii) the Account Party shall have determined that on the basis of the assumptions and forecasts set forth in the most recent operating budget/forecast of operations delivered pursuant to Section 7.03(iv) hereof (which the Account Party continues to believe to be reasonable), the Account Party will continue to be in compliance at all times with the provisions of Section 7.01(j) hereof. The Account Party will furnish evidence of its compliance with this subsection (b) for each fiscal quarter pursuant to Section 7.03(ii) hereof.

(c) Mergers, Etc. Merge with or into or consolidate with or into, or acquire all or substantially all of the assets of, any Person.

(d) Sales, Etc., of Assets. Sell, lease, transfer or otherwise dispose of all or any substantial part of its assets, whether in a single transaction or series of transactions during any consecutive 12-month period, except for (i) the sale of the Account Party's generating assets on an arms'-length basis in a transaction (or series of transactions) subject to approval by the NHPUC as part of a settlement of the Rate Proceeding and (ii) sales, leases, transfers or other dispositions in the ordinary course of the Account Party's business in accordance with ordinary and customary terms and conditions. For purposes of this subsection (d), any transaction or series of transactions

during any consecutive 12-month period shall be deemed to involve a "substantial part" of the Account Party's assets if, in the aggregate, (A) the book value of such assets equals or exceeds 7.5% of the total assets, net of regulatory assets, of the Account Party reflected in the financial statements of the Account Party delivered pursuant to Section 7.03(ii) or 7.03(iii) hereof in respect of the fiscal quarter or year ending on or immediately prior to the commencement of such 12-month period or (B) for the four calendar quarters ending on or immediately prior to commencement of such 12-month period, the gross revenue derived by the Account Party from such assets shall equal or exceed 7.5% of the total gross revenue of the Account Party.

(e) Restricted Payments and NUG Settlements. Declare or pay any dividend, or make any payment or other distribution of assets, properties, cash, rights, obligations or securities on account of any share of any class of capital stock of the Account Party (other than stock splits and dividends payable solely in equity securities of the Account Party), or purchase, redeem, retire, or otherwise acquire for value any shares of any class of capital stock of the Account Party or any warrants, rights, or options to acquire any such shares, now or hereafter outstanding, or make any distribution of assets to any of its shareholders (any such transaction being a "Restricted Payment"), or make any payment of or on account of any NUG Settlement (a "NUG Settlement Payment"); provided, that the Account Party may make one or more Restricted Payments or NUG Settlement Payments if:

(i) the aggregate amount of all such payments during the term of this Agreement shall not exceed $40,000,000;

(ii) in the case of a NUG Settlement Payment, such NUG Settlement shall have been approved by the NHPUC and all other Governmental Approvals related thereto shall have been obtained and be in full force and effect;

(iii) no Event of Default or Unmatured Default shall have occurred and be continuing;

(iv) after giving effect to such payment, the Account Party shall be in full compliance with Section 7.01(j) hereof (for purposes of determining compliance with Section 7.01(j) under this clause (vi), computations under Section 7.01(j) shall be made as of the date of such payment, except that, retained earnings shall be determined as of the last day of the immediately preceding fiscal quarter (adjusted for all Restricted Payments and NUG Settlement Payments made after the last day of such preceding fiscal quarter)); and

(v) the Account Party shall have determined that, on the basis of the assumptions and forecasts set forth in the most recent operating budget/forecast of operations delivered pursuant to Section 7.03(iv) hereof (which the Account Party continues to believe to be reasonable) and after giving effect to such payment, the Account Party will continue to be in compliance at all times with the provisions of Section 7.01(j) hereof.

Notwithstanding anything to the contrary contained in this Section 7.02(e), the Account Party may declare and pay regularly scheduled quarterly dividends and regularly scheduled sinking fund payments on the Preferred Stock, if, immediately prior to and after giving effect to any such payment, no Event of Default or Unmatured Default shall have occurred and be continuing.

(f) Compliance with ERISA. (i) terminate, or permit any ERISA Affiliate to terminate, any ERISA Plan so as to result in any material (in the opinion of the Majority Lenders) liability of the Account Party to the PBGC, or (ii) permit to exist any occurrence of any event described in clause (i) of the definition of ERISA Plan Termination Event, or any other event or condition, which presents a material (in the opinion of the Majority Lenders) risk of such a termination by the PBGC of any ERISA Plan and such a material liability to the Account Party.

(g) Related Agreements.

(i) Amendments. Amend, modify or supplement or give any consent, acceptance or approval to any amendment, modification or supplement or deviation by any party from the terms of, the Rate Agreement or any Significant Contract, except, with respect only to the Rate Agreement, any deviation described in the April 6, 1999 letter of David R. McHale to the Participating Banks, and except, with respect only to the Significant Contracts, any amendment, modification or supplement thereto that would not reduce the rights or entitlements of the Account Party thereunder in any material way.
(ii) Termination. Cancel or terminate (or consent to any cancellation or termination of) the Rate Agreement or any Significant Contract prior to the expiration of its stated term, provided that this subsection (ii) shall not restrict the rights of the Account Party to enforce any remedy against any obligor under any Significant Contract in the event of a material breach or default by such obligor thereunder if

and so long as the Account Party shall have provided to the Agent at least 30 days prior written notice of the enforcement action proposed to be undertaken by the Account Party.

(h) Change in Nature of Business. Engage in any material business activity other than those established and engaged in on the date hereof.

(i) Ownership in Nuclear Plants. Acquire, directly or indirectly, any ownership interest or any additional ownership interest of any kind in any nuclear-powered electric generating plant.

(j) Subsidiaries. Create or suffer to exist any active subsidiaries other than Properties, Inc., a New Hampshire corporation; or permit any material assets or business to be maintained at or conducted by any subsidiary except for the assets owned by Properties, Inc. not exceeding $20,000,000.

(k) Prepayment or Alteration of Debt. (i) Prepay, redeem, reduce or voluntarily retire, or make or agree to make any change in the terms of, any Debt of the Account Party, other than to the extent permitted by Section 7.04; (ii) without limitation of the foregoing, amend, modify or supplement the Indenture or the First Mortgage Indenture, except to the extent permitted by Section 7.04 or (iii) issue any First Mortgage Bonds as collateral security for any existing or future debt, or grant any other security to any holder of existing Debt of the Account Party, except to the extent permitted by Section 7.04.

(l) Loans and Investments. Make any loans to or investments in any Person, other than investments in Permitted Investments.

(m) Affiliate Receivables. Permit the aggregate balance of accounts receivable from Affiliates (other than such receivables constituting receivables for wholesale sales of power) to equal or exceed $12,500,000 as of the end of any calendar month.

SECTION VII.3. Reporting Obligations. So long as any amount shall remain available to be drawn under the Letter of Credit or any Advance or other amounts shall remain unpaid hereunder or any Participating Bank shall have any Commitment, the Account Party will, unless the Majority Lenders shall otherwise consent in writing, furnish to the Agent in sufficient copies for the Issuing Bank and each Participating Bank, the following:

(i) as soon as possible and in any event within five (5) days after the occurrence of each Event of Default or Unmatured Default continuing on the date of such statement, a statement of the Chief Financial Officer, Treasurer or Assistant Treasurer of the Account Party setting forth details of such Event of Default or Unmatured Default and the action which the Account Party proposes to take with respect thereto;

(ii) as soon as available and in any event within fifty (50) days after the end of each of the first three quarters of each fiscal year of the Account Party, (A) if and so long as the Account Party is required to submit to the Securities and Exchange Commission a report on Form 10-Q, a copy of the Account Party's report on Form 10-Q submitted to the Securities and Exchange Commission with respect to such quarter and (B) if the Account Party ceases to be required to submit such report, a balance sheet of the Account Party as of the end of such quarter and statements of income and retained earnings and of cash flows of the Account Party for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, all in reasonable detail and duly certified (subject to year-end audit adjustments) by the Chief Financial Officer, Treasurer or Assistant Treasurer of the Account Party as having been prepared in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements referred to in Section 6.01(e) hereof, in each such case, delivered together with a certificate of said officer (x) stating that no Event of Default or Unmatured Default has occurred and is continuing or, if an Event of Default or Unmatured Default has occurred and is continuing, a statement as to the nature thereof and the action which the Account Party proposes to take with respect thereto, (y) demonstrating compliance with Section 7.01(j) hereof for and as of the end of such fiscal quarter and compliance with Sections 7.02(b) and (e) hereof, as of the dates on which any Debt was created, incurred or assumed (using the Account Party's most recent annual actuarial determinations in the computation of Debt referred to in clause (ix) in the definition of "Debt") or any Restricted Payment or NUG Settlement Payment was made during such quarter, and (z) demonstrating, after giving effect to the incurrence of any Debt created, incurred or assumed during such fiscal quarter (using the Account Party's most recent annual actuarial determinations in the computation of Debt referred to in clause (ix) in the definition of "Debt") and after giving effect to any Restricted Payments or NUG Settlement Payments made during such fiscal quarter, compliance with Section 7.01(j) hereof for the remainder of the fiscal year of the Account Party based on the operating budget/forecast

of operations delivered pursuant to Section 7.03 (iv) hereof for such fiscal year, such demonstrations to be in a schedule (in form satisfactory to the Majority Lenders) which sets forth the computations used by the Account Party in determining such compliance;

(iii) as soon as available and in any event within 105 days after the end of each fiscal year of the Account Party, (A) if and so long as the Account Party is required to submit to the Securities and Exchange Commission a report on Form 10-K, a copy of the Account Party's report on Form 10-K submitted to the Securities and Exchange Commission with respect to such year and (B) if the Account Party ceases to be required to submit such report, a copy of the annual audit report for such year for the Account Party including therein a balance sheet of the Account Party as of the end of such fiscal year and statements of income and retained earnings and of cash flows of the Account Party for such fiscal year, in each case certified by a nationally-recognized independent public accountant, in each such case delivered together with a certificate of the Chief Financial Officer, Treasurer or Assistant Treasurer (x) stating that the financial statements were prepared in accordance with generally accepted accounting principles consistent with those applied in the preparation of financial statements referred to in Section 6.01(e) hereof, and that no Event of Default or Unmatured Default has occurred and is continuing, or if an Event of Default or Unmatured Default has occurred and is continuing, stating the nature thereof and the action which the Account Party proposes to take with respect thereto and (y) demonstrating compliance with Section 7.01(j) hereof for and as of the end of such fiscal year and compliance with Sections 7.02(b) and (e) hereof, as of the dates on which any Debt was created, incurred or assumed (using the Account Party's most recent annual actuarial determinations in the computation of Debt referred to in clause (ix) in the definition of "Debt") or any Restricted Payment or NUG Settlement Payment was made during the last fiscal quarter of the Account Party, such demonstrations to be in a schedule (in form satisfactory to the Majority Lenders) which sets forth the computations used by the Account Party in determining such compliance.

(iv) as soon as available and in any event before March 31 of each fiscal year, a copy of an operating budget/forecast of operations of the Account Party as approved by the Board of Directors of the Account Party in form satisfactory to the Participating Banks for such fiscal year of the Account Party, together with a certificate of the Chief Financial Officer, Treasurer or Assistant Treasurer of the Account Party stating that such budget/forecast was prepared in good faith and on reasonable assumptions;

(v) not later than ten days following the end of each fiscal quarter of the Account Party, a report on the progress of and developments in the Rate Proceeding, the Final Plan and any negotiations concerning the foregoing;

(vi) as soon as available and in any event no later than the New Hampshire Public Utilities Commission shall have received the Account Party's annual submission, if any, relating to the "return on equity collar" referred to in the Rate Agreement, a copy of such annual submission of the Account Party;

(vii) as soon as possible and in any event (A) within 30 days after the Account Party knows or has reason to know that any ERISA Plan Termination Event described in clause (i) of the definition of ERISA Plan Termination Event with respect to any ERISA Plan or ERISA Multiemployer Plan has occurred and (B) within 10 days after the Account Party knows or has reason to know that any other ERISA Plan Termination Event with respect to any ERISA Plan or ERISA Multiemployer Plan has occurred, a statement of the Chief Financial Officer, Treasurer or Assistant Treasurer of the Account Party describing such ERISA Plan Termination Event and the action, if any, which the Account Party proposes to take with respect thereto;

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

(ix) promptly and in any event within 30 days after the filing thereof with the Internal Revenue Service, copies of each Schedule B (Actuarial Information) to the annual report (Form 5500 Series) with respect to each ERISA Plan (if any) to which the Account Party is a contributing employer;

(x) promptly after receipt thereof by the Account Party or any of its ERISA Affiliates from an ERISA Multiemployer Plan sponsor, a copy of each notice received by the Account Party or any of its ERISA Affiliates concerning the imposition or amount of withdrawal liability in an

aggregate principal amount of at least $10,000,000 pursuant to Section 4202 of ERISA in respect of which the Account Party may be liable;

(xi) promptly after the Account Party becomes aware of the occurrence thereof, notice of all actions, suits, proceedings or other events (A) of the type described in Section 6.01(f), or (B) which purport to affect the legality, validity or enforceability of the Rate Agreement, or any Transaction Document, Loan Document, Related Document or Significant Contract;

(xii) promptly after the sending or filing thereof, copies of all such proxy statements, financial statements, and reports which the Account Party sends to its public security holders (if any) or files with, and copies of all regular, periodic and special reports and all registration statements and periodic or special reports, if any, which the Account Party files with, the Securities and Exchange Commission or any governmental authority which may be substituted therefor, or with any national securities exchange;

(xiii) promptly after receipt thereof, any assertion of the character described in Section 8.01(h) hereof and the action the Account Party proposes to take with respect thereto;

(xiv) promptly after knowledge of any material default under the Rate Agreement or any Significant Contract, notice of such default and the action the Account Party proposes to take with respect thereto;

(xv) promptly after knowledge of any amendment, modification, or other change to the Rate Agreement or any Significant Contract or to any Governmental Approval affecting the Rate Agreement, notice of such amendment, modification or other change, it being understood that for purposes of this clause (xv) any filing by the Account Party in the ordinary course of the Account Party's business with, or order issued or action taken by, a governmental authority or regulatory body after May 16, 1991 to implement the terms of the Rate Agreement shall not be considered an amendment, modification or change to a Governmental Approval affecting the Rate Agreement; and

(xvi) promptly after requested, such other information respecting the financial condition, operations, properties, prospects or otherwise, of the Account Party as the Issuing Bank or Majority Lenders may from time to time reasonably request in writing.

SECTION VII.4. Most Favored Lender Covenants. So long as any amount shall remain available to be drawn under the Letter of Credit or any Advance or other amounts shall remain unpaid hereunder or any Participating Bank shall have any Commitment:

(a) The Account Party will not amend, modify or supplement, or consent to any amendment, modification or supplement to, the Other Reimbursement Agreement or any Revolving Credit Facility (as defined below) (whether the same relates to pricing, tenor, reduction, prepayment, covenants, other credit terms or otherwise), or enter into any Revolving Credit Facility, in each case unless the Account Party shall first have offered to amend, modify or supplement the Loan Documents in a like manner, subject however, to the provisions of subsection (b), to the extent applicable.

(b) If at any time the Account Party shall be unable to borrow under any revolving credit or similar facility (a "Revolving Credit Facility") because the Account Party is unable to satisfy any "material adverse change" or other condition precedent to borrowing (a "Funding Suspension"), and (x) the failure to satisfy such condition does not itself constitute an Event of Default hereunder and (y) no Event of Default or Unmatured Default shall have occurred and be continuing hereunder, the provisions of subsection (a) shall be subject to the following:

(i) The Account Party will be free to negotiate with the lenders under the Revolving Credit Facility (the"Non-Funding Lenders") and may resolve or not resolve such Funding Suspension in such manner as it may see fit, without any requirement that the Agent, the Issuing Bank or the Participating Banks consent thereto;

(ii) Any improvement in pricing, covenants or other credit terms afforded to the Non-Funding Lenders to resolve the Funding Suspension shall be offered to the Agent, the Issuing Bank and the Participating Banks in the manner prescribed by subsection (a). Any additional security granted to the Non-Funding Lenders to resolve the Funding Suspension shall be afforded equally and ratably to the Agent, the Issuing Bank and the Participating Banks; and

(iii) If in connection with the resolution of a Funding Suspension, the Non-Funding Lenders' facility shall be permanently reduced such that any amounts repaid or prepaid as part of such resolution are not available to be re-borrowed, the Account Party will pay to the Agent, for the benefit of the Issuing Bank and the

Participating Banks an amount equal to such repayment or prepayment, dollar-for-dollar, to be applied to the reduction of the Available Amount or to be held as cash collateral for the obligations of the Account Party under the Loan Documents. For the avoidance of doubt:

(A) a reduction in the unfunded portion of the Non-Funding Lenders' commitments will not, by itself, entitle the Agent, the Issuing Bank and the Participating Banks to any such payment or to any reduction in the Available Amount; and

(B) the Agent, the Issuing Bank and the Participating Banks will not be entitled to any payment or reduction in the Available Amount solely as a result of repayments and prepayments of advances under such facility, if such repayment or prepayment results in the Non-Funding Lenders' commitments becoming again available to the Account Party in at least the amount of the repayment or prepayment.

(c) The provisions of subsection (b) shall not apply during the continuance of an Event of Default.

SECTION VII.5. The Cash Account. Upon the occurrence and during the continuance of any Event of Default, the Agent shall at the request, or may with the consent, of the Majority Lenders, direct the Account Party to, and if so directed, the Account Party shall, deposit with the Agent an amount in the cash account (the "Cash Account") described below equal to the Available Amount of the Letter of Credit. Such Cash Account shall at all times be free and clear of all rights or claims of third parties. The Cash Account shall be maintained with the Agent in the name of, and under the sole dominion and control of, the Agent, and amounts deposited in the Cash Account shall bear interest at a rate equal to the rate generally offered by Barclays for deposits equal to the balance in the Cash Account, for a term to be agreed to between the Account Party and the Agent. If any Letter of Credit drawings then outstanding or thereafter made are not reimbursed in full immediately after being made and upon demand, then, in any such event, the Agent may apply the amounts then on deposit in the Cash Account, in such priority as the Agent shall elect, toward the payment in full of any or all of the Account Party's obligations hereunder as and when such obligations shall become due and payable. Upon payment in full, after the termination of the Letters of Credit, of all such obligations, the Agent will repay to the Account Party any cash then on deposit in the Cash Account. The Issuing Bank hereby confirms its obligation as set forth in the Letter of Credit to make all payments under the Letter of Credit with its own funds and not with any funds of the Account Party or the Issuer, and nothing in this Section 7.05 or otherwise shall in any way limit such obligation.

ARTICLE VIII
DEFAULTS

SECTION VIII.1. Events of Default. The following events shall each constitute an "Event of Default" if the same shall occur and be continuing after the grace period and notice requirement (if any) applicable thereto:

(a) The Account Party shall fail to pay any interest on any Advance or pursuant to Section 4.02 hereof within two days after the same becomes due; the Account Party shall fail to reimburse the Issuing Bank for any Interest Drawing (as defined in the Letter of Credit) within two days after such reimbursement becomes due; or the Account Party shall fail to make any other payment required to be made pursuant to Article II or Article III hereof when due; or

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

(c) The Account Party shall fail to perform or observe any term or covenant on its part to be performed or observed contained in Sections 7.01(a), (d) or (j), Section 7.02 or Section 7.03(i) hereof; or

(d) The Account Party shall fail to perform or observe any other term or covenant on its part to be performed or observed contained in any Loan Document or Transaction Document and such failure shall remain unremedied, after written notice thereof shall have been given to the Account Party by the Agent, the Issuing Bank or any Participating Bank, for a period of 30 days; or

(e) The Account Party shall fail to pay any of its Debt when due (including any interest or premium thereon but excluding Debt arising hereunder and excluding other Debt aggregating in no event more than $10,000,000 in principal amount at any one time) whether by scheduled maturity, required prepayment, acceleration, demand or otherwise, and such failure shall continue after the applicable grace period, if any, specified in any agreement or instrument relating to such Debt; or any other default

under any agreement or instrument relating to any such Debt, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment or as a result of the Account Party's exercise of a prepayment option) prior to the stated maturity thereof; unless in each such case the obligee under or holder of such Debt or the trustee with respect to such Debt shall have waived in writing such circumstance without consideration having been paid by the Account Party so that such circumstance is no longer continuing; or

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

(g) Any judgment or order for the payment of money in excess of $10,000,000 shall be rendered against the Account Party or its properties and either enforcement proceedings shall have been commenced by any creditor upon such judgment or order and shall not have been stayed or there shall be any period of 15 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(h) Any material provision of any Loan Document, the Rate Agreement, any Significant Contract or any Related Document shall for any reason other than the express terms thereof or the exercise of any right or option expressly contained therein cease to be valid and binding on any party thereto except as otherwise expressly permitted by the exceptions and provisions contained in Section 7.02(g) hereof; or any party thereto other than the Participating Banks shall so assert in writing, provided that in the case of any party other than the Account Party making such assertion in respect of the Rate Agreement, any Significant Contract or any Related Document, such assertion shall not in and of itself constitute an Event of Default hereunder until (i) such asserting party shall cease to perform under and in compliance with the Rate Agreement, such Significant Contract or such Related Document, (ii) the Account Party shall fail to diligently prosecute, by appropriate action or proceedings, a rescission of such assertion or a binding determination as to the merits thereof or (iii) such a binding determination shall have been made in favor of such asserting party's position; or

(i) The Security Documents shall for any reason, except to the extent permitted by the terms thereof, fail or cease to create valid and perfected Liens (to the extent purported to be granted by such documents and subject to the exceptions permitted thereunder) in any of the applicable Collateral (other than Liens in favor of the Trustee with respect to the interests of the Issuer under the Indenture), provided, that such failure or cessation relating to any non-material portion of such Collateral shall not constitute an Event of Default hereunder unless the same shall not have been corrected within 30 days after the Account Party becomes aware thereof; or

(j) The Account Party shall not have in full force and effect any or all insurance required under Section 7.01(c) hereof or there shall be incurred any uninsured damage, loss or destruction of or to the Account Party's properties in an amount not covered by insurance (including fully-funded self-insurance programs) which the Majority Lenders consider to be material; or

(k) A default by the Account Party shall have occurred under the Rate Agreement and shall not have been effectively cured within the time period specified therein for such cure (or, if no such time period is specified therein, 10 days); or a default by any party shall have occurred under any Significant Contract and such default shall not have been effectively cured within 30 days after notice from the Agent to the Account Party stating that, in the opinion of the Majority Lenders, such default may have a material adverse effect upon the financial condition, operations, properties or prospects of the Account Party as a whole; or

(l) Any Governmental Approval (whether federal, state or local) required to give effect to the Rate Agreement (including, without limitation, Chapter 362-C of the New Hampshire Revised Statutes and the enabling order of the NHPUC issued pursuant thereto) shall be amended, modified or supplemented, or any other regulatory or legislative action or change (whether federal, state or local) having the effect, directly or indirectly, of modifying the benefits or entitlements of the Account Party under the Rate Agreement shall occur, and in any such case such amendment, modification, supplement, action or change may have, in the opinion of the Majority Lenders, a material adverse effect upon the financial condition, operations, properties or prospects of the Account Party as a whole; or

(m) NU shall cease to own all of the outstanding common stock of the Account Party, free and clear of any Liens; or

(n) An "Event of Default" (as defined therein) shall have occurred and be continuing under the Indenture or the First Mortgage Indenture; or

(o) An "Event of Default" (as defined therein) shall have occurred and be continuing under the Other Reimbursement Agreement.

SECTION VIII.2. Remedies Upon Events of Default. Upon the occurrence and during the continuance of any Event of Default, then, and in any such event the Agent with the concurrence of the Issuing Bank may, and upon the direction of the Majority Lenders the Agent shall (i) if the Letter of Credit shall not have been issued, instruct the Issuing Bank to (whereupon the Issuing Bank shall) by notice to the Account Party declare its commitment to issue the Letter of Credit to be terminated, whereupon the same shall forthwith terminate, (ii) instruct the Issuing Bank to (whereupon the Issuing Bank shall) furnish to the Trustee and the Paying Agent written notice of such Event of Default in accordance with Section 6.01(a)(iv) of the Indenture and of the Issuing Bank's determination to terminate the Letter of Credit on the fifth business day (as defined in the Indenture) following the Trustee's and Paying Agent's receipt of such notice, (iii) instruct the Issuing Bank to (whereupon the Issuing Bank shall) furnish to the Trustee and the Paying Agent written notice that the Interest Component will not be reinstated in the amount of one or more Interest Drawings, all as provided in the Letter of Credit; (iv) direct the Account Party to pay cash into the Cash Account in accordance with Section 7.05; (v) declare the Advances and all other principal amounts outstanding hereunder, all interest thereon and all other amounts payable hereunder to be forthwith due and payable, whereupon the Advances and all other principal amounts outstanding hereunder, all such interest and all such other amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Account Party, and (vi) instruct the Issuing Bank to (whereupon the Issuing Bank shall) exercise all the rights and remedies provided herein and under and in respect of the Security Documents; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to the Account Party under the Federal Bankruptcy Code, (A) the commitment of the Issuing Bank to issue the Letter of Credit, the Commitments and the obligations of the Participating Banks to make Advances shall automatically be terminated, and (B) the Advances and all other principal amounts outstanding hereunder, all interest accrued and unpaid thereon and all other amounts payable hereunder shall automatically become due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Account Party.

SECTION VIII.3. Issuing Bank to Notify First Mortgage Trustee, Others. The Issuing Bank shall, if so directed by the Majority Lenders, promptly notify the First Mortgage Trustee by telephone, confirmed in writing, of the occurrence of any Event of Default. In addition, the Issuing Bank shall furnish to the Agent, the Account Party, the Paying Agent and the Issuer a copy of (a) any notice furnished to the First Mortgage Trustee pursuant to the preceding sentence and (b) any notice delivered to the Trustee pursuant to clause (ii) or clause (iii) of Section 8.02. Notwithstanding the foregoing, no failure of the Issuing Bank to give any notice (or copy of a notice) as contemplated by this Section 8.03 shall limit or impair any rights of the Issuing Bank, the Agent or any Participating Bank or the exercise of any remedy hereunder, nor shall the Issuing Bank, the Agent or any Participating Bank incur any liability as a result of any such failure.

ARTICLE IX
THE AGENT, THE PARTICIPATING BANKS AND THE ISSUING BANK

SECTION IX.1. Authorization of Agent; Actions of Agent and Issuing Bank. The Issuing Bank and each Participating Bank hereby appoint and authorize the Agent to take such action as agent on their behalf and to exercise such powers under this Agreement as are delegated to the Agent by the terms hereof, together with such powers as are reasonably incidental thereto; provided, however, that neither the Agent nor the Issuing Bank shall be required to take any action which exposes the Agent or the Issuing Bank to personal liability or which is contrary to this Agreement or applicable law.

As to any matters not expressly provided for by any Related Document (including, without limitation, enforcement or collection thereof), neither the Agent nor the Issuing Bank shall be required to exercise any discretion or take any action. The Agent agrees to deliver promptly (i) to the Issuing Bank and each Participating Bank copies of each notice delivered to it by the Account Party and (ii) to each Participating Bank copies of each notice delivered to it by the Issuing Bank, in each case pursuant to the terms of this Agreement.

SECTION IX.2. Reliance, Etc. Neither the Agent, the Issuing Bank, nor any of their directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement or any Related Document, except for its or their own gross negligence or willful misconduct as determined by a court of competent jurisdiction. Without limitation of the generality of the foregoing, each of the Agent and the Issuing Bank (i) may consult with legal counsel (including counsel for the Account Party), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (ii) makes no warranty or representation to any Participating Bank and shall not be responsible to any Participating Bank for any statements, warranties or representations made in or in connection with this Agreement or any Related Document; (iii) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or any Related Document on the part of the Account Party to be performed or observed, or to inspect any property (including the books and records) of the Account Party; (iv) shall not be responsible to any Participating Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any Related Document or any other instrument or document furnished pursuant hereto and thereto; and (v) shall incur no liability under or in respect of this Agreement or any Related Document by acting upon any notice, consent certificate or other instrument or writing (which may be by telegram, cable or telex), including, without limitation, any thereof from time to time purporting to be from the Trustee, believed by it to be genuine and signed or sent by the proper party or parties.

SECTION IX.3. The Agent, the Issuing Bank and Affiliates. The Agent and the Issuing Bank shall have the same rights and powers under this Agreement as any other Participating Bank and may exercise (or omit from exercising) the same as though they were not the Agent and the Issuing Bank, respectively, and the term "Participating Bank" shall, unless otherwise expressly indicated, include Barclays in its individual capacity. The Agent, the Issuing Bank and their respective Affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, the Account Party, any of its subsidiaries and any Person who may do business with or own securities of the Account Party or any such subsidiary, all as if Barclays was not the Agent or the Issuing Bank, and without any duty to account therefor to the Participating Banks.

SECTION IX.4. Participating Bank Credit Decision. Each of the Issuing Bank and each Participating Bank acknowledges that it has, independently and without reliance upon the Arranger, the Agent, the Issuing Bank or any other Participating Bank and based on the financial information referred to in Section 6.01(e) hereof and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each of the Issuing Bank and each Participating Bank also acknowledges that it will, independently and without reliance upon the Arranger, the Agent, the Issuing Bank or any other Participating Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION IX.5. Indemnification. The Participating Banks agree to indemnify the Agent and the Issuing Bank (to the extent not reimbursed by the Account Party), ratably according to their respective Participation Percentages, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent or the Issuing Bank in any way relating to or arising out of this Agreement or any action taken or omitted by the Agent or the Issuing Bank under or in connection with this Agreement, provided that no Participating Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's or the Issuing Bank's (as the case may be) gross negligence or willful misconduct. Without limitation of the foregoing, each Participating Bank agrees to reimburse the Agent and the Issuing Bank promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Agent and the Issuing Bank in connection with the preparation, execution, delivery, administration, modification, amendment, waiver or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement to the extent that the Agent and the Issuing Bank (as the case may be) are entitled to reimbursement for such expenses pursuant to Section 10.04 hereof but are

not reimbursed for such expenses by the Account Party.

SECTION IX.6. Successor Agent. The Agent may resign at any time by giving written notice thereof to the Issuing Bank, the Participating Banks and the Account Party, with any such resignation to become effective only upon the appointment of a successor Agent pursuant to this Section 9.06. Upon any such resignation, the Issuing Bank shall have the right to appoint a successor Agent, which shall be another commercial bank or trust company reasonably acceptable to the Account Party, organized or licensed under the laws of the United States, or of any State thereof. Upon the acceptance of any appointment as Agent hereunder by a successor Agent and the execution and delivery by the Account Party and the successor Agent of an agreement relating to the fees, if any, to be paid to the successor Agent in connection with its acting as Agent hereunder, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article IX shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

SECTION IX.7. Issuing Bank. (a) All notices received by the Issuing Bank pursuant to this Agreement or any Related Document (other than the Letter of Credit) shall be promptly delivered to the Agent for distribution to the Participating Banks.

(a) Except to the extent permitted by Section 2.06, the Issuing Bank shall not amend or waive any provision or consent to the amendment or waiver of any Related Document without the written consent of the Majority Lenders.

(b) Upon receipt by the Issuing Bank from time to time of any amount pursuant to the terms of any Related Document (other than pursuant to the terms of this Agreement), the Issuing Bank shall promptly deliver to the Agent such amount.

SECTION IX.8. Certain Authorizations and Consent. The Issuing Bank and each Participating Bank, by its acceptance hereof, and each other Participating Bank by its execution and delivery of the Participant Assignment pursuant to which it became a Participating Bank, consents to, authorizes, ratifies and confirms in all respects:

(i) the execution, delivery, acceptance and performance by the Agent and by the Collateral Agent of the Intercreditor Amendment, and the taking by the Agent and the Collateral Agent of all actions under the Intercreditor Agreement, as the same may be amended from time to time in accordance with the terms thereof and Section 10.01 hereof;

(ii) the execution, delivery and acceptance by the Collateral Agent of the Security Agreement Amendment, and the taking by the Collateral Agent of all actions under the Security Agreement, as the same may be amended from time to time in accordance with the terms thereof and Section 10.01 hereof;

(iii) the execution, delivery and acceptance by the Issuing Bank of the Indenture, and the taking by the Issuing Bank of all actions under the Indenture, as the same may be amended from time to time in accordance with the terms thereof and Section 9.07 hereof;

the execution and delivery of this Agreement by the Issuing Bank or such Participating Bank, or the execution and delivery of such Participant Assignment by such Participating Bank, as the case may be, constituting (without further act or deed) the Issuing Bank or such Participating Bank's acceptance and approval of, and agreement to the terms of, the Intercreditor Agreement, the Security Agreement and the Indenture with the same effect as if the Issuing Bank or such Participating Bank were itself a party thereto.

ARTICLE X
MISCELLANEOUS

SECTION X.1. Amendments, Etc. No amendment or waiver of any provision of this Agreement or the Pledge Agreement, nor consent to any departure by the Account Party therefrom, shall in any event be effective unless the same shall be in writing and signed by the Majority Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by the Issuing Bank and all the Participating Banks, do any of the following: (a) waive, modify or eliminate any of the conditions specified in Article V of this Agreement, (b) increase the Commitments of the Participating Banks that may be maintained hereunder, subject the Participating Banks to any additional obligations or extend the Stated Termination Date, (c) reduce the principal of, or interest on, the Advances, any amount reimbursable on demand pursuant to Section 3.01, or any fees or other amounts payable hereunder, (d) postpone any date fixed for any payment of principal of, or interest on, the Advances, such reimbursable amounts or any fees or other amounts payable hereunder

(other than fees payable to the Issuing Bank or the Agent pursuant to Section 2.03 hereof), (e) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Advances, or the number of Participating Banks which shall be required for the Participating Banks or any of them to take any action hereunder, (f) amend this Agreement or the Pledge Agreement in a manner intended to prefer one or more Participating Banks over any other Participating Banks, (g) amend this Section 10.01, or (h) release any of the Collateral otherwise than in accordance with any provisions for such release contained in the Security Documents, or change any provision of any Security Document providing for the release of all or substantially all of the Collateral; and provided, further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the Issuing Bank or the Agent in addition to the Participating Banks required above to take such action, affect the rights or duties of the Issuing Bank or the Agent, as the case may be, under this Agreement or the Pledge Agreement and (ii) no amendment, waiver or consent shall, unless in writing and signed by the "Majority Lenders" under the Other Reimbursement Agreement, shall change the percentage of the Commitments or of the aggregate unpaid principal amount of the Advances, or the number of Participating Banks which shall be required for the Participating Banks or any of them to take, or to direct the Collateral Agent to take, any action under the Intercreditor Agreement and the Security Agreement.

SECTION X.2. Notices, Etc. All notices and other communications provided for hereunder and under the other Loan Documents shall be in writing (including telegraphic, telex, telecopy or cable communication) and mailed, telegraphed, telexed, telecopied, cabled or delivered:

(i) if to the Account Party, to it in care of NUSCO at NUSCO's address at 107 Selden Street, Berlin, Connecticut 06037 (telecopy: (860) 665-5457), Attention: Assistant Treasurer - Finance;

(ii) if to the Issuing Bank or the Agent, to it at its address at 222 Broadway, 12th Floor, New York, New York 10038, Attention: Client Services Unit, (telephone: (212) 412-3721, telecopy: (212) 412-5306), with a copy to: Utilities Group, (telephone (212) 412-2470, telecopy: (212) 412-6709);

(iii) if to any Participating Bank, to it at its address set forth on the signature pages to this Agreement or in the Participation Assignment pursuant to which it became a Participating Bank; or

as to each party other than any Participating Bank, at such other address as shall be designated by such party in a written notice to the other parties, and, as to any Participating Bank, at such other address as shall be designated by such Participating Bank in a written notice to the Account Party and the Agent. All such notices and communications shall, when mailed, telegraphed, telexed, telecopied or cabled, be effective five days after when deposited in the mails, or when delivered to the telegraph company, confirmed by telex answerback, telecopied or delivered to the cable company, respectively, except that notices and communications to the Agent or the Issuing Bank pursuant to Article II, III or IV shall not be effective until received by the Agent or the Issuing Bank, as the case may be.

SECTION X.3. No Waiver of Remedies. No failure on the part of any Participating Bank or the Issuing Bank to exercise, and no delay in exercising, any right hereunder or under any Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION X.4. Cost; Expenses and Indemnification. (a) The Account Party agrees to pay on demand all costs and expenses, if any (including, without limitation, reasonable counsel fees and expenses), of (i) the Arranger, the Agent and the Issuing Bank in connection with the preparation, negotiation, execution and delivery of the Loan Documents and Transaction Documents and the administration of the Loan Documents and Transaction Documents, the care and custody of any and all collateral, and any proposed modification, amendment, or consent relating thereto; and (ii) the Arranger, the Agent, the Issuing Bank and each Participating Bank in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement or any other Loan Document or Transaction Document.

(a) The Account Party hereby agrees to indemnify and hold the Arranger, the Agent, the Issuing Bank and each Participating Bank and their respective officers, directors, employees, professional advisors and affiliates (each, an "Indemnified Person") harmless from and against any and all claims, damages, losses, liabilities, costs or expenses (including reasonable attorney's fees and expenses, whether or not such Indemnified Person is named as a party to any proceeding or investigation or is otherwise subjected to judicial or legal process arising from any such proceeding or investigation) which any of them may incur or which may be claimed against any of them by any person or entity (except to the extent such claims, damages, losses, liabilities, costs or expenses arise from the gross negligence or willful

misconduct of the Indemnified Person):

(i) by reason of or in connection with the execution, delivery or performance of any of the Loan Documents, the Transaction Documents or the Related Documents or any transaction contemplated thereby, or the use by the Account Party of the proceeds of any Advance or the use by the Paying Agent or the Trustee of the proceeds of any drawing under the Letter of Credit;

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

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

(iv) by reason of or in connection with the execution and delivery or transfer of, or payment or failure to make payment under, the Letter of Credit; provided, however, that the Account Party shall not be required to indemnify the Arranger, the Agent, the Issuing Bank or any Participating Bank pursuant to this Section for any claims, damages, losses, liabilities, costs or expenses to the extent caused by (A) the Issuing Bank's willful misconduct or gross negligence, as determined by a court of competent jurisdiction, in determining whether documents presented under the Letter of Credit are genuine or comply with the terms of the Letter of Credit or (B) the Issuing Bank's willful or grossly negligent failure, as determined by a court of competent jurisdiction, to make lawful payment under the Letter of Credit after the presentation to it by the Paying Agent of a draft and certificate strictly complying with the terms and conditions of the Letter of Credit; or

(v) by reason of any inaccuracy or alleged inaccuracy in any material respect, or any untrue statement or alleged untrue statement of any material fact, contained in any Official Statement, except to the extent contained in or arising from information in such Official Statement supplied in writing by and describing the Issuing Bank or any previous issuer of a letter of credit relating to the Bonds.

(b) Nothing contained in this Section 10.04 is intended to limit the Account Party's obligations set forth in Articles II, III and IV. The Account Party's obligations under this Section 10.04 shall survive the creation and sale of any participation interest pursuant to Section 10.06 hereof and shall survive as well the repayment of all amounts owing to the Agent, the Issuing Bank and the Participating Banks under the Loan Documents and the termination of the Commitments. If and to the extent that the obligations of the Account Party under this Section 10.04 are unenforceable for any reason, the Account Party agrees to make the maximum contribution to the payment and satisfaction thereof which is permissible under applicable law.

SECTION X.5. Right of Set-off. (a) Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the taking of any action or the giving of any instruction by the Agent as specified by Section 8.02 hereof, the Issuing Bank and each Participating Bank are hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Issuing Bank or such Participating Bank to or for the credit or the account of the Account Party against any and all of the obligations of the Account Party now or hereafter existing under this Agreement in favor of the Issuing Bank or such Participating Bank, irrespective of whether or not the Issuing Bank or such Participating Bank shall have made any demand under this Agreement and although such obligations may be unmatured. The Issuing Bank and each Participating Bank agrees promptly to notify the Account Party after any such set-off and application provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Issuing Bank and each Participating Bank under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Issuing Bank and/or such Participating Bank may have.

(a) The Account Party agrees that it shall have no right of off-set, deduction or counterclaim in respect of its obligations hereunder, and that the obligations of the Issuing Bank and of the several Participating Banks hereunder are several and not joint. Nothing contained herein shall constitute a relinquishment or waiver of the Account Party's rights to any independent claim that the Account Party may have against the Issuing Bank or any Participating Bank, but no Participating Bank shall be liable for the conduct of the Issuing Bank or any other Participating Bank, and the Issuing Bank shall not be liable for the conduct of any Participating Bank.

SECTION X.6. Binding Effect; Assignments and Participants. (a) This Agreement shall become effective when it shall have been executed and delivered by the Account Party, the Agent, the Issuing Bank and each Participating Bank named on the signature pages to this Agreement and thereafter shall be binding upon and inure to the benefit of the Account Party, the Agent, the Issuing Bank and each Participating Bank and their respective successors and assigns, except that the Account Party shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Issuing Bank and each Participating Bank, and the Issuing Bank may not assign its commitment to issue the Letter of Credit or its obligations under or in respect of the Letter of Credit.

(a) Each Participating Bank may assign all or any portion of its rights under this Agreement, under the Letter of Credit or in any security hereunder, including, without limitation, any instruments securing the Account Party's obligations hereunder; provided that (i) no assignment by any Participating Bank may be made to any Person, other than to another Participating Bank, except with the prior written consent of the Issuing Bank and the Account Party (which consent in the case of the Account Party, (A) shall not be unreasonably withheld and (B) shall not be required if an Event of Default shall have occurred and be continuing and the Agent or the Issuing Bank shall have exercised any remedy described in clause (ii), (iii) or (v) of Section 8.02), (ii) any assignment shall be of a constant and not a varying percentage of all of the assignor's rights and obligations hereunder and (iii) the parties to each such assignment shall execute and deliver to the Agent a Participation Assignment, together with a processing fee of $3,500. Upon receipt of a completed Participation Assignment and the processing fee, the Agent will record in a register maintained for such purpose the name of the assignee and the percentage participation interest assigned by the assignor and assumed by the assignee for purposes of the determination of such assignor's and assignee's respective Participation Percentages. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Participation Assignment, which effective date shall be at least five Business Days after the execution thereof, the assignee shall, to the extent of such assignment, become a party hereto and have all of the rights and obligations of a Participating Bank hereunder and, to the extent of such assignment, such assigning Participating Bank shall be released from its obligations hereunder (without relieving such Participating Bank from any liability for damages, costs and expenses suffered by the Issuing Bank or the Account Party as a result of the failure by such Participating Bank to perform its obligations hereunder).

(b) Each Participating Bank may grant participations to one or more Persons in all or any part of, or any interest (undivided or divided) in, such Participating Bank's rights and obligations under this Agreement (any such Person being referred to hereinafter as a "Participant" and such interests are collectively, referred to hereinafter as the "Rights"); provided, however, that (i) such Participating Bank's obligations under this Agreement shall remain unchanged; (ii) any such Participant shall be entitled to the benefits and cost protections provided for in Section 4.03 hereof on the same basis as if it were a Participating Bank hereunder; (iii) the Account Party, the Agent and the Issuing Bank shall continue to deal solely and directly with such Participating Bank in connection with such Participating Bank's rights and obligations under this Agreement; and (iv) no such Participant, other than an Affiliate of such Participating Bank, shall be entitled to require such Participating Bank to take or omit to take any action hereunder, unless such action or omission would have an effect of the type described in subsections (c), (d) or (h) of Section 10.01 hereof.

(c) Notwithstanding anything contained in this Section 10.06 to the contrary, the Issuing Bank and any Participating Bank may assign and pledge all or any portion of the Advances (or participating interests therein) owing to the Issuing Bank or such Participating Bank to any Federal Reserve Bank (and its transferees) as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank. No such assignment shall release the Issuing Bank or such Participating Bank from its obligations hereunder.

SECTION X.7. Relation of the Parties; No Beneficiary. No term, provision or requirement, whether express or implied, of any Loan Document, or actions taken or to be taken by any party thereunder, shall be construed to create a partnership, association, or joint venture between such parties or any of them. No term or provision of the Loan Documents shall be construed to confer a benefit upon, or grant a right or privilege to, any Person other than the parties hereto.

SECTION X.8. Issuing Bank Not Liable. As between the Agent, the Issuing Bank and the Participating Banks on the one hand, and the Account Party on the other, the Account Party assumes all risks of the acts or omissions of the Paying Agent, the Trustee and any other beneficiary or transferee of the Letter of Credit with respect to its use of the Letter of Credit. Neither the Agent, the Issuing Bank, any Participating Bank, nor any of their respective officers or directors shall be liable or responsible for: (a) the use which may be made of the Letter of Credit or any acts or omissions of the Paying Agent, the Trustee and any other beneficiary or

transferee in connection therewith; (b) the validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by the Issuing Bank against presentation of documents which do not comply with the terms of the Letter of Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment under the Letter of Credit, except that the Account Party shall have a claim against the Issuing Bank, and the Issuing Bank shall be liable to the Account Party, to the extent of any direct, as opposed to consequential, damages suffered by the Account Party which the Account Party proves were caused by (i) the Issuing Bank's willful misconduct or gross negligence, as determined by a court of competent jurisdiction, in determining whether documents presented under the Letter of Credit are genuine or comply with the terms of the Letter of Credit or (ii) the Issuing Bank's willful or grossly negligent failure, as determined by a court of competent jurisdiction, to make lawful payment under the Letter of Credit after the presentation to it by the Paying Agent of a draft and certificate strictly complying with the terms and conditions of the Letter of Credit. In furtherance and not in limitation of the foregoing, the Issuing Bank may accept original or facsimile (including telecopy) sight drafts and accompanying certificates presented under the Letter of Credit that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

SECTION X.9. Confidentiality. In connection with the negotiation and administration of this Agreement and the other Loan Documents, the Account Party has furnished and will from time to time furnish to the Agent, the Issuing Bank and the Participating Banks (each, a "Recipient") written information which is identified to the Recipient when delivered as confidential (such information, other than any such information which (i) was publicly available, or otherwise known to the Recipient at the time of disclosure, (ii) subsequently becomes publicly available other than through any act or omission by the Recipient or (iii) otherwise subsequently becomes known to the Recipient other than through a Person whom the Recipient knows to be acting in violation of his or its obligations to the Account Party, being hereinafter referred to as "Confidential Information"). The Recipient will not knowingly disclose any such Confidential Information to any third party (other than to those persons who have a confidential relationship with the Recipient), and will take all reasonable steps to restrict access to such information in a manner designed to maintain the confidential nature of such information, in each case until such time as the same ceases to be Confidential Information or as the Account Party may otherwise instruct. It is understood, however, that the foregoing will not restrict the Recipient's ability to freely exchange such Confidential Information with prospective assignees of or participants in the Recipient's position herein, but the Recipient's ability to so exchange Confidential Information shall be conditioned upon any such prospective assignee's or participant's entering into an understanding as to confidentiality similar to this provision. It is further understood that the foregoing will not prohibit the disclosure of any or all Confidential Information if and to the extent that such disclosure may be required (i) by a regulatory agency or otherwise in connection with an examination of the Recipient's records by appropriate authorities, (ii) pursuant to court order, subpoena or other legal process or (iii) otherwise, as required by law; in the event of any required disclosure under clause (ii) or (iii) above, the Recipient agrees to use reasonable efforts to inform the Account Party as promptly as practicable.

SECTION X.10. Waiver of Jury Trial. The Account Party, the Arranger, the Agent, the Issuing Bank, and the Participating Banks each hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim arising out of or relating to this Agreement or any other Loan Document, any Transaction Document or any other instrument or document delivered hereunder or thereunder.

SECTION X.11. Governing Law. This Agreement and the Pledge Agreement shall be governed by, and construed in accordance with, the laws of the State of New York. The Account Party, the Arranger, the Agent, the Issuing Bank and each Participating Bank each (i) irrevocably submits to the jurisdiction of any New York State Court or Federal court sitting in New York City in any action arising out of any Loan Document, (ii) agrees that all claims in such action may be decided in such court, (iii) waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum and (iv) consents to the service of process by mail. A final judgment in any such action shall be conclusive and may be enforced in other jurisdictions. Nothing herein shall affect the right of any party to serve legal process in any manner permitted by law or affect its right to bring any action in any other court.

SECTION X.12. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be

executed by their respective officers thereunto duly authorized, as of the date first above written.

THE ACCOUNT PARTY:

PUBLIC SERVICE COMPANY OF
NEW HAMPSHIRE

By:
Title: Assistant Treasurer - Finance

THE AGENT AND ISSUING BANK:

BARCLAYS BANK PLC,
NEW YORK BRANCH,
as Agent and as Issuing Bank

By:
Title:

THE PARTICIPATING BANKS:

BARCLAYS BANK PLC,
NEW YORK BRANCH

By:
Title:

Address for Notices

Barclays Bank PLC
222 Broadway
New York, New York 10038
Attention: Sydney Dennis
Telephone: 212/412-2470
Fax: 212/412-6709

Participation Percentage: 8.66446012%

BANK OF NEW YORK

By:
Title:

Address for Notices

Bank of New York
One Wall Street
New York, New York 10286
Attention: John Hall
Telephone: 212/635-7581
Fax: 212/635-7924

Participation Percentage: 4.33223006%

BANKBOSTON, N.A.

By:
Title:

Address for Notices

BankBoston, N.A.
100 Federal Street (MA BOS 01-08-04)
Boston, Massachusetts 02110
Attention: Jill Calabrese
Telephone: 617/434-9579
Fax: 617/434-3652

Participation Percentage: 6.49834509%

PARIBAS

By:
Title:

By:
Title:

Address for Notices

Paribas
787 Seventh Avenue
New York, New York 10019
Attention: Cheena Trikha
Telephone: 212/841-2560
Fax: 212/841-2255

Participation Percentage: 8.66446012%

CIBC, INC.

By:
Title:

Address for Notices

CIBC, Inc.
Two Paces West, Suite 1200
2727 Paces Ferry Road
Atlanta, Georgia 30339
Attention: Patrice Kelleher
Telephone: 770/319-4832
Fax: 770/319-4950

Participation Percentage: 8.66446012%

CITIBANK, N.A.

By:
Title:

Address for Notices

Citibank, N.A.
399 Park Avenue
4th Floor, Zone 20
New York, New York 10043
Attention: Robert J. Harrity, Jr.
Telephone: 212/559-6482
Fax: 212/793-6130

Participation Percentage: 4.33223006%

THE FIRST NATIONAL BANK OF CHICAGO

By:
Title:

Address for Notices

The First National Bank of Chicago
One First National Plaza, Suite 0363
Chicago, Illinois 60670-0363
Attention: Kenneth J. Bauer
Telephone: 312/732-6282
Fax: 312/732-3055

Participation Percentage: 4.33223006%

FLEET NATIONAL BANK

By:
     Title:

Address for Notices

Fleet Bank
40 Westminster Street
Mail Stop: RI OP T05A
Providence, Rhode Island 02903-4963
Attention: Fred N. Manning
Telephone: 401/459-4845
Fax: 401/459-4963

Participation Percentage: 6.49834509%

THE FUJI BANK, LIMITED

By:
     Title:

Address for Notices

The Fuji Bank, Limited
Two World Trade Center
New York, New York 10048
Attention: Roy Tanfield
Telephone: 212/898-2090
Fax: 212/321-9407

Participation Percentage: 4.33223006%

MELLON BANK, N.A.

By:
     Title:

Address for Notices

Mellon Bank, N.A.
One Mellon Bank Center, Room 4425
Pittsburgh, Pennsylvania 15258-0001
Attention: Kurt Hewett
Telephone: 412/234-7355
Fax: 412/234-0286

Participation Percentage: 2.59933804%

CHASE SECURITIES INC., as Agent for
               THE CHASE MANHATTAN BANK

By:
     Title:

Address for Notices

The Chase Manhattan Bank
270 Park Avenue
New York, New York 10017
Attention: Eric Rosen
Telephone: 212/270-5458
Fax: 212/270-7968

Participation Percentage: 23.75275097%

TORONTO DOMINION
    (NEW YORK), INC.

By:
     Title:

Address for Notices

Toronto Dominion (New York), Inc.
909 Fannin Street, Suite 1700
Houston, Texas 77010
Attention: Mark A. Baird
Telephone: 713/653-8289
Fax: 713/951-9921

Participation Percentage: 4.33223006%

THE TRAVELERS INSURANCE
COMPANY

By:
Title:

Address for Notices

The Travelers Insurance Company
One Tower Square
Hartford, Connecticut 06183-2030
Attention: Investment Group 9PB
Fax: 860/954-5243

Participation Percentage: 6.06512208%

UNION BANK OF CALIFORNIA

By:
Title:

Address for Notices

Union Bank of California
445 S. Figueroa Street, 15th Floor
Los Angeles, CA 90071
Attention: Ross Slusser
Telephone: 213/236-4124
Fax: 213/236-4096

Participation Percentage: 4.33223006%

TRAVELERS CORPORATE LOAN
FUND, INC.

By: Travelers Asset Management
International Corporation

By:
Title:

Address for Notices

Travelers Corporate Loan Fund, Inc.
c/o Smith Barney
388 Greenwich Street, 22nd Floor
New York, New York 10013

With a copy to:

The Travelers Insurance Company
One Tower Square - 9PB
Hartford, Connecticut 06183-2030
Attention: John Petchler
Allen Cantrell
Fax: 860/954-5243

Participation Percentage: 2.59933804%

SCHEDULE I

APPLICABLE LENDING OFFICES

Name of
Participating Bank
Domestic
Lending Office
Eurodollar

Lending Office

Barclays Bank PLC,
 New York Branch
75 Wall Street
New York, NY 10265
Att: Customer Service Unit
Tel: 212/412-3363
Fax: 212/412-3080
Barclays Bank PLC,
  Nassau Branch
c/o Barclays Bank PLC,
  New York Branch
75 Wall Street
New York, NY 10265

Bank of New York

One Wall Street
New York, New York 10286
Att: John Hall
Tel: 212/635-7581
Fax: 212/635-7924
Same

BankBoston, N.A.
100 Federal Street
(MA BOS 01-08-04)
Boston, Massachusetts 02110
Att: Jill Calabrese
Tel: 617/434-9579
Fax: 617/434-3652
Same

Paribas
787 Seventh Avenue
New York, New York 10019
Att: Cheena Trikha
Tel: 212/841-2560
Fax: 212/841-2255
Same

CIBC, Inc.
Two Paces West, Suite 1200
2727 Paces Ferry Road
Atlanta, Georgia 30339
Att: Patrice Kelleher
Tel: 770/319-4832
Fax: 770/319-4950
Same

Citibank, N.A.
1 Court Square
7th Floor/Zone 1
Long Island City, NY 11120
Att: Ann Chiou
Tel: 718/248-4562
Fax: 718/248-4844
Same

The First National Bank
of Chicago
1 First National Plaza
Suite 0821/IND-9
Chicago, IL 60670
Att: Ann Fritz
Tel: 312/732-5083
Fax: 312/732-1065
Same

Fleet Bank
40 Westminster Street
Mail Stop: RI OP T05A
Att: Fred N. Manning
Tel: 401/459-4845
Fax: 617/459-4963
Same

The Fuji Bank, Limited
Two World Trade Center
New York, NY 10048
Att: Roy Tanfield
Tel: 212/898-2064
Fax: 212/321-9407

Same

Mellon Bank, N.A.
Loan Administration
Three Mellon Bank Center
Room 1525
Pittsburgh, PA 15259-0003
Att: Cathy Capp
Tel: 412/234-1870
Fax: 412/209-6111
Same

The Chase Manhattan Bank
1 Chase Manhattan Plaza
8th Floor
New York, NY 10081
Att: Mark Heberer
Tel: 212/552-6368
Fax: 212/552-5642
Same

Toronto Dominion (New York), Inc.
909 Fannin, Suite 1700
Houston, TX 12345
Att: Debbie Greene
Tel: 713/653-8245
Fax: 713/951-9921
Same

[Travelers Companies]
[9PB, 1 Tower Street
Hartford, Connecticut 06183-2030
Att: Robert Mills
Tel: 860/277-7804
Fax: 860/954-5243]
Same

Union Bank of California
445 S. Figueroa Street
15th Floor
Los Angeles, CA 90071
Att: Patricia Ayala
Tel: 213/236-6199
Fax: 213/236-4096
Same

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Exhibit 1.01B - Form of Participation Assignment
Exhibit 1.01C - Form of Pledge Agreement
Exhibit 5.01A - Form of Opinion of Day, Berry & Howard, counsel to the Account Party
Exhibit 5.01B - Form of Opinion of Jeffrey C. Miller, Assistant General Counsel of NUSCO
Exhibit 5.01C - Form of Opinion of Catherine E. Shively, Senior Counsel of the Account Party
Exhibit 5.01D - Form of Opinion of Drummond Woodsum & MacMahon, special Maine counsel to the Account Party
Exhibit 5.01E - Form of Opinion of Zuccaro Willis & Bent, special Vermont counsel to the Account Party
Exhibit 5.01F - Form of Opinion of King & Spalding, counsel to the Agent and the Issuing Bank

EXECUTION COPY

THIRD SERIES E LETTER OF CREDIT
AND REIMBURSEMENT AGREEMENT

Dated as of April 14, 1999

Among

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

as Account Party

BARCLAYS BANK PLC, NEW YORK BRANCH

as Issuing Bank and as Agent

and

THE PARTICIPATING BANKS
REFERRED TO HEREIN

Relating to

The Industrial Development Authority of the State of New Hampshire
Pollution Control Revenue Bonds (Public Service Company of
New Hampshire Project - 1991 Taxable Series E)

EXHIBIT 10.23.3

SECOND AMENDMENT TO
MEMORANDUM OF UNDERSTANDING
POOLING OF GENERATION AND TRANSMISSION

This agreement is dated as of June , 1999, by and between The Connecticut Light and Power Company, Holyoke Water Power Company, Holyoke Power and Electric Company and Western Massachusetts Electric Company (collectively the "NU Initial System Companies").

WHEREAS, the NU Initial System Companies are operating subsidiaries of Northeast Utilities, a registered holding company under the Public Utility Holding Company Act of 1935;

WHEREAS, the NU Initial System Companies are parties to a Memorandum of Understanding concerning the Pooling of Generation of Transmission dated as of June 1, 1970 and amended as of February 2, 1982 ("NUG&T") under which the NU Initial System Companies allocate their generation and transmission revenues and expenses;

WHEREAS, the NUG&T includes a two part allocation formula which allocates the NU Initial System Companies' production plant and backbone transmission capacity costs (and revenues) on the basis of the peak demands of the Companies and energy costs on the basis of monthly loads of the NU Initial System Companies;

WHEREAS, legislative restructuring initiatives in Connecticut and Massachusetts permit the retail customers of the NU Initial System Companies in those states to obtain their energy on a competitive basis from third party suppliers;

WHEREAS, Western Massachusetts Electric Company and The Connecticut Light and Power Company are divesting their generating assets, under legislative restructuring initiatives and will acquire power supplies on the competitive market in order to provide "Standard Offer" service to retail customers who do not choose a competitive supplier;

WHEREAS, in light of state and federal restructuring initiatives, the New England Power Pool ("NEPOOL") has amended and restated the NEPOOL Agreement referenced in the NUG&T and has adopted a pool-wide open access transmission tariff (the "NEPOOL Tariff") to further the creation of a competitive bulk power market in New England; and

WHEREAS, the effect of these restructuring initiatives will render the current allocation formula in the NUG&T unworkable with respect to generation costs and revenues; and

WHEREAS, the changes in the NEPOOL Agreement warrant certain changes in the allocation formula for transmission costs and revenues,

NOW THEREFORE, in consideration of the mutual promises contained herein, the NU Initial Companies hereby agree to the following:

1. The Hartford Electric Light Company shall be removed as a party to the NUG&T, as it has merged with The Connecticut Light and power Company.

2. All references to the NEPOOL Agreement shall mean the NEPOOL Agreement as restated by an amendment dated as of July 20, 1998, as amended from time to time.

3. The title of the NUG&T, recitals and Sections 2 through 8 of the NUG&T are amended to strike all references to energy and generation capacity and read in the manner shown on the attached revised pages of the NUG&T.

4. Section 1 of the NUG&T is amended to delete the first sentence and to reflect that the amendments to the NUG&T will become effective, subject to acceptance by the Federal Energy Regulatory Commission, on the first day of the month following the date Western Massachusetts Electric Company begins to procure the source of supply for Standard Offer generation service on a competitive basis.

5. The title of Section 3 is amended to delete the words "BULK POWER" and replace them with the words "BACKBONE TRANSMISSION".

6. Section 3 (a) of the NUG&T is amended to replace "Adjusted Annual Peaks" with "Monthly Network Load" and to strike all references to energy and generation capacity and read in the manner shown on the attached revised pages of the NUG&T Agreement.

7. Section 3(b)(iv) of the NUG&T is amended to delete the term "NEPEX" and replace it with "NEPOOL or ISO" and read in the manner shown on the attached revised pages of the NUG&T.

8. Section 4 of the NUG&T is deleted in its entirety and the remaining paragraphs shall be renumbered, as appropriate.

9. The first paragraph of Section 5 of the NUG&T (now renumbered as Section 4) is amended to read as follows:

The Companies participate in the New England Power Pool (NEPOOL) pursuant to the NEPOOL Agreement dated September 1, 1971 as restated by an amendment dated as of July 20, 1998, as may be amended from time to time, and, as such, are subject to the NEPOOL Open Access Transmission Tariff ("NEPOOL Tariff") which became effective as of March 1, 1997, as amended. As used in this Memorandum and all schedules and supplements hereto the terms ISO and Monthly Network Load shall have the meaning specified in NEPOOL Tariff, as amended from time to time.

10. Section 5(e) (now renumbered as Section 4(e)) is amended to strike reference to the treatment of Fuel Expense.

11. Section 5(h) (now renumbered as section 4(h)) is amended to strike reference to investment return in the case of a generating unit and read in the manner shown in the attached revised pages of the NUG&T.

12. Section 5(j) (now renumbered as section 4(j)) is deleted in its entirety.

13. Schedule A to the NUG&T, consisting of 2 pages and entitled: "DETERMINATION OF INVESTMENT RETURN," is amended to strike all references to generation and read in the manner shown on the attached revised Schedule A.

14. To the extent any generating assets remain in the ownership of any or all of the NU Initial System Companies upon the effective date of this Second Amendment, the costs and revenues associated with such assets will be allocated among the NU Initial System Companies on the basis of each Company's ownership share in such assets until such assets are either sold, or otherwise transferred or retired.

15. To the extent any wholesale power contracts remain the obligation of any or all of the NU Initial System Companies upon the effective date of this Second Amendment, the production costs associated with such contracts will be allocated pursuant to the last applicable NUG&T allocation of such contracts prior to the effective date of the Second Amendment until the contracts are either sold, assigned, terminated or otherwise transferred to another party.

16. This Second Amendment shall become effective on the first day of the next month after such date that Western Massachusetts Electric Company ("WMECO") begins procuring the source of supply for Standard Offer generation service on a competitive basis.

IN WITNESS WHEREOF, each of the Companies has caused this Agreement to be executed by its duly authorized representative, as of this day of June, 1999.

THE CONNECTICUT LIGHT AND POWER COMPANY

By:
Its

WESTERN MASSACHUSETTS ELECTRIC COMPANY

By:
Its

HOLYOKE WATER POWER COMPANY

By:
Its

HOLYOKE POWER AND ELECTRIC COMPANY

By:
Its

ATTACHMENT 2

SECOND COMPOSITE

RESTATED

NEW ENGLAND

POWER POOL AGREEMENT

(As amended through the Fifty-First Agreement
Amending New England Power Pool Agreement)

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COMPOSITE RESTATED NEW ENGLAND POWER POOL AGREEMENT

THIS AGREEMENT dated as of the first day of September, 1971, as amended, was entered into by the signatories thereto for the establishment by them of a bulk power pool to be known as NEPOOL and is restated by an amendment dated as of May 7, 1999.

In consideration of the mutual agreements and undertakings herein, the signatories hereby agree as follows:

PART ONE

INTRODUCTION

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DEFINITIONS

Whenever used in this Agreement, in either the singular or plural number, the following terms shall have the following respective meanings (an asterisk (*) indicates that the definition may be modified in certain cases pursuant to Section 1.109):

1.1 Adjusted Load * (not less than zero) of a Participant during any particular hour is the Participant's Load during such hour less any Kilowatts received (or Kilowatts which would have been received except for the application of Section 14.7(b)) by such Participant pursuant to a Firm Contract.

1.2 Adjusted Monthly Peak of a Participant for a month is its Monthly Peak, provided that if there has been a transfer between Participants, in whole or part, of the responsibilities under this Agreement during such month pursuant to a Firm Contract, the Adjusted Monthly Peak of each such Participant shall reflect the effect of such transaction, but the Adjusted Monthly Peak of a Participant shall not be changed from the Monthly Peak to reflect the effect of any other transaction.

1.3 Adjusted Net Interchange of a Participant for an hour is (a) the Kilowatts produced by or delivered to the Participant from its Energy Entitlements or

pursuant to arrangements entered into under Section 14.6, as adjusted in accordance with uniform market operation rules approved by the Markets Committee to take account of associated electrical losses, as appropriate, minus (b) the sum of (i) the Electrical Load of the Participant for the hour, and (ii) the kilowatthours delivered by such Participant to other Participants pursuant to Firm Contracts or System Contracts, in accordance with the treatment agreed to pursuant to Section 14.7(a), together with any associated electrical losses.

1.3A Administrative Procedures are procedures adopted by the System Operator in order to fulfill its responsibilities to apply and implement NEPOOL System Rules.

1.4 AGC Capability of an electric generating unit or combination of units is the maximum dependable ability of the unit or units to increase or decrease the level of output within a time frame specified by market operation rules approved by the Markets Committee, in response to a remote direction from the System Operator in order to maintain currently proper power flows into and out of the NEPOOL Control Area and to control frequency.

1.5 AGC Entitlement is (a) the right to all or a portion of the AGC Capability of a generating unit or combination of units to which an Entity is entitled as an owner (either sole or in common) or as a purchaser, reduced by (b) any portion thereof which such Entity is selling pursuant to a Unit Contract, and (c) further reduced or increased, as appropriate, to recognize rights to receive or obligations to supply AGC pursuant to Firm Contracts or System Contracts in accordance with Section 14.7(a). An AGC Entitlement in a generating unit or units may, but need not, be combined with any other Entitlements relating to such generating unit or units and may be transferred separately from the related Installed Capability Entitlement, Energy Entitlement, or Operating Reserve Entitlements.

1.6 Agreement is this restated contract and attachments, including the Tariff, as amended and restated from time to time.

1.7 Annual Transmission Revenue Requirements of a Participant's PTF or of all Participants' PTF for purposes of this Agreement are the amounts determined in accordance with Attachment F to the Tariff.

1.8 Automatic Generation Control or AGC is a measure of the ability of a generating unit or portion thereof to respond automatically within a specified time to a remote direction from the System Operator to increase or decrease the level of output in order to control frequency and to maintain currently proper power flows into and out of the NEPOOL Control Area.

1.8A Balloting Agent is the Secretary of the Participants Committee.

1.9 Bid Price is the amount which a Participant offers to accept, in a notice furnished to the System Operator by it or on its behalf in accordance with the market operation rules approved by the Markets Committee, as compensation for (i) furnishing Installed Capability to other Participants pursuant to this Agreement, or (ii) preparing the start up or starting up or increasing the level of operation of, and thereafter operating, a generating unit or units to provide Energy to other Participants pursuant to this Agreement, or (iii) having a unit or units available to provide Operating Reserve to other Participants pursuant to this Agreement, or (iv) having a unit or units available to provide AGC to other Participants pursuant to this Agreement, or (v) providing to other Participants Installed Capability, Energy, Operating Reserve and/or AGC pursuant to a Firm Contract or System Contract in accordance with Section 14.7.

1.10 Commission is the Federal Energy Regulatory Commission.

1.11 Control Area is an electric power system or combination of electric power systems to which a common automatic generation control scheme is applied in order to:

(l) match, at all times, the power output of the generators within the electric power system(s) and capacity and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s);

(2) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice;

(3) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice and the criteria of the applicable regional reliability council or the NERC; and

(4) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

1.12 Curtailment is a reduction in firm or non-firm transmission service in response to a transmission capacity shortage as a result of system reliability conditions.

1.13 Direct Assignment Facilities are facilities or portions of facilities that are Non-PTF and are constructed for the sole use/benefit of a particular Transmission Customer requesting service under the Tariff or Generator Owner requesting an interconnection. Direct Assignment Facilities shall be specified in a separate agreement with the Transmission Provider whose transmission system is to be modified to include and/or interconnect with said Facilities, shall be subject to applicable Commission requirements and shall be paid for by the Transmission Customer or a Generator Owner in accordance with the separate agreement and not under the Tariff.

1.14 Dispatch Price of a generating unit or combination of units, or a Firm Contract or System Contract permitted to be bid to supply Energy in accordance with Section 14.7(b), is the price to provide Energy from the unit or units or Contract, as determined pursuant to market operation rules approved by the Markets Committee to incorporate the Bid Price for such Energy and any loss adjustments, if and as appropriate under such market operation rules.

1.15 EHV PTF are PTF transmission lines which are operated at 230 kV or above and related PTF facilities, including transformers which link other EHV PTF facilities, but do not include transformers which step down from 230 kV or a higher voltage to a voltage below 230 kV.

1.16 Electrical Load (in Kilowatts) of a Participant during any particular hour is the total during such hour (eliminating any distortion arising out of (i) Interchange Transactions, or (ii) transactions across the system of such Participant, or (iii) deliveries between Entities constituting a single Participant, or (iv) other electrical losses, if and as appropriate), of

(a) kilowatthours provided by such Participant to its retail customers for consumption, plus

(b) kilowatthours of use by such Participant, plus

(c) kilowatthours of electrical losses and unaccounted for use by the Participant on its system, plus

(d) kilowatthours used by such Participant for pumping Energy for its Entitlements in pumped storage hydroelectric generating facilities, plus

(e) kilowatthours delivered by such Participant to Non-Participants. The Electrical Load of a Participant may be calculated in any reasonable manner which substantially complies with this definition.

1.17 Eligible Customer is the following: (i) Any Participant that is engaged, or proposes to engage, in the wholesale or retail electric power business is an Eligible Customer under the Tariff. (ii) Any electric utility (including any power marketer), Federal power marketing agency, or any other entity generating electric energy for sale or for resale is an Eligible Customer under the Tariff. Electric energy sold or produced by such entity may be electric energy produced in the United States, Canada or Mexico. However, with respect to transmission service that the Commission is prohibited from ordering by Section 212(h) of the Federal Power Act, such entity is eligible only if the service is provided pursuant to a state requirement that the Transmission Provider with which that entity is directly interconnected offer the unbundled transmission service, or pursuant to a voluntary offer of such service by the Transmission Provider with which that entity is directly interconnected. (iii) Any end user taking or eligible to take unbundled transmission service pursuant to a state requirement that the Transmission Provider with which that end user is directly interconnected offer the transmission service, or pursuant to a voluntary offer of such service by the Transmission Provider with which that end user is directly interconnected, is an Eligible Customer under the Tariff.

1.17A End User Participant is a Participant which is a consumer of electricity in the NEPOOL Control Area that generates or purchases electricity primarily for its own consumption or a non-profit group representing such consumers.

1.18 Energy is power produced in the form of electricity, measured in kilowatthours or megawatthours.

1.19 Energy Entitlement is (i) a right to receive Energy under a System Contract or a Firm Contract in accordance with Section 14.7(a), or (ii) a right to receive all or a portion of the electric output of a generating unit or units to which an Entity is entitled as an owner (either sole or in common) or as a purchaser pursuant to a Unit Contract, reduced by (iii) any portion thereof which such Entity is selling pursuant to a Unit Contract. An Energy Entitlement in a generating unit or units may, but need not, be combined with any other Entitlements relating to such generating unit or units and may be transferred separately from the related Installed Capability Entitlement, Operating Reserve Entitlements, or AGC Entitlement.

1.20 Entitlement is an Installed Capability Entitlement, Energy Entitlement, Operating Reserve Entitlement, or AGC Entitlement. When used in the plural

form, it may be any or all such Entitlements or combinations thereof, as the context requires.

1.21 Entity is any person or organization whether the United States of America or Canada or a state or province or a political subdivision thereof or a duly established agency of any of them, a private corporation, a partnership, an individual, an electric cooperative or any other person or organization recognized in law as capable of owning property and contracting with respect thereto that is either:

(a) engaged in the electric power business (the generation and/or transmission and/or distribution of electricity for consumption by the public or the purchase, as a principal or broker, of Installed Capability, Energy, Operating Reserve, and/or AGC for resale); or

(b) a consumer of electricity in the NEPOOL Control Area that generates or purchases electricity primarily for its own consumption or a non-profit group representing such consumers.

1.22 Excepted Transaction is a transaction specified in Section 25 of the Tariff for the applicable period specified in that Section, or in Sections 25A and 25B of the Tariff.

1.23 [Deleted.]

1.24 Facilities Study is an engineering study conducted pursuant to this Agreement or the Tariff by the System Operator and/or one or more affected Participants to determine the required modifications to the NEPOOL Transmission System, including the cost and scheduled completion date for such modifications, that will be required to provide a requested transmission service or interconnection.

1.25 Firm Contract is any contract, other than a Unit Contract, for the purchase of Installed Capability, Energy, Operating Reserves, and/or AGC, pursuant to which the purchaser's right to receive such Installed Capability, Energy, Operating Reserves, and/or AGC is subject only to the supplier's inability to make deliveries thereunder as the result of events beyond the supplier's reasonable control.

1.26 First Effective Date is March 1, 1997.

1.27 Good Utility Practice shall mean any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgement in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not limited to a single, optimum practice, method or act to the exclusion of others, but rather is intended to include acceptable practices, methods, or acts generally accepted in the region.

1.28 HQ Contracts are the HQ Interconnection Agreement, the HQ Phase I Energy Contract, and the HQ Phase II Firm Energy Contract.

1.29 HQ Energy Banking Agreement is the Energy Banking Agreement entered into on March 21, 1983 by Hydro-Quebec, the Participants, New England Electric Transmission Corporation and Vermont Electric Transmission Company, Inc., as it may be amended from time to time.

1.30 HQ Interconnection is the United States segment of the transmission interconnection which connects the systems of Hydro-Quebec and the Participants. "Phase I" is the United States portion of the 450 kV HVDC transmission line from a terminal at the Des Cantons Substation on the Hydro-Quebec system near Sherbrooke, Quebec to a terminal having an approximate rating of 690 MW at a substation at the Comerford Generating Station on the Connecticut River. "Phase II" is the United States portion of the facilities required to increase to approximately 2000 MW the transfer capacity of the HQ Interconnection, including an extension of the HVDC transmission line from the terminus of Phase I at the Comerford Station through New Hampshire to a terminal at the Sandy Pond Substation in Massachusetts. The HQ Interconnection does not include any PTF facilities installed or modified to effect reinforcements of the New England AC transmission system required in connection with the HVDC transmission line and terminals.

1.31 HQ Interconnection Agreement is the Interconnection Agreement entered into on March 21, 1983 by Hydro-Quebec and the Participants, as it may be amended from time to time.

1.32 HQ Interconnection Capability Credit of a Participant for a month during the Base Term (as defined in Section 1.38) of the HQ Phase II Firm Energy Contract is the sum in Kilowatts of (1)(a) the Participant's percentage share, if any, of the HQ Phase I Transfer Capability times (b) the HQ Phase I Transfer Credit, plus (2)(a) the Participant's percentage share, if any, of

the HQ Phase II Transfer Capability, times (b) the HQ Phase II Transfer Credit. The Participants Committee shall establish appropriate HQ Interconnection Capability Credits to apply for a Participant which has such a percentage share (i) during an extension of the HQ Phase II Firm Energy Contract, and (ii) following the expiration of the HQ Phase II Firm Energy Contract.

1.33 HQ Interconnection Transfer Capability is the transfer capacity of the HQ Interconnection under normal operating conditions, as determined in accordance with Good Utility Practice. The "HQ Phase I Transfer Capability" is the transfer capacity under normal operating conditions, as determined in accordance with Good Utility Practice, of the Phase I terminal facilities as determined initially as of the time immediately prior to Phase II of the Interconnection first being placed in service, and as adjusted thereafter only to take into account changes in the transfer capacity which are independent of any effect of Phase II on the operation of Phase I. The "HQ Phase II Transfer Capability" is the difference between the HQ Interconnection Transfer Capability and the HQ Phase I Transfer Capability. Determinations of, and any adjustment in, transfer capacity shall be made by the Markets Committee in accordance with a schedule consistent with that followed by it in its determination of the Winter Capability and Summer Capability of generating units.

1.34 HQ Net Interconnection Capability Credit of a Participant at a particular time is its HQ Interconnection Capability Credit at the time in Kilowatts, minus a number of Kilowatts equal to (1) the percentage of its share of the HQ Interconnection Transfer Capability committed or used by it for an "Entitlement Transaction" at the time under the HQ Use Agreement, times (2) its HQ Interconnection Capability Credit for the current month.

1.35 HQ Phase I Energy Contract is the Energy Contract entered into on March 21, 1983 by Hydro-Quebec and the Participants, as it may be amended from time to time.

1.36 HQ Phase I Percentage is the percentage of the total HQ Interconnection Transfer Capability represented by the HQ Phase I Transfer Capability.

1.37 HQ Phase I Transfer Credit is 60/69 of the HQ Phase I Transfer Capability, or such other fraction of the HQ Phase I Transfer Capability as the Participants Committee may establish.

1.38 HQ Phase II Firm Energy Contract is the Firm Energy Contract dated as of October 14, 1985 between Hydro-Quebec and certain of the Participants, as it may be amended from time to time. The "Base Term" of the HQ Phase II Firm Energy Contract is the period commencing on the date deliveries were first made under the Contract and ending on August 31, 2000.

1.39 HQ Phase II Gross Transfer Responsibility of a Participant for any month during the Base Term of the HQ Phase II Firm Energy Contract (as defined in Section 1.38) is the number in Kilowatts of (a) the Participant's percentage share, if any, of the HQ Phase II Transfer Capability for the month times (b) the HQ Phase II Transfer Credit. Following the Base Term of the HQ Phase II Firm Energy Contract, and again following the expiration of the HQ Phase II Firm Energy Contract, the Participants Committee shall establish an appropriate HQ Phase II Gross Transfer Responsibility that shall remain in effect concurrently with the HQ Interconnection Capability Credit.

1.40 HQ Phase II Net Transfer Responsibility of a Participant for any month is its HQ Phase II Gross Transfer Responsibility for the month minus a number of Kilowatts equal to (1) the highest percentage of its share of the HQ Interconnection Transfer Capability committed or used by it on any day of the month for an "Entitlement Transaction" under the HQ Use Agreement, times (2) its HQ Phase II Gross Transfer Responsibility for the month.

1.41 HQ Phase II Percentage is the percentage of the total HQ Interconnection Transfer Capability represented by the HQ Phase II Transfer Capability.

1.42 HQ Phase II Transfer Credit is 90/131 of the HQ Phase II Transfer Capability, or such other fraction of the HQ Phase II Transfer Capability as the Participants Committee may establish.

1.43 HQ Use Agreement is the Agreement with Respect to Use of Quebec Interconnection dated as of December 1, 1981 among certain of the Participants, as amended and restated as of September 1, 1985 and as it may be further amended from time to time.

1.44 Installed Capability of an electric generating unit or combination of units during the Winter Period is the Winter Capability of such unit or units and during the Summer Period is the Summer Capability of such unit or units.

1.45 Installed Capability Entitlement is (a) the right to all or a portion of the Installed Capability of a generating unit or units to which an Entity is entitled as an owner (either sole or in common) or as a purchaser pursuant to a Unit Contract, (b) reduced by any portion thereof which such Entity is selling pursuant to a Unit Contract, and (c) further reduced or increased, as

appropriate, to recognize rights to receive or obligations to supply Installed Capability pursuant to Firm Contracts or System Contracts in accordance with Section 14.7(a). An Installed Capability Entitlement relating to a unit or units may, but need not, be combined with any other Entitlements relating to such generating unit or units and may be transferred separately from the related Energy Entitlement, Operating Reserve Entitlements, or AGC Entitlement.

1.46 Installed Capability Responsibility * of a Participant for any month is the number of Kilowatts determined in accordance with Section 12.2.

1.47 Installed System Capability of a Participant at a particular time is (1) the sum of such Participant's Installed Capability Entitlements plus (2) its HQ Net Interconnection Capability Credit at the time.

1.48 Interchange Transactions are transactions deemed to be effected under Section 12 of the Prior NEPOOL Agreement prior to the Second Effective Date, and transactions deemed to be effected under Section 14 of this Agreement on and after the Second Effective Date.

1.49 Internal Point-to-Point Service is the transmission service by that name provided pursuant to Section 19 of the Tariff.

1.50 Interruption is a reduction in non-firm transmission service due to economic reasons pursuant to Section 28.7 of the Tariff, other than a reduction which results from a failure to dispatch a generating resource, including a contract, used in a transaction requiring In Service or Through or Out Service which is out of merit order.

1.51 ISO is the Independent System Operator which is responsible for the continued operation of the NEPOOL Control Area from the NEPOOL control center and the administration of the Tariff, subject to regulation by the Commission.
1.52 Kilowatt is a kilowatthour per hour.

1.52A Liaison Committee is the committee whose responsibilities are specified in Section 11C.

1.53 Load * (in Kilowatts) of a Participant during any particular hour is the total during such hour (eliminating any distortion arising out of (i) Interchange Transactions, or (ii) transactions across the system of such Participant, or (iii) deliveries between Entities constituting a single Participant, or (iv) other electrical losses, if and as appropriate) of

(a) kilowatthours provided by such Participant to its retail customers for consumption (excluding any kilowatthours which may be classified as interruptible under market operation rules approved by the Markets Committee), plus

(b) kilowatthours delivered by such Participant pursuant to Firm Contracts to its wholesale customers for resale, plus

(c) kilowatthours of use by such Participant, exclusive of use by such Participant for the operation and maintenance of its generating unit or units, plus

(d) kilowatthours of electrical losses and unaccounted for use by the Participant on its system. The Load of a Participant may be calculated in any reasonable manner which substantially complies with this definition.

For the purposes of calculating a Participant's Annual Peak, Adjusted Monthly Peak, Adjusted Annual Peak and Monthly Peak, the Load of a Participant shall be adjusted to eliminate any distortions resulting from voltage reductions. In addition, upon the request of any Participant, the Markets Committee shall make, or supervise the making of, appropriate adjustments in the computation of Load for the purposes of calculating any Participant's Annual Peak, Adjusted Monthly Peak, Adjusted Annual Peak and Monthly Peak to eliminate any distortions resulting from emergency load curtailments which would significantly affect the Load of any Participant.

1.54 Local Network is the transmission facilities constituting a local network identified on Attachment E to the Tariff, and any other local network or change in the designation of a Local Network as a Local Network which the Participants Committee may designate or approve from time to time. The Participants Committee may not unreasonably withhold approval of a request by a Participant that it effect such a change or designation.

1.55 Local Network Service is the service provided, under a separate tariff or contract, by a Participant that is a Transmission Provider to another Participant, or other entity connected to the Transmission Provider's Local Network to permit the other Participant or entity to efficiently and economically utilize its resources to serve its load.

1.56 Lower Voltage PTF are all PTF facilities other than EHV PTF.

1.57 Market Products are Installed Capability, Operable Capability, Energy,

each category of Operating Reserve and AGC.

1.57A Market Rules are the system rules and operating procedures adopted pursuant to the System Operator Agreement in connection with the administration of the NEPOOL Market.

1.58 [Deleted.]

1.58A Markets Committee is the committee whose responsibilities are specified in Section 10 and which may have additional responsibilities under a proper delegation of authority by the Participants Committee. To the extent practicable, references in the Agreement to the Markets Committee shall include the prior Regional Market Operations Committee as the predecessor of the Markets Committee.

1.59 Monthly Peak of a Participant for a month is the maximum Adjusted Load of the Participant during any hour in the month.

1.60 NEPOOL is the New England Power Pool, the power pool created under and governed by this Agreement, and the Entities collectively participating in the New England Power Pool as Participants.

1.61 NEPOOL Control Area is the integrated electric power system to which a common Automatic Generation Control scheme and various operating procedures are applied by or under the supervision of the System Operator in order to:

(i) match, at all times, the power output of the generators within the electric power system and capacity and Energy purchased from entities outside the electric power system, with the load within the electric power system;

(ii) maintain scheduled interchange with other interconnected systems, within the limits of Good Utility Practice;

(iii) maintain the frequency of the electric power system within reasonable limits in accordance with Good Utility Practice and the criteria of the NPCC and NERC; and

(iv) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

1.62 NEPOOL Installed Capability at any particular time is the sum of the Installed System Capabilities of all Participants at such time.

1.63 NEPOOL Installed Capability Responsibility for any month is the sum of the Installed Capability Responsibilities of all Participants during that month.

1.64 NEPOOL Objective Capability for any year or period during a year is the minimum NEPOOL Installed Capability, treating the reliability benefits of the HQ Interconnection as Installed Capability, as established by the Participants Committee, required to be provided by the Participants in aggregate for the period to meet the reliability standards established by the Participants Committee pursuant to Section 7.5(e).

1.64A NEPOOL Market is the market for electric energy, capacity and certain ancillary services within the NEPOOL Control Area.

1.64B NEPOOL System Rules are the Market Rules, the NEPOOL Information Policy and any other system rules for the operation of the System and administration of the NEPOOL Market, the NEPOOL Agreement and the NEPOOL Tariff.

1.64C NERC is the North American Electric Reliability Council.

1.65 New Unit is an electric generating unit (including a unit or units owned by a Non-Participant in which a Participant has an Entitlement under a Unit Contract) first placed into commercial operation after May 1, 1987 (or, in the case of a unit or units owned by a Non-Participant, in which a Participant's Unit Contract Entitlement became effective after May 1, 1987) and not listed on Exhibit B to the Prior NEPOOL Agreement.

1.66 Non-Participant is any entity which is not a Participant.

1.66A NPCC is the Northeast Power Coordinating Council.

1.66B OASIS is the Open Access Same-Time Information System of the System Operator.

1.67 Operable Capability of an electric generating unit or units in any hour is the portion of the Installed Capability of the unit or units which is operating or available to respond within an appropriate period (as identified in market operation rules approved by the Markets Committee) to the System Operator's call to meet the Energy and/or Operating Reserve and/or AGC requirements of the NEPOOL Control Area during a Scheduled Dispatch Period or is available to respond within an appropriate period to a schedule submitted

by a Participant for the hour in accordance with market operation rules approved by the Markets Committee.

1.68 [Deleted].

1.69 [Deleted].

1.70 [Deleted].

1.71 Operating Reserve is any or a combination of 10-Minute Spinning Reserve, 10-Minute Non-Spinning Reserve, and 30-Minute Operating Reserve, as the context requires.

1.72 Operating Reserve Entitlement is (a) the right to all or a portion of the Operating Reserve of any category which can be provided by a generating unit or units to which an Entity is entitled as an owner (either sole or in common) or as a purchaser pursuant to a Unit Contract, (b) reduced by any portion thereof which such Entity is selling pursuant to a Unit Contract, and (c) further reduced or increased, as appropriate, to recognize rights to receive or obligations to supply Operating Reserve of that category pursuant to Firm Contracts or System Contracts in accordance with Section 14.7(a). An Operating Reserve Entitlement in any category relating to a generating unit or units may, but need not, be combined with any other Entitlements relating to such generating unit or units and may be transferred separately from the other categories of Operating Reserve Entitlements related to such unit or units and from the related Installed Capability Entitlement, Energy Entitlement, or AGC Entitlement.

1.73 Other HQ Energy is Energy purchased under the HQ Phase I Energy Contract which is classified as "Other Energy" under that contract.

1.74 Participant is an eligible Entity (or group of Entities which has elected to be treated as a single Participant pursuant to Section 4.1) which is a signatory to this Agreement and has become a Participant in accordance with Section 3.1 until such time as such Entity's status as a Participant terminates pursuant to Section 21.2.

1.74A Participants Committee is the committee whose responsibilities are specified in Section 7. To the extent applicable, references in the Agreement to the Participants Committee shall include the prior Management Committee or Executive Committee as the predecessor of the Participants Committee.

1.75 Pool-Planned Facility is a generation or transmission facility designated as "pool-planned" pursuant to Section 18.1.

1.76 Pool-Planned Unit is one of the following units: New Haven Harbor Unit 1 (Coke Works), Mystic Unit 7, Canal Unit 2, Potter Unit 2, Wyman Unit 4, Stony Brook Units 1, 1A, 1B, 1C, 2A and 2B, Millstone Unit 3, Seabrook Unit 1 and Waters River Unit 2 (to the extent of 7 megawatts of its Summer Capability and 12 megawatts of its Winter Capability).

1.77 Power Year is (i) the period of twelve (12) months commencing on November 1, in each year to and including 1997; (ii) the period of seven (7) months commencing on November 1, 1998; and (iii) the period of twelve (12) months commencing on June 1, 1999 and each June 1 thereafter.

1.78 Prior NEPOOL Agreement is the NEPOOL Agreement as in effect on December 1, 1996.

1.79 Proxy Unit is a hypothetical electric generating unit which possesses a Winter Capability, equivalent forced outage rate, annual maintenance outage requirement, and seasonal derating determined in accordance with Section 12.2(a)(2).

1.80 PTF are the pool transmission facilities defined in Section 15.1, and any other new transmission facilities which the Reliability Committee determines, in accordance with criteria approved by the Participants Committee and subject to review by the System Operator, should be included in PTF.

1.80A Publicly Owned Entity is an Entity which is either a municipality or an agency thereof, or a body politic and public corporation created under the authority of one of the New England states, authorized to own, lease and operate electric generation, transmission or distribution facilities, or an electric cooperative, or an organization of any such entities.

1.81 [Deleted.]

1.82 Regional Network Service is the transmission service by that name provided pursuant to Section 14 of the Tariff.

1.83 [Deleted.]

1.84 [Deleted.]

1.85 Related Person of a Participant is either (i) a corporation, partnership,

business trust or other business organization 10% or more of the stock or equity interest in which is owned directly or indirectly by, or is under common control with, the Participant, or (ii) a corporation, partnership, business trust or other business organization which owns directly or indirectly 10% or more of the stock or other equity interest in the Participant, or (iii) a corporation, partnership, business trust or other business organization 10% or more of the stock or other equity interest in which is owned directly or indirectly by a corporation, partnership, business trust or other business organization which also owns 10% or more of the stock or other equity interest in the Participant.

1.85A Reliability Committee is the committee whose responsibilities are specified in Section 8 and which may have additional responsibilities under a proper delegation of authority by the Participants Committee. To the extent practicable, references in the Agreement to the Reliability Committee shall include the prior Market Reliability Planning Committee or the prior Regional Transmission Planning Committee as the predecessor of the Reliability Committee.

1.85B Reliability Standards are those rules, standards, procedures and protocols approved by the Participants Committee pursuant to Section 7.3, or its predecessors, that set forth specifics concerning how the System Operator shall exercise its authority over matters pertaining to the reliability of the bulk power system.

1.85C Review Board is the board whose responsibilities are specified in Section 11A.

1.86 Scheduled Dispatch Period is the shortest period for which the System Operator performs and publishes a projected dispatch schedule based on projected Electrical Loads and actual Bid Prices and Participant- directed schedules for resources submitted in accordance with Section 14.2(d).

1.87 Second Effective Date is May 1, 1999.

1.87A Sector has the meaning specified in Section 6.2.

1.88 Service Agreement is the initial agreement and any amendments or supplements thereto entered into by the Transmission Customer and the System Operator for service under the Tariff.

1.89 Summer Capability of an electric generating unit or combination of units is the maximum dependable load carrying ability in Kilowatts of such unit or units (exclusive of capacity required for station use) during the Summer Period, as determined by the Markets Committee in accordance with Section 10.4(d).

1.90 Summer Period in each Power Year is the four-month period from June through September.

1.91 System Contract is any contract for the purchase of Installed Capability, Energy, Operating Reserves and/or AGC, other than a Unit Contract or Firm Contract, pursuant to which the purchaser is entitled to a specifically determined or determinable amount of such Installed Capability, Energy, Operating Reserves and/or AGC.

1.92 System Impact Study is an assessment pursuant to Part V, VI or VII of the Tariff of (i) the adequacy of the NEPOOL Transmission System to accommodate a request for the interconnection of a new or materially changed generating unit or a new or materially changed interconnection to another Control Area or new Regional Network Service, Internal Point- to-Point Service or Through or Out Service, and (ii) whether any additional costs may be required to be incurred in order to provide the interconnection or transmission service.

1.93 System Operator is the central dispatching agency provided for in this Agreement which has responsibility for the operation of the NEPOOL Control Area from the NEPOOL control center and the administration of the Tariff. The System Operator is ISO New England Inc., unless replaced by a substitute independent system operator, a regional transmission organization or an entity that forms a part of a regional transmission organization that has, in each case, been approved by the Commission.

1.94 Target Availability Rate is the assumed availability of a type of generating unit utilized by the Participants Committee in its determination pursuant to Section 7.5(e) of NEPOOL Objective Capability.

1.95 Tariff is the NEPOOL Open Access Transmission Tariff set out in Attachment B to the Agreement, as modified and amended from time to time.

1.95A Tariff Committee is the committee whose responsibilities are specified in Section 9 and which may have additional responsibilities under a proper delegation of authority by the Participants Committee. To the extent practicable, references in the Agreement to the Tariff Committee shall include the prior Regional Transmission Operations Committee as the predecessor of the Tariff Committee.

1.95B Technical Committees are the Reliability Committee, the Tariff Committee and the Markets Committee.

1.96 Third Effective Date is the date on which all Interchange Transactions shall begin to be effected on the basis of separate Bid Prices for each type of Entitlement. The Third Effective Date shall be fixed at the discretion of the Participants Committee to occur within six months to one year after the Second Effective Date, or at such later date as the Commission may fix on its own or pursuant to a request by the Participants Committee.

1.97 Through or Out Service is the transmission service by that name provided pursuant to Section 18 of the Tariff.

1.98 Transition Period is the six-year period commencing on March 1, 1997.

1.99 Transmission Customer is any Eligible Customer that (i) is a Participant which is not required to sign a Service Agreement with respect to a service to be furnished to it in accordance with Section 48 of the Tariff or (ii) executes, on its own behalf or through its Designated Agent, a Service Agreement, or (iii) requests in writing, on its own behalf or through its Designated Agent, that NEPOOL file with the Commission a proposed unexecuted Service Agreement in order that the Eligible Customer may receive transmission service under the Tariff.

1.99A Transmission Owner is a Transmission Provider which makes its PTF available under the Tariff and owns a Local Network listed in Attachment E to the Tariff which is not a Publicly Owned Entity, including any affiliate of a Transmission Provider that owns transmission facilities that are made available as part of the Transmission Provider's Local Network; provided that if a Transmission Provider is not listed in Attachment E to the Tariff on May 10, 1999, the Transmission Provider must also (1) own, or lease with rights equivalent to ownership, PTF with an original capital investment in its PTF as of the end of the most recent year for which figures are available from annual reports submitted to the Commission in Form 1 or any similar form containing comparable annualized data of at least $30,000,000, and (2) provide transmission service to non-affiliated customers pursuant to an open access transmission tariff on file with the Commission.

1.99B Transmission Owners Committee is the committee whose responsibilities are specified in Section 11B.

1.100 Transmission Provider is the Participants, collectively, which own PTF and are in the business of providing transmission service or provide service under a local open access transmission tariff, or in the case of a state or municipal or cooperatively-owned Participant, would be required to do so if requested pursuant to the reciprocity requirements specified in the Tariff, or an individual such Participant, whichever is appropriate.

1.101 Unit Contract is a purchase contract pursuant to which the purchaser is in effect currently entitled either (i) to a specifically determined or determinable portion of the Installed Capability of a specific electric generating unit or units, or (ii) to a specifically determined or determinable amount of Energy, Operating Reserves and/or AGC if, or to the extent that, a specific electric generating unit or units is or can be operated.

1.102 [Deleted.]

1.103 Winter Capability of an electric generating unit or combination of units is the maximum dependable load carrying ability in Kilowatts of such unit or units (exclusive of capacity required for station use) during the Winter Period, as determined by the Markets Committee in accordance with Section 10.4(d).

1.104 Winter Period in each Power Year is (i) the seven-month period from November through May and the month of October for the Power Year commencing on November 1 in 1997 or a prior Power Year; (ii) the seven- month period from November through May for the Power Year commencing on November 1, 1998; and (iii) the eight-month period from October through May for the Power Year commencing on June 1, 1999 and each June 1 thereafter.

1.105 10-Minute Spinning Reserve in an hour are the following resources that are designated by the System Operator in accordance with market operation rules, as approved by the Markets Committee, to be available to provide contingency protection for the system: (1) the Kilowatts of Operable Capability of an electric generating unit or units that are synchronized to the system, unloaded during all or part of the hour, and capable of providing contingency protection by loading to supply Energy immediately on demand, increasing the Energy output over no more than ten minutes to the full amount of generating capacity so designated, and sustaining such Energy output for so long as the System Operator determines in accordance with market operation rules approved by the Markets Committee is necessary; and (2) any portion of the Electrical Load of a Participant that the System Operator is able to verify as capable of providing contingency protection by immediately on demand reducing Energy requirements within ten minutes and maintaining such reduced

Energy requirements for so long as the System Operator determines in accordance with market operation rules approved by the Markets Committee is necessary.

1.106 10-Minute Non-Spinning Reserve in an hour are the following resources that are designated by the System Operator in accordance with market operation rules, as approved by the Markets Committee, to be available to provide contingency protection for the system: (1) the Kilowatts of Operable Capability of an electric generating unit or units that are not synchronized to the system, during all or part of the hour, and any portion of a Participant's Electrical Load that the System Operator is able to verify as capable of providing contingency protection by loading to supply Energy within ten minutes to the full amount of generating capacity so designated, and sustaining such Energy output reducing Energy requirements within ten minutes and maintaining such reduced Energy requirements for so long as the System Operator determines in accordance with market operation rules approved by the Markets Committee is necessary; (2) any portion of a Participant's Electrical Load that the System Operator is able to verify as capable of providing contingency protection by reducing Energy requirements within ten minutes and maintaining such reduced Energy requirements for so long as the System Operator determines in accordance with market operations rules approved by the Markets Committee is necessary; and (3) any other resources and requirements that were able to be designated for the hour as 10-Minute Spinning Reserve but were not designated by the System Operator for such purpose in the hour.

1.107 30-Minute Operating Reserve in an hour are the following resources that are designated by the System Operator in accordance with market operation rules, as approved by the Markets Committee, to be available to provide contingency protection for the system: (1) the Kilowatts of Operable Capability of an electric generating unit or units that are any portion of the Electrical Load of a Participant that the System Operator is able to verify as capable of providing contingency protection by reducing Energy requirements within thirty minutes and maintaining such reduced Energy requirements for so long as the System Operator determines in accordance with market operation rules approved by the Markets Committee is necessary; (2) any portion of the Electrical Load of a Participant that the System Operator is able to verify as capable of providing contingency protection by reducing Energy requirements within thirty minutes and maintaining such reduced Energy requirements for so long as the System Operator determines in accordance with market operation rules approved by the Markets Committee is necessary; and (3) any other resources and requirements that were able to be designated for the hour as 10-Minute Spinning Reserve or 10-Minute Non-Spinning Reserve but were not designated by the System Operator for such purposes in the hour.

1.108 [Deleted.]

1.109 Modification of Certain Definitions When a Participant Purchases a Portion of Its Requirements from Another Participant Pursuant to Firm Contract Definitions marked by an asterisk (*) are modified as follows when a Participant purchases a portion of its requirements of electricity from another Participant pursuant to a Firm Contract:

(a) If the Firm Contract limits deliveries to a specifically stated number of Kilowatts and requires payment of a demand charge thereon (thus placing the responsibility for meeting additional demands on the purchasing Participant):

(1) in computing the Adjusted Load of the purchasing Participant, the Kilowatts received pursuant to such Firm Contract shall be deemed to be the number of Kilowatts specified in the Firm Contract; and

(2) in computing the Load of the supplying Participant, the Kilowatts delivered pursuant to such Firm Contract shall be deemed to be the number of Kilowatts specified in the Firm Contract.

(b) If the Firm Contract does not limit deliveries to a specifically stated number of Kilowatts, but entitles the Participant to receive such amounts of electricity as it may require to supply its electric needs (thus placing the responsibility for meeting additional demands on the supplying Participant):

(1) the Installed Capability Responsibility of the purchasing Participant shall be equal to the amount of its Installed Capability Entitlements;

(2) in computing the Adjusted Load of the purchasing Participant, the Kilowatts received pursuant to such Firm Contract shall be deemed to be a quantity Rl; and

(3) in computing the Load of the supplying Participant, the Kilowatts delivered pursuant to such Firm Contract shall be deemed to be a quantity Rl.

The quantity Rl equals (i) the Load of the purchasing Participant less (ii) the amount of the purchasing Participant's Installed Capability

Entitlements multiplied by a fraction wherein:

X is the maximum Load of the purchasing Participant in the month, and

Y is the NEPOOL Installed Capability Responsibility multiplied by the purchasing Participant's fraction P determined pursuant to Section 12.2(a)(1), computed as if the Firm Contract did not exist.

Terms used in this Agreement that are not defined above, or in the sections in which such terms are used, shall have the meanings customarily attributed to such terms in the electric power industry in New England.

SECT65535ON 2

PURPOSE; EFFECTIVE DATES

2.1 Purpose. This Restated NEPOOL Agreement is intended to provide for a restructuring of the New England Power Pool by modifying the pool's governance and market provisions to take account of a changed competitive environment, by modifying the transmission responsibilities of the Participants so that the pool will perform the functions of a regional transmission group and provide service to Participants and Non- Participants under a regional open access transmission tariff, and by providing for the activation of the ISO and the execution of a contract between the ISO and NEPOOL to define the ISO's responsibilities.

2.2 Effective Dates; Transitional Provisions. The provisions of Parts One, Two, Four and Five of this Agreement and the Tariff became effective on the First Effective Date and replaced on the First Effective Date the provisions of Sections 1-8, inclusive, 10, 11, 13, 14.2, 14.3, 14.4 and 16 of the Prior NEPOOL Agreement. The provisions of Sections 12.1(a), 12.2, 12.4 (as to Installed Capability only), 12.5 and 12.7(a) of this Agreement became effective on April 1, 1998 and replaced on such date the provisions of Section 9 of the Prior NEPOOL Agreement.

The effectiveness of the remaining Sections of this Restated NEPOOL Agreement shall be delayed pending the preparation of implementing criteria, rules and standards and computer programs. These Sections became effective on the Second Effective Date and replaced on the Second Effective Date the remaining provisions of the Prior NEPOOL Agreement, which continued in effect until the Second Effective Date.

As provided in Section 14, certain portions of Section 14 which became effective on the Second Effective Date will be superseded on the Third Effective Date by other portions of Section 14.

SECT65535ON 3 MEMBERSHIP

3.1 Membership. Those Entities which are Participants in NEPOOL on the First Effective Date shall continue to be Participants.

Any other Entity may, upon compliance with such reasonable conditions as the Participants Committee may prescribe, become a Participant by depositing a counterpart of this Agreement as theretofore amended, duly executed by it, with the Secretary of the Participants Committee, accompanied by a certified copy of a vote of its board of directors, or such other body or bodies as may be appropriate, duly authorizing its execution and performance of this Agreement, and a check in payment of the application fee described below.

Any such Entity which satisfies the requirements of this Section 3.1 shall become a Participant, and this Agreement shall become fully binding and effective in accordance with its terms as to such Entity, as of the first day of the second calendar month following its satisfaction of such requirements; provided that an earlier or later effective time may be fixed by the Participants Committee with the concurrence of such Entity or by the Commission.

The application fee to be paid by each Entity seeking to become a Participant shall be in addition to the annual fee provided by Section 19.1 and shall be $500 for an applicant which qualifies for membership only as an End User Participant, and $5,000 for all other applicants, or such other amount as may be fixed by the Participants Committee.

3.2 Operations Outside the Control Area. Subject to the reciprocity requirements of the Tariff, if a Participant serves a Load, or has rights in supply or demand-side resources or owns transmission and/or distribution facilities, located outside of the NEPOOL Control Area, such Load and resources shall not be included for purposes of determining the Participant's rights, responsibilities and obligations under this Agreement, except that the Participant's Entitlements in facilities or its rights in demand side-resources outside the NEPOOL Control Area shall be included in such determinations if, to the extent, and while such Entitlements are used for retail or wholesale sales within the NEPOOL Control Area or such Entitlements or rights are designated by a Participant for purposes of meeting its obligations under Section 12 of this Agreement.

3.3 Lack of Place of Business in New England. If and for so long as a Participant does not have a place of business located in one of the New England states, the Participant shall be deemed to irrevocably (1) submit to the jurisdiction of any Connecticut state court or United States Federal court sitting in Connecticut (the state whose laws govern this Agreement) over any action or proceeding arising out of or relating to this Agreement that is not subject to the exclusive jurisdiction of the Commission, (2) agree that all claims with respect to such action or proceeding may be heard and determined in such Connecticut state court or Federal court, (3) waive any objection to venue or any action or proceeding in Connecticut on the basis of forum non conveniens, and (4) agree that service of process may be made on the Participant outside Connecticut by certified mail, postage prepaid, mailed to the Participant at the address of its member on the Participants Committee as set out in the NEPOOL roster or at the address of its principal place of business.

3.4 Obligation for Deferred Expenses. NEPOOL may provide for the deferral on the books of the Participants from time to time of capital or other expenditures, and the recovery of the deferred expenses in subsequent periods. Any Entity which becomes a Participant during the recovery period for any such deferred expenses shall be obligated, together with the continuing Participants, for its share of the current and deferred expenses pursuant to Section 19.2. 3.5 Financial Security. For an Entity applying to become a Participant or any continuing Participant that the Participants Committee reasonably determines may fail to meet its financial obligations under the Agreement, the Participants Committee may require reasonable credit review procedures which shall be made in accordance with standard commercial practices. In addition, the Participants Committee may prescribe for such Entity or Participant a requirement that the Entity or Participant provide and maintain in effect an irrevocable letter of credit as security to meet its responsibilities and obligations under the Agreement, or an alternative form of security proposed by the Entity or Participant and acceptable to the Participants Committee and consistent with commercial practices established by the Uniform Commercial Code that protects the Participants against the risk of non- payment.

SECT65535ON 4

STATUS OF PARTICIPANTS

4.1 Treatment of Certain Entities as Single Participant. All Entities which are controlled by a single person (such as a corporation or a business trust) which owns at least seventy-five percent of the voting shares of, or equity interest in, each of them shall be collectively treated as a single Participant for purposes of this Agreement, if they each elect such treatment. They are encouraged to do so. Such an election shall be made in writing and shall continue in effect until revoked in writing.

In view of the long-standing arrangements in Vermont, Vermont Electric Power Company, Inc. and any other Vermont electric utilities which elect in writing to be grouped with it shall be collectively treated as a single Participant for purposes of this Agreement; provided, however, that any Vermont electric utility which is a Publicly Owned Entity may elect to join the Publicly Owned Entity Sector and be treated as a member of that Sector for purposes of governance, annual fees and NEPOOL expense allocation, without losing the benefits of single Participant status for any other purpose under this Agreement.

4.2 Participants to Retain Separate Identities. The signatories to this Agreement shall not become partners by reason of this Agreement or their activities hereunder, but as to each other and to third persons, they shall be and remain independent contractors in all matters relating to this Agreement. This Agreement shall not be construed to create any liability on the part of any signatory to anyone not a party to this Agreement. Each signatory shall retain its separate identity and, to the extent not limited hereby, its individual freedom in rendering service to its customers.

SECT65535ON 5

NEPOOL OBJECTIVES AND COOPERATION BY PARTICIPANTS

5.1 NEPOOL Objectives. The objectives of NEPOOL are, through joint planning, central dispatching, cooperation in environmental matters and coordinated construction, central dispatch by the System Operator of the operation and coordinated maintenance of electric supply and demand-side resources and transmission facilities, the provision of an open access regional transmission tariff and the provision of a means for effective coordination with other power pools and utilities situated in the United States and Canada,

(a) to assure that the bulk power supply of the NEPOOL Control Area conforms to proper standards of reliability;

(b) to create and maintain open, non-discriminatory, competitive, unbundled markets for Energy, capacity, and ancillary services that function efficiently

in a changing electric power industry and have access to regional transmission at rates that do not vary with distance;

(c) to attain maximum practicable economy, consistent with proper standards of reliability and the maintenance of competitive markets, in such bulk power supply; and

(d) to provide access to competitive markets within the NEPOOL Control Area and to neighboring regions; and to provide for equitable sharing of the resulting responsibilities, benefits and costs.

5.2 Cooperation by Participants. In order to attain the objectives of NEPOOL set forth in Section 5.1, each Participant shall observe the provisions of this Agreement in good faith, shall cooperate with all other Participants and shall not either alone or in conjunction with one or more other Entities take advantage of the provisions of this Agreement so as to harm another Participant or to prejudice the position of any Participant in the electric power business.

PART TWO

GOVERNANCE

SECT65535ON 6

COMMITTEE ORGANIZATION AND VOTING

6.1 Principal Committees. There shall be four principal NEPOOL Committees (the "Principal Committees"), as follows:

(a) the Participants Committee which shall have the responsibilities specified in Section 7;

(b) the Reliability Committee which shall have the responsibilities specified in Section 8;

(c) the Tariff Committee which shall have the responsibilities specified in Section 9; and

(d) the Markets Committee which shall have the responsibilities specified in Section 10.

In addition, there shall be a Transmission Owners Committee and a Liaison Committee, which shall have the responsibilities specified in Sections 11B and 11C, respectively, and such other committees as may be established from time to time by the Participants Committee.

6.2 Sector Representation. The members of each Principal Committee shall each belong to a single sector for voting purposes ("Sector"). Each Participant shall be obligated to designate in a notice to the Secretary of the Participants Committee a Sector that it or its Related Persons is eligible to join and that it elects to join for purposes of all of the Principal Committees. A Participant and its Related Persons shall together be entitled to join only one Sector and shall have no more than one vote on each Principal Committee.

The Sectors for each Principal Committee, the criteria for eligibility for membership in each Sector and the minimum requirement which a Participant must meet as a member of a Sector in order to appoint a voting member of the Sector and Committee are as follows:

(a) a Generation Sector, which a Participant shall be eligible to join if (i) it (A) owns or leases with rights equivalent to ownership facilities for the generation of electric energy that are located within the NEPOOL Control Area which are currently in operation, or (B) has proposed generation for operation within the NEPOOL Control Area either which has received approvals under Sections 18.4 and/or 18.5 within the past two years or for which completed environmental air or environmental siting applications have been filed or permits exist, and (ii) it is not a Publicly Owned Entity. Purchasing all or a portion of the output of a generation facility shall not be sufficient to qualify a Participant to join the Generation Sector.

A Participant which joins the Generation Sector shall be entitled but not required to designate an individual voting member of each Principal Committee, and an alternate to the member, if its operating or proposed generation facilities in the NEPOOL Control Area have or will have, when placed in operation, an aggregate Winter Capability of at least 15 MW. A Participant which joins the Generation Sector but elects not to or is not eligible to designate an individual voting member, shall be represented by a group voting member and an alternate to that member for each Principal Committee (collectively, the "Generation Group Member"). The Generation Group Member shall be appointed by a majority of the Participants in the Generation Sector electing or required to be represented by that member. The Generation Group Member shall have the same percentage of the Sector vote as the individual voting members designated by other Participants in the Generation Sector which

meet the 15 MW threshold and designate an individual voting member. The Generation Group Member shall be entitled to split his or her vote.

(b) a Transmission Sector, which a Participant shall be eligible to join if it is a Transmission Provider and is not a Publicly Owned Entity. Taking transmission service shall not be sufficient to qualify a Participant to join the Transmission Sector.

A Participant which joins the Transmission Sector shall be entitled to designate an individual voting member of each Principal Committee, and an alternate to the member, if it owns or leases with rights equivalent to ownership PTF with an original capital investment in its PTF as of the end of the most recent year for which figures are available from annual reports submitted to the Commission in Form 1 or any similar form containing comparable annualized data of at least $30,000,000. A Transmission Provider with facilities which were included as PTF prior to December 31, 1998 only pursuant to clause (3) of the definition of PTF pursuant to Section 15.1 shall be entitled to designate an individual voting member of each Principal Committee, and an alternate to the member, whether or not PTF which it owns or leases with rights equivalent to ownership which has an original capital investment of at least $30,000,000, so long as such Transmission Provider continues to own PTF.

A Participant which joins the Transmission Sector but which is not entitled to designate an individual voting member of each Principal Committee because (i) it, together with all of its Related Persons, does not meet the $30,000,000 threshold or (ii) it no longer owns PTF and it does not have a Related Person that is entitled to designate an individual voting member for each Principal Committee in another Sector, together with the other Participants in the Transmission Sector which for the same reasons are unable to designate an individual voting member, shall be represented by a group voting member of each Principal Committee (the "Transmission Group Member"), and an alternate to that member. The Transmission Group Member and alternate shall be appointed by a majority vote of all Participants in the Transmission Sector required to be represented by that Member. The Transmission Group Member shall have the same percentage of the Sector vote as the individual voting members designated by other Participants in the Transmission Sector which meet the $30,000,000 threshold unless and until the original capital investment in PTF of the Participants represented by the Transmission Group Member equals or exceeds twice the $30,000,000 threshold amount. If the aggregate original capital investment in PTF equals or exceeds twice the $30,000,000 threshold amount, the percentage of the Sector votes assigned to the Transmission Group Member shall equal the number of full multiples of the $30,000,000 threshold, provided that the Transmission Group Member shall in no event be entitled to more than twenty-five percent (25%) of the Sector vote. For example, if Participants represented by the Transmission Group Member have an aggregate original capital investment in PTF in the NEPOOL Control Area totaling $70,000,000, the Transmission Group Member will have the same percentage of such votes as two ($70,000,000/$30,000,000 Threshold = 2.33) individual voting members designated by individual Participants, provided that there are at least six other members in the Sector so the Transmission Group Member does not have more than twenty-five percent (25%) of the Transmission Sector vote. The Transmission Group Member shall be entitled to split his or her vote.

(c) a Supplier Sector, which a Participant shall be eligible to join if (i) it engages in, or is licensed or otherwise authorized by a state or federal agency with jurisdiction to engage in, power marketing, power brokering or load aggregation within the NEPOOL Control Area or it had been engaged on and before December 31, 1998 solely in the distribution of electricity in the NEPOOL Control Area, and (ii) it is not a Publicly Owned Entity. A Participant which joins the Supplier Sector shall be entitled to designate a voting member of each Principal Committee, and an alternate to the member.

(d) a Publicly Owned Entity Sector, which all Participants which are Publicly Owned Entities are eligible to join and shall join, and which End User Participants are eligible to join if there is not an activated End User Sector. A Participant which joins the Publicly Owned Entity Sector shall be entitled to designate a voting member of each Principal Committee, and an alternate to the member, except for End User Participants whose voting interests while they are in the Publicly Owned Entity Sector are defined in Section 6.2(e) below.

(e) an End User Sector, which an End User Participant is eligible to join. Participants which join the End User Sector shall be entitled to designate a voting member of each Principal Committee and an alternate to the member. Until there are at least ten End User Participants, all End User Participants shall be members of the Publicly Owned Entity Sector. So long as there are less than three End User Participants, the End User Participants in the Publicly Owned Entity Sector shall be represented on each Principal Committee by a single voting member. At such time as there are at least three, but less than ten, End User Participants, End User Participants shall become a sub-sector of the Publicly Owned Entity Sector. Such sub-sector shall have twenty percent (20%) of the Publicly Owned Entity Sector's vote, and each End User Participant shall be entitled to designate a voting member of each Principal Committee, and an alternate to that member, and each voting member

shall be allocated a per capita share of the sub-sector's vote. The End User Sector shall become fully operational automatically as soon, and shall remain operational so long as, there are at least ten End User Participants.

The System Operator shall have the right to designate, by written notice delivered to the Secretary of the appropriate Principal Committee, a non-voting member and an alternate to each Principal Committee. All Participants have the right to join and be a member of a Sector. If a Participant ceases to be eligible to be a member of the Sector which it previously joined and is not eligible to join another existing Sector other than the End User Sector, it shall have the right to remain and vote in the Sector in which the Participant is currently a member for up to one year. By the end of such year, the NEPOOL Participants Committee shall make a filing with the Commission pursuant to which the Participant can join another Sector that either exists or is created pursuant to the NEPOOL Participants Committee filing. Separate Sectors may be created, and the membership of existing Sectors may be modified, by amendment of the Agreement.

6.3 Appointment of Members and Alternates. A Participant or group of Participants shall designate, by a written notice delivered to the Secretary of the appropriate Committee, the voting member appointed by it for the Committee and an alternate of the member. In the absence of the member, the alternate shall have all the powers of the member, including the power to vote. A Participant may change the Sector of which it is a member. Other than for Sector changes required by Section 6.4(c), a change in the Sector in which a Participant is a member shall become effective beginning on the first annual meeting of the Participants Committee following notice of such change.

6.4 Term of Members. Each voting member of a Principal Committee shall hold office until either (a) such member is replaced by the Participant or group of Participants which appointed the member, or (b) the appointing Participant ceases to be a Participant, or (c) the appointing Participant (or its Related Person) is no longer eligible to be in the Sector to which it belongs, but is eligible to join a different Sector. Replacement of a member shall be effected by delivery by a Participant or group of Participants of written notice of such replacement to the Secretary of the appropriate Committee.

6.5 Regular and Special Meetings. Each Principal Committee shall hold its annual meeting in December or January at such time and place as the Chair shall designate and shall hold other meetings in accordance with a schedule adopted by the Committee or at the call of the Chair. Five or more voting members of a Principal Committee may call subject to the notice provisions of Section 6.6 a special meeting of the Committee in the event that the Chair fails to schedule such a meeting within three business days following the Chair's receipt from such members of a request specifying the subject matters to be acted upon at the meeting.

6.6 Notice of Meetings. Written or electronic notice of each meeting of a Principal Committee shall be given to each Participant, whether or not such Participant is entitled to appoint an individual voting member of the Committee, not less than three business days prior to the date of the meeting in the case of the Technical Committees and five business days prior to the date of the meeting for the Participants Committee.

A notice of meeting shall specify the principal subject matters expected to be acted upon at the meeting. In addition, such notice shall include, or specify internet location of, all draft resolutions to be voted at the meeting (which draft resolutions may be subject to amendment of intent but not subject matter during the meeting), and all background materials deemed by the Chair or Secretary to be necessary to the Committee to have an informed opinion on such matters. Motions raised for which no draft resolutions or background materials have been provided may not be acted upon at a meeting and shall be deferred to a subsequent meeting which is properly noticed.

6.7 Attendance. Regular and special meetings may be conducted in person, by telephone, or other electronic means by means of which all persons participating in the meeting can communicate in real time with each other. In order to vote during the course of a meeting, attendance is required in person or by telephone or other real time electronic means by a voting member or its alternate or a duly designated agent who has been given, in writing, the authority to vote for the member on all matters or on specific matters in accordance with Section 6.12.

6.8 Quorum. All actions by a Principal Committee, other than a vote by the Participants Committee by written ballot to amend the NEPOOL Agreement or Tariff, shall be taken at a meeting at which the members in attendance pursuant to Section 6.7 constitute a Quorum. A Quorum requires the attendance by members which satisfy the Sector Quorum requirements (as defined in Section 6.9) for a majority of the activated Sectors. No action may be taken by a Principal Committee unless a Quorum is present; provided, however, that if a Quorum is not present, the voting members then present shall have the power to adjourn the meeting from time to time until a quorum shall be present.

6.9 Voting Definitions. For purposes of this Section 6.9 and Sections 6.10,

6.11 and 6.13, the following terms shall have the following respective meanings:

(a) Sector Voting Share: for each active Sector, is the quotient obtained by dividing one hundred percent (100%) by the number of active Sectors. For example, if there are five active Sectors, the Sector Voting Share of each of the Sectors is twenty percent (20%). The aggregate Sector Voting Shares shall equal one hundred percent 100%.

(b) Sector Quorum: for a Sector shall be the lesser of (i) fifty percent (50%) or more (rounded to the next higher whole number) of the voting members of the Sector, or (ii) five (5) or more voting members of the Sector for the Participants Committee or three (3) or more voting members of the Sector for the Technical Committees.

(c) Member Fixed Voting Share: for a Committee voting member, whether or not the member is in attendance, is the quotient obtained by dividing (i) the Sector Voting Share of the Sector to which the Participant or group of Participants which appointed the Committee voting member belongs by (ii) the total number of Committee voting members appointed by members of that Sector, adjusted, if necessary, to take into account (A) the manner in which the voting shares of End User Participants are to be determined while they are members of the Publicly Owned Entity Sector, and (B) any required change in the voting share of a Group Member, in each case as determined in accordance with Section 6.2.

(d) Member Adjusted Voting Share: for a Committee voting member which casts an affirmative or negative vote on a proposed action or amendment and which has been appointed by a Participant or group of Participants which are members of a Sector satisfying its Sector Quorum requirement for the proposed action or amendment, is the quotient obtained by dividing (i) the Sector Voting Share of that Sector by (ii) the number of voting members appointed by members of that Sector which cast affirmative or negative votes on the matter, adjusted, if necessary, for End User Participants and group voting members as provided in the definition of "Member Fixed Voting Share".

(e) NEPOOL Vote: with respect to a proposed action or amendment is the sum of (i) the Member Adjusted Voting Shares of the voting members of the Committee which cast an affirmative vote on the proposed action or amendment and which have been appointed by a Participant or group of Participants which are members of a Sector satisfying its Sector Quorum requirements and (ii) the Member Fixed Voting Shares of the voting members of the Committee which cast an affirmative vote on the proposed action or amendment and which have been appointed by a Participant or group of Participants which are members of a Sector which fails to satisfy its Sector Quorum requirements.

(f) Minimum Response Requirement: with respect to a proposed amendment to this Agreement or Tariff means that the ballots received by the Balloting Agent from Participants relating to the proposed amendment before the end of the appropriate time specified in Section 6.11(c) must satisfy the following thresholds:

(i) the sum of the Member Fixed Voting Shares of the Participant voting members whose ballots are received must equal at least fifty percent (50%); and

(ii) the Participants whose voting members timely return ballots for or against the amendment must include Participants that are represented by voting members having at least fifty percent (50%) of the Member Fixed Voting Shares in each of a majority of the activated Sectors.

6.10 Voting On Proposed Actions. All matters to be acted upon by a Principal Committee shall be stated in the form of a motion by a voting member, which must be seconded. Only one motion and any one amendment to that motion may be pending at one time. Passage of a motion requires a NEPOOL Vote as determined pursuant to Section 6.9 equal to or greater than two thirds of the aggregate Sector Voting Shares. Voting members not in attendance or represented at a meeting as specified in Section 6.7 or abstaining shall not be counted as affirmative or negative votes.

6.11 Voting On Amendments. Subject to Section 21.11 and Section 17A, amendments to the NEPOOL Agreement or Tariff shall be accomplished as follows:

(a) Amendments shall be drafted by a standing or ad hoc NEPOOL committee or a Participant and sent to the Participants Committee for its consideration.

(b) The Participants Committee shall take action pursuant to Section 6.10 to direct the Balloting Agent to circulate ballots for approval of the draft Amendment to each Participant for execution by its voting member or alternate on the Participants Committee or such Participant's duly authorized officer.

(c) In order to be counted, ballots must be executed and returned to the Balloting Agent for NEPOOL in accordance with the following schedule:

(i) If the ballots are delivered to each Participant by regular mail, properly executed ballots must be returned to and received by the Balloting Agent within ten (10) business days after deposit of such ballots in the mail by the Balloting Agent, and

(ii) If the ballots are delivered to each Participant by overnight delivery, facsimile, electronic mail or hand delivery, then properly executed ballots must be returned to and received by the Balloting Agent within five (5) business days after (A) deposit of such ballots with an overnight delivery courier if delivered by overnight delivery, or (B) transmission of such ballots by the Balloting Agent if delivered by facsimile or electronic mail, or (C) receipt by the Participant if delivered by hand delivery.

(iii) If the Minimum Response Requirement for an amendment has not been received by the Balloting Agent within the schedule identified in subsection (i) or (ii) above, the Balloting Agent shall send notice by overnight delivery, facsimile, electronic mail or hand delivery to all non-responding Participants and shall count any additional properly executed ballots which it receives within five (5) business days after such notice. The date by which properly executed ballots must be returned and received by the Balloting Agent shall be specified by the Balloting Agent in the notice accompanying such ballots.

(d) A Participant may appeal to the Review Board or submit for resolution pursuant to the alternative dispute resolution provisions of Section 21.1 a proposed amendment for which ballots have been circulated, provided that such appeal is taken or submission is presented before the end of the tenth (10th) business day after the Participants Committee has taken action to direct the Balloting Agent to circulate ballots for approval of the draft amendment, by giving to the Secretary of the Participants Committee a signed and written notice of appeal or submission. The appeal shall be moot, or submission shall be deemed withdrawn, if the amendment is not approved in balloting by the Participants Committee. If the amendment is approved, a valid appeal or submission shall stay the filing with the Commission of any amendment to the NEPOOL Agreement or Tariff until either (i) a decision on the appeal by the Review Board, or (ii) the earlier of resolution pursuant to Section 21.1 or termination pursuant to Section 21.1.B(2) of the suspension effects of the submission.

(e) In order for a proposed amendment to the NEPOOL Agreement or Tariff to be approved by the Participants Committee, the following criteria must be satisfied:

(i) The Minimum Response Requirement must be satisfied with respect to the proposed amendment.

(ii) The affirmative ballot votes with respect to the proposed amendment must equal or exceed two thirds of the aggregate Sector Voting Shares.

6.12 Designated Representatives and Proxies. The vote of any member of a Principal Committee or the member's alternate, other than a ballot on an amendment, may be cast by another person pursuant to a written, standing designation or proxy. A designation or proxy shall be dated not more than one year previous to the meeting and shall be delivered by the member or alternate to the Secretary of the Committee at or prior to any votes being taken at the meeting at which the vote is cast pursuant to such designation or proxy. A single individual may be the designated representative of or be given the proxy of the voting members representing any number of Participants of any one Sector or Participants from multiple Sectors.

6.13 Limits on Representatives. In the Generation Sector, no one person may exercise more than twenty-five percent (25%) of that Sector's total Member Fixed Voting Shares without the unanimous written agreement of all members of the Generation Sector. Other Sectors may by unanimous written agreement elect to impose limits on the voting power any one individual may have in that Sector through being the designated representative of multiple voting members or carrying multiple proxies from voting members of that Sector. Notice of any such limits on voting power must be posted on the System Operator home page and be capable of being accessed by all Participants.

6.14 Adoption of Bylaws. The Participants Committee shall adopt bylaws, consistent with this Agreement, governing procedural matters including the conduct of its meetings and those of the other Principal Committees. If there is any conflict between such bylaws and the Agreement, the Agreement shall control. A Principal Committee may vote to waive its bylaws for a particular meeting, provided the motion to effect the waiver is approved in accordance with Section 6.10.

6.15 Joint Meetings of Technical Committees. It is recognized that responsibilities of the Technical Committees may overlap in certain areas. In areas of overlap, the Reliability Committee is responsible for addressing reliability matters, the Markets Committee is responsible for addressing market implications of actions or recommendations, and the Tariff Committee is responsible for addressing issues relating to transmission and ancillary services. The Chairs of the Technical Committees, with input from the Liaison

Committee Co-Chairs or entire Liaison Committee, as appropriate, shall prioritize and sequence Technical Committee activities to ensure full and proper input by Participants while maximizing the efficiency of the decision making process. To the extent appropriate and desirable, the Technical Committees are authorized and encouraged to hold meetings, and to conduct studies and exercise responsibilities, jointly with other Technical Committees.

SECT65535ON 7

PARTICIPANTS COMMITTEE

7.1 Officers. At its annual meeting, the Participants Committee shall elect from among its members a Chair and Vice-Chair; it shall also elect a Secretary who shall not be a member. These officers shall have the powers and duties usually incident to such offices and as set forth in the Committee bylaws.

7.2 Adoption of Budgets. At each annual meeting, the Participants Committee shall adopt a NEPOOL budget for the ensuing calendar year. In adopting budgets the Participants Committee shall give due consideration to the budgetary requests of each committee. The Participants Committee may modify any NEPOOL budget from time to time after its adoption.

7.3 Establishing Reliability Standards. It shall be the duty of the Participants Committee, after review of reports, recommendations and actions of the System Operator and the Reliability Committee and such other matters as the Participants Committee deems pertinent, to establish or approve Reliability Standards for the bulk power supply of NEPOOL. Such Reliability Standards shall be consistent with the directives of NERC and the NPCC and shall be reviewed periodically by the Participants Committee and revised as the Participants Committee deems appropriate.

7.4 Appointment and Compensation of NEPOOL Personnel. The Participants Committee shall determine what personnel are desirable for the effective operation and administration of NEPOOL and shall fix or authorize the fixing of the compensation for such persons. In addition, the Participants Committee shall determine what resources are desirable for the effective operation of the Technical Committees and shall, on its own or pursuant to the recommendation of a Technical Committee, authorize the incurrence of such expenses as may be required to enable the Technical Committee, or its subgroups, to properly perform their duties, including, but not limited to, the retention of a consultant or the procurement of computer time.

7.5 Duties and Authority.

(a) The Participants Committee shall have the duty and requisite authority to administer, enforce and interpret the provisions of this Agreement and any other agreement or document approved by the Participants Committee or its predecessor in order to accomplish the objectives of NEPOOL including the making of any decision or determination necessary under any provision of this Agreement or any other agreement or document approved by the Participants Committee or its predecessor and not expressly specified to be decided or determined by any other body.

(b) The Participants Committee shall have the authority to provide for such facilities, materials and supplies as the Participants Committee may determine are necessary or desirable to carry out the provisions of this Agreement.

(c) The Participants Committee shall have, in addition to the authority provided in Section 7.3, the authority, after consultation with other NEPOOL committees and the System Operator, to establish or approve consistent standards with respect to any aspect of arrangements between Participants and Non-Participants which it determines may adversely affect the reliability of NEPOOL, and to review such arrangements to determine compliance with such standards.

(d) The Participants Committee, or its designee, shall have the authority to act on behalf of all Participants in carrying out any action properly taken pursuant to the provisions of this Agreement. Without limiting the foregoing general authority, the Participants Committee, or its designee, shall have the authority on behalf of all Participants to execute any contract, lease or other instrument which has been properly authorized pursuant to this Agreement including, but not limited to, one or more contracts with the System Operator, and to file with the Commission and other appropriate regulatory bodies: (i) this Agreement and documents amending or supplementing this Agreement, including the Tariff, (ii) contracts with Non-Participants or the System Operator, and (iii) related tariffs, rate schedules and certificates of concurrence. The Participants Committee shall, in addition, have the authority to represent NEPOOL in proceedings before the Commission.

(e) The Participants Committee shall have the duty and requisite authority, after consultation with other NEPOOL committees and the System Operator, to fix the NEPOOL Objective Capability for each month of each Power Year prior to the beginning of the Power Year and thereafter to review at least annually the anticipated Load of the NEPOOL Participants and NEPOOL Installed Capability

for each month of such Power Year and to make such adjustments in the NEPOOL Objective Capability as the Participants Committee may determine on the basis of such review. Since changes in the circumstances which must be assumed by the Participants Committee in fixing NEPOOL Objective Capability for a future period can significantly affect the required level of NEPOOL Objective Capability for that period, the Participants Committee shall, where appropriate, also determine the effect on NEPOOL Objective Capability of significant changes in circumstances from those assumed, either by fixing alternative NEPOOL Objective Capabilities, or by adopting adjustment factors or formulas.

(f) The Participants Committee shall have the duty and requisite authority to establish or approve schedules fixing the amounts to be paid by Participants and Non-Participants to permit the recovery of expenses incurred in furnishing some or all of the services furnished by NEPOOL either directly or through the System Operator.

(g) The Participants Committee shall have the duty and requisite authority to provide for the sharing by Participants, on such basis as the Participants Committee may deem appropriate, of payments and costs which are not otherwise reimbursed under this Agreement and which are incurred by Participants or under arrangements with Non- Participants and approved or authorized by the Committee as necessary in order to meet or avoid short-term deficiencies in the amount of resources available to meet the Pool's reliability objectives.

(h) The Participants Committee shall have the authority, at the time that it acts on an Entity's application pursuant to Section 3.1 to become a Participant, to waive, conditionally or unconditionally, compliance by such Entity with one or more of the obligations imposed by this Agreement if the Participants Committee determines that such compliance would be unnecessary or inappropriate for such Entity and the waiver for such Entity will not impose an additional burden on other Participants.

(i) The Participants Committee shall have the authority to establish standard conditions and waivers with respect to applications by Entities for membership in NEPOOL and to modify such standard conditions and waivers as appropriate in connection with changed circumstances with respect to such applicants, provided that the Participants Committee determines that the standard conditions and waivers for such Entities will not impose an additional burden on other Participants.

(j) The Participants Committee shall have the duty and requisite authority to act on appeals to it from the actions of other Principal Committees if delegated to such Committees by the Participants Committee pursuant to Section 7.5(k), to appoint the Review Board, and to appoint a special committee to administer NEPOOL's alternate dispute resolution procedures or to take any other action if it determines that such action is necessary or appropriate to achieve a prompt resolution of disputes under the provisions of Section 21.1.

(k) The Participants Committee shall have the authority to delegate its powers and duties to one or more of the Technical Committees, the System Operator, or other entity as it sees fit provided that (i) such delegation is clearly stated and approved by a Participant Committee action, (ii) such delegation does not violate any other provision set forth herein, and (iii) the action of such entity on any matter delegated to it may be appealed by any Participant to the Participants Committee provided such an appeal is taken prior to the end of the tenth business day following the action of the Technical Committee, the System Operator, or such entity by giving to the Secretary of the Participants Committee a signed and written notice of appeal, a copy of which the Secretary shall provide to the System Operator and each member and alternate of the Participants Committee. Pending action on the appeal by the Participants Committee, the giving of a notice of appeal as aforesaid shall suspend the action appealed from.

(l) The Participants Committee shall have the duty and requisite authority to establish the NEPOOL Information Policy.

(m) The Participants Committee shall have the duty and requisite authority to adopt and approve, amend and approve or resubmit to one or more Technical Committees for additional comment, any matter submitted to the Participants Committee by a Technical Committee.

(n) The Participants Committee shall have such further powers and duties as are conferred or imposed upon it by other sections of this Agreement.

7.6 Attendance of Participants at Committee Meeting. Each Participant which does not have the right to designate an individual voting member of the Participants Committee shall, with the exception of meetings held pursuant to Section 11B.9 and meetings in executive session pursuant to Section 11B.10, be entitled to attend any meeting of the Committee or any other NEPOOL committee, and shall have a reasonable opportunity to express views on any matter to be acted upon at the meeting.

7.7 Appeal of Actions to Review Board. Any Participant which otherwise has

the ability to submit a matter for resolution under Section 21.1 may, in lieu of submitting a dispute as to a Participants Committee action or failure to take action for resolution pursuant to Section 21.1, appeal such matter to the Review Board. Except as otherwise provided in Section 6.11, such an appeal shall be taken prior to the end of the tenth business day following the meeting of the Participants Committee to which the appeal relates by giving to the Secretary of the Participants Committee by hand delivery, facsimile, electronic mail or regular mail a signed and written notice of appeal, a copy of which the Secretary shall provide to each Participant. If no appeal of a Participants Committee action or failure to take action is taken, and the action or failure to take action is not submitted for resolution pursuant to Section 21.1, within such time period, that Participants Committee action or failure to take action shall be final and effective. If an appeal is taken, pending action on the appeal by the Review Board, the giving of a notice of appeal as aforesaid shall suspend the action appealed from. To the extent any action taken relates to the approval of a rule or procedure which must be filed with the Commission, the rule or procedure shall not be filed until the time for appeal or submission for dispute resolution has elapsed and, if an appeal has been filed or submission for dispute resolution has been made, either (i) a decision on the appeal has been issued by the Review Board, or (ii) the earlier of resolution pursuant to Section 21.1 of the matter submitted for dispute resolution or the termination pursuant to Section 21.1.B(2) of the suspension effect of such submission.

SECT65535ON 8

RELIABILITY COMMITTEE

8.1 Officers. The Reliability Committee shall have a Chair, Vice-Chair and Secretary. The Chair and Secretary of the Reliability Committee shall be appointed by the System Operator from time to time in accordance with Section 20(j). The Chair will be responsible for presiding at meetings of the Committee and establishing agendas for its meetings in conjunction with the Vice-Chair and shall have the powers and duties as set forth in the Committee bylaws. The Secretary shall have the powers and duties usually incident to such office and as set forth in the Committee bylaws. The Chair and Secretary shall have no voting rights. The Vice-Chair shall be elected by the Reliability Committee from among its voting members from time to time. The Vice-Chair shall have the powers and duties usually incident to such office and such powers and duties as set forth in the Committee bylaws, including, without limitation, the responsibility to develop in conjunction with the Chair, Committee meeting agendas.

8.2 Notice to Members and Alternates of Participants Committee. Prior to the end of the fifth business day following a meeting of the Reliability Committee, the Secretary of the Reliability Committee shall give written notice to the System Operator and each member and alternate of the Participants Committee of any action taken by the Reliability Committee at such meeting.

8.3 Voting; Appeal of Actions. Votes taken by the Reliability Committee shall be binding on the Participants only for those matters in which the Committee has specifically designated authority under this Agreement or has been properly delegated authority by the Participants Committee pursuant to Section 7.5(k).

Any Participant may appeal to the Participants Committee any binding action taken by the Reliability Committee. Such an appeal shall be taken prior to the end of the tenth business day following the meeting of the Reliability Committee to which the appeal relates by giving to the Secretary of the Participants Committee a signed and written notice of appeal, a copy of which the Secretary shall provide to the System Operator and each member and alternate of the Participants Committee. Pending action on the appeal by the Participants Committee, the giving of a notice of appeal as aforesaid shall suspend the action appealed from.

8.4 Responsibilities. The Reliability Committee shall perform the following functions, in conjunction with the System Operator as appropriate, and shall recommend action to the System Operator, Participants Committee or Transmission Owners, as appropriate, with respect thereto:

(a) provide input to the Participants Committee, Transmission Owners, and System Operator, as appropriate, on transmission facilities and the development of a regional transmission plan in order to achieve the objectives of NEPOOL;

(b) following appropriate study, recommend NEPOOL Objective Capability for each Power Year;

(c) periodically review the procedures used to calculate NEPOOL Installed Capability, NEPOOL Objective Capability and NEPOOL Capability Responsibility;

(d) periodically prepare short and long term load forecasts for use in NEPOOL studies and operations and to meet requirements of regulatory agencies;

(e) review communications and liaison arrangements between NEPOOL and governmental authorities on power supply, environmental, load forecasting, and transmission issues;

(f) coordinate the collection and exchange of necessary system data and future plans related to reliability for use in NEPOOL planning and to meet requirements of regulatory agencies;

(g) coordination of studies of, and provide information to Participants on, maintenance schedules for the supply and demand-side resources and transmission facilities of the Participants;

(h) based on appropriate studies, recommend for Participants Committee approval Reliability Standards to assure the reliable operation and facilitate the efficient operation of the NEPOOL Control Area bulk power system and those operating rules which guide the implementation of the Reliability Standards. Such Reliability Standards and operating rules shall include, without limitation, the following:

(i) standards to determine the current Annual Peak, Adjusted Annual Peak, Monthly Peak, Adjusted Monthly Peak, and aggregate obligations of the Participants in each of the NEPOOL Markets;

(ii) standards to establish short and long term load forecasts for use in NEPOOL operations and to meet requirements of regulatory agencies;

(iii) standards with respect to the administration and enforcement of, and reporting pursuant to, NERC and NPCC policies and requirements;

(iv) standards for use in planning and design of the NEPOOL interconnected bulk power system;

(v) standards to ensure the continuous reliability of the bulk power transmission system, such standards to include, without limitation, criteria and rules relating to protective equipment, transfer limits, voltage schedules, voltage guides, operating guides, sub-area reserves, switching, voltage control, load shedding, emergency and restoration procedures, and the coordination of scheduling of the operation and maintenance of supply and demand-side resources and transmission facilities of the Participants;

(vi) standards for determining the capabilities of each electric generating unit or combination of units in which a Participant has an Entitlement in a uniform manner applying generally accepted engineering principles; and

(vii) as appropriate, reliability standards for interpool coordination transactions.

(i) review proposed supply and demand-side resource plans and the proposed transmission and interconnection plans of Participants pursuant to Section 18.4 and, based on such review, recommend action regarding such proposed plans.

(j) make recommendations regarding procedures for dispatch infrastructure (i.e. voice and data communications protocols, AGC pulsing arrangements, Energy Management System and System Control and Data Acquisition interfaces, Satellite relations, etc.);

(k) provide input and make recommendations with respect to the reliability considerations of general system operations (i.e. commitment/ decommitment, real time dispatch, review and approval of distribution of reserves, etc.);

(l) recommend to the Participants Committee the retention of a consultant, procurement of computer time, or the incurrence of consultant expenses or such other expenses as may be required to enable the Reliability Committee, its subcommittees, and task forces properly to perform their duties;

(m) make recommendations to the Participants Committee, Transmission Owners, and System Operator, as appropriate, with respect to development and amendment of interconnection procedures and documents related to such procedures;

(n) to the extent appropriate, develop criteria, guidelines and methodologies to assure consistency in monitoring and assessing conformance of Participant and regional transmission plans to accepted reliability criteria.

8.5 Establishment of Subcommittees and Task Forces. The Reliability Committee shall have the authority to establish subcommittees and task forces for particular studies.

8.6 Further Powers and Duties. The Reliability Committee shall have such further powers and duties as are consistent with the duties and responsibilities set forth herein or as may be properly delegated to it by the Participants Committee.

TARIFF COMMITTEE

9.1 Officers. The Tariff Committee shall have a Chair, Vice-Chair and Secretary. The Chair and Secretary of the Tariff Committee shall be appointed by the System Operator from time to time in accordance with Section 20(j). The Chair will be responsible for presiding at meetings of the Committee and establishing agendas for its meetings in conjunction with the Vice-Chair and shall have the powers and duties as set forth in the Committee bylaws. The Secretary shall have the powers and duties usually incident to such office and as set forth in the Committee bylaws. The Chair and Secretary shall have no voting rights. The Vice-Chair shall be elected by the Tariff Committee from among its voting members from time to time. The Vice-Chair shall have the powers and duties usually incident to such office and such powers and duties as set forth in the Committee bylaws, including, without limitation, the responsibility to develop in conjunction with the Chair, Committee meeting agendas.

9.2 Notice to Members and Alternates of Participants Committee. Prior to the end of the fifth business day following a meeting of the Tariff Committee, the Secretary of the Tariff Committee shall give written notice to the System Operator and each member and alternate of the Participants Committee of any action taken by the Tariff Committee at such meeting.

9.3 Voting; Appeal of Actions. Votes taken by the Tariff Committee shall be binding on the Participants only for those matters in which the Committee has specifically designated authority under this Agreement or has been properly delegated authority by the Participants Committee pursuant to Section 7.5(k).

Any Participant may appeal to the Participants Committee any binding action taken by the Tariff Committee. Such an appeal shall be taken prior to the end of the tenth business day following the meeting of the Tariff Committee to which the appeal relates by giving to the Secretary of the Participants Committee a signed and written notice of appeal, a copy of which the Secretary shall provide to the System Operator and each member and alternate of the Participants Committee. Pending action on the appeal by the Participants Committee, the giving of a notice of appeal as aforesaid shall suspend the action appealed from.

9.4 Responsibilities. The Tariff Committee shall perform the following functions, in conjunction with the System Operator as appropriate, and shall recommend action to the System Operator, Participants Committee or Transmission Owners, as appropriate, with respect thereto:

(a) develop appropriate billing procedures for transmission and ancillary services pursuant to this Agreement and the Tariff;

(b) develop and recommend to the Participants Committee and the Transmission Owners Committee, as appropriate, (i) amendments, additions and other changes to the Tariff and (ii) related Tariff rules;

(c) providing input to the System Operator on the development of Administrative Procedures with respect to the administration of the Tariff and the OASIS;

(d) to the extent appropriate, conduct and/or review such studies and make such determinations as are assigned to the Committee pursuant to this Agreement and the Tariff with respect to financial treatment of additions to or upgrades of PTF;

(e) recommend to the Participants Committee the retention of a consultant, procurement of computer time, or the incurrence of consultant expenses or such other expenses as may be required to enable the Tariff Committee, its subcommittees, and task forces properly to perform their duties.

9.5 Establishment of Subcommittees and Task Forces. The Tariff Committee shall have the authority to establish subcommittees and task forces for particular studies.

9.6 Further Powers and Duties. The Tariff Committee shall have such further powers and duties as are consistent with the duties and responsibilities set forth herein or as may be properly delegated to it by the Participants Committee.

SECT65535ON 10

MARKETS COMMITTEE

10.1 Officers. The Markets Committee shall have a Chair, Vice-Chair and Secretary. The Chair and Secretary of the Markets Committee shall be appointed by the System Operator from time to time in accordance with Section 20(j). The Chair will be responsible for presiding at meetings of the Committee and establishing agendas for its meetings in conjunction with the Vice-Chair and shall have the powers and duties as set forth in the Committee bylaws. The Secretary shall have the powers and duties usually incident to such office and as set forth in the Committee bylaws. The Chair and Secretary

shall have no voting rights. The Vice-Chair shall be elected by the Markets Committee from among its voting members from time to time. The Vice-Chair shall have the powers and duties usually incident to such office and such powers and duties as set forth in the Committee bylaws, including, without limitation, the responsibility to develop in conjunction with the Chair, Committee meeting agendas.

10.2 Notice to Members and Alternates of Participants Committee. Prior to the end of the fifth business day following a meeting of the Markets Committee, the Secretary of the Markets Committee shall give written notice to the System Operator and each member and alternate of the Participants Committee of any action taken by the Markets Committee at such meeting.

10.3 Voting; Appeal of Actions. Votes taken by the Markets Committee shall be binding on the Participants only for those matters in which the Committee has specifically designated authority under this Agreement or has been properly delegated authority by the Participants Committee pursuant to Section 7.5(k).

Any Participant may appeal to the Participants Committee any binding action taken by the Markets Committee. Such an appeal shall be taken prior to the end of the tenth business day following the meeting of the Markets Committee to which the appeal relates by giving to the Secretary of the Participants Committee a signed and written notice of appeal, a copy of which the Secretary shall provide to the System Operator and each member and alternate of the Participants Committee. Pending action on the appeal by the Participants Committee, the giving of a notice of appeal as aforesaid shall suspend the action appealed from.

10.4 Responsibilities. The Markets Committee shall perform the following functions, in conjunction with the System Operator as appropriate, and shall recommend action to the System Operator, Participants Committee or Transmission Owners, as appropriate, with respect thereto:

(a) based on appropriate studies, develop market procedures to assure the reliable operation and facilitate the efficient operation of the NEPOOL Control Area bulk power supply;

(b) (i) evaluate studies of the market implications of maintenance schedules for the supply and demand-side resources and transmission facilities of the Participants and operable capacity margins, and (ii) develop market procedures for scheduling maintenance for supply and demand resources and transmission resources.

(c) to the extent appropriate to assure the efficient operation of the NEPOOL Markets, develop reasonable standards, criteria and rules relating to protective equipment, switching, voltage control, load shedding, emergency and restoration procedures, and the operation and maintenance of supply and demand-side resources and transmission facilities of the Participants;

(d) develop procedures for determining the market implications of the seasonal capabilities of each electric generating unit or combination of units in which a Participant has an Entitlement;

(e) develop procedures for determining as appropriate from time to time the current Annual Peak, Adjusted Annual Peak, Monthly Peak, Adjusted Monthly Peak, Installed Capability Responsibility, and obligations for Energy, Operating Reserve and AGC of each Participant;

(f) develop Market Rules and periodically review and recommend changes thereto as appropriate. Such Market Rules shall include, without limitation, the following:

(i) submission of Bid Prices and the determination of prices for each of the NEPOOL Markets;

(ii) determination for each Participants of its obligations under each of the NEPOOL Markets;

(iii) establishment or approval of appropriate billing procedures for market transactions pursuant to this Agreement;

(iv) calculation and equitable apportionment of losses incurred in connection with Interchange Transactions; and

(v) interpool market contract coordination as appropriate.

(g) develop operating procedures relating to the administration of the NEPOOL Markets and periodically review and recommend changes thereto as appropriate;

(h) recommend the retention of a consultant, procurement of computer time, or the incurrence of consultant expenses or such other expenses as may be required to enable the Markets Committee, its subcommittees, and task forces properly to perform their duties.

10.5 Establishment of Subcommittees and Task Forces. The Markets Committee

shall have the authority to establish subcommittees and task forces for particular studies.

10.6 Further Powers and Duties. The Markets Committee shall have such further powers and duties as are consistent with the duties and responsibilities set forth herein or as may be properly delegated to it by the Participants Committee.

10.7 Development of Rules Relating to Non-Participant Supply and Demand-side Resources. It is recognized that arrangements between Participants and Non-Participants with respect to the Non-Participants' supply and demand-side resources may create special problems in the application of Sections 12 and 14. Accordingly, the Markets Committee shall analyze such special problems and recommend to the Participants Committee appropriate rules for reflecting such resources in the Installed System Capability of a Participant which enters into such an arrangement and for the treatment of such arrangements for Energy, Operating Reserve and AGC purposes. Upon approval by the Participants Committee, such rules shall supersede the provisions of Sections 12 and 14 (and the related definitions in Section 1) to the extent of any conflict therewith upon acceptance by the Commission.

SECT65535ON 11

FURTHER RESTRUCTURING

The NEPOOL Participants undertake to finalize by March 31, 2000 the negotiation of more comprehensive arrangements for the reassignment of appropriate administrative responsibilities to the System Operator in the Interim ISO Agreement.

SECTION 11A

REVIEW BOARD

11A.1 Organization. There shall be a Review Board which, in addition to responsibility under Section 11B.12, shall be responsible for ruling on appeals taken from actions of the Participants Committee and for advising the Participants Committee as to the issues raised on any appeals before it provided that appeals from actions of the System Operator shall not be taken to the Review Board. In ruling on appeals, the Review Board shall consider, among other things, whether the action is consistent with Commission policies. In addition, if the appeal relates to an amendment to the Agreement or market rule, the Review Board shall consider the extent to which such amendment imposes a burden on the Participants which do not vote in favor of the amendment that is materially greater in degree than that imposed on the Participants which have voted in favor of the amendment. The Review Board shall not have the right to review or otherwise participate in actions of the System Operator or to take any action with respect to any matter involving a dispute between the System Operator and either NEPOOL or any Participant. The Participants agree that the process of selecting the Review Board shall commence upon the initial formation of the Participants Committee. Until the initial organization of the Review Board is completed, the Board of Directors of the System Operator or a committee thereof consisting of not less than three System Operator Directors designated by the System Operator Board of Directors shall perform the functions of the Review Board, provided that the provisions of Sections 11A.2 through 11A.6 shall not be applicable to the Board of Directors of the System Operator acting as a Review Board. All expenses incurred by the System Operator as a result of the Board of Directors in acting as the Review Board shall be NEPOOL expenses.

11A.2 Composition. The Review Board shall be composed of five members. The Review Board Members shall initially be selected by the Participants Committee from a slate of candidates. An independent consultant, retained by the Participants Committee, shall prepare a list of persons qualified and willing to serve on the Review Board. A subcommittee appointed by the Participants Committee shall review the list and distribute to the members of the Participants Committee a slate from among the list proposed by the independent consultant, along with information on the background and experience of the persons on the slate appropriate to evaluating their fitness for service on the Review Board. If the Participants Committee fails to select a full Review Board from the slate proposed by the subcommittee, the Committee shall direct the independent consultant to propose a further list of nominees for consideration at the next regular meeting of the Participants Committee. Thereafter, prior to the expiration of a Review Board Member's term, and upon the occurrence of any vacancy on the Board, the Participants Committee shall select a successor Member.

11A.3 Qualifications. The Review Board Members shall be independent experts knowledgeable about issues typically faced by entities engaged in energy production, transmission, distribution and sale under Federal or State regulation. A Review Board Member shall not be, and shall not have been at any time within five years of election to the Review Board, a director, officer or employee of a Participant or of a Related Person of a Participant. While serving on the Review Board, a Review Board Member shall have no direct business relationship or other affiliation with any Participant or its Related

Persons and shall otherwise be subject to the same independence requirements imposed on Directors of the System Operator Board of Directors.

11A.4 Term. A Review Board Member shall serve for a term of three years; provided, however, that two of the Review Board Members selected initially shall be chosen by lot to serve a term of two years, two of the Review Board Members selected initially shall be chosen by lot to serve a term of three years and the other Review Board Member selected initially shall serve a term of four years.

11A.5 Meetings. Meetings of the Review Board may be conducted in person or by telephone or other electronic means by means of which all persons participating in the meeting can communicate in real time with each other.

11A.6 Bylaws. To the extent not inconsistent with any provision of this Agreement, the Participants Committee shall adopt bylaws establishing procedures for the Review Board's activities as it may deem appropriate, including but not limited to bylaws governing the scheduling, noticing and conduct of meetings of the Review Board, a code of conduct, selection of a Chair and Vice-Chair of the Review Board, and action by the Review Board without a meeting. Such bylaws shall not modify or be inconsistent with any of the rights or obligations established by this Agreement.

11A.7 Procedure on Appeal of Participant Committee Action or Failure to Take Action.

(a) Submission of an Appeal: A Participant seeking review ("Appealing Party") by the Review Board of action of the Participants Committee shall give written notice of the appeal in accordance with Section 7.7, and the appeal shall have the suspension effect specified in Section 7.7.

(b) Intervenors and Time Limits: Any other Participant that wishes to participate in the appeal proceeding hereunder shall give signed written notice to the Secretary of the Participants Committee no later than ten (10) business days after the Appealing Party has given notice of appeal and shall upon the approval of the Review Board be permitted to participate in the appeal.

(c) Procedural Rules: The procedural rules (if any), for the conduct of the appeal shall be determined by the Review Board in consultation with the Participants Committee and each Appealing Party on a case-by-case basis.

(d) Pre-hearing Submissions: Each Appealing Party shall provide the Review Board, within 15 days of the giving of its notice of appeal or such other time as permitted by the Review Board, a brief written statement of its complaint and a statement of the remedy or remedies it seeks, accompanied by copies of any documents or other materials it wishes the Review Board to review. The Participants Committee and, as appropriate, any other Participant participating in the appeal will provide the Review Board, within 10 days of the Appealing Party's submission or such other time as permitted by the Review Board, copies of the minutes of all NEPOOL committee meetings at which the matter was discussed and if deemed appropriate by the Participants Committee or otherwise requested by the Review Board a brief description of the action (or failure to act) being appealed and a brief statement explaining why the Participants Committee believes its action (or failure to act) should be upheld by the Review Board, together with copies of documents or other materials referenced in such submission for the Review Board to review and materials, if any, which interested Participants provide to the Secretary of the Participants Committee and reasonably request be submitted to the Review Board.

In addition, each party shall designate one or more individuals to be available to answer questions the Review Board may have on the documents or other materials submitted. The answers to all such questions shall be reduced to writing by the party providing the answer and a copy shall be made available to any requesting Participant.

(e) Hearing: A hearing (if any) will be held as soon as is reasonably practicable.

(f) Decision: The Review Board's decision, to the extent practicable, shall be due, within ninety (90) days of the giving of notice of the appeal.

11A.8 Effect of a Review Board Decision.

(a) Each Review Board Member shall have one vote and a decision of the Review Board, either to grant or deny an appeal, shall require affirmative votes by a majority of the Review Board Members but not less than three (3) such Members.

(b) (i) Appeal denied. If the Review Board denies the appeal, the action of the Participants Committee will be final and effective, subject to Commission acceptance if and as required.

(ii) Appeal granted. If the Review Board grants the appeal, the Review

Board's determination (granting the appeal) will be final and the action of the Participants Committee shall not take effect.

(c) If the Review Board grants an appeal, the Review Board may submit a proposed resolution of the matter that was the subject of the appeal to the Participants Committee. The Participants Committee may, but is not required to, take further action with regard to the matter. If the Participants Committee votes on an action regarding the matter (including a vote not to act on the matter), the action or non-action of the Participants Committee shall be subject to further appeal by any Participant to the Review Board in accordance with Section 7.7. Any proposed resolution that the Review Board submits to the Participants Committee is advisory only.

11A.9 An action or failure to act once appealed by a Participant to the Review Board may not be subject to the alternative dispute resolution provisions of Section 21.1, regardless of the outcome of the appeal. Conversely, an action or failure to act submitted for resolution by a Participant pursuant to Section 21.1 may not be brought before the Review Board. If more than one Participant appeals and/or submits for alternative dispute resolution under Section 21.1 the same issue, the Participant that first takes such action shall determine whether the issue is to be heard by the Review Board or considered under Section 21.1; provided that each Participant challenging an action or failure to take action shall have the same opportunity to present its case and may not be excluded from participating under Section 11A.7(b).

11A.10 Any action taken or failure to take action by the Review Board does not restrict or limit in any way the rights of a Participant to seek review by the Commission, or a review in any other forum available to the Participant and there shall be no requirement to submit an appeal to the Review Board concerning any amendment, action or inaction by the Participants Committee prior to a Participant exercising any such rights to seek review by the Commission or any other forum with jurisdiction.

11A.11 The Review Board may not take action that is inconsistent with or infringes upon any of the rights set forth in Section 17A.

SECTION 11B

TRANSMISSION OWNERS COMMITTEE

11B.1 Organization. There shall be a Transmission Owners Committee established pursuant to this Section 11B which shall implement the rights reserved to Transmission Owners by Section 17A.

11B.2 Membership. Membership on the Transmission Owners Committee shall be open to all Transmission Owners, regardless of their individual choices in Sector membership under Section 6.2.

11B.3 Appointment of Members and Alternates. A Transmission Owner shall join the Transmission Owners Committee by written notice delivered to the Secretary of the Transmission Owners Committee, and shall designate in the notice the initial member appointed by it for the Committee and an alternate of the member. In the absence of the member, the alternate shall have all the powers of the member, including the power to vote.

11B.4 Term of Members. A member of the Transmission Owners Committee appointed by a Transmission Owner shall serve until replaced by the Transmission Owner which appointed it or until such Transmission Owner ceases to be a Participant or otherwise lose its right to appoint the member. Appointment or replacement of a member shall be effected by a Transmission Owner by giving written notice of such appointment or replacement to the Secretary of the Transmission Owners Committee.

11B.5 Regular and Special Meetings. The Transmission Owners Committee shall hold its annual meeting in December or January at such time and place as the Chair shall designate and shall hold other meetings in accordance with a schedule adopted by the Committee or at the call of the Chair. Thirty percent (30%) or more of the voting members of the Transmission Owners Committee may call a special meeting of the Committee in the event that the Chair shall fail to call such a meeting within three business days following the Chair's receipt from such members of a request specifying the subject matters to be acted upon at the meeting.

11B.6 Notice of Meetings. Written notice of each meeting of the Transmission Owners Committee shall be given to each Transmission Owner and to other Participants not less than five (5) business days prior to the date of the meeting.

11B.7 Attendance. Regular and special meetings may be conducted in person, by telephone, or other electronic means by means of which all persons participating in the meeting can communicate in real time with each other. In order to vote during the course of a meeting, attendance is required in person or by telephone or other real time electronic means by a voting member or its alternate or a duly designated agent who has been given, in writing, the

authority to vote for the member on all matters or the proxy to vote for the member on specific matters.

11B.8 Votes. Any action taken by the Transmission Owners Committee shall require the concurrence of:

(i) representatives of at least two-thirds of the Transmission Owners provided that Transmission Owners that are Related Persons to one another shall together have a single vote; and

(ii) representatives of Transmission Owners having at least two-thirds of the Weighted Votes of all Transmission Owners, where each Transmission Owner's Weighted Vote is equal to its original capital investment in its PTF as of the end of the most recent year for which figures are available.

Notwithstanding the foregoing, if a vote is taken and paragraph (i) above is satisfied but paragraph (ii) above is not, the action being voted on by the Transmission Owners Committee shall pass if (1) there are seven or more Transmission Owners on the Committee and fewer than three Transmission Owners oppose the action or (2) there are less than seven Transmission Owners on the Committee and only one Transmission Owner opposes the action.

11B.9 Appointment of Task Forces or Working Groups. The Transmission Owners Committee shall have the authority to appoint task forces or working groups to address matters for which the Committee is responsible. Notwithstanding Section 7.6, such tasks force or working groups may be limited to Transmission Owners only.

11B.10 Officers. At its annual meeting, the Transmission Owners Committee shall elect from its members a Chair and a Vice-Chair; it shall also elect a Secretary who need not be a member of the Committee. These officers shall have the powers and duties usually incident to such offices, including the right to convene an executive session of the Transmission Owners Committee to consider and vote upon submittals to the Commission or litigation strategy.

11B.11 Adoption of Bylaws. The Transmission Owners Committee may adopt bylaws, consistent with this Agreement, governing procedural matters including the conduct of its meetings.

11B.12 Review of Committee Actions. To the extent the Commission determines, pursuant to Section 17A.7, that Transmission Owners have the exclusive right to make unilateral filings under Section 205 of the Federal Power Act, a Transmission Owner may either submit a dispute for resolution pursuant to Section 21.1 or appeal to the Review Board any action taken by the Transmission Owners Committee with respect to such a Section 205 filing. Such a submission or appeal shall be taken prior to the end of the tenth business day following the meeting of the Transmission Owners Committee to which the submission or appeal relates by giving to the Secretary of the Transmission Owners Committee a signed and written notice of submission or appeal. Pending action on an appeal by the Review Board, the giving of a notice of appeal as aforesaid shall suspend the action appealed from. For purposes of the application of the dispute resolution process of Section 21.1 and the suspension effect of a submission to alternative dispute resolution, Section 21.1 shall be applied as if the Transmission Owners Committee were the Participants Committee.

SECTION 11C

LIAISON COMMITTEE

11C.1 Organization; Duties. There shall be a Liaison Committee which shall be an advisory committee only responsible to act as a steering committee for managing NEPOOL business through the committee process and facilitating communications between NEPOOL and the System Operator and among Participants. The Liaison Committee's duties as a steering committee include, without limitation, recommending that matters be assigned to particular committees for action where the subject matter of a proposed rule or other action potentially falls in the purview of more than one committee and assuring appropriate input from other committees as needed.

11C.2 Membership. The Liaison Committee shall have the following members: the Chair and Vice-Chair of each of the Principal Committees; the Chair of the Transmission Owners Committee; a Participant representative of each Sector that is not otherwise represented on the Liaison Committee; the chief executive officer of the System Operator; and two members of the System Operator's Board of Directors.

11C.3 Regular and Special Meetings. The Liaison Committee shall hold meetings in accordance with a schedule adopted by the Committee or at the call of the Co-Chairs.

11C.4 Notice of Meetings. Written notice of each meeting of the Liaison Committee shall be given to each member of the Committee and all members of the Participants Committee not less than five business days prior to the date of the meeting.

11C.5 Attendance. Regular and special meetings may be conducted in person, by telephone, or other electronic means by means of which all persons participating in the meeting can communicate in real time with each other. Participants Committee members and alternates may attend meetings of the Liaison Committee. Any individual that is not a member of the Liaison Committee may participate at a meeting at the invitation of a Co-Chair.

11C.6 Officers. The Co-Chairs of the Liaison Committee shall be the chief executive officer of the System Operator and the Chair of the Participants Committee. The Liaison Committee shall elect a Secretary who need not be a member of the Committee. These officers shall have the powers and duties usually incident to such offices.

PART THREE

MARKET PROVISIONS

SECT65535ON 12

INSTALLED CAPABILITY OBLIGATIONS AND PAYMENTS

12.1 Obligations to Provide Installed Capability.

(a) Each Participant shall have Installed System Capability during each hour of each month at least sufficient to satisfy its Installed Capability Responsibility for the month.

(b) [Deleted].

12.2 Computation of Installed Capability Responsibilities.

(a) (1) At the conclusion of each month, the System Operator under the direction of the Participants Committee shall determine each Participant's tentative Installed Capability Responsibility in Kilowatts for such month in accordance with the following formula:

$$X = (P(A-N)+Np)(1+T) - C(Dp)$$

As used in this Section 12.2(a)(1), the symbols used in the formula and the additional symbols defined below have the following meanings:

X is the Participant's tentative Installed Capability Responsibility for the month.

P is the value of the Participant's fraction for the month as determined in accordance with the following formula:

P = (Fp + Dp) / (F + D), wherein:

Fp is the Participant's Adjusted Monthly Peak for the month less any Kilowatts received by such Participant pursuant to a contract of a type that traditionally has been treated by NEPOOL as a firm contract for the purposes of this Section prior to January 1, 1999, but which does not constitute a Firm Contract as defined in this Agreement.

Dp is the Participant's actual or potential load reduction resulting from its NEPOOL Interruptible and Dispatchable Loads for the month.

F is the aggregate for the month of the Adjusted Monthly Peaks for all Participants less any Kilowatts received by any Participant pursuant to a contract of a type that traditionally has been treated by NEPOOL as a firm contract for the purposes of this Section prior to January 1, 1999, but which does not constitute a Firm Contract as defined in this Agreement.

D is the aggregate for the month of the actual or potential load reduction resulting from all Participants' NEPOOL Interruptible and Dispatchable Loads.

C is the factor, which when multiplied by D in megawatts, results in the reduction to NEPOOL Objective Capability that would result from including D in the determination of NEPOOL Objective Capability. The value for C shall be adopted by the Participants Committee each time it fixes NEPOOL Objective Capability pursuant to Section 7.6(e).

A is the NEPOOL Objective Capability in megawatts for the month as fixed by the Participants Committee pursuant to Section 7.

N is the aggregate of the New Unit Adjustments for all Participants for the month as determined by the Participants Committee in accordance with Section 12.2(a)(2).

Np is the aggregate of the Participant's New Unit Adjustments for the month, as determined by the Participants Committee, and is equal to the aggregate of the Participant's adjustments for each New Unit included in its Installed System Capability during the hour of the coincident peak load of the

Participants for the month. The Participant's adjustment for each New Unit may be positive or negative and shall be the product of (i) the Participant's Installed Capability Entitlement in the New Unit during the hour of the coincident peak load of the Participants for the month, times (ii) the New Unit Adjustment Factor applicable to the New Unit as determined in accordance with Section 12.2(a)(2).

T is the Participant's Unit Availability Adjustment Factor for the month. T may be positive or negative and shall be determined in accordance with the following formula:

T = (I-H) x J x R, wherein:

100

I for the Participant for the month is the percentage which represents the weighted average (using the Installed Capability of each Installed Capability Entitlement for such month for the weighting) of the Four Year Installed Capability Target Availability Rates of the Installed Capability Entitlements which are included in the Participant's Installed System Capability during the hour of the coincident peak load of the Participants for the month. The Four Year Target Availability Rate for an Installed Capability Entitlement for any month is the average of the monthly Target Availability Rates for the forty-eight months which comprise the period of four consecutive calendar years ending within the Power Year which includes such month, as determined on the basis of the Target Availability Rates for each of the forty-eight months, and as applied on a basis which is consistent with the fuel or maturity status of the unit for each of the forty-eight months; provided, however, that for the purpose of determining the Four Year Target Availability Rate (i) for months included within the Power Year which commences June 1, 1999, the determination shall be made for the months of June through October on the basis of the calendar years 1995 through 1998, and shall be made for the months of November through May on the basis of the calendar years 1996 through 1999, and (ii) for months included within the Power Year which commences June 1, 2000, the determination shall be made on the basis of the calendar years 1996 through 1999. The Target Availability Rates shall be those utilized by the Participants Committee in its most recent determination of NEPOOL Objective Capability pursuant to Section 7.

H for the Participant for the month is the percentage which represents the weighted average (using the Installed Capability of each Installed Capability Entitlement for such month for the weighting) of the Four Year Actual Availability Rates of the Installed Capability Entitlements which are included in the Participant's Installed System Capability during the hour of the coincident peak load of the Participants for the month. The Four Year Actual Availability Rate for an Installed Capability Entitlement for any month is the percentage which represents the average of the amounts determined for H1 for the four applicable Twelve-Month Measurement Periods within the forty-eight months which comprise the period of four consecutive calendar years ending within the Power Year which includes such month; provided, however, that for the purpose of determining the Four Year Actual Availability Rate (i) for months included within the Power Year which commences June 1, 1999, the determination shall be made for the months of June through October on the basis of the calendar years 1995 through 1998, and shall be made for the months of November through May on the basis of the calendar years 1996 through 1999, and (ii) for months included within the Power Year which commences June 1, 2000, the determination shall be made on the basis of the calendar years 1996 through 1999. A Twelve-Month Measurement Period is a period of twelve sequential months. For purposes of this sequence, the first month in the four years and the immediately succeeding months shall be considered to follow the forty-eighth month in the four- year period. The four applicable Twelve-Month Measurement Periods to be used in the determination of H1 for an Installed Capability Entitlement shall be the four sequential Twelve-Month Measurement Periods out of the twelve possible combinations which yield the highest H1.

H1 for an Installed Capability Entitlement in a unit or combination of units for a Twelve-Month Measurement Period is its Actual Availability Rate. The Actual Availability Rate of an Installed Capability Entitlement for a Twelve-Month Measurement Period is a percentage and shall be the greater of:

(i) the percentage of (a) the amount of generation which could have been received with respect to the Installed Capability Entitlement if the unit or combination of units had been fully available at its full Installed Capability throughout the Twelve- Month Measurement Period, which is represented by (b) the amount of generation which was actually available during such period, or

(ii) the average Target Availability Rate expressed as a percentage for the Installed Capability Entitlement for the Twelve-Month Measurement Period less twenty percentage points. The average Target Availability Rate of an Installed Capability Entitlement for a Twelve-Month Measurement Period is a percentage and is the average of the monthly Target Availability Rates for the months which comprise the Twelve-Month Measurement Period, as determined on the basis of the Target Availability Rates for each of the twelve months, and as applied on a basis which is consistent with the fuel or maturity status

of the unit or combination of units for each month in the Twelve-Month Measurement Period. The Target Availability Rates shall be those utilized by the Participants Committee in its most recent determination of NEPOOL Objective Capability pursuant to Section 7.

J for the month is the estimated percentage point change in NEPOOL Objective Capability which would be required as a result of a one percentage point change in the weighted average equivalent availability rate of the generating units in which the Participants have Installed Capability Entitlements. The value for J shall be adopted by the Participants Committee each time it fixes NEPOOL Objective Capability pursuant to Section 7.

R for the month is the phase-out factor for the month, which shall be as follows:

R=0.75 for the Power Year beginning November 1, 1997.

R=0.50 for the 12 month period beginning November 1, 1998.

R=0.25 for the 12 month period beginning November 1, 1999.

R=0 for the 12 month period beginning November 1, 2000 and all subsequent 12 month periods.

(2) A New Unit Adjustment Factor for a New Unit shall be determined to assign the effects of the New Unit on NEPOOL Objective Capability to those Participants with Entitlements in the New Unit. The New Unit Adjustment Factor for each New Unit for each month shall be determined by the System Operator under the direction of the Participants Committee in accordance with the following formula:

n = R(K1(c-C) + K2(f-F) + K3(m-M) + K4(d-D) + K5(f- F)c2)

As used in this Section 12.2(a)(2), the symbols used in the formula have the following meanings:

R is the phase out factor as defined in Section 12.2(a)(1) above.

n is the New Unit Adjustment Factor, expressed as a fraction, for the month for a New Unit.

c is the Winter Capability of the New Unit.

C is the Winter Capability of the Proxy Unit, which shall be the number of Kilowatts, as determined by the Participants Committee, which would result in the NEPOOL Objective Capability being approximately the same if the generating units in which the Participants have Installed Capability Entitlements were all units possessing Proxy Unit characteristics.

f is the equivalent forced outage rate of the New Unit, expressed as a fraction of a year, utilized in the determination by the Participants Committee of NEPOOL Objective Capability for the month.

F is the equivalent forced outage rate of the Proxy Unit. F, a fraction, shall be the weighted average equivalent forced outage rate (using the Winter Capability of each generating unit for such weighting) of the generating units in which the Participants have Installed Capability Entitlements, adjusted to compensate for the rounding of the annual maintenance outage requirement of the Proxy Unit.

m is the four-year average annual maintenance outage requirement of the New Unit, expressed as a fraction of a year. The data used to determine m shall include the annual maintenance outage requirements for the current Power Year and the next three Power Years, as utilized for the New Unit in the most recent determination by the Participants Committee of NEPOOL Objective Capability pursuant to Section 7.

M is the annual maintenance outage requirement of the Proxy Unit. M shall be a fraction, the numerator of which shall be the number of weeks (rounded to the nearest full number) that most closely approximates the weighted four-year average annual maintenance outage requirement (using the Winter Capability of each generating unit for such weighting) for the generating units in which the Participants have Installed Capability Entitlements, and the denominator of which shall be 52 weeks.

d is the summer derating of the New Unit, expressed as a fraction of the Winter Capability of the New Unit.

D is the summer derating of the Proxy Unit. D shall be a fraction and shall be equal to the weighted average fractional summer derating (using the Winter Capability of each generating unit for such weighting) of the generating units in which the Participants have Installed Capability Entitlements.

K1, K2, K3, K4, and K5

are conversion coefficients for each of the Summer and Winter Periods, determined by regression analysis such that the product for the Installed Capability of a New Unit times its New Unit Adjustment Factor approximates the effect on NEPOOL Objective Capability of the New Unit.

Proxy Unit characteristics and conversion coefficients contained in the formula shall be adopted by the Participants Committee and reviewed every five years (or more frequently if the Participants Committee determines that exceptional circumstances require an earlier review) and revised as necessary.

If a New Unit has unique characteristics affecting NEPOOL Objective Capability which are not adequately reflected in the New Unit Adjustment Factor formula, the Participants Committee shall determine for such New Unit a New Unit Adjustment Factor which accounts for the New Unit's unique characteristics.

The New Unit Adjustment Factor for any Restricted Unit (as defined in Section 15.37B of the Prior NEPOOL Agreement) for which proposed plans were submitted subsequent to November 1, 1990 for review pursuant to Section 18.4 or its predecessor section in the Prior NEPOOL Agreement (or, in the case of a unit with a rated capacity of less than 5 MW, for which notification was first given to NEPOOL subsequent to November 1, 1990) and for the Peabody Municipal Light Plant's Waters River #2 unit shall be determined in accordance with the formula previously specified in Section 12.2(a)(2), modified as follows:

n = R(K1(c-C) + K2(f-F) + K3(m-M) + K4(d-D) +K5(f-F)c2) + K6(2500-a)

The symbols used in the above formula, as modified, shall have the meanings previously specified, except that the symbols "K6" and "a" shall have the following meanings:

K6 is a scaling factor of 0.0001.

a is as follows:

for units with more than 2500 annual hours available for operation, "a" = 2500,

for units with annual hours available for operation between 500 and 2500, inclusive, "a" = annual hours available for operation, and

for units with annual hours available for operation less than 500 hours, "a" = - -7500;

provided, however, that a Participant may elect to avoid, in whole or part, the effect on its Installed Capability Responsibility of a Restricted Unit's availability being limited to 2500 hours or less a year by agreeing to leave unfilled a portion of its dispatchable load allocation in accordance with rules adopted by the Markets Committee prior to the activation of the Participants Committee or the Participants Committee thereafter.

(b) The tentative Installed Capability Responsibilities of the Participants for any month, as determined in accordance with Section 12.2(a), shall be adjusted in accordance with this Section 12.2(b) in the event the value of H for any Participant for any of the Twelve-Month Measurement Periods applicable to the Participant for the month is increased in accordance with Section 12.2(a) because of the application of paragraph (ii) of the definition of H1. In such event the System Operator under the direction of the Participants Committee shall determine each Participant's tentative Installed Capability Responsibility for the month with and without the application of said paragraph (ii). The difference between the sum of all Participants' tentative Installed Capability Responsibilities, with and without the application of said paragraph (ii) for the month, shall be added to the tentative Installed Capability Responsibilities of the Participants, as determined in accordance with Section 12.2(a), in proportion to said tentative Installed Capability Responsibilities, thereby establishing each Participant's adjusted tentative Installed Capability Responsibility for the month.

(c) For each month, the System Operator under the direction of the Participants Committee shall determine the sum of all Participants' adjusted tentative Installed Capability Responsibilities, as initially determined in accordance with Section 12.2(a) and as adjusted in accordance with Section 12.2(b), if Section 12.2(b) is applicable for such month. If the sum is less than, or equal to, the minimum NEPOOL Installed Capability during the month, then the adjusted tentative Installed Capability Responsibility as determined pursuant to Section 12.2(a) or 12.2(b), whichever is applicable, for each Participant is the final Installed Capability Responsibility for each Participant. If the sum is greater than such minimum NEPOOL Installed Capability, then each Participant's final Installed Capability Responsibility shall be its adjusted tentative Installed Capability Responsibility as determined pursuant to Section 12.2(a) or 12.2(b), whichever is applicable, multiplied by the ratio of the minimum NEPOOL Installed Capability during the month to the sum of the adjusted tentative Installed Capability Responsibilities for the month.

(d) It is recognized that the treatment of fuel conversions, dual fuel units, immature units, new Installed Capability Entitlements, cogeneration and small power-producing facilities, Unit Contracts and other contract arrangements, units with unusual maintenance cycles, and various other matters can result in special problems in the determination of Unit Availability Adjustment Factors and New Unit Adjustments. Accordingly, the Markets Committee shall analyze such special problems and recommend to the Participants Committee for approval appropriate market operation rules to be applied in taking such matters into account in the determination of Unit Availability Adjustment Factors and New Unit Adjustments.

12.3 [Deleted].

12.4 Bids to Furnish Installed Capability. Each Participant shall submit to or have on file with the System Operator, in accordance with the market operation rules approved by the Markets Committee prior to the activation of the Participants Committee or the Participants Committee thereafter, one or more bids specifying the Bid Price and Kilowatt amount at which it will furnish any and all surplus Installed System Capability for a month through NEPOOL to other Participants. If no bid is submitted for a month for any surplus Installed System Capability, the Bid Price for any such surplus for which there is no bid shall be deemed to be zero.

12.5 Consequences of Deficiencies in Installed Capability Responsibility.

(a) At the conclusion of each month, the System Operator shall determine whether each Participant has satisfied its Installed Capability Responsibility obligation for the month. If the minimum monthly Installed System Capability of a Participant during the month was less than its Installed Capability Responsibility, the number of Kilowatts of its deficiency shall be computed and the Participant shall be deemed to purchase from other Participants through NEPOOL Kilowatts of surplus Installed System Capability equal to the amount of its deficiency and shall pay to NEPOOL for the month any applicable fees for services assessed pursuant to Section 19.2 plus the product of its total Kilowatts of deficiency and the Installed Capability Clearing Price for the month determined in accordance with Section 12.5(b). For purposes of this Section 12, the minimum monthly Installed System Capability of a Participant for a month is the Participant's lowest Installed System Capability for any hour during the month. Retirements made on the last day of any month shall not be deducted from Installed System Capability for that month.

(b) At the end of each month, the System Operator shall determine the Installed Capability Clearing Price for the month as follows:

(i) The System Operator shall determine the aggregate Kilowatt shortage of Installed System Capability for the month for all Participants that did not satisfy their Installed Capability Responsibilities for that month.

(ii) The System Operator shall rank in the order of lowest to highest Bid Price all Bid Prices received from Participants having excess Installed System Capability for the month.

(iii) For each Participant, its Installed System Capability with the lowest Bid Prices shall be deemed to have been furnished first, to the extent required, to meet its Installed Capability Responsibility. Any remainder starting with the lowest Bid Prices shall be deemed to have been furnished, to the extent required, to other Participants under this Agreement to meet their shortages of Installed System Capability for the month.

(iv) The Installed Capability Clearing Price for the month shall equal the highest Bid Price for Installed System Capability that is deemed in accordance with Section 12.5(b)(iii) to have been furnished to another Participant for the month.

12.6 [Deleted].

12.7 Payments to Participants Furnishing Installed Capability.

(a) Participants that are deemed pursuant to Section 12.5 to furnish any surplus in their Installed System Capability to other Participants shall receive therefor their pro rata shares on a Kilowatt basis of all payments made by Participants for the month under Section 12.5, excluding any applicable fees for services assessed pursuant to Section 19.2. If two or more Participants with excess Installed System Capability have bid Kilowatts at the Installed Capability Clearing Price, but not all the excess Installed System Capability bid at such price is required to meet shortages of Installed System Capability, then the excess Installed System Capability bid at the Installed Capability Clearing Price that each such Participant shall be deemed to have furnished shall be the Kilowatts of excess Installed System Capability bid by the Participant at that price multiplied by the ratio of (i) the total Kilowatts of excess Installed System Capability bid at the Installed Capability Clearing Price needed to meet the shortages to (ii) the total Kilowatts of excess Installed System Capability bid by all Participants at the

Installed Capability Clearing Price.

(b) [Deleted].

SECT65535ON 13

OPERATION, GENERATION, OTHER RESOURCES, AND INTERRUPTIBLE CONTRACTS

13.1 Maintenance and Operation in Accordance with Good Utility Practice. Each Participant shall, to the fullest extent practicable, cause all generating facilities and other resources owned or controlled by it to be designed, constructed, maintained and operated in accordance with Good Utility Practice.

13.2 Central Dispatch. Subject to the following sentence, each Participant shall, to the fullest extent practicable, subject all generating facilities and other resources owned or controlled by it to central dispatch by the System Operator; provided, however, that each Participant shall at all times be the sole judge as to whether or not and to what extent safety requires that at any time any of such facilities will be operated at less than full capacity or not at all. Each Participant may remove from central dispatch a generating facility or other resources owned or controlled by it if and to the extent such removal is permitted by rules and standards approved by the Participants Committee.

13.3 Maintenance and Repair. Each Participant shall, to the fullest extent practicable: (a) cause generating facilities and other resources owned or controlled by it to be withdrawn from operation for maintenance and repair only in accordance with maintenance schedules reported to and published by the System Operator from time to time in accordance with procedures established or approved by the Markets Committee prior to the activation of the Participants Committee or the Participants Committee thereafter, (b) restore such facilities to good operating condition with reasonable promptness, and (c) accelerate or delay maintenance and repair at the reasonable request of the System Operator in accordance with market operation rules approved by the Markets Committee prior to the activation of the Participants Committee or the Participants Committee thereafter.

13.4 Objectives of Day-to-Day System Operation. The day-to-day scheduling and coordination through the System Operator of the operation of generating units and other resources shall be designed to assure the reliability of the bulk power system of the NEPOOL Control Area. Such activity shall:

(a) satisfy the NEPOOL Control Area's Operating Reserve requirements, including the proper distribution of those Operating Reserves;

(b) satisfy the Automatic Generation Control requirements of the NEPOOL Control Area; and

(c) satisfy the Energy requirements of all Electrical Loads of the Participants,

all at the lowest practicable aggregate dispatch cost to the NEPOOL Control Area in light of available Bid Prices and Participant-directed schedules.

13.5 Satellite Membership. Each Participant which is responsible for the operation of transmission facilities rated 69 kV or above in the NEPOOL Control Area or generating units and other resources which are subject to central dispatch by NEPOOL, or which is responsible for implementing voltage reduction and load shedding procedures in the NEPOOL Control Area, shall become a member of the appropriate satellite dispatching center; provided that by mutual agreement among the affected Participants and the appropriate satellite, a Participant may be excused from joining the satellite if it has arranged with a satellite member to assume responsibility to the satellite for its facilities or obligations.

SECT65535ON 14

INTERCHANGE TRANSACTIONS

14.1 Obligation for Energy, Operating Reserve and Automatic Generation Control.

(a) Each Participant shall have for each hour an Energy obligation equal to its Electrical Load plus the kilowatthours delivered by such Participant to other Participants in the hour pursuant to Firm Contracts or System Contracts, together with any associated electrical losses.

(b) Each Participant shall have for each hour Operating Reserve obligations equal to its share of the quantity of each category of Operating Reserve required for the NEPOOL Control Area in the hour.

Subject to adjustment pursuant to Section 14.6, a Participant's share of each category of Operating Reserve required for any hour shall be determined in accordance with the following formula:

ORp=SAp + [(OR-SA) (ELp/EL)], wherein

ORp is the Participant's share of that category of Operating Reserve for the hour.

SAp is the number of Kilowatts, if any, of that category of Operating Reserve for the hour that the Participants Committee determines should be assigned specifically to such Participant and not be shared by all Participants.

OR is the aggregate number of Kilowatts of that category of Operating Reserve determined by the System Operator in accordance with the directions of the Participants Committee to be required for the NEPOOL Control Area for the hour that is not assigned to Non-Participants.

SA is the aggregate number of Kilowatts of that category of Operating Reserve for the hour that the Participants Committee determines should not be shared by all Participants, but not including Operating Reserve assigned to Non-Participants.

ELp is the Participant's Electrical Load for the hour.

EL is the sum of ELp for all Participants.

(c) Each Participant shall have for each hour an AGC obligation equal to its share of AGC required for the NEPOOL Control Area in the hour. Subject to adjustment pursuant to Section 14.6, a Participant's share of AGC required for any hour shall be determined in accordance with the following formula:

AGCp=AGC (ELp/EL), wherein

AGCp is the Participant's share of AGC for the hour.

AGC is the total amount of AGC determined by the System Operator in accordance with market operation rules approved by the Markets Committee prior to the activation of the Participants Committee or the Participants Committee thereafter to be required for the NEPOOL Control Area for the hour that is not assigned to Non- Participants.

ELp and EL are as defined in Section 14.1(b).

14.2 Obligation to Bid or Schedule, and Right to Receive Energy, Operating Reserve and Automatic Generation Control.

(a) A Participant which has Energy Entitlements shall submit to or have on file with the System Operator, in accordance with the market operation rules approved by the Markets Committee prior to the activation of the Participants Committee or the Participants Committee thereafter, one or more bids for the Energy Entitlements for which the Participant is permitted to bid specifying the Bid Price at which it will furnish Energy through NEPOOL to other Participants under this Agreement or to Non-Participants for ancillary services under the Tariff, or pursuant to arrangements with Non-Participants entered into under Section 14.6, except to the extent such Entitlements are scheduled by the Participant consistent with Section 14.2(d).

(b) A Participant which has Operating Reserve Entitlements or AGC Entitlements shall also submit to or have on file with the System Operator, in accordance with the market operation rules approved by the Markets Committee prior to the activation of the Participants Committee or the Participants Committee thereafter, one or more bids for each such Entitlement for which the Participant is permitted to bid specifying the Bid Prices at which it will furnish 10-Minute Spinning Reserve, 10-Minute Non-Spinning Reserve, 30-Minute Operating Reserve and/or AGC through NEPOOL to other Participants under this Agreement or to Non-Participants for ancillary services under the Tariff, except to the extent such Entitlements are scheduled by the Participant consistent with Section 14.2(d).

(c) Except as emergency circumstances may result in the System Operator requiring load curtailments by Participants, each Participant shall be entitled to receive from the other Participants (or from the service made available from Non-Participants pursuant to arrangements entered into under Section 14.6) such amounts, if any, of Energy, Operating Reserve, and AGC as it requires and Non- Participants shall be entitled to receive from Participants the amount of ancillary services to which they are entitled pursuant to the Tariff. If, for any hour, load curtailments are required, the amount that Participants and Non-Participants with shortages are entitled to receive shall be proportionally reduced by the System Operator in a fair and non-discriminatory manner in light of the circumstances.

(d) All Bid Prices for Entitlements shall be submitted in accordance with market operation rules approved by the Markets Committee prior to the activation of the Participants Committee or the Participants Committee thereafter. If a Bid Price is not submitted for any such Entitlement, the Bid Price shall be deemed to be zero. For a generating unit in which there are multiple Entitlement holders, only one Participant shall be permitted to

submit Bid Prices for Energy, Operating Reserve and/or AGC Entitlements for such unit or to direct the scheduling of the unit for any Scheduled Dispatch Period. The Entitlement holders in each unit with multiple Entitlement holders shall designate a single Participant that will be permitted to submit Bid Prices and/or to direct the scheduling of the unit. In the event that more than one Participant is designated, or if the Entitlement holders do not designate a single Participant, then Bid Prices for the unit shall be based on its replacement cost of fuel, which shall be furnished to the System Operator by the Participant responsible for furnishing such information as of December 1, 1996. Further, any schedules for the unit will be submitted to the System Operator by such Participant. Nothing in this Agreement shall affect the rights of any Entitlement holder under the contractual arrangements among such Entitlement holders relating to the unit.

Prior to the Third Effective Date, Bid Prices must be submitted for the next Scheduled Dispatch Period for all Energy, Operating Reserve and AGC Entitlements in generating unit or units and Energy Entitlements pursuant to Firm Contracts or System Contracts which may be scheduled by the buyer in accordance with Section 14.7(b) no later than noon on the preceding day or such later time as is specified in the market operation rules approved by the Markets Committee prior to the activation of the Participants Committee or the Participants Committee thereafter. On and after the Third Effective Date, such Bid Prices shall be submitted for each hour of the day and the notice period for such Bid Prices shall be reduced to one hour or such shorter time as the System Operator determines from time to time is practical while maintaining reliability and meeting its other obligations to the Participants, except that such notice period shall be longer than one hour if and to the extent that the System Operator reasonably determines that such notice is the shortest notice that is technically feasible at that time to maintain reliability and meet its other obligations to the Participants. The System Operator shall notify the Participants following its receipt of all Bid Prices of the expected dispatch schedule for the next Scheduled Dispatch Period. The System Operator shall reduce the notice required for Bid Prices and the applicable Scheduled Dispatch Period to the minimum time technically and practically feasible while maintaining reliability and meeting its other obligations to the Participants. Energy, Operating Reserve and/or AGC Entitlements in a generating unit or units may also be scheduled directly by the Participants permitted to submit Bid Prices for such Entitlements, but only in accordance with this Section 14.2(d) and market operation rules approved by the Markets Committee prior to the activation of the Participants Committee or the Participants Committee thereafter consistent herewith. Subject to the right of the System Operator to direct changes to schedules in order to ensure reliability in the NEPOOL Control Area or any neighboring control area, a Participant permitted to bid its Energy, Operating Reserve, and/or AGC Entitlements in a generating unit or units, or required to make Energy deliveries, may submit an hour-to-hour schedule for the operation or dispatch of such Entitlements during a Scheduled Dispatch Period at or before the time that Bid Prices are required to be submitted for such period. In addition, prior to the Third Effective Date, a Participant permitted to bid a unit or units may submit a short-notice schedule for the operation or dispatch of any or all of the Energy available from such unit or units during the current or a subsequent Scheduled Dispatch Period following the time that the System Operator notifies the appropriate Participants of their expected Entitlement commitments for that Scheduled Dispatch Period; provided that, for each such short-notice schedule, the Participant has not been advised by the System Operator that the Energy, Operating Reserve or AGC Entitlements from the unit or units covered by the Participant's schedule are expected to be used during the Scheduled Dispatch Period to meet the region's Energy, Operating Reserve and/or AGC requirements, and provided further that the Participant short-notice schedule is only to facilitate transactions during such period from resources or to load located outside the NEPOOL Control Area; and provided further that such schedule is furnished at least one hour in advance of the start of the transaction. In addition, a Participant may, on the same short notice, schedule System Contracts with Non-Participants from resources or to load located outside of the NEPOOL Control Area.

14.3 Amount of Energy, Operating Reserve and Automatic Generation Control Received or Furnished.

(a) For purposes of Sections 14.4, 14.5, and 14.8, the amount of Energy which a Participant is deemed to receive or furnish in any hour shall be the amount of its Adjusted Net Interchange. If the Adjusted Net Interchange is negative, the Participant shall be deemed to be receiving Energy in the hour. If the Adjusted Net Interchange is positive, the Participant shall be deemed to be furnishing Energy in the hour.

(b) For purposes of Sections 14.4, 14.5, and 14.9, prior to the Third Effective Date: the amount of each category of Operating Reserve which a Participant is deemed to receive in any hour is the Kilowatts of such Operating Reserve assigned to the Participant for the hour under Section 14.1(b) less any Kilowatts provided in the hour by the Participant in accordance with the market operation rules approved by the Markets Committee prior to the activation of the Participants Committee or the Participants Committee thereafter to meet any Operating Reserve requirements that were specifically assigned to it and not shared by all Participants; the amount of

Operating Reserve of each category that the Participant is deemed to have furnished under the Agreement in the hour is the amount of such Operating Reserve designated by the System Operator to be provided in the hour by the Participant's applicable Operating Reserve Entitlements, minus any Kilowatts used in the hour by the Participant in accordance with the market operation rules to meet any Operating Reserve requirements that were specifically assigned to it and not shared by all Participants. For purposes of Sections 14.4, 14.5, and 14.9, on and after the Third Effective Date, the amount of each category of Operating Reserve which a Participant is deemed to have received or furnished in any hour is the difference between the Kilowatts of such Operating Reserve assigned to the Participant for the hour under Section 14.1(b) and the Kilowatts of such Operating Reserve designated by the System Operator to be provided in the hour by the Participant's applicable Operating Reserve Entitlements.

(c) For purposes of Sections 14.4, 14.5, and 14.10, prior to the Third Effective Date, the amount of AGC which a Participant is deemed to have received in an hour is the AGC assigned to the Participant for the hour under Section 14.1(c), and the amount a Participant is deemed to have furnished in the hour is the AGC designated by the System Operator to be provided in the hour by the Participant's AGC Entitlements. For purposes of Sections 14.4, 14.5, and 14.10, on and after the Third Effective Date, the amount of AGC which a Participant is deemed to have received or furnished in an hour is the difference between the AGC assigned to the Participant for the hour under Section 14.1(c) and the AGC designated by the System Operator to be provided in the hour by the Participant's AGC Entitlements.

14.4 Payments by Participants Receiving Energy Service, Operating Reserve and Automatic Generation Control.

(a) For every hour in which a Participant's Adjusted Net Interchange is negative, the number of megawatthours of its Energy deficiency shall be computed and the Participant shall pay for the hour the product of its total megawatthours of deficiency and the Energy Clearing Price applicable for the hour as determined in accordance with Section 14.8, together with any applicable uplift charges assessed to the Participant under Sections 14.14 and 14.15 of this Agreement and Section 24 of the Tariff and any applicable fees for services assessed pursuant to Section 19.2.

(b) For every hour in which a Participant is deemed to receive Operating Reserve of any category in accordance with Section 14.3(b), the number of Kilowatts it is deemed to receive for the hour in each category shall be computed. The Participant shall pay therefor for the hour any applicable uplift charge assessed under Section 14.15 and any applicable fees for services assessed pursuant to Section 19.2 plus the product of (i) the aggregate amount paid to Participants for that category of Operating Reserve for the hour pursuant to Section 14.5(b) and (ii) a fraction of which the numerator is the Kilowatts of that category of Operating Reserve deemed under Section 14.3(b) to have been received by the Participant for the hour and the denominator is the aggregate Kilowatts of that category of Operating Reserve deemed under Section 14.3(b) to have been received by all Participants for the hour.

(c) For every hour in which a Participant is deemed under Section 14.3(c) to have received AGC, the amount it is deemed to receive shall be computed and the Participant shall pay therefor any applicable uplift charge assessed under Section 14.15 and any applicable fees for services assessed pursuant to Section 19.2 plus the product of (i) the aggregate amount paid to Participants for AGC for the hour pursuant to Section 14.5(c) and (ii) a fraction of which the numerator is the AGC the Participant is deemed under Section 14.3(c) to have received for the hour and the denominator is the aggregate amount of AGC all Participants are deemed under Section 14.3(c) to have received for the hour.

14.5 Payments to Participants Furnishing Energy Service, Operating Reserve, and Automatic Generation Control.

(a) Subject to the provisions of Section 14.12, a Participant that is deemed in an hour to furnish Energy service to other Participants pursuant to Section 14.3, or to Non-Participants for ancillary services under the Tariff or pursuant to arrangements entered into under Section 14.6, shall receive for each megawatthour furnished by it the Energy Clearing Price for the hour determined in accordance with Section 14.8 or the Bid Price for that megawatthour, if higher than the Energy Clearing Price and the unit is either within the Energy Clearing Price Block (as defined in Section 14.8(c)) or is operated out of merit if such higher Bid Price is appropriately paid pursuant to market operation rules governing out-of-merit generation approved by the Markets Committee prior to the activation of the Participants Committee or the Participants Committee thereafter. In addition, to the extent that the System Operator reduces Energy production from a generating unit or units in order to provide VAR support, Participants with Entitlements in such unit or units may receive their lost opportunity costs if and to the extent provided for by market operation rules approved by the Markets Committee prior to the activation of the Participants Committee or the Participants Committee thereafter.

(b) A Participant that is deemed in an hour to furnish Operating Reserve under the Agreement shall receive for each Kilowatt of each category of Operating Reserve furnished by it the applicable Operating Reserve Clearing Price as defined and determined in accordance with Section 14.9 or the Bid Price to provide such Kilowatt, if higher than the Operating Reserve Selling Price for the hour.

(c) A Participant that is deemed in an hour to furnish AGC under the Agreement shall receive therefor an amount calculated as follows:

(i) the AGC Clearing Price for the hour as defined and determined in accordance with Section 14.10, times the change in AGC output of the Participant's AGC Entitlements which the System Operator requested in the hour, times an appropriate unit conversion factor as determined in accordance with market operation rules approved by the Markets Committee prior to the activation of the Participants Committee or the Participants Committee thereafter; plus

(ii) an AGC reservation payment for each AGC Entitlement that the System Operator designated for AGC in the hour calculated as (A) the AGC Clearing Price in effect for the hour, times (B) the level of AGC the System Operator determines to be available in the hour from the Entitlement, times (C) the portion of the hour during which the System Operator had designated the Entitlement for AGC; plus

(iii) a payment that compensates the Participant for its lost opportunity cost, if any, for the operation of the generating unit or combination of units designated for AGC in the hour below the desired level of output in order to provide AGC, as determined in accordance with market operation rules approved by the Markets Committee prior to the activation of the Participants Committee or the Participants Committee thereafter.

14.6 Energy Transactions with Non-Participants.

(a) The Participants Committee is authorized to enter into contracts on behalf of and in the names of all Participants (i) with power pools or other entities in one or more other control areas to purchase or furnish emergency Energy (and related services) that is available for the System Operator to schedule in order to ensure reliability in the NEPOOL Control Area or neighboring control areas, and (ii) with Non-Participants pursuant to which ancillary services will be provided by the Participants pursuant to the Tariff. The terms of any such contractual arrangement shall not require the furnishing of emergency service to any other control area until the service needs of all Participants have been provided for with the least expensive resources practicable. Energy purchased in any hour from Non-Participants under a contract entered into pursuant to this Section 14.6(a) shall be deemed to be furnished to, and paid for by, Participants entitled to or requiring such Energy in the hour pursuant to this Section 14 at the higher of the Energy Clearing Price for the hour or the price paid to the Non-Participant for the Energy.

(b) The Participants Committee is authorized to provide for the day-to- day scheduling through the System Operator of the HQ Phase II Firm Energy Contract, in accordance with the HQ Use Agreement, as if the Contract were a contract covering Energy transactions with a Non- Participant entered into pursuant to Section 14.6(a). The HQ Phase II Firm Energy Contract shall not be deemed a Firm Contract for purposes of this Agreement. Energy received in an hour from Hydro- Quebec pursuant to the HQ Energy Banking Agreement, and Energy purchased in any hour from Hydro-Quebec pursuant to the HQ Phase II Firm Energy Contract or any other HQ Contract shall be deemed to be Energy furnished to each Participant entitled to such Energy for the hour in the amount reflected for the Participant in the System Operator's scheduling of Energy deliveries in the hour from Hydro- Quebec; except that emergency Energy received from Hydro-Quebec under the HQ Interconnection Agreement shall be deemed to be Energy provided to (and shall be paid for by) Participants requiring such emergency Energy in the hour. The System Operator shall schedule such Energy deliveries to accommodate, to the maximum extent possible, the schedule of Energy deliveries from Hydro-Quebec requested by the Participant. The Participants deemed to have received such Energy shall pay therefor the higher of the Energy Clearing Price (together with any applicable uplift charges under Sections 14.14 and/or 14.15 of this Agreement and/or Section 24 of the Tariff and any applicable fees for services assessed pursuant to Section 19.2) or the price paid to Hydro-Quebec for the Energy (or in the case of Energy received under the HQ Energy Banking Agreement, the price paid for the related Energy deliveries to Hydro-Quebec under the Agreement and any amount payable to Hydro- Quebec with respect to the transaction).

14.7 Participant Purchases Pursuant to Firm Contracts and System Contracts.

(a) For Firm Contracts and System Contracts, the treatment of Installed Capability, Energy, Operating Reserve and AGC between the seller and the purchaser in determining their respective responsibilities and Entitlements shall be as agreed between the parties and reported to the System Operator in

accordance with market operation rules approved by the Markets Committee prior to the activation of the Participants Committee or the Participants Committee thereafter. If and to the extent necessary to implement the agreement between the parties, such market operation rules, upon approval by the Participants Committee, shall supersede the provisions of the Agreement that otherwise apply for determination of the respective responsibilities and Entitlements of the parties.

(b) In the event a Participant has the right to receive Energy, Operating Reserve and/or AGC from a Non-Participant under a System Contract or a Firm Contract, such Contract shall be treated as nearly as possible as if it were a Unit Contract for an Energy Entitlement, Operating Reserve Entitlement and/or AGC Entitlement, as applicable, provided that, in the case of Energy, Operating Reserve, and/or AGC, the System Contract or Firm Contract permits the scheduling of deliveries of such Energy, Operating Reserve and/or AGC to be subject in whole or part to central dispatch through the System Operator in accordance with market operation rules approved by the Markets Committee prior to the activation of the Participants Committee or the Participants Committee thereafter.

14.8 Determination of Energy Clearing Price. For each hour, the System Operator shall determine the Energy Clearing Price as follows:

(a) The System Operator shall rank in the order of lowest to highest (i) the Dispatch Prices derived from the Bid Prices to furnish Energy in the hour and (ii) the cost to NEPOOL of any Energy received from Non-Participants in the hour pursuant to contracts referenced in Section 14.6.

(b) The Energy Clearing Price shall be the weighted average of the Dispatch Prices (or NEPOOL cost) of the "Energy Clearing Price Block" as defined in the next sentence. The Energy Clearing Price Block shall be identified for each hour in accordance with market operation rules approved by the Markets Committee prior to the activation of the Participants Committee or the Participants Committee thereafter to reflect those resources with the highest Dispatch Prices or NEPOOL cost that were centrally dispatched by the System Operator for Energy deemed to have been furnished to the Participants, excluding resources that were dispatched out of merit as determined in accordance with market operation rules approved by the Markets Committee prior to the activation of the Participants Committee or the Participants Committee thereafter.

14.9 Determination of Operating Reserve Clearing Price.

(a) For each hour as necessary, the System Operator shall determine the Operating Reserve Clearing Price for each category of Operating Reserve as follows:

(i) The System Operator shall determine the aggregate Kilowatts of the applicable category of Operating Reserve that are deemed pursuant to Section 14.3(b) to have been received by Participants for the hour.

(ii) For 10-Minute Non-Spinning Reserve and 30-Minute Operating Reserve, the System Operator shall rank in the order of lowest to highest the Bid Prices of the resources designated by the System Operator for that category of Operating Reserve for the hour. The applicable Operating Reserve Clearing Price for 10-Minute Non-Spinning Reserve or 30-Minute Operating Reserve shall be the weighted average of the highest Bid Prices for the 1000 Kilowatts (or such other number as may be specified by the Markets Committee prior to the activation of the Participants Committee or the Participants Committee thereafter) of that category of Operating Reserve that are designated by the System Operator for use in the hour.

(iii) For 10-Minute Spinning Reserve the System Operator shall rank in order of lowest to highest the 10-Minute Spinning Reserve Lost Opportunity Prices (as defined in Section 14.9(b)) of the resources designated by the System Operator for the hour. The Operating Reserve Clearing Price for 10-Minute Spinning Reserve shall be the weighted average for the 1000 Kilowatts (or such other number as may be specified by the Markets Committee prior to the activation of the Participants Committee or the Participants Committee thereafter) of the highest 10-Minute Spinning Reserve Lost Opportunity Prices for the hour of the Entitlements that were designated by the System Operator for use in the hour.

(b) The System Operator shall determine a 10-Minute Spinning Reserve Lost Opportunity Price for each hour for use in determining the Operating Reserve Clearing Price for 10-Minute Spinning Reserve. For the purposes of Section 14.9, the 10-Minute Spinning Reserve Lost Opportunity Price for a Participant's resource shall be the amount by which the Energy Clearing Price for the hour exceeds the resource's Dispatch price (not less than zero), plus the Bid Price in the hour for each resource to provide 10-Minute Spinning Reserve.

14.10 Determination of AGC Clearing Price. For each hour, the System Operator shall determine the AGC Clearing Price. The AGC Clearing Price shall be the weighted average "AGC Capability Price" for the "AGC Clearing Price

Block," as both terms are defined below in this Section 14.10. The AGC Capability Price for each hour for each AGC Entitlement designated by the System Operator to provide AGC in the hour shall be a cost per unit of AGC capability based on the Bid Price for the Entitlement for the hour divided by the amount of AGC available in the hour from that Entitlement. The AGC Clearing Price Block shall be identified by the System Operator for each hour in accordance with market operation rules approved by the Markets Committee prior to the activation of the Participants Committee or the Participants Committee thereafter to reflect those AGC resources with the highest Bid Prices that were designated by the System Operator to provide AGC in the hour and were deemed pursuant to Section 14.3(c) to have been received by Participants for the hour.

14.11 Funds to or from which Payments are to be Made.

(a) All payments for Energy, Operating Reserves or AGC furnished or received, all uplift charges paid pursuant to this Section 14 of this Agreement and Section 24 of the Tariff, and all fees for services paid pursuant to Section 19.2, and any payments by Non- Participants for ancillary services under Schedules 2-7 to the Tariff or pursuant to arrangements referenced in Section 14.6, shall be allocated each month through the Pool Interchange Fund as follows:

Step One. For each week in which Energy is delivered or received under the HQ Energy Banking Agreement, all payments with respect to transactions under that Agreement shall be made to or from the Energy Banking Fund provided for in Section 14.11(b).

Step Two. (i) For each week in which Pre-Scheduled Energy (as defined in the HQ Phase I Energy Contract) is purchased pursuant to the HQ Phase I Energy Contract, the aggregate amount which is paid pursuant to Section 14.6(b) for such Energy by each Participant which is a participant in the Phase I arrangements with Hydro- Quebec shall be determined and paid on the Participant's account into the Phase I Savings Fund.

(ii) For each week in which Energy is purchased pursuant to the HQ Phase II Firm Energy Contract, the aggregate amount which is paid pursuant to Section 14.6(b) for such Energy by each Participant which is a participant in the Phase II arrangements with Hydro- Quebec shall be determined and paid on the Participant's account into the Phase II Savings Fund.

Step Three. For each week in which Other HQ Energy is purchased pursuant to the HQ Phase I Energy Contract or Energy is purchased pursuant to the HQ Interconnection Agreement, the aggregate amount paid pursuant to Section 14.6(b) for such Energy shall be determined for each Participant which is a participant in the Phase I or Phase II arrangements with Hydro-Quebec. Such amount shall be allocated between the Participant's share of the Phase I Savings Fund and the Participant's share of the Phase II Savings Fund created under the HQ Use Agreement in the same ratio as (A) the sum of (x) the number of kilowatthours of Other HQ Energy deemed to be purchased by the Participant during the week and (y) the HQ Phase I Percentage of the number of kilowatthours deemed to be purchased by the Participant under the HQ Interconnection Agreement during the week, bears to (B) the HQ Phase II Percentage of the number of kilowatthours purchased under the HQ Interconnection Agreement during the week.

Step Four. The balance remaining in the Pool Interchange Fund after Steps One through Three shall be retained in the Pool Interchange Fund for the month and shall be used and disbursed after each month in the following order:

(i) (A) amounts owed to Non-Participants (other than Hydro-Quebec) for the month under contracts entered into with them pursuant to Section 14.6(a) shall be paid, and (B) amounts owed to Hydro-Quebec for the month for Energy deemed to be furnished pursuant to Section 14.6(b) to Participants which are not participants in the Phase I or Phase II arrangements with Hydro-Quebec shall be paid and, in the event the price paid by any such Participant for such Energy is the Energy Clearing Price, the excess, if any, of the Energy Clearing Price over the amount owed to Hydro-Quebec shall be paid to the Participant;

(ii) amounts paid by Participants for applicable fees for services assessed pursuant to Section 19.2 shall be used to reduce NEPOOL expenses; and

(iii) amounts owed to Participants for the month pursuant to Section 14.5 shall then be paid.

(b) HQ Energy Banking Fund. All amounts allocated to the HQ Energy Banking Fund for each month shall be used and disbursed as follows:

(i) Participants which furnish Energy for delivery to Hydro-Quebec under the HQ Energy Banking Agreement shall receive therefor from their share of the Energy Banking Fund the amount to which they are entitled for such service in accordance with Section 14.5.

(ii) amounts required to be paid to Hydro-Quebec under the HQ Energy Banking

Agreement shall be paid from the shares of the Fund of the Participants engaging in transactions under the HQ Energy Banking Agreement for the month in accordance with their respective interests in the transactions for the month. If there is not enough in any such share, the Participants with the deficient shares shall be billed and pay into their shares of the Fund the amounts required for payments to Hydro- Quebec.

(iii) subject to the remaining provisions of this Section, at the end of each month any balance remaining in each Participant's share of the HQ Energy Banking Fund shall (I) in the case of any Participant which is not a participant in the Phase I or Phase II arrangements with Hydro-Quebec, be paid to such Participant, and (II) in the case of any Participant which is a participant in the Phase I or Phase II arrangements with Hydro-Quebec, be paid to the Escrow Agent under the HQ Use Agreement to be held and disbursed by it through the Phase I Savings Fund and Phase II Savings Fund created under the HQ Use Agreement, and shall be allocated between the Participant's share of said Funds as follows:

(A) the balance remaining in the Participant's share of the HQ Energy Banking Fund for the month shall be divided by the number of kilowatthours deemed to be received by the Participant under the HQ Energy Banking Agreement during the month to determine an average savings amount per kilowatthour;

(B) for any hour during the month in which the number of kilowatthours received by NEPOOL under the HQ Energy Banking Agreement exceeded the HQ Phase I Transfer Capability, an amount equal to (A) the Participant's share of the excess of (1) the number of kilowatthours received over (2) the HQ Phase I Transfer Capability times (B) the average savings amount per kilowatthour determined for that Participant under (i) above shall be allocated to the Phase II Savings Fund; and

(C) the remaining balance of the Participant's share of the HQ Energy Banking Fund for the month shall be allocated to the Phase I Savings Fund.

It is recognized that, in view of the time which may elapse between the delivery of Energy to or by Hydro-Quebec in an Energy Banking transaction under the HQ Energy Banking Agreement and the return of the Energy, the amounts of Energy delivered to and received from Hydro-Quebec, after adjustment for losses, may not be in balance at the end of a particular month.

Further, if as of the end of any month and after adjustment for electrical losses, the cumulative amount of Energy so received from Hydro-Quebec exceeds the amount so delivered, the aggregate amount paid by Participants for the excess Energy pursuant to Section 14.6(b) shall be paid to the Energy Banking Fund. The Escrow Agent under the HQ Use Agreement shall hold and invest these funds. On the return of the excess Energy to Hydro-Quebec, the amount so held by the Escrow Agent shall be repaid to Hydro-Quebec and Participants in accordance with the Energy Banking Agreement.

(c) Phase I HQ Savings Fund. The aggregate amount allocated to each Participant's share of the Phase I HQ Savings Fund for each month shall be used, first, to pay to Hydro-Quebec the amount owed to it for the month for Energy furnished under the Phase I HQ Energy Contract and the HQ Phase I Percentage of the amount owed to it for the month for Energy furnished to the Participants under the HQ Interconnection Agreement. The balance of the amount allocated to the Fund for the month shall be paid to the Escrow Agent under the HQ Use Agreement to be held and disbursed by it through the Phase I HQ Savings Fund created thereunder in accordance with each Participant's contribution to such balance.

(d) Phase II HQ Savings Fund. The aggregate amount allocated to the Phase II HQ Savings Fund for each month shall be used, first, to pay to Hydro-Quebec the amount owed to it for the month for Energy deemed to be furnished to the Participant under the Phase II HQ Firm Energy Contract and the HQ Phase II Percentage of the amount owed to it for the month for Energy deemed to be furnished to the Participant under the HQ Interconnection Agreement. The balance of the amount allocated to the Fund for the month shall be paid to the Escrow Agent under the HQ Use Agreement to be held and disbursed by it through the Phase II HQ Savings Fund created thereunder in accordance with each Participant's contribution to such balance.

14.12 Development of Rules Relating to Nuclear and Hydroelectric Generating Facilities, Limited-Fuel Generating Facilities, and Interruptible Loads. It is recognized that the central dispatch of Energy available from nuclear generating facilities and from pondage associated with hydroelectric generating facilities and from interruptible loads and of pumping Energy for pumped storage hydroelectric generating facilities and other limited-fuel generating facilities involves special problems which must be resolved to assure fair and non-discriminatory treatment of Participants having Entitlements in such generating facilities or having such interruptible loads or any other Participants involved in such transactions. Accordingly, the Markets Committee shall analyze such special problems and recommend to the Participants Committee for approval appropriate rules for dispatching such facilities (including, but not limited to, bids for dispatchable pumping load

at pumped storage facilities), for handling such interruptible loads and for paying for Energy, Operating Reserve and AGC involved in such transactions on a basis consistent with the principles underlying this Section 14; and upon approval by the Participants Committee such rules shall supersede the provisions of Sections 12 and 14 to the extent of any conflict.

14.13 Dispatch and Billing Rules During Energy Shortages. It is recognized that Energy shortages can result in special problems which must be resolved to assure that dispatch and billing provisions do not prevent achievement of the objectives specified in Section 13.4. Accordingly, the Markets Committee shall analyze such special problems and recommend to the Participants Committee for approval appropriate dispatch and billing rules to be applied during periods when the Participants Committee determines that there is, or is anticipated to be, an Energy shortage which adversely affects the bulk power supply of the NEPOOL Control Area and any adjoining areas served by Participants. Upon approval by the Participants Committee, such rules shall supersede the economic dispatch and billing provisions of this Agreement to the extent of any conflict therewith for the duration of such Energy shortage period.

14.14 Congestion Uplift.

(a) It shall be the responsibility of the Participants Committee to review prior to January 1, 2000 the Congestion Costs incurred with the new market arrangements contemplated by Section 14 of this Agreement and with retail access, and to determine whether subsection (b) of this Section, together with an amendment specifying the rights of Participants and Non-Participants across a constrained interface within the NEPOOL Control Area and to make other necessary or appropriate changes in subsection (b), all of the provisions of which shall be considered for modification, or some other modified or substitute provision dealing with the allocation of Congestion Costs in a constrained transmission area, should be made effective on March 1, 2000 and after the preparation of necessary implementing rules and computer software or on an earlier or later effective date. If the Participants Committee determines that such a provision should be made effective, it shall recommend to the Participants any required amendment to the Agreement and/or the Tariff and a schedule for implementation which will permit sufficient time for the development of necessary rules and computer software. If the Participants Committee is unable to agree on such a determination prior to January 1, 2000 any Participant or group of Participants may propose such an amendment and schedule in a filing with the Commission.

(b) Commencing on the earlier of June 1, 2000 or the beginning of the first calendar month sixty (60) days after the filing of an amendment to the Agreement and/or the Tariff by the Participants Committee, any Participant or group of Participants, but subject to the adoption of an amendment specifying the rights of Participants and Non-Participants across constrained interfaces within the NEPOOL Control Area and making other necessary or appropriate changes in the language of this subsection (b), and the preparation of necessary implementing rules and computer software, (or on such earlier or later date as is fixed by the Participants Committee in accordance with subsection (a) of this Section), whenever limitations in available transmission capacity in any hour require that the System Operator dispatch out-of-merit resources that are bid by the Participants in any area which is determined to be a constrained transmission area in accordance with market operation rules approved by the Regional Market Operations Committee and the Regional Transmission Operations Committee prior to the activation of the Participants Committee or the Participants Committee thereafter, the System Operator shall determine for the constrained transmission area the aggregate Congestion Costs for the hour.

Such Congestion Costs for each hour shall be allocated to and paid by Participants and Non-Participants as a congestion uplift as follows:

(i) In accordance with market operation rules approved by the Regional Market Operations Committee and the Regional Transmission Operations Committee prior to the activation of the Participants Committee or the Participants Committee thereafter, the System Operator shall identify for each Participant and Non-Participant the difference in megawatt hours, if any, between (A) Electrical Load served by the Participant or Non-Participant in the constrained area and transactions by the Participant or Non-Participant occurring in the hour which utilized the constrained interface to move Energy through the constrained area and (B) the Participant's or Non-Participant's in-merit Energy Entitlements located in the constrained area that were used in the hour to serve such Electrical Load, taking into account Firm Contracts and System Contracts between Participants and electrical losses, if and as appropriate.

(ii) The System Operator shall identify for each Participant and Non-Participant the megawatt hours, if any, of the rights of that Participant or Non-Participant to use the then effective transfer capability across the constrained interface.

(iii) The System Operator shall identify for each Participant and Non-Participant the megawatt hours, if any, by which the amount determined

pursuant to clause (i) above for that Participant or Non-Participant exceeds the amount determined for that Participant or Non-Participant pursuant to clause (ii) above. If the clause (i) amount exceeds the clause (ii) amount, the Participant or Non-Participant shall be responsible for paying a share of the aggregate Congestion Costs in proportion to the Participant's or Non-Participant's share of the aggregate amount of such excesses for all Participants and Non-Participants, and such Congestion Costs shall be included, as a transmission charge, in the Regional Network Service, Internal Point-to-Point Service or Through or Out Service charge, whichever is applicable.

(c) As used in this Section 14.14, the "Congestion Cost" of an out-of- merit resource for an hour means the product of (i) the difference between its Dispatch Price and the Energy Clearing Price for the hour, times (ii) the number of megawatt hours of out-of-merit generation produced by the resource for the hour.

14.15 Additional Uplift Charges. It is recognized that the System Operator may be required from time to time to dispatch resources out of merit for reasons other than those covered by Section 14.14 of this Agreement and Section 24 of the Tariff. Accordingly, if and to the extent appropriate, feasible and practical, dispatch and operational costs shall be categorized and allocated as uplift costs to those Participants and Non-Participants that are responsible for such costs. Such allocations shall be determined in accordance with market operation rules that are consistent with this Agreement and any applicable regulatory requirements and approved by the Regional Market Operations Committee prior to the activation of the Participants Committee or the Participants Committee thereafter.

PART FOUR

TRANSMISSION PROVISIONS

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OPERATION OF TRANSMISSION FACILITIES

15.1 Definition of PTF. PTF or pool transmission facilities are the transmission facilities owned by Participants rated 69 kV or above required to allow energy from significant power sources to move freely on the New England transmission network, and include:

1. All transmission lines and associated facilities owned by Participants rated 69 kV and above, except for lines and associated facilities that contribute little or no parallel capability to the NEPOOL Transmission System (as defined in the Tariff). The following do not constitute PTF:

(a) Those lines and associated facilities which are required to serve local load only.

(b) Generator leads, which are defined as radial transmission from a generation bus to the nearest point on the NEPOOL Transmission System.

(c) Lines that are normally operated open.

2. Parallel linkages in network stations owned by Participants (including substation facilities such as transformers, circuit breakers and associated equipment) interconnecting the lines which constitute PTF.

3. If a Participant with significant generation in its transmission and distribution system (initially 25 MW) is connected to the New England network and none of the transmission facilities owned by the Participant qualify to be included in PTF as defined in (1) and (2) above, then such Participant's connection to PTF will constitute PTF if both of the following requirements are met for this connection:

(a) The connection is rated 69 kV or above.

(b) The connection is the principal transmission link between the Participant and the remainder of the New England PTF network.

4. Rights of way and land owned by Participants required for the installation of facilities which constitute PTF under (1), (2) or (3) above.

The Reliability Committee shall review at least annually the status of transmission lines and related facilities and determine whether such facilities constitute PTF and shall prepare and keep current a schedule or catalogue of PTF facilities.

The following examples indicate the intent of the above definitions:

(i) Radial tap lines to local load are excluded.

(ii) Lines which loop, from two geographically separate points on the NEPOOL Transmission System, the supply to a load bus from the NEPOOL Transmission

System are included.

(iii) Lines which loop, from two geographically separate points on the NEPOOL Transmission System, the connections between a generator bus and the NEPOOL Transmission System are included.

(iv) Radial connections or connections from a generating station to a single substation or switching station on the NEPOOL Transmission System are excluded, unless the requirements of paragraph (3) above are met.

Transmission facilities owned by a Related Person of a Participant which are rated 69 kV or above and are required to allow Energy from significant power sources to move freely on the New England transmission network shall also constitute PTF provided (i) such Related Person files with the Secretary of the Participants Committee its consent to such treatment; and (ii) the Participants Committee determines that treatment of the facility as PTF will facilitate accomplishment of NEPOOL's objectives. If a facility constitutes PTF pursuant to this paragraph, it shall be treated as "owned" by a Participant for purposes of the Tariff and the other provisions of Part Four of the Agreement.

15.2 Maintenance and Operation in Accordance with Good Utility Practice. Each Participant which owns or operates PTF or other transmission facilities rated 69 kV or above shall, to the fullest extent practicable, cause all such transmission facilities owned or operated by it to be designed, constructed, maintained and operated in accordance with Good Utility Practice.

15.3 Central Dispatch. Each Participant which owns or operates PTF or other transmission facilities rated 69 kV or above shall, to the fullest extent practicable, subject all such transmission facilities owned or operated by it to central dispatch by the System Operator; provided, however, that each Participant shall at all times be the sole judge as to whether or not and to what extent safety requires that at any time any of such facilities will be operated at less than their full capability or not at all.

15.4 Maintenance and Repair. Each Participant shall, to the fullest extent practicable: (a) cause transmission facilities owned or operated by it to be withdrawn from operation for maintenance and repair only in accordance with maintenance schedules reported to and published by the System Operator in accordance with procedures approved or established by the Tariff Committee from time to time, (b) restore such facilities to good operating condition with reasonable promptness, and (c) in emergency situations, accelerate maintenance and repair at the reasonable request of the System Operator in accordance with rules approved by the Tariff Committee.

15.5 Additions to or Upgrades of PTF. The possible need for an addition to or upgrade of PTF may be identified in connection with an application or request for service under the Tariff, or in connection with a request for the installation of or material change to a generation or transmission facility, or may be separately identified by a NEPOOL committee, a Participant or the System Operator. In such cases, a study, if necessary, to assess available transmission capacity and, if necessary, a System Impact Study and a Facility Study shall be performed by the affected Participant(s) in whose Local Network(s) the addition or upgrade would or might be effected or their designee(s), or the Reliability Committee and/or the System Operator, in the case of a System Impact Study, or the Committee's or the System Operator's designee(s) with review of the study by the System Operator if it does not perform the study. Studies to assess available transmission capacity and System Impact Studies and Facilities Studies shall be conducted, as appropriate, in accordance with the affected Participant's Local Network Service Tariff, or in accordance with the applicable methodology specified in Attachments C and D to the Tariff, and the provisions of the Local Network Service Tariff or the applicable provisions of Attachments I and J to the Tariff shall apply, as appropriate, with respect to the payment of the costs of the study and the other matters covered thereby.

If any of the studies referred to above indicates that new PTF facilities or a facility modification or other PTF upgrades are necessary to provide the requested service, or in connection with a new or modified generation or transmission facility, or otherwise in order to ensure adequate, economic and reliable operation of the bulk power supply systems of the Participants for regional purposes, whether or not a particular customer is benefited, upon approval of the studies by the Reliability Committee, subject to review by the System Operator, one or more Transmission Providers shall be designated by the Reliability Committee, subject to review by the System Operator, to design and effect the construction or modification.

Upon the designation of a Transmission Provider to design and effect a PTF addition or upgrade and the fixing of the cost responsibilities of the Participants and Non-Participants and agreement as to the security and other provisions of said arrangement, the Transmission Provider designated to perform the construction shall, in accordance with the terms of such arrangement and subject to Sections 18.4 and 18.5, use its best efforts to obtain any necessary public approvals or permits, to acquire any required rights of way or other property, and to effect the proposed construction or

modification.

Responsibility for the costs of new PTF or any modification or other upgrade of PTF shall be determined, to the extent applicable, in accordance with Parts V and VI and Schedule 11 of the Tariff, including without limitation the provisions relating to responsibility for the costs of new PTF or modifications or other upgrades to PTF exceeding regional system, regulatory or other public requirements set forth in paragraph (ii) of Schedule 11 to the Tariff.

SECT65535ON 16

SERVICE UNDER TARIFF

16.1 Effect of Tariff. The Tariff specifies the terms and conditions under which the Participants will provide regional transmission service through NEPOOL. This Section 16 specifies various rights and obligations with respect to the revenues to be collected by NEPOOL for the Participants under the Tariff and related matters.

16.2 Obligation to Provide Regional Service. The Participants which own PTF shall collectively provide through NEPOOL regional transmission service over their PTF facilities, and the facilities of their Related Persons which constitute PTF in accordance with Section 15.1, to other Participants and other Eligible Customers pursuant to the Tariff. The Tariff provides open access for all of the types of regional transmission service required by Participants and other Eligible Customers over PTF and it is intended to be the only source of such service, except for service provided for Excepted Transactions.

16.3 Obligation to Provide Local Network Service. Each Participant which owns transmission facilities other than PTF shall provide service over such facilities to other Participants or other Eligible Customers connected to the Transmission Provider's transmission system pursuant to a tariff (a "Local Network Service Tariff") filed by the Transmission Provider with the Commission. A Participant is also obligated to provide service under its Local Network Service Tariff or otherwise (i) to permit a Participant or other Entity with an Entitlement in a generating unit in the Participant's local network to deliver the output of the generating unit to an interconnection point on PTF and (ii) to permit the delivery to an Eligible Customer taking Internal Point-to- Point Service under the Tariff of the Energy and/or capacity covered by its Completed Application for that Internal Point-to-Point Service.

A Local Network Service Tariff shall provide:

(i) for a pro rata allocation of monthly revenue requirements not otherwise paid for through charges to Eligible Customers for Local Point-to-Point Service among the Transmission Provider's Network Customers receiving service under the tariff on the basis of their loads during the hour in the month in which the total connected load to the Local Network is at its maximum, without any adjustment for credits for generation;

(ii) for the recovery under the Local Network Service Tariff from Eligible Customers taking Regional Network Service and Internal Point-to-Point Service of that portion of the Transmission Provider's annual transmission revenue requirements with respect to PTF which is not recovered through the distribution of revenues from Regional Network Service or Internal Point-to-Point Service pursuant to Section 16.6;

(iii) that where all or a part of the load of a Participant or other Eligible Customers taking service under the tariff is connected directly to PTF, the Participant or other Eligible Customers receiving the service shall pay each Year during the Transition Period for such service with respect to the load directly connected to PTF the percentage specified in the schedule below of the applicable Local Network Service Tariff charge for service across non-PTF transmission facilities and shall have no obligation to pay charges for service across non-PTF transmission facilities with respect to that portion of the connected load after the Transition Period, but shall continue to pay its share of any other Local Network Service costs directly associated with the PTF-connected load; provided that in the event of any inconsistency between the foregoing provisions and the terms of any Excepted Transaction which is listed in Attachment G-1 to the Tariff, the Excepted Transaction shall control:

Year One
% of charge to be paid 100%

Year Two
% of charge to be paid 80%

Year Three
% of charge to be paid 60%

Year Four

% of charge to be paid 40%

Years Five and Six
% of charge to be paid 20%

(iv) that if the Transmission Provider receives a distribution pursuant to Section 16.6 from NEPOOL out of revenues paid for Through or Out Service or for In Service (as defined in the Tariff), the amounts received shall reduce its Local Network Service revenue requirements; and

(v) that if the Transmission Provider receives transmission revenues from an Eligible Customer taking Local Network Service from that Transmission Provider with respect to an Excepted Transaction, the amounts received shall reduce the amount due from such Eligible Customer connected to the Transmission Provider's transmission system for Local Network Service provided thereto by the Transmission Provider rather than reducing the Transmission Provider's total cost of service, except that any reductions to the amount due from Eligible Customers for Excepted Transactions identified in Section 25(1) and (2) of the Tariff shall be made only for service rendered through February 28, 1999, and such reductions shall cease and shall be replaced thereafter in their entirety with the credits under the NEPOOL Tariff, provided in accordance with Sections 25A and 25B of the Tariff.

16.4 Transmission Service Availability. The availability of transmission capacity to provide transmission service under the Tariff shall be determined in accordance with the Tariff. In determining the availability of transmission capacity, existing committed uses of the Participants' transmission facilities shall include uses for existing firm loads and reasonably forecasted changes in such loads, and for Excepted Transactions.

16.5 Transmission Information. Information concerning (i) available transmission capacity, (ii) transmission rates and (iii) system conditions that may give rise to Interruptions or Curtailments shall be made available to all Participants and Non-Participants through the OASIS on a timely and non-discriminatory basis. All Participants owning PTF or other transmission facilities rated 69 kV or higher shall make available to the System Operator the information required to permit the maintenance of the OASIS in compliance with Commission Order 889 and any other applicable Commission orders; provided that no Participant shall be required to furnish information which is required to be treated as confidential in accordance with NEPOOL policy without appropriate arrangements to protect the confidentiality of such information.

16.6 Distribution of Transmission Revenues. Payments required by the Tariff for the use of the NEPOOL Transmission System shall be made to NEPOOL and shall be distributed by it in accordance with this Section 16.6.

A. Regional Network Service Revenues. Revenues received by NEPOOL for providing Regional Network Service each month during the Transition Period shall be distributed to those Participants owning PTF or those load-serving Participants supporting PTF which are obligated to take and pay for Regional Network Service and/or Internal Point- to-Point Service in accordance with the Tariff, in part on the basis of allocated flows for the region as determined in accordance with the methodology specified in Attachment A to this Agreement and in part in proportion to the respective Annual Transmission Revenue Requirements for PTF of such owners and supporters, in accordance with the following Schedule:

Year One
Allocated Flows:
25%
Annual Transmission Revenue Requirements:
75%

Year Two
Allocated Flows:
20%
Annual Transmission Revenue Requirements:
80%

Year Three
Allocated Flows:
15%
Annual Transmission Revenue Requirements:
85%

Year Four
Allocated Flows:
10%
Annual Transmission Revenue Requirements:
90%

Year Five
Allocated Flows:
5%
Annual Transmission Revenue Requirements:

95%

Year Six
Allocated Flows:
2.5%
Annual Transmission Revenue Requirements:
97.5%

Revenues received by NEPOOL for providing Regional Network Service each month after the Transition Period shall be distributed to the Participants owning or supporting PTF in proportion to their respective Annual Transmission Revenue Requirements for PTF.

B. Through or Out Service Revenues. The revenues received by NEPOOL each month for providing Through or Out Service shall be distributed among the Participants owning PTF on the basis of allocated flows for the transaction determined in accordance with the methodology specified in Attachment A to this Agreement; provided that for service provided during the Transition Period but not thereafter, for an "Out" transaction which originates on the system of a Participant which owns the PTF interconnection facilities on the New England side of the interface with the other Control Area over which the transaction is delivered, 100% of the megawatt mile flows with respect to the transaction shall be deemed to occur on such Participant's system.

C. Internal Point-to-Point Service Revenues. The revenues received by NEPOOL each month for providing Internal Point-to-Point Service shall be distributed among those load-serving Participants owning or supporting PTF which are obligated to take and pay for Regional Network Service and/or Internal Point-to-Point Service in accordance with the Tariff, in proportion to their respective Annual Transmission Revenue Requirements for PTF under Attachment F to the Tariff.

D. Ancillary Service Payments. The revenues received by NEPOOL pursuant to Schedule 1 to the Tariff (scheduling, system control and dispatch service) will be used to reimburse NEPOOL, the System Operator (if the System Operator does not receive revenues for that service under a separate tariff) and Participants for the costs which are reflected in the charges for such service. The revenues received by NEPOOL pursuant to Schedules 2-7 to the Tariff shall be distributed prior to the Second Effective Date in accordance with the continuing provisions of the Prior NEPOOL Agreement and the rules adopted thereunder, and shall be distributed on or after the Second Effective Date in accordance with Section 14.

E. Congestion Payments. Any congestion uplift charge received as a payment for transmission service pursuant to Section 24 of the Tariff for any hour shall be applied in accordance with Section 14.5(a) in payment for Energy service.

SECT65535ON 17

POOL-PLANNED UNIT SERVICE

17.1 Effective Period. The provisions contained in this Section 17 shall continue in effect for the period to and including February 28, 2001, and shall be of no effect after that date.

17.2 Obligation to Provide Service. Until February 28, 2001, each Participant shall provide service over its PTF facilities under this Section 17 rather than under the Tariff, for the following purposes:

(a) the transfer to a Participant's system of its ownership interest or its Unit Contract Entitlement under a contract entered into by it before November 1, 1996 in a Pool-Planned Unit which is off its system;

(b) the transfer to a Participant's system of its Entitlement in a purchase under a contract entered into by it before November 1, 1996 (including a purchase under the HQ Phase II Firm Energy Contract) from Hydro-Quebec where the line over which the transfer is made into New England is the HQ Interconnection; and

(c) the transfer to a Non-Participant of its Entitlement in a Pool- Planned Unit pursuant to an arrangement which has been approved prior to November 1, 1996 by the Participants Committee.

17.3 Rules for Determination of Facilities Covered by Particular Transactions. It is anticipated that it may be necessary with respect to a particular transmission use under subsection (a), (b) or (c) of Section 17.2 to determine whether the transaction is effected entirely over PTF, entirely over facilities that are not PTF, or partially over each.

The following rules shall be controlling in the determination of the facilities required to effect the use:

(a) To the extent that EHV PTF is available to effect the transaction, over all or part of the distance to be covered, the use shall be deemed to be

effected on such EHV PTF over such portion of the distance to be covered.

(b) To the extent that EHV PTF is not available for the entire distance to be covered by the use, but Lower Voltage PTF is available to cover all or part of the distance not covered by EHV PTF, the transaction shall be deemed to be effected on such Lower Voltage PTF. If a Participant has ownership or contractual rights with respect to an Excepted Transaction which are independent of this Agreement and the Tariff and are adequate to provide for a transfer of the types specified in subsections 17.2(a), (b) or (c), and such rights are not limited to the transfer in question, the transfer shall be deemed to have been effected pursuant to such rights and not pursuant to the provisions of this Agreement. A copy of each instrument establishing such rights, or an opinion of counsel describing and authenticating such rights, shall be filed with the Secretary of the Participants Committee.

17.4 Payments for Uses of EHV PTF During the Transition Period.

(a) Each Participant shall pay each month for its uses of EHV PTF for transfers of Entitlements pursuant to subsections (a) or (b) of Section 17.2, one-twelfth of the NEPOOL EHV PTF Participant Summer or Winter Wheeling Rate in effect for the calendar year ending December 31, 1996, as determined in accordance with the Prior NEPOOL Agreement, for each Kilowatt of its current Entitlements which qualify for transfer pursuant to subsections (a) or (b) of Section 17.2, except as otherwise provided in Section 17.3; provided that such payment shall be required with respect to only one-half the Kilowatts covered by a NEPOOL Exchange Arrangement (as hereinafter defined).

Each Participant which is a party to the HQ Phase II Firm Energy Contract (other than a Participant (i) whose system is directly interconnected to the HQ Interconnection or (ii) which has contractual rights independent of this Agreement and the Tariff which give it direct access to the HQ Interconnection and which are not limited to transfers of Energy delivered over the HQ Interconnection) shall also pay each month for the use of EHV PTF for deliveries under the Phase II Firm Energy Contract during the Base Term of the HQ Phase II Firm Energy Contract, one-twelfth of the NEPOOL EHV PTF Participant Summer or Winter Wheeling Rate in effect for the calendar year ending December 31, 1996, as determined in accordance with the Prior NEPOOL Agreement, for each Kilowatt of its HQ Phase II Net Transfer Responsibility for the month. If, and to the extent that, such Responsibility continues for any period by which the term of said Contract extends beyond the Base Term, each such Participant shall continue to pay the above rate during the extension period with respect to its continuing Responsibility. A Participant shall not be deemed to be directly interconnected to the HQ Interconnection for purposes of this paragraph solely because of its participation in arrangements for the support and/or use of PTF facilities installed or modified to effect reinforcements of the New England AC transmission system required in connection with the HQ Interconnection. A copy of each contract establishing rights independent of this Agreement and the Tariff which provides direct access to the HQ Interconnection, or an opinion of counsel describing and authenticating such rights, shall be filed with the Secretary of the Participants Committee.

The NEPOOL EHV PTF Participant Summer Wheeling Rate for any calendar year shall be applicable to the months in the Summer Period.

The NEPOOL EHV PTF Participant Winter Wheeling Rate for any calendar year shall be applicable to the months in the Winter Period.

A NEPOOL Exchange Arrangement is one entered into by two Participants each of which has an ownership interest in a Pool- Planned Unit on its own system pursuant to which each sells out of its ownership interest, a Unit Contract Entitlement to the other for a period of time which is, in whole or part, the same for both sales. Such an arrangement shall constitute a NEPOOL Exchange Arrangement even though the beginning and ending dates of the two Unit Contract sale periods are different, but only for the period for which both sales are in effect. If for any period the number of Kilowatts covered by the two Unit Contract Entitlements of a NEPOOL Exchange Agreement are not the same, the portion of the larger Entitlement which exceeds the amount of the smaller Entitlement shall not be deemed to be covered by such NEPOOL Exchange Arrangement for purposes of this Section 17.4.

(b) Each Participant shall pay each month for its use of EHV PTF for a transfer of an Entitlement in a Pool-Planned Unit to a Non- Participant pursuant to Section 17.2(c) such charge as is fixed by the Participants Committee at the time of its approval of the sale, and filed with the Commission.

(c) Fifty percent of all amounts required to be paid with respect to transfers by a Participant pursuant to subsection (a) or (b) of Section 17.2 shall be paid to a pool transmission fund and distributed monthly among the Participants in proportion to the respective amounts of their costs with respect to EHV PTF for the calendar year 1996 as determined in accordance with the Prior NEPOOL Agreement.

(d) The remaining 50% of all amounts required to be paid with respect to

transfers by a Participant pursuant to subsections (a) or (b) of Section 17.2 shall be paid to, and retained by, the Participant on whose system the transfer originates, or in the event the EHV PTF system of such Participant is supported in part by other Participants, then to the Participant on whose system the transfer originates and such other Participants in proportion to the respective shares of the costs of such EHV PTF system borne by each of them or in such other manner as the Participants involved may jointly direct; provided that the Participant on whose system the transfer originates shall have the right to waive such 50% payment in whole or part as to a particular transfer except that no such waiver may adversely affect the payments to any other Participant which is supporting in part the originating system's EHV PTF system.

17.5 Payments for Uses of Lower Voltage PTF. Each Participant which uses another Participant's Lower Voltage PTF pursuant to this Section 17 shall pay each month to the owner of such Lower Voltage PTF (1) for each Kilowatt of its use of such Lower Voltage PTF for transfer of Entitlements pursuant to Subsections 17.2(a), (b) or (c) during the month, and (2) during the Base Term of the HQ Phase II Firm Energy Contract (and during any extension of the term of said Contract if and to the extent its HQ Phase II Net Transfer Responsibility continues during the extension period) for each Kilowatt of its HQ Phase II Net Transfer Responsibility for the month, the owner's Lower Voltage PTF Winter Wheeling Rate or Summer Wheeling Rate for the 1996 calendar year, as determined in accordance with the Prior NEPOOL Agreement; except that the requirements for such payments shall terminate on March 1, 1999 for Participants receiving network service under both the Tariff and applicable Local Network Service Tariff.

17.6 Use of Other Transmission Facilities by Participants. For the period to and including February 28, 1999, each Participant which has no direct connection between its system and PTF shall be entitled to use the non- PTF transmission facilities of any other Participant required to reach its system for any of the purposes for which PTF may be used under Section 17.2. Such use shall be effected, and payment made, in accordance with the other Participant's filed open access tariff.

17.7 Limits on Individual Transmission Charges. Any charges for transmission service pursuant to this Section 17 by any Participant to another Participant shall be just, reasonable and not unduly discriminatory or preferential. No provision of this Section 17 shall be construed to waive the right of any Participant to seek review of any charge, term or condition applicable to such transmission service by another Participant by the Commission or any other regulatory authority having jurisdiction of the transaction.

SECTION 17A

TRANSMISSION OWNERS RESERVED RIGHTS

Notwithstanding any other provision of this Agreement, or any other agreement or amendment made in connection with the restructuring of NEPOOL, each Transmission Owner shall retain all of the rights set forth in this Section 17A; provided, however, that such rights shall be exercised in a manner consistent with the Transmission Owner's rights and obligations under the Federal Power Act and the Commission's rules and regulations thereunder.

17A.1 Each Transmission Owner shall have the right at any time unilaterally to file pursuant to Section 205 of the Federal Power Act to change the revenue requirements underlying its component of the rates for service under the NEPOOL Tariff and the transmission-related provisions of this Agreement.

17A.2 Nothing in this Agreement shall restrict any rights, to the extent such rights exist: (a) of Transmission Owners that are parties to a merger, acquisition or other restructuring transaction to make a filing under Section 205 of the Federal Power Act with respect to the reallocation or redistribution of revenues among such Transmission Owners; or (b) of any Transmission Owner to terminate its participation in NEPOOL pursuant to Section 21.2 of this Agreement, notwithstanding any effect its withdrawal from NEPOOL may have on the distribution of transmission revenues among other Transmission Owners. Further, nothing in this Agreement shall be interpreted to permit the adoption of a rate design change that is inconsistent with any settlement under the Tariff accepted by the Commission without the consent of all signatories to the settlement.

17A.3 Each Transmission Owner retains all rights that it otherwise has incident to its ownership of its assets, including, without limitation, its PTF and non-PTF, including the right to build, acquire, sell, merge, dispose of, retire, use as security, or otherwise transfer or convey all or any part of its assets, including, without limitation, the right, individually or collectively, to amend or terminate the Transmission Owner's relationship with the ISO in connection with the creation of an alternative arrangement for the ownership and/or operation of its transmission facilities on an unbundled basis (e.g., a transmission company), subject to necessary regulatory approvals and to any approvals required under applicable provisions of this Agreement. This section is not intended to reduce or limit any other rights

of a Transmission Owner as a signatory to this Agreement.

17A.4 The obligation of any Transmission Owner to expand or modify its transmission facilities in accordance with the Tariff shall be subject to the Transmission Owners' right to recover, pursuant to appropriate financial arrangements contained in Commission-accepted tariffs or agreements, all reasonably incurred costs, plus a reasonable return on investment, associated with constructing and owning or financing such expansions or modifications to its facilities.

17A.5 Each Transmission Owner shall have the right to adopt and implement procedures it deems necessary to protect its electric facilities from physical damage or to prevent injury or damage to persons or property.

17A.6 Each Transmission Owner retains the right to take whatever actions it deems necessary to fulfill its obligations under local, state or federal law.

17A.7 In addition to having the rights reserved under other provisions of this Section 17A, all Participants retain the right to take any position before the Commission, and any appellate court with jurisdiction to review a Commission determination, or to seek a determination by the Commission, regarding whether, and the extent to which, the Transmission Owners may retain the exclusive right to make unilateral filings under Section 205 of the Federal Power Act to amend the Tariff and the transmission related provisions of this Agreement. If and to the extent the Commission rules that the Transmission Owners do not retain such rights, then any such amendment that is not subject to any of Section 17A.1 through 17A.6 may be filed with the Commission only upon the approval by the Participants Committee of the amendment under Section 6.11, including Section 6.11(d). If and to the extent the Commission rules that the Transmission Owners do retain such rights, then the Transmission Owners, acting through the Transmission Owners Committee, shall have the exclusive right to make unilateral filings under Section 205 of the Federal Power Act to amend the Tariff and the transmission- related provisions of this Agreement, other than filings subject to Sections 17A.1 or 17A.2.

17A.8 (a) Notwithstanding anything to the contrary in this Agreement, the rights of each Participant under the Federal Power Act shall be preserved.

(b) Any dispute over whether a matter falls within the scope of any of the rights reserved under this Section 17A will be subject to resolution pursuant to Section 11.A.

(c) No amendment to any provision of this Section 17A or Section 11B may be adopted without the agreement of the Transmission Owners specified in Section 11B.

(d) Any agreement entered into between NEPOOL and a System Operator shall require the System Operator to respect the rights reserved under this Section 17A.

PART FIVE

GENERAL

SECT65535ON 18

GENERATION AND TRANSMISSION FACILITIES

18.1 Designation of Pool-Planned Facilities. At the request of a Participant, the Participants Committee shall designate as "pool- planned" a generating or transmission facility to be constructed by the Participant or its Related Person if the Participants Committee determines that the facility is consistent with NEPOOL planning. The Participants Committee may not unreasonably withhold designation as a Pool-Planned Facility of a generation unit or other facility proposed by one or more Participants in order to satisfy their anticipated Installed Capability Responsibilities with a mix of generation and other resources reasonably comparable as to economics and types to that being developed for New England.

18.2 Construction of Facilities. Subject to Sections 13.1, 15.2, 15.5, 18.3, 18.4 and 18.5, and to the provisions of the Tariff, each Participant shall have the right to determine whether, and to what extent, additions to and modifications in its generating and transmission facilities shall be made. However, each Participant shall give due consideration to recommendations made to it by the Participants Committee or the System Operator for any such additions or modifications and shall follow such recommendations unless it determines in good faith that the recommended actions would not be in its best interest.

18.3 Protective Devices for Transmission Facilities and Automatic Generation Control Equipment. Each Participant shall install, maintain and operate such protective equipment and switching, voltage control, load shedding and

emergency facilities as the Participants Committee may determine to be required in order to assure continuity of service and the stability of the interconnected transmission facilities of the Participants. Until the Second Effective Date, each Participant shall also install, maintain and operate such Automatic Generation Control equipment as the Participants Committee may determine to be required in order to maintain proper frequency for the interconnected bulk power system of the Participants and to maintain proper power flows into and out of the NEPOOL Control Area.

18.4 Review of Participant's Proposed Plans. Each Participant shall submit to the System Operator, Participants Committee, the Reliability Committee, and the Markets Committee or the Tariff Committee, as appropriate, for review by them, in such form, manner and detail as the Participants Committee may reasonably prescribe, (i) any new or materially changed plan for additions to, retirements of, or changes in the capacity of any supply and demand-side resources or transmission facilities rated 69 kV or above subject to control of such Participant, and (ii) any new or materially changed plan for any other action to be taken by the Participant which may have a significant effect on the stability, reliability or operating characteristics of its system or the system of any other Participant. No significant action (other than preliminary engineering action) leading toward implementation of any such new or changed plan shall be taken earlier than sixty days (or ninety days, if the System Operator or the Participants Committee determines that it requires additional time to consider the plan and so notifies the Participant in writing within the sixty days) after the plan has been submitted to the Committees. Unless prior to the expiration of the sixty or ninety days, whichever is applicable, the Participants Committee notifies the Participant in writing that it has determined that implementation of the plan will have a significant adverse effect upon the reliability or operating characteristics of its system or of the systems of one or more other Participants, the Participant shall be free to proceed. The time limits provided by this Section 18.4 may be changed with respect to any such submission by agreement between the Participants Committee and the Participant required to submit the plan.

18.5 Participant to Avoid Adverse Effect. If the Participants Committee notifies a Participant pursuant to Section 18.4 that implementation of the Participant's plan has been determined to have a significant adverse effect upon the reliability or operating characteristics of its system or the systems of one or more other Participants, the Participant shall not proceed to implement such plan unless the Participant or the Non- Participant on whose behalf the Participant has submitted its plan takes such action or constructs at its expense such facilities as the Participants Committee determines to be reasonably necessary to avoid such adverse effect; provided that if the plan is for the retirement of a supply or demand-side resource, the Participant may proceed with its plan only if, after engaging in good faith negotiations with persons designated by the Participants Committee to address the adverse effects on reliability or operating characteristics, the negotiations either address the adverse effects to the satisfaction of the Participants Committee, or no satisfactory resolution can be achieved on terms acceptable to the parties within 90 days of the Participant's receipt of the Participants Committee's notice. Any agreement resulting from such negotiations shall be in writing and shall be filed in accordance with the Commission's filing requirements if it requires any payment.

SECT65535ON 19

EXPENSES

19.1 Annual Fee. Each Participant shall pay to NEPOOL in January of each year an annual fee, which shall be applied toward NEPOOL expenses, as follows:

(a) Each End User Participant which is a non-profit residential or small business consumer, or non-profit group representing such entities, shall pay an annual fee of $500.

(b) Each End User Participant, other than non-profit residential or small business consumers or non-profit groups representing such entities, shall pay an annual fee of $500; plus an additional fee of $500 per megawatt hour of its highest Energy use during any hour in the preceding year (net of any use of on-site generation) up to a maximum of $5,000; plus an additional fee of $200 per megawatt hour for each megawatt hour by which its highest Energy use during any hour in the preceding year (net of any use of on-site generation during such hour) exceeded 20 megawatt hours.

(c) Each Participant which is a Publicly Owned Entity and a member of the Publicly Owned Entity Sector shall pay an annual fee of $5,000, except that any such Participant which is engaged in electricity distribution and had annual Energy sales of less than 30,000 megawatt hours in the preceding year shall pay an annual fee of $500, and the difference between $5,000 and $500 for each such Participant shall be paid, as an additional fee, by the remaining Participants which are Publicly Owned Entities and members of the Publicly Owned Entity Sector.

(d) Each Participant other than an End User Participant or a Publicly Owned

Entity shall pay an annual fee of $5,000.

19.2 NEPOOL Expenses. Commencing on January 1, 1999, most expenses of the System Operator are recovered by it directly from Participants and Non-Participants under the ISO's Tariff for Transmission Dispatch and Power Administration (the "ISO Tariff") or through direct charges for services rendered by the ISO, and have ceased to be NEPOOL expenses. At that time, the payment of a portion of NEPEX expenses from the Savings Fund in accordance with the Prior NEPOOL Agreement also terminated.

Further, commencing on January 1, 1999 through June 30, 1999, the balance of NEPOOL expenses remaining to be paid after the application of (i) the annual fee to be paid pursuant to Section 19.1 and (ii) any fees or other charges for services or other revenues received by NEPOOL, or collected on its behalf by the System Operator, shall, except as otherwise provided in Section 19.3, be allocated among and paid monthly by the Participants in accordance with their respective voting shares, as determined in accordance with the Agreement provisions in effect during such period.

Commencing as of July 1, 1999, such balance of NEPOOL expenses for July and subsequent months shall be divided equally into as many shares as there are active Sectors pursuant to Sector 6.2 (other than an End User Sector) and each Sector's share shall be paid monthly by the Participants in each such Sector (other than an End User Sector) in such manner as the Participants in each Sector may determine by unanimous vote and advise the ISO, provided that if the Participants in a Sector fail to agree unanimously on the allocation of their Sector's share, the Participants in the Sector shall pay for such Sector share in the same proportion as the vote they are entitled to in the Sector. Participants in the Sector that are represented by a group voting member shall subdivide their portion of the Sector's share of expenses in such a manner as they may determine by unanimous agreement; provided that if there is not unanimous agreement among the Participants represented by a group member as to how to allocate their portion of the Sector's share of expenses, such portion shall be allocated among the Participants represented by that group member as follows: (i) for each Participant in the Generation Sector represented by a group voting member, the portion will be allocated in the same proportion that the Megawatts of generation owned by the Participants represents of the total Megawatts owned by Participants represented by the group voting member; and (ii) for Participants in the Transmission Sector, the portion will be allocated equally among the Participants represented by the group member. Notwithstanding the foregoing, no portion of such balance shall be paid by End User Participants and, until such time as an End User Sector is activated, the monthly share allocated to the Publicly Owned Entity Sector shall be reduced by one-twelfth of the aggregate annual fees paid by End Users for the year pursuant to Section 19.1 and one- third of the amount of such reduction shall be allocated to each of the other three Sectors.

19.3 Restructuring Costs.

(a) The expense of restructuring NEPOOL ("Restructuring Expense"), including but not limited to (i) software development, hardware and system software costs for implementation of the Tariff and the new market system, (ii) the costs of the formation of the Independent System Operator and related separation costs, (iii) legal and consultant costs related to the amendment of the NEPOOL Agreement (including the Tariff) and the proceeding with respect thereto at the Federal Energy Regulatory Commission, and (iv) capital expenditures and capitalized project costs of the Independent System Operator, shall be funded (to the extent not already funded) and amortized according to this Section 19.3.

(b) The Restructuring Expense incurred (other than certain capital expenditures and capitalized project costs funded separately by the ISO) before the Second Effective Date (the "Early Restructuring Expense") has been funded during the period prior to such date by those entities which have been the Participants during such period. Commencing at the Second Effective Date, the Early Restructuring Expense shall be amortized in equal monthly amounts and repaid over the next 60 months with interest thereon at the rate of 8% per annum from the date of payment. Each month during the first twelve months of such period each Participant shall pay its percentage "X", as determined below, of 1/60th of the Early Restructuring Expense, plus accumulated interest, and each Participant or other Entity which previously paid an unreimbursed portion of the aggregate Early Restructuring Expense shall be entitled to receive each month its percentage "Y", as determined below, of the aggregate amount to be paid for the month, including accumulated interest. "X" and "Y" shall be determined in accordance with the following formulas:

X = in which

X is the percentage to be paid for a month by a Participant of the aggregate amount payable pursuant to this subsection (b) by all Participants for the month.

A is the amount payable by the Participant for the month under Schedule 2 (Energy Administration Services) of the ISO Tariff (as defined in Section 19.2) as amended or revised from time to time.

A1 is the aggregate amount payable by all Participants for the month under Schedule 2 (Energy Administration Services) of the ISO Tariff as amended or revised from time to time.

Y = in which

Y is the percentage to be received for a month by a Participant or other Entity of the aggregate amount to be received pursuant to this subsection (b) by all Participants or other Entities for the month.

B is the amount of Early Restructuring Expense paid by the Participant or other Entity which has not previously been reimbursed.

B1 is the aggregate amount of Early Restructuring Expense paid by all Participants and other Entities which has not previously been reimbursed.

(c) The Restructuring Expense incurred on the Second Effective Date and to but not including January 1, 2000 or thereafter shall be funded each month by the Participants in proportion to the Member Fixed Voting Shares (as defined in Section 6.9(c)) of each Participant as in effect at the beginning of the month provided, however, that in calculating the allocation of this portion of the Restructuring Expense, the Member Fixed Voting Shares of End User Participants that participate in NEPOOL for governance purposes only in accordance with NEPOOL's Standard Membership Conditions, Waivers and Reminders ("Governance Only End User Participants") shall not be included in such calculations and the amounts that would otherwise have been payable by such Governance Only End User Participants will be allocated to all of the other Participants on the basis of their Member Fixed Voting Shares.

(d) The Restructuring Expense incurred on or after January 1, 2000 (the "Late Restructuring Expense") shall initially be funded for each month, on an as incurred basis, by the Participants in proportion to their charges under the ISO Tariff for the prior month. The aggregate Late Restructuring Expense funded in any calendar year shall be amortized in equal monthly amounts and repaid over the next 60 months, commencing in January of the immediately succeeding calendar year, with interest thereon from the date of payment at the rate equal to the average Weighted Costs of Capital of all Transmission Providers in effect on October 20, 1999 (without subsequent adjustment) determined pursuant to Section II(A)(2)(a) of the Implementation Rule for Calculating Annual Transmission Revenue Requirements filed as a supplement to the Tariff. Thus, for example, the Late Restructuring Expense incurred in 2000 will be amortized and repaid over a 60-month period commencing in January 2001. Each month during the applicable amortization period each Participant shall pay its share of the portion of the Late Restructuring Expense being amortized during such period, plus accumulated interest, and each Participant or other Entity which previously paid an unreimbursed portion of the aggregate Late Restructuring Expense being amortized during such period shall be entitled to receive its share of the aggregate amount paid for such month, including accumulated interest, according to an allocation methodology that is based on the appropriate schedules of the ISO Tariff, which allocation methodology will be established under subsection (e) below.

(e) The Participants agree to amend the Agreement within twelve months after the Second Effective Date to specify how the balance of the Early Restructuring Expense is to be paid. The Participants agree to amend the Agreement by November 1, 2000 to provide for the amortization and repayment of the Late Restructuring Expense, according to an allocation methodology that is based on the appropriate schedules of the ISO Tariff as approved by the Commission.

(f) The funding methodology set forth in subsection (d) shall terminate automatically upon the implementation of a permanent restructuring funding methodology acceptable to the Participants Committee and the ISO, to the extent superseded by such permanent restructuring funding methodology.

SECT65535ON 20

INDEPENDENT SYSTEM OPERATOR

(a) The Participants Committee is authorized and directed to approve one or more agreements to be entered into with the ISO (the "ISO Agreement") and any amendments to the ISO Agreement which the Committee may deem necessary or appropriate from time to time. The ISO Agreement shall specify the rights and responsibilities of NEPOOL and the ISO, for the continued operation of the NEPOOL control center by the ISO as the control center operator for the NEPOOL Control Area and the administration of the Tariff. In addition, the ISO shall be responsible for the furnishing of billing and other services required by NEPOOL.

(b) The fees and charges of the ISO (other than those recovered under the ISO Tariff, as defined in Section 19.2, and fees and charges for services which are separately billed), and any indemnification payable under the ISO Agreement, shall be shared by the Participants in accordance with Section 19.

(c) The Participants shall provide to the ISO the financial support, information and other resources necessary to enable the ISO to provide the services specified in the ISO Agreement, or in this Agreement, in accordance with Good Utility Practice and subject to the budgeting, approval and dispute resolution provisions of the ISO Agreement and this Agreement.

(d) The Participants shall provide appropriate funding for the acquisition of land, structures, fixtures, equipment and facilities, and other capital expenditures and capitalized project expenditures for the ISO, which are included in the annual budget for the ISO in accordance with the provisions of the ISO Agreement, or otherwise specifically approved by the Participants Committee. All such land, structures, fixtures, equipment and facilities, and other capital assets, and all software or other intellectual property or rights to intellectual property or other assets acquired or developed by the ISO in order to carry out its responsibilities under the ISO Agreement shall be the property of the Participants or shall be acquired by the Participants under lease in accordance with arrangements approved by the Participants Committee. For those Participants subject to the Public Utility Holding Company Act of 1935 ("PUHCA"), any such acquisition by those Participants is subject to PUHCA approval to the extent such acquisition requires approval under PUHCA. Unless otherwise agreed by the Participants, the funding of the acquisition, or lease, of land, structures, fixtures, equipment and facilities, and other capital and/or capitalized project related expenditures, or the acquisition of other assets, and the ownership thereof, or the obligations of Participants as lessees, shall be in accordance with Section 19.3 of this Agreement. The Participants shall make all such assets (including the assets of the existing NEPOOL headquarters and control center) available for use by the ISO in carrying out its responsibilities under the ISO Agreement. The ISO Agreement shall require the ISO, on behalf of the Participants, to maintain and care for, insure as appropriate, and pay any property taxes relating to, assets made available for its use.

(e) The ISO Agreement shall require the ISO to refrain from any action that would create any lien, security interest or encumbrance of any kind upon the facilities, equipment or other assets of any Participant, or upon anything that becomes affixed to such facilities, equipment or other assets. The Participants and the ISO shall include in the ISO Agreement a provision that, upon the request of any Participant, the ISO shall (i) provide a written statement that it has taken no action that would create any such lien, security interest or encumbrance, and (ii) take all actions within the control of the ISO, at the direction and expense of the requesting Participant, required for compliance by such Participant with the provisions of its mortgage relating to such facilities, equipment or other assets.

(f) The ISO shall have the right to appoint a non-voting member and an alternate to each NEPOOL committee other than the Participants Committee. The member appointed to each committee shall have all of the rights of any other member of the committee except the right to vote.

(g) The ISO shall have the same rights as a Participant to appeal to the Participants Committee any action taken by any other NEPOOL committee, and shall be entitled to appear before the Participants Committee on any such appeal. Further, the ISO shall be entitled to submit any dispute with respect to a vote of the Participants Committee to approve, modify, or reject a proposed action to resolution in accordance with Section 21.1, whether or not the action could have been submitted by a Participant in accordance with Section 21.1A. In addition, the ISO shall be entitled to submit any dispute with respect to a vote of the Participants Committee which denies an appeal to the Participants Committee by the ISO or which takes action on any rulemaking issue to the Board of Directors of the ISO for determination, subject to the right of the Participants Committee to seek a review in accordance with the Alternate Dispute Resolution procedures or by the Commission. The ISO shall give notice of any such submission to the Secretary of the Participants Committee within ten days of the action of the Participants Committee and shall mail a copy of such notice to each member of the Participants Committee. Pending final action on the submission in accordance with Section 21.1 or by the Board of Directors of the ISO or the Commission, as appropriate, the giving of notice of the submission shall suspend the Participants Committee's action. Unless the Board of Directors of the ISO acts within 60 days of the ISO's notice to the Participants Committee, the Participants Committee action will be deemed to be approved.

(h) The ISO Agreement shall specify the ISO's independent authority with respect to rulemaking.

(i) NEPOOL and its committees and the ISO shall consult and coordinate from time to time with the relevant state regulatory, siting and other authorities of the six New England states on operating, planning and other issues of concern to the states. The New England Conference of Public Utilities Commissioners, Inc. ("NECPUC") or its designee shall be furnished notices of meetings of all NEPOOL committees and the Board of Directors of the ISO, and minutes of their meetings. NECPUC and other state authorities shall be provided an appropriate opportunity to appear at meetings of the NEPOOL committees and the Board of Directors of the ISO and to present their views. Representatives of NEPOOL and the ISO shall be designated to attend meetings

of NECPUC or any committee or task force of NECPUC, to the extent NECPUC or its committee or task force may deem such attendance appropriate.

(j) Appointment of Technical Committee Officers. The System Operator shall, after its chief executive officer has conferred with the Participant members of the Liaison Committee regarding such appointment(s), appoint the Chair and Secretary of each of the Technical Committees. Each individual appointed by the System Operator shall be an independent person not affiliated with any Participant. Before appointing an individual to the position of Chair or Secretary, the System Operator shall notify the Committee to which such officer is being appointed of the proposed assignment and, consistent with its personnel practices, provide any other information about the individual reasonably requested by the Committee. In the event that a Technical Committee determines that the performance of the Chair or Secretary of the Committee is not satisfactory, the Committee shall provide notice to the System Operator that such performance deficiencies must be corrected within 60 days. If the Committee determines that the performance deficiencies have not been corrected within the 60-day period, the Committee may vote to remove the officer, subject to appeal to the Participants Committee. A vote of the Technical Committee to remove its officer shall be immediately effective and binding on the System Operator and shall cause the System Operator to appoint a replacement officer in accordance with the provisions of this Section 20(j) unless an appeal to the Participants Committee has been taken prior to the end of the tenth business day following the vote to remove the officer in which case the vote for removal shall be subject to the outcome of such appeal. A vote of the Participants Committee with respect to any such appeal shall be immediately effective and binding on the System Operator and not subject to any further appeals.

SECT65535ON 21

MISCELLANEOUS PROVISIONS

21.1 Alternative Dispute Resolution.

A. General:

If the ISO is aggrieved by a vote of the Participants Committee to approve, modify or reject a proposed action under this Agreement, including the Tariff, it may submit the matter for resolution hereunder. If the Participants Committee is aggrieved by an action of the ISO Board of Directors ("ISO Board") under this Agreement, including the Tariff or the ISO Agreement (as defined in Section 20(a)), the Participants Committee may submit the matter for resolution hereunder; provided, however, that if the action of the ISO relates to rulemaking, the Participants Committee may submit the matters for resolution under this Section 21.1 only with the concurrence of the ISO. Any Participant which is aggrieved by a vote of the Participants Committee to approve, modify or reject a proposed action under this Agreement, including the Tariff, may, as provided below, submit the matter for resolution hereunder if the vote:

(1) requires such Participant to make a payment or to take any action pursuant to this Agreement; or

(2) reduces the amount of any receipt or forbids, pursuant to this Agreement, the taking of any action by the Participant; or

(3) fails to afford it any right to which it is entitled under the provisions of this Agreement or imposes on it a burden to which it is not subject under the provisions of this Agreement; or

(4) results in the termination of the Participant's status as a Participant or imposes any penalty on the Participant; or

(5) results in an allocation of transmission or other facilities support obligations; or

(6) fails to grant in full an application for transmission service pursuant to the Tariff.

No legal or regulatory proceeding (except those reasonably necessary to toll statutes of limitations, claims for laches or other bars to later legal or regulatory action) shall be initiated by any Participant with respect to any such matter while proceedings are pending under this Section with respect to the matter.

B. Procedure:

(1) Submission of a Dispute: The ISO or a Participant seeking review of a vote of the Participants Committee shall give written notice to the Secretary of the Participants Committee within ten business days of the vote, and shall mail or telecopy a copy of its notice to each member of the Participants Committee. Where the Participants Committee is seeking review of an action of the ISO Board, the Participants Committee shall give written notice to the Secretary of the ISO Board. The provider of notice under this Section shall

be referred to herein as the "Aggrieved Party."

(2) Suspension of Action: If the ISO seeks review of a vote of the Participants Committee pursuant to this Section, the vote to be reviewed shall be suspended pending resolution of such review by the arbitrator or the Commission if raised in regulatory proceedings. If a Participant seeks such a review, the vote to be reviewed shall be suspended for up to 90 days following the giving of the Participant's notice pending resolution of any arbitration proceeding unless the Participants Committee determines that the suspension will imperil the stability or reliability of the NEPOOL Control Area bulk power supply.

(3) Aggrieved Party Options: (i) If the notice is to seek review of a vote of the Participants Committee, the Aggrieved Party's notice to the Participants Committee shall invoke arbitration as described herein in its notice pursuant to paragraph B(1), and may also initiate mediation with the agreement of the Participants Committee, while reserving such Party's right to proceed with the arbitration if mediation does not resolve the matter within 20 days of the giving of the Party's notice or such longer period as may be fixed by mutual agreement of the Participants Committee and the Aggrieved Party. Notwithstanding the initiation of mediation, the arbitration proceeding shall proceed concurrently with the selection of the arbitrator pursuant to paragraph C(1) of this Section 21.1.

(ii) If the notice is to seek review of an ISO action, the Participants Committee's notice to the ISO Board shall (subject to the concurrence of the ISO for actions relating to rulemaking as provided in Section 21.1A) invoke arbitration as described herein in its notice pursuant to paragraph B(1), and may also initiate mediation with the agreement of the ISO Board, while reserving the Participants Committee's right to proceed with the arbitration if mediation does not resolve the matter within 20 days of the giving of the Participants Committee's notice or such longer period as may be fixed by mutual agreement of the ISO Board and the Participants Committee. Notwithstanding the initiation of mediation, the arbitration proceeding shall proceed concurrently with the selection of the arbitrator pursuant to paragraph C(1) of this Section 21.1.

(4) Mediation Positions not to be Used Elsewhere: All mediation proceedings pursuant to this Section are confidential and shall be treated as compromise and settlement negotiations for purposes of applicable rules of evidence.

(5) Time Limits; Duration: Any other Participant that wishes to participate in an arbitration proceeding hereunder shall give signed written notice to the Secretary of the Participants Committee, and to the Secretary of the ISO Board if the ISO is involved in such arbitration, no later than ten calendar days after the giving of the notice of arbitration. The arbitration procedure shall not exceed 90 calendar days from the date of the Aggrieved Party's notice invoking arbitration to the arbitrator's decision unless the parties agree upon a longer or shorter time. All agreements by the ISO or the aggrieved Participant and the Participants Committee to use mediation shall establish a schedule which will control unless later changed by mutual agreement.

C. Arbitration:

(1) Selection of Arbitrator: The ISO or the aggrieved Participant and the Participants Committee shall attempt to choose by mutual agreement a single neutral arbitrator to hear the dispute. If the ISO or the Participant and the Participants Committee fail to agree upon a single arbitrator within ten calendar days of the giving of notice of arbitration to the Secretary of the Participants Committee or the Secretary of the ISO Board, as the case may be, the American Arbitration Association shall be asked to appoint an arbitrator. In either case, the arbitrator shall be knowledgeable in matters involving the electric power industry, including the operation of control areas and bulk power systems, and shall not have any substantial business or financial relationships with the ISO, NEPOOL or its Participants (other than previous experience as an arbitrator) unless otherwise mutually agreed by the ISO or the aggrieved Participant and the Participants Committee.

(2) Costs: NEPOOL shall be responsible for all of the costs of the proceeding if it is initiated by the ISO or by the Participants Committee. If a proceeding is initiated by an aggrieved Participant, each party shall be responsible for the following costs, if applicable:

(i) its own costs incurred during the arbitration process (except that this does not preclude billing the aggrieved Participant for its share of NEPOOL Expenses that may include the Participants Committee's arbitration costs); plus

(ii) One half of the common costs of the arbitration including, but not limited to, the arbitrator's fee and expenses, the rental charge for a hearing room and the cost of a court reporter and transcript, if required.

(3) Hearing Location: Unless otherwise mutually agreed, the site for all arbitration hearings shall be NEPOOL counsel's office.

D. Rules and Procedures:

(1) Procedure and Discovery: The procedural rules (if any), the conduct of the arbitration and the availability, extent and duration of pre-hearing discovery (if any), which shall be limited to the minimum necessary to resolve the matters in dispute, shall be determined by the arbitrator in his/her sole discretion at or prior to the initial hearing.

(2) Pre-hearing Submissions: The Aggrieved Party shall provide the arbitrator with a brief written statement of its complaint and a statement of the remedy or remedies it seeks, accompanied by copies of any documents or other materials it wishes the arbitrator to review. The Participants Committee will provide the arbitrator with a copy of this Agreement and all relevant implementing documents, a brief description of the action being arbitrated, copies of the minutes of all NEPOOL committee meetings at which the matter was discussed, a brief statement explaining why the Participants Committee believes its decision should be upheld by the arbitrator, and copies of any documents or other materials the Participants Committee wishes the arbitrator to review. If the Participants Committee is the Aggrieved Party, the ISO Board will provide copies of minutes of the ISO Board meetings at which the matter was discussed, a brief statement explaining why the ISO Board believes its decision should be upheld by the arbitrator, and copies of any documents or other materials the ISO Board wishes the arbitrator to review. These submissions shall be made within five days after the selection of the arbitrator.

In addition, each party shall designate one or more individuals to be available to answer questions the arbitrator may have on the documents or other materials submitted by that party. The answers to all such questions shall be reduced to writing by the party providing the answer and a copy shall be furnished to the other party.

(3) Initial Hearing: An initial hearing will be held no later than 10 days after the selection of the arbitrator and shall be limited to issues raised in the pre-hearing filings. The scheduling of further hearings at the request of either party or on the arbitrator's own motion shall be within the sole discretion of the arbitrator.

(4) Decision: The arbitrator's decision shall be due, unless the deadline is extended by mutual agreement of the ISO or the aggrieved Participant and the Participants Committee, within sixty days of the initial hearing or within ninety days of the Aggrieved Party's initiation of arbitration, whichever occurs first. The arbitrator shall be authorized only to interpret and apply the provisions of this Agreement and the arbitrator shall have no power to modify or change the Agreement in any manner.

(5) Effect of Arbitration Decision: The decision of the arbitrator will be conclusive in a subsequent regulatory or legal proceeding as to the facts determined by the arbitrator but will not be conclusive as to the law or constitute precedent on issues of law in any subsequent regulatory or legal proceedings. An aggrieved party may initiate a proceeding with a court or with the Commission with respect to the arbitration or arbitrator's decision only:

if the arbitration process does not result in a decision within the time period specified and the proceeding is initiated within thirty days after the expiration of such time period; or

on the grounds specified in Sections 10 and 11 of Title 9 of the United States Code for judicial vacation or modification of an arbitration award and the proceeding is initiated within thirty days of the issuance of the arbitrator's decision.

(6) Other Disputes: In the event a dispute arises with a Non-Participant which receives or is eligible to receive service under this Agreement or the Tariff with respect to such service, the Non-Participant shall have the right to have the dispute considered by the Participants Committee. In the event the Non-Participant is aggrieved by the Participants Committee's vote on the dispute, and the vote has any of the effects specified in paragraph A of this Section 21.1, the aggrieved Non-Participant may require that the dispute be resolved in accordance with this Section 21.1. To the extent that NEPOOL provides services to Non-Participants under separate agreements, the Participants Committee shall incorporate the provisions of this Section by reference in any such agreement, in which case the term "Participant" shall be deemed for purposes of the dispute resolution provisions to include such Non-Participant purchasers of NEPOOL services.

21.2 Payment of Pool Charges; Termination of Status as Participant.

(a) Any Participant shall have the right to terminate its status as a Participant upon no less than six months' prior written notice given to the Secretary of the Participants Committee.

(b) If at any time during the term of this Agreement a receiver or trustee of a Participant is appointed or a Participant is adjudicated bankrupt or an

order for relief is entered under the Federal Bankruptcy Code against a Participant or if there shall be filed against any Participant in any court (pursuant to the Federal Bankruptcy Code or any statute of Canada or any state or province) a petition in bankruptcy or insolvency or for reorganization or for appointment of a receiver or trustee of all or a portion of the Participant's property, and within ninety days after the filing of such a petition against the Participant, the Participant shall fail to secure a discharge thereof, or if any Participant shall file a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy or insolvency law or shall make an assignment for the benefit of creditors, the Participants Committee may terminate such Participant's status as a Participant as of any time thereafter.

(c) Each Participant is obligated to pay when due in accordance with NEPOOL procedures all amounts invoiced to it by NEPOOL, or by the ISO on behalf of NEPOOL. If a Participant disputes a NEPOOL invoice in whole or part, it shall be entitled to continue to receive service under the Agreement and the Tariff, so long as the Participant (i) continues to make all payments not in dispute, and (ii) pays into an independent escrow account the portion of the invoice in dispute, pending resolution of the dispute. If the Participant fails to meet these two requirements for continuation of service, NEPOOL may suspend service, in whole or part, to the Participant sixty days after the giving of notice to the Participant of NEPOOL's intention to suspend service, in accordance with Commission policy.

(d) In the event a Participant fails, for any reason other than a billing dispute as described in subsection (c) of this Section 21.2, to pay when due in accordance with NEPOOL procedures all amounts invoiced to it by NEPOOL, or by the ISO on behalf of NEPOOL, or the Participant fails to perform any other obligation under the Agreement or the Tariff, and such failure continues for at least ten days, NEPOOL may notify the Participant that it is in default and may initiate a proceeding before the Commission to terminate such Participant's status as a Participant. Pending Commission action on such termination, NEPOOL may suspend service, in whole or part, to the Participant on or after 50 days after the giving of such notice and the initiation of such proceeding, in accordance with Commission policy, unless the Participant cures the default within such 50-day period.

(e) If the status of a Participant as a Participant is terminated pursuant to this Section 21.2 or any other provision of this Agreement, such former Participant's generation and transmission facilities shall continue to be subject to such NEPOOL or other requirements relating to reliability as the Commission may approve in acting on the termination, for so long as the Commission may direct. Further, if any of such former Participant's transmission facilities are required in order to permit transactions among any of the remaining Participants pursuant to this Agreement or the Tariff, all pending requests for transmission service under the Tariff relating to such Participant's facilities shall be followed to completion under the Participant's own tariff and all existing service over the Participant's facilities shall continue to be provided under the Tariff for a period of three years. It is the intent of this subsection that no such termination should be allowed to jeopardize the reliability of the bulk power facilities of any remaining Participant or should be allowed to impose any unreasonable financial burden on any remaining Participant.

(f) No such termination of a Participant's status as a Participant shall affect any obligation of, or to, such former Participant incurred prior to the effective time of such termination.

21.3 Assignment. The Agreement shall inure to the benefit of, and shall be binding upon, the successors and assigns of the respective signatories hereto, but no assignment of a signatory's interests or obligations under the Agreement or any portion thereof shall be made without the written consent of the Participants Committee, except as otherwise permitted by the Tariff, or except in connection with a sale, merger, or consolidation which results in the transfer of all or a portion of a signatory's generation or transmission assets to, and the assumption of all of the obligations of the signatory under this Agreement (or in the case of a transfer of a portion of a signatory's generation or transmission assets, the assumption of obligations of the signatory under this Agreement with respect to such assets) by, an acquiring or surviving Entity which either is, or concurrently becomes, a Participant, or agrees to assume such of the signatory's obligations with respect to such assets as the Participants Committee may reasonably require, or except in connection with the grant of a security interest in a Participant's assets as security for bonds or other financing.

21.4 Force Majeure. A Participant shall not be considered to be in default in respect of any obligation hereunder if prevented from fulfilling such obligation by an event of Force Majeure. An event of Force Majeure means any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm or flood, explosion, breakage or accident to machinery or equipment, any Curtailment, any order, regulation or restriction imposed by a court or governmental military or lawfully established civilian authorities, or any other cause beyond a Participant's control, provided that no event of Force Majeure affecting any Participant shall excuse that Participant from

making any payment that it is obligated to make under this Agreement. A Participant whose performance under this Agreement is hindered by an event of Force Majeure shall make all reasonable efforts to perform its obligations under this Agreement, and shall promptly notify the Participants Committee of the commencement and end of any event of Force Majeure.

21.5 Waiver of Defaults. No waiver of the performance by a Participant of any obligation under this Agreement or with respect to any default or any other matter arising in connection with this Agreement shall be effective unless given by the Participants Committee. Any such waiver by the Participants Committee in any particular instance shall not be deemed a waiver with respect to any subsequent performance, default or matter.

21.6 Other Contracts. No Participant shall be a party to any other agreement which in any manner is inconsistent with its obligations under this Agreement.

21.7 Liability and Insurance.

(a) Each Participant will indemnify and save each of the other Participants, its officers, directors and Related Persons (each an "Indemnified Party") harmless from and against all actions, claims, demands, costs, damages and liabilities asserted by a third party against the Indemnified Party seeking indemnification and arising out of or relating to bodily injury, death or damage to property caused by or sustained on facilities owned or controlled by such Participant that are the subject of this Agreement, or caused by a failure to act in accordance with this Agreement by the Participant from which indemnification is sought, except (i) to the extent that such liabilities result from the negligence or willful misconduct of the Participant seeking indemnification, and (ii) each Participant shall be responsible for all claims of its own employees, agents and servants growing out of any workmen's compensation law. The amount of any indemnity payment under the provisions of this Section 21.7 shall be reduced (including, without limitation, retroactively) by any insurance proceeds or other amounts actually recovered by the Indemnified Party in respect of the indemnified action, claim, demand, cost, damage or liability. Notwithstanding the foregoing, no Participant shall be liable to any Indemnified Party for any claim for loss of profits or revenues, attorneys' fees or costs, cost of capital or financing, loss of goodwill or cost of replacement power arising from a Participant's carrying out, or failing to carry out, any obligations contemplated by this Agreement or for any other indirect, incidental, special, consequential, punitive, or multiple damages or loss; provided, however, that nothing herein shall reduce or limit the obligations of any Participant to Non- Participants.

(b) Each Participant shall furnish, at its sole expense, such insurance coverage as the Participants Committee may reasonably require with respect to its obligation pursuant to Section 21.7(a).

21.8 Records and Information. Each Participant shall keep such records as may reasonably be required by a NEPOOL committee or the System Operator, and shall furnish to such committee or the System Operator such records, reports and information (including forecasts) as it may reasonably require, provided the confidentiality thereof is protected in accordance with NEPOOL's information policy.

21.9 Consistency with NPCC and NERC Standards. The standards, criteria and rules adopted by NEPOOL committees under this Agreement shall be consistent with those adopted by the NPCC and NERC or any successor to either.

21.10 Construction.

(a) The Table of Contents contained in this Agreement and the headings of the Sections of this Agreement are intended for convenience only and shall not be deemed to be part of this Agreement or considered in construing it.

(b) This Agreement shall be interpreted, construed and governed in accordance with the laws of the State of Connecticut.

21.11 Amendment. Subject to Section 17A and the provisions of this Section, this Agreement, including the Tariff, and any attachment or exhibit hereto may be amended from time to time by vote of the Participants in accordance with Section 6.11.

Any amendment to this Agreement approved in accordance with Section 6.11 and/or Section 17A shall be in writing and shall become effective, and shall bind all Participants regardless of whether they have executed a ballot in favor of such amendment, on the date specified in the amendment, subject to acceptance or approval by the Commission. Nothing herein shall be construed to prevent any Participant from challenging any proposed amendment before a court or regulatory agency on the ground that the proposed amendment or its application to the Participant is in violation of law or of this Agreement.

21.12 Termination. This Agreement shall continue in effect until terminated, in accordance with the Commission's regulations, by Participants represented by members of the Participants Committee having Member Fixed

Voting Shares equal to at least 70% of the Member Fixed Voting Shares of all Participants. No such termination shall relieve any party of any obligation arising prior to the effective time of such termination.

21.13 Notices to Participants, Committees, Committee Members, or the System Operator.

(a) Any notice, demand, request or other communication required or authorized by this Agreement to be given to any Participant shall be in writing, and shall be (1) personally delivered to the Participants Committee member or alternate representing that Participant; (2) mailed, postage prepaid, to the Participant at the address of its member on the Participants Committee as set out in the NEPOOL roster; (3) sent by facsimile ("faxed") to the Participant at the fax number of its member on the Participants Committee as set out in the NEPOOL roster; or (4) delivered electronically to the Participant at the electronic mail address of its member on the Participants Committee or at the address of its principal office. The designation of any such address may be changed at any time by written notice delivered to the Secretary of the Participants Committee, who shall cause such change to be reflected in the NEPOOL roster.

(b) Any notice, demand, request or other communication required or authorized by this Agreement to be given to any NEPOOL committee shall be in writing and shall be delivered to the Secretary of the committee. Each such notice shall either be personally delivered to the Secretary, mailed, postage prepaid, or sent by facsimile ("faxed") to the Secretary at the address or fax number set out in the NEPOOL roster, or delivered electronically to the Secretary. The designation of such address may be changed at any time by written notice delivered to each Participant.

(c) Any notice, demand, request or other communication required or authorized by this Agreement to be given to a member or alternate to that member of a Principal Committee (for the purposes of this Section 21.13, individually or collectively, the "Committee Member") shall be (1) personally delivered to the Committee Member; (2) mailed, postage prepaid, to the Committee Member at the address of the Committee Member set out in the NEPOOL roster; (3) sent by facsimile ("faxed") to the Committee Member at the fax number of the Committee Member set out in the NEPOOL roster; or (4) delivered electronically to the Committee Member at the electronic mail address of the Committee Member set out in the NEPOOL roster. The designation of any such address may be changed at any time by written notice delivered to the Secretary of the Principal Committee on which the Committee Member serves, who shall cause such change to be reflected in the NEPOOL roster.

(d) Any notice, demand, request or other communication required or authorized by this Agreement to be given to the System Operator shall be in writing, and shall be (1) personally delivered to the Participants Committee member or alternate appointed by the System Operator; (2) mailed, postage prepaid, to the System Operator at the address of its member on the Participants Committee as set out in the NEPOOL roster; (3) sent by facsimile ("faxed") to the System Operator at the fax number of its member on the Participants Committee as set out in the NEPOOL roster; or (4) delivered electronically to the System Operator at the electronic mail address of its member on the Participants Committee or at the address of its principal office. The designation of any such address may be changed at any time by written notice delivered to the Secretary of the Participants Committee, who shall cause such change to be reflected in the NEPOOL roster.

(e) To the extent that the Participants Committee is required to serve upon any Participant a copy of any document or correspondence filed with the Commission under the Federal Power Act or the Commission's rules and regulations thereunder, by or on behalf of any Principal Committee, such service may be accomplished by electronic delivery to the Participant at the electronic mail address of its Participants Committee member and alternate. The designation of any such address may be changed at any time by written notice delivered to the Secretary of the Participants Committee.

(f) Any such notice, demand or request so addressed and mailed by registered or certified mail shall be deemed to be given when so mailed. Any such notice, demand, request or other communication sent by regular mail or by facsimile ("faxed") or delivered electronically shall be deemed given when received by the Participant, Committee Member, System Operator, or Secretary of the NEPOOL committee, whichever is applicable.

21.14 Severability and Renegotiation. If any provision of this Agreement is held by a court or regulatory authority of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall continue in full force and effect and shall in no way be affected, impaired or invalidated, except as otherwise explicitly provided in this Section.

If any provision of this Agreement is held by a court or regulatory authority of competent jurisdiction to be invalid, void or unenforceable, or if the Agreement is modified or conditioned by a regulatory authority exercising jurisdiction over this Agreement, the Participants shall endeavor in good

faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the Participants under this Agreement immediately prior to such holding, modification or condition. If after sixty days such negotiations are unsuccessful the Participants may exercise their withdrawal or termination rights under this Agreement.

21.15 No Third-Party Beneficiaries. Except for the provisions of this Agreement and the Tariff which provide for service to Non-Participants, this Agreement is intended to be solely for the benefit of the Participants and their respective successors and permitted assigns and, unless expressly stated herein, is not intended to and shall not confer any rights or benefits on any third party (other than successors and permitted assigns) not a signatory hereto.

21.16 Counterparts. This Agreement may be executed in any number of counterparts, and each executed counterpart shall have the same force and effect as an original instrument and as if all the parties to all of the counterparts had signed the same instrument. Any signature page of this Agreement may be detached from any counterpart of this Agreement without impairing the legal effect of any signatures thereon, and may be attached to another counterpart of this Agreement identical in form hereto but having attached to it one or more signature pages.

IN WITNESS WHEREOF, the signatories have caused this Agreement to be executed by their duly authorized officers or representatives.

ATTACHMENT A
TO RESTATED
NEPOOL AGREEMENT

METHODOLOGY FOR DETERMINATION OF TRANSMISSION FLOWS

The methodology for determining parallel path transmission flows to be used in determining the distribution of revenues received for Regional Network Service provided during the Transition Period, or for Through or Out Service, is as follows, and shall be determined (1) on the basis of the flows for all transactions in the NEPOOL Control Area ("Regional Flows") for the purpose of allocating during the Transition Period Regional Network Service revenues, and (2) on the basis of the flows for the particular transaction ("Transaction Flows") for the purpose of allocating revenues during or after the Transition Period from the furnishing of Through or Out Service:

A. Responsibility for Calculations

The calculation of megawatt mile allocations in accordance with this methodology shall be performed under the direction of the Reliability Committee.

B. Periodic Review

Calculations of MW-Mile allocations shall be performed whenever significant changes to the transmission system load flows, as determined by the Reliability Committee, occur.

C. Facilities Included in the Analysis

1. Transmission Lines

A calculation of MW-miles shall be determined for all PTF lines.

2. Generators

The analysis shall include all generators with a Winter Capability equal to or greater than 10.0 MW. Multiple generators connected to a single bus with a total Winter Capability equal to or greater than 10.0 MW shall also be included.

3. Transformers

All transformers connecting PTF transmission lines shall be included in the analysis.

D. Determination of Rate Distribution

1. General

Modeling of the transmission system shall be performed using a system simulation program and associated cases as approved by the Reliability Committee.

2. Determination of Regional Flows

The change in real power flow (MW) over each transmission line and transformer shall be determined for each generator (or group of generators on a single bus) by determining the absolute value of the difference between the flows on

each facility with the generator(s) modeled off and while operating at its net Winter Capability. In addition, a generator shall be simulated at each transmission line tie to the NEPOOL Control Area and changes in flow determined for this generator off or while generating at a level of 100 MW. Loads throughout the NEPOOL Control Area shall be proportionally scaled to account for differences in generator output and electrical losses. The changes in flow shall be multiplied by the length of each respective line. Changes in flow through transformers shall be multiplied by a factor of five. Changes in flow through phase-shifting transformers shall be multiplied by a factor of ten. The resulting values represent the MW-miles associated with each facility.

3. Determination of Transaction Flows

a. Definition of Supply and Receipt Areas

For the purposes of these calculations, areas of supply and receipt shall be determined by the Reliability Committee. These areas shall be based on the system boundaries of each Local Network.

b. Calculation of MW-Miles The change in real power flow (MW) over each transmission line and transformer shall be determined for each combination of supply and receipt areas by determining the absolute value of the difference between the flows on each facility following a scaled increase of the supplying areas generation by 100 MW. Loads in the area of receipt shall be scaled to account for changes in generation and electrical losses. In instances where the areas of supply and/or receipt are outside the NEPOOL Control Area, the changes in real power flow will be determined only for facilities within the NEPOOL Control Area. The changes in flow shall then be multiplied by the length of each respective line. Changes in flow through transformers shall be multiplied by a factor of five. Changes in flow through phase-shifting transformers shall be multiplied by a factor of ten. The resulting values represent the MW-miles associated with each facility.

4. Assignment of MW-Miles to Participants

Each Participant shall have assigned to it the MW-miles associated with each PTF facility for which it has full ownership and for which there are no arrangements in effect by which other Participants support the facility. For facilities that are jointly owned and/or supported, each Participant shall be assigned MW-miles in proportion to the percentage of its ownership of jointly-owned facilities and/or the percentage of its support for facilities that are jointly supported to the extent such support payments are included in the determination of Annual Transmission Revenue Requirements.

EXHIBIT 10.25.2

MODIFICATION AND AMENDMENT OF NUCLEAR FUEL LEASE

This Modification and Amendment is to the Nuclear Fuel Lease dated as of January 4, 1982, as amended and restated as of February 11, 1992, between BANKERS TRUST COMPANY, not in its individual capacity but solely as Trustee (herein in such capacity called "Lessor") under the Trust Agreement dated as of January 4, 1982, as amended and restated as of February 11, 1992, between it and State Street Bank and Trust Company of Connecticut, N.A., as Trustor, and The Connecticut Light and Power Company and Western Massachusetts Electric Company, as beneficiaries, and THE CONNECTICUT LIGHT AND POWER COMPANY and WESTERN MASSACHUSETTS ELECTRIC COMPANY, as lessees (herein collectively called "Lessees").

W I T N E S S E T H :

WHEREAS, Lessor and Lessees entered into a Nuclear Fuel Lease Agreement dated as of January 4, 1982 which was amended as of March 1, 1983 (the "Original Nuclear Fuel Lease"); and

WHEREAS, Lessor and Lessees amended and restated the Original Nuclear Fuel Lease effective as of February 11, 1992 (as so amended and restated, the "Lease"); and

WHEREAS, the Lessees announced as of July 17, 1998 their intention to permanently cease operations at Millstone Unit No. 1 ("Unit 1") and on July 21, 1998 gave certification of such decision to the U.S. Nuclear Regulatory Commission (the "NRC"); and

WHEREAS, the Lessees have also given certification to the NRC that fuel has been permanently removed from the reactor vessel of Unit 1; and

WHEREAS, upon docketing of such certifications by the NRC, the Unit 1 license from the NRC no longer authorizes operation of the reactor or emplacement of or retention of fuel in the reactor vessel; and

WHEREAS, Section 23(a)(ix) of the Lease provides, inter alia, (i) that it shall be an Event of Termination under the Lease if any license, approval or consent granted to any Lessee and required for the operation of any Unit shall be revoked, withdrawn or withheld and such revocation, withdrawal or withholding shall remain effective, or in Lessees' reasonable judgment which shall be exercised within ninety days following such revocation, withdrawal or withholding, is likely to remain effective for a period of eighteen consecutive calendar months after its date of issuance, and Lessor shall have given notice to Lessees that Lessor desires to terminate the Lease, and (ii) that unless Lessor and the Collateral Agent shall have determined in their reasonable judgment that such revocation, withdrawal or withholding does or will have a material adverse affect on the financial condition or business prospects of any Lessee, Lessor may only give notice to Lessees that it wishes to partially terminate the Lease in accordance with Section 24(a)(vi) thereof as it applies only to the Unit or Units affected by such revocation, withdrawal or withholding; and

WHEREAS, the Lessor, the Collateral Agent and Lessees have determined in their reasonable judgment that it is appropriate that the Lease be partially terminated pursuant to Section 24(a)(vi) thereof with respect to Unit 1 only; and

WHEREAS, pursuant to Section 24(a)(vi) of the Lease the Lessees are required on the Final Settlement Date established pursuant to Section 24(a)(ii) of the Lease to obtain the release pursuant to Section 12(b) of all Nuclear Fuel located at or intended to be used in the Unit or Units as to which any partial termination applies; and

WHEREAS, pursuant to Section 12(b) of the Lease the Lessees are required, inter alia, in order to obtain the release from the Lease of a portion (but not all) of the Nuclear Fuel, to pay to Lessor an amount equal to the SLV for such portion of the Nuclear Fuel to be released; and

WHEREAS, the Majority Lenders (which also constitute the holders of 66 2/3% in aggregate principal amount of all IT Notes outstanding) and the Collateral Agent have consented to the modification and amendment of the terms of the Lease to provide for the partial termination of the Lease with respect to the Unit 1 Nuclear Fuel (as defined below) and the release of such Unit 1 Nuclear Fuel from the Lease upon alternative terms as set forth below.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, receipt of which is hereby acknowledged, Lessor and Lessees hereby agree as follows:

1. Unless the context otherwise requires, all capitalized terms used in this Agreement and not defined herein shall have the meanings specified therefor in the Lease.

2. Subject to receipt of required regulatory approvals, effective as

of July 17, 1998, the Lease is hereby modified and amended by adding to Section 24 thereof the following new provision:

(c) Special Partial Termination with Respect to Unit 1.

Notwithstanding any provision to the contrary included in this Lease including, without limitation, any provision included in Section 12(b), Section 23(a)(ix), Section 24(a)(ii) or Section 24(a)(vi), this Lease may be partially terminated with respect to the Nuclear Fuel located at or intended to be used at Unit 1 (the "Unit 1 Nuclear Fuel") pursuant to Section 23(a)(ix) upon the following terms:

(i) The Lease may be partially terminated with respect to Unit 1 (the "Unit 1 Partial Termination") in accordance with the provisions of Section 23(a)(ix) upon the issuance by The Connecticut Light and Power Company of Sixty-Four Million Eight Hundred Thousand Dollars ($64,800,000) of collateral first mortgage bonds (the "1999 Series A CL&P Collateral First Mortgage Bonds") to the Trustee, which 1999 Series A CL&P Collateral First Mortgage Bonds shall be substantially in the form of Exhibit A-1 hereto, and the issuance by Western Massachusetts Electric Company of Fifteen Million Four Hundred Thousand Dollars ($15,400,000) of collateral first mortgage bonds (the "1999 Series A WMECO Collateral First Mortgage Bonds" and, together with the 1999 Series A CL&P Collateral First Mortgage Bonds, the "1999 Series A Collateral First Mortgage Bonds") to the Trustee, which 1999 Series A WMECO Collateral First Mortgage Bonds shall be substantially in the form of Exhibit A-2 hereto;

(ii) The Final Settlement Date with respect to the Unit 1 Partial Termination shall be the date of the issuance of the 1999 Series A Collateral First Mortgage Bonds, and no amount shall be required to be paid to the Lessor pursuant to Section 24(a)(iii) on such date;

(iii) On the Final Settlement Date, the Unit 1 Nuclear Fuel shall be released from this Lease pursuant to the provisions of Section 12(b) without the receipt by the Lessor of any payment with respect to such Unit 1 Nuclear Fuel;

(iv) Except as set forth in Section 24(c)(v), this Section 24(c) shall be applicable only to the partial termination of this Lease in connection with the permanent cessation of operations at Unit 1 and in no event shall be applicable to any other Event of Termination occurring hereunder;

(v) (A) for purposes only of certain calculations required under this Lease, "SLV" or "Stipulated Loss Value" shall include Deferred Unit 1 SLV, if any, and (B) for purposes only of presentation of certain calculations required under this Lease, the term "Batch" shall be deemed to include an entry which identifies the amount of Deferred Unit 1 SLV, if any.

3. Subject to the receipt of required regulatory approvals, effective as of July 17, 1998, the Lease is hereby further modified and amended as follows:

(a) Annex 1 to Schedule F to the Lease is deleted in its entirety and the amended Annex 1 to Schedule F attached hereto as Attachment 1 is substituted in lieu thereof.

(b) The definition of "Batch" in Section 1(a) is amended by adding the following sentence immediately following the last sentence thereof:

"For purposes only of presentation of certain computations under this Lease, the Deferred Unit 1 SLV shall be deemed to constitute a "Batch"; provided, however, that no allocation of Fuel Cost or Additional Rent shall be made pursuant to Section 7 of this Lease to such a Batch which consists of Deferred Unit 1 SLV."

(c) The definition of "SLV" or "Stipulated Loss Value" in Section 1(a) of the Lease is amended by adding thereto the following sentence:

"In addition, SLV or Stipulated Loss Value shall include for any date as of which the same is required to be determined the Deferred Unit 1 SLV as of such date, if any."

(d) Section 1(a) of the Lease shall be further amended by adding thereto the following additional definitions:

"Deferred Unit 1 SLV" shall mean for any date on or after July 17, 1998 as of which the same is required to be determined an amount equal to Original Deferred Unit 1 SLV less the aggregate amount, if any, of Deferred Unit 1 SLV Payments received by the Lessor as of such date.

"Deferred Unit 1 SLV Payment" shall mean any amount paid by a Lessee as Additional Rent (i) in order to discharge, fully or in part, its payment obligation under this Lease, and (ii) which relates to or is allocable to the Nuclear Fuel which was located at or intended for use in Unit 1 as of July 17, 1998 and the SLV of which is included in Original Deferred Unit 1 SLV.

"Original Deferred Unit 1 SLV" shall mean an amount equal to $81,065,950.68, which represents the aggregate SLV of all Nuclear Fuel which as of July 17, 1998 was located at or intended to be used at Unit 1.

4. This Agreement of Modification and Amendment shall be governed by, and construed in accordance with, the laws of the State of Connecticut.

5. Except as specifically modified and amended by this Agreement of Modification and Amendment, the Lease shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Modification and Amendment to be duly executed by their duly authorized officers as of the __ day of May, 1999.

THE CONNECTICUT LIGHT AND POWER COMPANY

By:/s/
Its:

WESTERN MASSACHUSETTS ELECTRIC COMPANY

By:/s/
Its:

BANKERS TRUST COMPANY, not in its individual capacity, but solely as Trustee of the Niantic Bay Fuel Trust under Trust Agreement dated as of January 4, 1982, as amended and restated by an Amendment to and Restatement of Trust Agreement dated as of February 11, 1992, between it and the Trustor and the beneficiaries named therein

By:/s/

Its:

Attachment 1

Amended Annex 1
to Schedule F

ANNEX 1 TO SLV CONFIRMATION SCHEDULE
BASIC RENT PERIOD ENDING , 19

1. Batch Identification Deferred Batch Aggregate

Unit 1 & 2
UF6 Pool

Unit 3
UF6 Pool

Unit 1&2
U308Pool

Unit 3
U308 Pool

Deferred Unit 1 SLV Batch

Batch No.

Aggregate For All Batches

2. Description of Nuclear Fuel State

Unit 1 & 2
UF6 Pool

Unit 3
UF6 Pool

Unit 1&2
U308Pool

Unit 3
U308 Pool

Deferred Unit 1 SLV Batch

Batch No.

Aggregate For All Batches

3. Physical Location of Fuel

Unit 1 & 2

UF6 Pool

Unit 3
UF6 Pool

Unit 1&2
U308Pool

Unit 3
U308 Pool

Deferred Unit 1 SLV Batch

Batch No.

Aggregate For All Batches

4. Person in Possession

Unit 1 & 2
UF6 Pool

Unit 3
UF6 Pool

Unit 1&2
U308Pool

Unit 3
U308 Pool

Deferred Unit 1 SLV Batch

Batch No.

Aggregate For All Batches

5. Contract for Possession

Unit 1 & 2
UF6 Pool

Unit 3
UF6 Pool

Unit 1&2
U308Pool

Unit 3
U308 Pool

Deferred Unit 1 SLV Batch

Batch No.

Aggregate For All Batches

6. SLV of each Batch as of the end of the prior Basic Rent Period
(Item 13 on Annex 1 to last previous SLV Confirmation Schedule)

Unit 1 & 2
UF6 Pool

$

Unit 3
UF6 Pool

Unit 1&2
U308Pool

Unit 3
U308 Pool

Deferred Unit 1 SLV Batch

Batch No.

Aggregate For All Batches

$

7. Add: Fuel Cost Incurred or paid by or on behalf of Lessor for each Batch during this Basic Rent Period (exclusive of capitalized Quarterly Lease Charges and Additional Rent)

$

Unit 1 & 2
UF6 Pool

$

Unit 3
UF6 Pool

Unit 1&2
U308Pool

Unit 3
U308 Pool

Deferred Unit 1 SLV Batch

Batch No.

Aggregate For All Batches

$

7a. Add: Fuel Costs (transferred and assigned to new Batch)

Unit 1 & 2
UF6 Pool

$

Unit 3
UF6 Pool

Unit 1&2
U308Pool

Unit 3
U308 Pool

Deferred Unit 1 SLV Batch

Batch No.

Aggregate For All Batches

$

8. Add: Capitalized Quarterly Lease Charges for each Batch (amounts allocated to Fuel Cost pursuant to Section 7(b) of the Fuel Lease)

Unit 1 & 2
UF6 Pool

$

Unit 3
UF6 Pool

Unit 1&2
U308Pool

Unit 3
U308 Pool

Deferred Unit 1 SLV Batch

Batch No.

Aggregate For All Batches

$

9. (a) Add: Additional Rent for each Batch (amounts allocated to Fuel Cost pursuant to Section 7(b) of the Fuel Lease)

Unit 1 & 2
UF6 Pool

$

Unit 3
UF6 Pool

Unit 1&2
U308Pool

Unit 3
U308 Pool

Deferred Unit 1 SLV Batch

Batch No.

Aggregate For All Batches

$

(b) Add: Original Deferred Unit 1 SLV

Unit 1 & 2
UF6 Pool

$

Unit 3
UF6 Pool

Unit 1&2
U308Pool

Unit 3
U308 Pool

Deferred Unit 1 SLV Batch

Batch No.

Aggregate For All Batches

$

(c) Less: Deferred Unit 1 SLV Payment during the Basic Rent Period

Unit 1 & 2
UF6 Pool

$

Unit 3
UF6 Pool

Unit 1&2
U308Pool

Unit 3
U308 Pool

Deferred Unit 1 SLV Batch

Batch No.

Aggregate For All Batches

$

(d) Deferred Unit 1 SLV (Item 9(b)-Item 9(c))

Unit 1 & 2
UF6 Pool

$

Unit 3
UF6 Pool

Unit 1&2
U308Pool

Unit 3
U308 Pool

Deferred Unit 1 SLV Batch

Batch No.

Aggregate For All Batches

$

10. Item 6 + Item 7 + Item 8 + Item 9(a) + Item 9(d)

Unit 1 & 2
UF6 Pool

$

Unit 3
UF6 Pool

Unit 1&2
U308Pool

Unit 3
U308 Pool

Deferred Unit 1 SLV Batch

Batch No.

Aggregate For All Batches

$

11. Less: Burn-up Charge for each Batch for this Basic Rent Period

Unit 1 & 2
UF6 Pool

$

Unit 3
UF6 Pool

Unit 1&2
U308Pool

Unit 3
U308 Pool

Deferred Unit 1 SLV Batch

Batch No.

Aggregate For All Batches

$

12. Less: SLV of Nuclear Fuel removed from the Fuel Lease pursuant to Section 12(b) thereof during this Basic Rent Period

Unit 1 & 2
UF6 Pool

$

Unit 3
UF6 Pool

Unit 1&2
U308Pool

Unit 3
U308 Pool

Deferred Unit 1 SLV Batch

Batch No.

Aggregate For All Batches

$

13. SLV of each Batch at the end of this Basic Rent Period (Item 10 - Item 11 - Item 12)

Unit 1 & 2
UF6 Pool

$

Unit 3
UF6 Pool

Unit 1&2
U308Pool

Unit 3
U308 Pool

Deferred Unit 1 SLV Batch

Batch No.

Aggregate For All Batches

$

Notes:

Items 1, 6, 7, 9, 11 and 12 are to be inserted by Lessor. All other items are to be inserted by Lessees.

Item 2 is to include whether the Batch was in Heat Production during the Basic Rent Period.

Item 8 is to be taken from Line 1, Column 3 and Line 2, Column 2 of Annex 2 to the Basic Rent Schedule.

Item 11 is to be taken from Item 12 of Annex 1 to the Basic Rent Schedule.

EXHIBIT A-1

FORM OF 1999 SERIES A CL&P COLLATERAL FIRST MORTGAGE BOND

EXHIBIT A-2

FORM OF 1999 SERIES A WMECO COLLATERAL FIRST MORTGAGE BOND

EXHIBIT 10.55

November 3, 1999

Northeast Utilities
107 Selden Street
Berlin, CT 06037

Dear Sirs:

The purpose of this letter agreement (this "Confirmation") is to confirm the terms and conditions of the Transaction entered into between Party A and Party B through the Arranging Agent on the Trade Date specified below (the "Transaction"). This Confirmation constitutes a "Confirmation" as referred to in the Agreement specified below.

1. The definitions and provisions contained in the 1991 ISDA Definitions (the "1991 Swap Definitions"), as supplemented by the 1998 Supplement to the 1991 Swap Definitions (the "Swap Definitions") and in the 1996 ISDA Equity Derivatives Definitions (the "Equity Definitions", together with the Swap Definitions, the "Definitions") (in each case as published by the International Swaps and Derivatives Association, Inc.) are incorporated into this Confirmation. In the event of any inconsistency between the Swaps Definitions and the Equity Definitions, the Equity Definitions will govern, and between the Definitions and the provisions and this Confirmation, this Confirmation will govern. References herein to a "Transaction" shall be deemed to be references to a "Swap Transaction" for the purposes of the Swap Definitions.

If Party A and Party B are parties to the 1992 ISDA Master Agreement (the "Agreement"), this Confirmation supplements, forms a part of, and is subject to such Agreement. If Party A and Party B are not yet parties to the Agreement, they agree to use their best efforts promptly to negotiate, execute, and deliver the Agreement through the Arranging Agent, including Party A's standard form of Schedule and Addendum for Physical Delivery of Shares attached thereto and made a part thereof, with such modifications as Party A and Party B shall in good faith agree. Upon execution and delivery by Party A and Party B of the Agreement, this Confirmation shall supplement, form a part of, and be subject to such Agreement. Until Party A and Party B execute and deliver the Agreement, this Confirmation (together with all other Confirmations of Transactions previously entered into between them, notwithstanding anything to the contrary therein) shall supplement, form a part of, and be subject to the 1992 ISDA Master Agreement, as if, on the Trade Date of the first such Transaction between them, Party A and Party B had executed that agreement (incorporating therein Party A's standard form of Schedule and Addendum for Physical Delivery of Shares) and had specified that the Automatic Early Termination provisions contained in Section 6(a) of such agreement would apply.

The Agreement and each Confirmation thereunder will be governed by and construed in accordance with the laws of the State of New York without reference to choice of law doctrine.

Party A and Party B expressly acknowledge that, in reliance upon the other party's entering into the Transaction evidenced by this Confirmation, each party has made (or refrained from making) substantial financial commitments and has taken (or refrained from taking) other material actions.

All payments in connection with this Transaction shall be made in U.S. Dollars.

In this Confirmation, "Party A" means Credit Suisse Financial Products, "Party B" means Northeast Utilities and "Arranging Agent" means Credit Suisse First Boston Corporation, acting solely in its capacity as Arranging Agent for both Party A and Party B.

2. The terms of the Transaction to which this Confirmation relates are as follows:

General Terms:

Trade Date:	November 3, 1999
Effective Date:	November 3, 1999
Termination Date:	December 31, 2000 subject to adjustment in accordance with the Following Business Day Convention, the terms of the Party B Net Settlement Option, the Party A Optional Termination and the Party B Optional Termination.

Transaction Type:	Equity Forward
Seller:	Party A
Buyer:	Party B (sometimes also referred to as the "Issuer").
Shares:	Common Shares, par value $5.00, of Party B.
Closing Price on the Exchange As of the Business Day Prior To the Trade Date:	$21.0625
Notional Amount:	Initially, an amount equal to the Accumulated Adjusted Principal Share Amount, up to an amount equal to the Principal Share Amount, in each case multiplied by the Initial Share Price.
Principal Share Amount:	The number of Shares that represent purchase prices in an aggregate principal amount of $100,000,000.
Accumulated Adjusted Principal Share Amount:	On any Valuation Date during the Initial Pricing Period the aggregate number of Shares purchased by Party A up to the Principal Share Amount, for which full payment has been made by Party A.
Initial Share Price:	The weighted average of the Average Share Prices for all Valuation Dates occurring during the Initial Pricing Period or, if the last day of a Calculation Period shall occur prior to the completion of the Initial Pricing Period, the weighted average of the Average Share Price for all Valuation Dates occurring to and including the last day of the relevant Calculation Period.
Average Share Price:	For any Valuation Date, the weighted average price of the Shares purchased by Party A on such Valuation Date (plus a $0.04 per share commission charged by Party A).
Initial Pricing Period:	The earlier to occur of (i) the Business Day that is 22 trading days prior to the acquisition by Party B of Yankee Energy System, Inc. pursuant to the terms of the Agreement and Plan of Merger dated as of June 14, 1999 between Yankee Energy System, Inc. and Party B (the "Merger Agreement"), which acquisition is currently expected to be April 15, 2000, subject to extension to such later date as is permitted by the Merger Agreement, and for which Party B has provided written notice to Party A through the Arranging Agent and (ii) the Exchange Business Day on which Shares with an aggregate purchase price of $100,000,000 have been purchased.
Valuation Date:	In respect of the Initial Pricing Period, any Exchange Business Day on which a Market Disruption Event has not occurred. In respect of the Final Pricing Period, any Exchange Business Day on which a Registration Suspension Event or Market Disruption Event has not occurred.
Exclusion Period:	The first minute of trading and the last one-half hour before the scheduled close of trading on the Exchange.
Calculation Period:	The period from and including a

Calculation Period Interest Reset Date to but excluding the next succeeding Calculation Period Interest Reset Date, provided that, the first Calculation Period Interest Reset Date will commence on the Effective Date and the final Calculation Interest Period will end on and exclude the Termination Date.

Calculation Period Interest Reset Dates:	The 15th day of each February, May, August and November, commencing on November 15, 1999.
Party A Calculation Period Payment Dates:	The 15th day of each February, May, August and November, commencing on November 15, 1999.
Party A Payment:	The Dividend Amount (as defined below).
Party B Calculation Period Payment Dates:	The 15th day of each February, May, August and November, commencing on November 15, 1999.
Party B Payment:	An amount in U.S. Dollars equal to the Interest Amount determined as of the relevant Party B Calculation Period Payment Date.
Floating Rate Option:	USD-LIBOR-BBA
Spread:	2.5% per annum
Designated Maturity:	3 months
Interest Amount/Net Interest Amount:	The payment obligation of Party A and Party B on such Calculation Period Payment Dates in respect of the Dividend Amount (defined below) and any Interest Amounts shall be netted, such that the party obligated to pay the greater amount shall pay to the other party, through the Agent, an amount equal to the difference between such amounts (the "Net Interest Amount").
	For each Calculation Period during the Initial Pricing Period, an amount equal to the product of (i) the weighted average Notional Amount for such Calculation Period and (ii) USD-LIBOR-BBA, plus Spread, and for each Calculation Period thereafter, the product of the Notional Amount and ISD-LIBOR-BBA, plus Spread (subject to adjustment in all cases in accordance with the Following Business Day Convention).

In the case either Net Cash Settlement or Net Share Settlement has been designated as the Method of Settlement, the Notional Amount (and the accrued interest attributable thereto) shall be reduced during the Final Reference Share Price Pricing Period by amounts equal to the Net Proceeds (defined below) received by the Selling Agent in respect to sales of the Shares, which reduction shall occur on the Business Day on which such Net Proceeds are received as immediately available funds by the Selling Agent. The Calculation Agent may rely on the information provided pursuant to "(D)-Physical Settlement" hereunder unless the Selling Agent delivers notice of any failure to

receive an anticipated payment in respect of the Shares sold or because of any Settlement Disruption Event or an amendment to the time of payment in respect of any Shares sold.

Dividend Amount: An amount in USD equal to the sum of:

(i) The aggregate amount in respect of all dividends declared by the Issuer to which the record holder of the Principal Share Amount (provided, however, that for purpose of determining the Dividend Amount in the case either Net Cash Settlement or Net Share Settlement has been designated as the Method of Settlement, the Principal Share Amount shall be reduced by the number of Shares sold by the Selling Agent prior to the record date in respect of any dividend declared in respect of the Shares during the Final Reference Share Price Pricing Period) would be entitled by virtue of the occurrence of a dividend record date during the period from the Effective Date to the Settlement Date (other than any Lagging Dividend Payment Amount or any dividends resulting in an Adjustment due to a Potential Adjustment Event); and

(ii) An amount representing the interest that could have been earned on such dividends described in (i) at a rate equal to USD-LIBOR-BBA for a designated maturity of one month (any non-conforming period shall be linearly interpolated by the Calculation Agent) for the period from the date that such dividends were or would have been received, for which a Party A Calculation Period Payment Date is a compounding date; the applicable compounding rate for each compounding period is USD-LIBOR-BBA with a designated maturity of one month, for which the Day Count Fraction is Actual/360 and the Following Business Day Convention will apply, and for which compounding is applicable to the Settlement Date

Lagging Dividend Payment Amount: In the event that a dividend is declared and payable to a holder of record prior to the Settlement Date of this Transaction but such dividend has not been paid on or before such Settlement Date, Party A agrees to pay to Party B through the Arranging Agent an amount equal to the dividends received by Party A in respect of the Number of Shares on the next succeeding Business Day after the payment is received.

Day Count Fraction: Actual/360

Additional Party B Payment: On the Effective Date, Party B shall pay to Party A, through the Arranging Agent, a structuring fee equal to $1,250,000.

Party A and Party B Final Payments

Termination Settlement Payment Options: In respect of the Termination Date (including, in case any Event of Default or Termination Event has occurred, the related Early Termination Date) Party B shall elect one of the following Settlement Options (each a "Method of

Settlement"):

(A) Gross Physical Settlement: Unless Party B has specified Net Cash Settlement or Net Share Settlement in accordance with the terms hereof, on the Settlement Date, Party A will through the Arranging Agent, deliver the Principal Share Amount to Party B, and Party B will pay to Party A an amount equal to the sum of (i) the Notional Amount and (ii) the Net Interest Amount.

(B) Net Cash Settlement: If Party B has specified Net Cash Settlement as the Method of Settlement, the Selling Agent will sell a number of Shares equal to the Principal Share Amount, in accordance with the terms hereof. On the related Settlement Date, Party A will pay to Party B, an amount in USD equal to the product of the Principal Share Amount and the Final Reference Share Price, and Party B will pay to Party A, through the Arranging Agent, an amount in USD equal to the sum of (i) the Notional Amount and (ii) the Net Interest Amount (which will reduce the amount due from Party B if the Net Interest Amount is negative). The payment obligations of Party A and Party B on such date in respect of such amounts shall be netted, such that the party obligated to pay the greater amount shall pay to the other party, through the Arranging Agent, an amount equal to the difference between such amounts.

If Party A is required to pay such differences on such Settlement Date the Selling Agent, from the aggregate Net Proceeds (defined below) of the sales of Shares, will pay such difference to Party B in accordance with the preceding sentence and pay the remainder of such proceeds to Party A. If Party B is obligated to pay such difference, Party B will pay such amount to Party A through the Arranging Agent and the Selling Agent will pay the aggregate Net Proceeds of the sales of Shares to Party A.

(C) Net Share Settlement: If Party B has specified Net Share Settlement as the Method of Settlement, the Selling Agent shall sell, in accordance with the terms hereof, such number of Shares from the Principal Share Amount that will generate aggregate Net Proceeds equal to the sum of (i) the Notional Amount, and (ii) the Net Interest Amount.

If during the Final Reference Share Price Pricing Period Party A receives aggregate Net Proceeds equal to the sum of (i) the Notional Amount and (ii) the Net Interest Amount (which will reduce the amount due from Party B if the Net Interest Amount is negative) from the sale of a number of Shares that is less than the Principal Share Amount, on the relevant Settlement Date the Selling Agent shall deliver to Party B, a number of Shares equal to the excess of the Principal Share Amount less such number of Shares sold by the Selling Agent during such period (the "Party A Net Share Settlement

Delivery").

If during the Final Reference Share Price Pricing Period the Selling Agent sells a number of Shares equal to the Principal Share Amount and Party A receives aggregate Net Proceeds from such sales in an amount that is less than the sum of (i) the Notional Amount and (ii) the Net Interest Amount, Party A shall notify Party B, through the Arranging Agent, of such fact, and by 4:30 p.m. New York time on the second Exchange Business Day following such notification Party B shall deliver a number of additional Shares (which Party A reasonably estimates is equal in value to the Shortfall (defined below)) (the aggregate number of additional Shares, delivered pursuant to this Net Share Settlement methodology, the "Party B Net Share Settlement Delivery") to the Selling Agent, which will be sold by the Selling Agent using the Offering Method determined pursuant to this Confirmation as described below (to the extent that such sales are required to generate aggregate Net Proceeds equal to the excess of (A) the sum of (i) the Notional Amount and (ii) the Net Interest Amount over (B) the aggregate Net Proceeds received by the Selling Agent from the sale of the Principal Share Amount (for purposes of determining the obligation of Party B in connection with Net Share Settlement, the term "Shortfall" at anytime and from time to time means the US Dollar amount by which the sum of (i) the Notional Amount plus (ii) the Net Interest Amount exceeds the aggregate Net Proceeds, if any, actually received from the sale of (i) all or a portion of the Number of Shares plus (ii) additional Shares delivered pursuant to the Party B Net Share Settlement Delivery)). The Selling Agent shall use its best efforts to sell only such additional Shares as shall generate aggregate Net Proceeds equal to the Shortfall and return the excess Shares, if any, to Party B. In the event the additional Shares delivered by Party B to the Selling Agent are sold for an amount that is less than the Shortfall, the Selling Agent shall notify Party B, through the Arranging Agent, of such fact and by 4:30 p.m. New York time on the second Exchange Business Day following such notification Party B shall deliver additional Shares to Party A, through the Arranging Agent, and, subject to Party B's delivery of a Sale Revocation and Designation Notice (defined below) in connection with Physical Settlement (defined below), Party B shall continue to so deliver additional Shares upon notification until the aggregate Net Proceeds received by the Selling Agent from the sale of all such Shares delivered by Party B to Party A results in a Shortfall equal to zero; provided, however, that notwithstanding Party B's obligations set forth in Appendix A hereto, in the event that Party B is required pursuant to this paragraph to deliver additional Shares and is unable to deliver additional Shares which are at the time of delivery duly

authorized, validly issued, fully paid and nonassessable and free of any liens, claims or encumbrances (except liens, claims or encumbrances pursuant to this Transaction), or Party B otherwise fails to deliver such additional Shares and such inability or failure continues for five Exchange Business Days (the "Net Share Settlement Incapacity Event"), such Net Share Settlement shall be deemed terminated and Party B shall be obligated to pay Party A within five Business Days from the date of the Net Share Settlement Incapacity Event an amount in cash equal to the amount of the Shortfall that has not been received from the sale of additional Shares as of the date of the Net Share Settlement Incapacity Event and the Selling Agent shall deliver to Party B any additional Shares received in respect of such Shortfall and not sold by the Selling Agent as of the date of the Net Share Settlement Incapacity Event.

The term "Net Proceeds" in respect of a sale of Shares shall mean gross proceeds of such sale less reasonable and customary discounts, fees, commissions and expenses (the "Sale Expenses"), including, but not limited to, reasonable commissions, discounts, fees and expenses customarily payable to underwriter(s) in the case of a Registered Offering (defined below) or to a placement agent in the case of an Exempt Offering (defined below), which may include reasonable amounts customarily payable to the Selling Agent acting as underwriter or placement agent, as well as any additional reasonable fees and expenses of any dealers engaged by any such underwriter or placement agent which are customarily payable.

(D) Physical Settlement: In the event Party B elects either Net Cash Settlement or Net Share Settlement, the Selling Agent agrees to provide the Calculation Agent and Party B not later than 5:00 PM on any Business Day on which it has sold Shares a report through the Arranging Agent of the number of Shares sold, the average sale price and the aggregate Net Proceeds received by the Selling Agent from such sales and a reasonable breakdown of the Sales Expenses.

At any time after the designation of the Method of Sale, and if applicable, the Offering Method, but prior to the execution and delivery of any underwriting agreement with respect to the Shares, Party B may deliver to the Selling Agent and to Party A through the Arranging Agent a revocation of the Net Cash Settlement or Net Share Settlement Method of Settlement and request the suspension of any further sales of Shares in respect of this Transaction by the Selling Agent (a "Sale Revocation and Designation Notice") on the Business Day immediately following delivery of such Sale Revocation and Designation Notice. Receipt of the Sale Revocation and Designation Notice shall obligate the Selling Agent to suspend any sales and

solicitations of orders to buy the Shares but shall not affect Party A's obligations to perform any settlement or delivery of Shares in connection with sales previously agreed and sales which are pending agreement on the date such Sale Revocation and Designation Notice is received and which have been agreed before the close of business on such date. Upon receipt of a Sale Revocation and Designation Notice, the Selling Agent shall report to Party B the number of Shares that remain unsold (which may be some or all of the Principal Share Amount and any additional Shares) as of the Business Day succeeding delivery of the Sale Revocation and Designation Notice (the "Remaining Shares"). In the event of delivery of the Sale Revocation and Designation Notice, Party B shall be required to deliver to Party A through the Arranging Agent a cash amount in respect of the Remaining Shares such that the amount paid by Party B to Party A for the Remaining Shares plus the aggregate Net Proceeds received by the Selling Agent from the sale of other Shares in connection with the Net Cash Settlement or the Net Share Settlement equals (i) the Notional Amount plus (ii) the Net Interest Amount, and Party A shall be required to deliver to Party B the Remaining Shares. Settlement and delivery of the Remaining Shares and payment therefor shall be made to the parties through the Arranging Agent on the second Business Day after the delivery of such Sale Revocation and Designation Notice.

(E) Offering Method Upon receipt of notice designating either Net Cash Settlement or Net Share Settlement as the Method of Settlement, Party B may determine the offering method (the "Offering Method") including whether the Shares to be sold will be offered pursuant to a registration statement filed or to be filed (a "Registered Offering") pursuant to the Securities Act of 1933 (the "1933 Act"), subject to Party A's consent to a Registered Offering, which consent shall not be unreasonably withheld.

If Party B determines the Shares will be offered in a Registered Offering and Party A consents to a Registered Offering (which consent shall not be unreasonably withheld), Party B (and to the extent required therein, Party A) will use their reasonable efforts to comply in all material respects with the Registration Procedures set forth in Appendix A attached hereto. In the event that Party A, and its underwriter(s), upon advice from their respective counsel, reasonably object to the form or substance of the registration statement, Party A will deliver to Party B through the Arranging Agent a suspension request stating the reason or reasons for such objection ("Suspension Request") and Party B will either (i) modify or amend the registration statement to address such reasonable objection(s) or (ii) suspend the preparation of such registration statement with respect to the offering of the Principal Share Amount. In addition,

if such registration statement has been filed and identifies either Party A or the Principal Share Amount and Party B determines not to amend or modify, or that it cannot amend or modify the registration statement to address Party A's or its underwriter(s)' reasonable objections, Party B will withdraw such registration statement pursuant to Rule 259 of the 1933 Act if such registration statement relates solely to the offering of the Principal Share Amount. In the event that no registration statement has been filed identifying Party A or the Principal Share Amount and Party B determines not to amend or modify, or that it cannot amend or modify the registration statement to address Party A's or its underwriter(s)' reasonable objections, Party B may within five Business Days of the delivery of the Suspension Request determine whether the Principal Share Amount will be sold pursuant to an offering that is exempt from the registration requirements of the 1933 Act (an "Exempt Offering") as the means of sale in respect of either a Net Cash Settlement or a Net Share Settlement or designate Gross Physical Settlement as the Method of Settlement. If, however, a registration statement identifying Party A or the Principal Share Amount has been filed and such registration statement is not amended to address Party A's or its underwriter(s) reasonable objections or has been withdrawn, as set forth herein, then not later than the third succeeding Business Day from the receipt of the Suspension Request Party B shall deliver to Party A through the Arranging Agent a notice designating Gross Physical Settlement as the Method of Settlement.

In the event Party A delivers to Party B through the Arranging Agent a notice that it will not consent to Party B's determination that the Principal Share Amount are to be sold in a Registered Offering as provided herein, Party B may, within five Business Days from the delivery of such notice, either revoke the Net Cash Settlement or Net Share Settlement Method of Settlement and designate Gross Physical Settlement as the Method of Settlement or elect to have Party A pursue the contemplated sale of Shares in connection with Net Cash Settlement or Net Share Settlement through an Exempt Offering. If an Exempt Offering is pursued and Party B and its counsel object to the exemption to be relied on pursuant to which Shares are to be sold by either Party A or the Selling Agent or the opinion of counsel to Party A or any related documentation to be used in connection with the Exempt Offering, Party B may deliver a notice of suspension to Party A through the Arranging Agent and Party B may either (i) designate Gross Physical Settlement as the Method of Settlement, (ii) renew its solicitation of Party A's consent for a Registered Offering within five Business Days of its delivery of any notice of objection or (iii) subject

to the consent of Party A and its counsel (which consent will not be unreasonably withheld), request an alternative Exempt Offering.

Notwithstanding the foregoing, if an Event of Default or Termination Event has occurred and is continuing with respect to Party B, Party B will be foreclosed from making any determination as to the Offering Method and, subject to the terms hereof and all applicable regulatory requirements, such determination shall be in Party A's sole discretion. In connection with any Offering Method, Party B shall co-operate with the reasonable requirements of Party A and its underwriter(s) and Party A and its underwriter(s) shall co-operate with the reasonable requests of Party B, including without limitation providing such additional information as may reasonably be required so that any offering document to be used does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made in such offering document, in light of the circumstances under which they were made, not misleading.

Final Reference Share Price: In respect of the number of Shares sold by the Selling Agent in connection with a Net Cash Settlement or a Net Share Settlement, the average Net Proceeds per Share of all sales of the Shares sold by the Selling Agent in (i) transactions on the Exchange at the exchange prices received by the Selling Agent, if any, (ii) a Registered Offering, if any, based on the public offering price and (iii) transactions with recognized dealers or principals in the private placement market which are unaffiliated with Party A pursuant to an Exempt Offering, if any, and with or through which the Selling Agent effects any sales of Shares pursuant to a Net Cash Settlement or Net Share Settlement, which may be shortened by the delivery of a Sale Revocation and Designation Notice by Party B.

Final Reference Share Price Pricing Period: The period commencing on the Termination Date, and continuing until the completion of the deliveries and any sales of Shares related thereto required for Net Cash Settlement or Net Share Settlement.

Notwithstanding any other provisions set forth herein, in the event that the Settlement Date for this transaction has been delayed to a date that is the one year anniversary of the Termination Date for any reason, including, without limitation, because a Net Share Settlement or a Net Cash Settlement has been designated and the Final Reference Share Price Pricing Period has not been completed, or in the case of any designated Method of Settlement because of any Market Disruption Event or Settlement Disruption Event, then on the Business Day next succeeding such anniversary, Party B shall be deemed to have delivered a Sale Revocation

and Designation Notice to Party A through the Arranging Agent suspending any further sales pursuant to the terms and conditions set forth in "(D)- Physical Settlement". Pursuant to such paragraph (D)- Physical Settlement, on the date such Sale and Revocation and Designation Notice is delivered any unsold Shares shall be deemed to be Remaining Shares and the payment and delivery procedures set forth in such paragraph shall govern the payment and delivery obligations of the parties

Settlement Dates: To the extent not otherwise provided for hereunder, each of (i) the third Exchange Business Day following the end of the Final Reference Share Price Pricing Period in the case of Net Cash Settlement or Net Share Settlement, and (ii) the next Exchange Business day following (a) the Termination Date that Party B specifies or is deemed to have specified in a Termination Notice hereunder specifying Gross Physical Settlement as the Method of Settlement or (b) the Termination Date that is applicable in the event Party B is deemed to have specified Gross Physical Settlement as the Method of Settlement in the case of Gross Physical Settlement.

If a Settlement Disruption Event prevents a Net Share Settlement or a Net Cash Settlement on the day that otherwise would have been the Settlement Date, then the Settlement Date will be the first succeeding day on which settlement can take place through the Clearance System unless a Settlement Disruption Event prevents settlement on each of the ten (10) consecutive Clearance System Business Days immediately following the original date that, but for such Settlement Disruption Event, would have been the Settlement Date. In that case, (a) if the Shares can be delivered in any other commercially reasonable manner, then the Settlement Date will be the first day on which settlement of a sale of Shares executed on that tenth (10th) Clearance System Business Day customarily would take place using such other commercially reasonable manner of delivery (which other manner of delivery will be deemed the Clearance System for purposes of delivery of the relevant Shares), and (b) if the Shares cannot be delivered in any other commercially reasonable manner, then the Settlement Date will be postponed until delivery can be effected through the Clearance System or any other commercially reasonable manner.

Settlement Disruption Event: An event beyond the control of the parties as a result of which (i) the Clearance System cannot clear the transfer of the Shares or (ii) in the case of any Shares in physical certificate form, the payment system for bank fund transfers (e.g. the Federal Reserve wire payment system) cannot make electronic funds payments or otherwise transfer funds in the ordinary course.

Trading Day: An Exchange Business Day other than

an Exchange Business Day on which (i) a Market Disruption Event occurs, or (ii) Party B, by notice to Party A, through the Arranging Agent, by 8:30 a.m., New York time, determines, on the advice of counsel respecting applicable federal securities laws, that such day shall not be a Trading Day for one or more purposes of this Transaction specified by Party B in accordance with such advice.

Exchange Business Day: Any day that is (or, but for the occurrence of a Market Disruption Event, would have been) a Trading Day on the Exchange other than a day on which trading on the Exchange is scheduled to close prior to its regular weekday closing time.

Market Disruption Event: The occurrence or existence on any Exchange Business Day of any suspension of or material limitation imposed on trading (by reason of movement in price exceeding limits permitted by the relevant exchange or otherwise) on the Exchange in the Shares, if, in the reasonable determination of the Calculation Agent, such suspension or limitation prevents such day from being used as a Trading Day.

Exchange: The New York Stock Exchange.

Calculation Agent: Party A, whose determinations and calculations hereunder as Calculation Agent will be binding in the absence of manifest error. Subject to the foregoing, the Calculation Agent will have no responsibility for good faith errors or omissions in making any determination or calculation as provided herein.

Selling Agent: Credit Suisse First Boston Corporation. When selling any Shares pursuant to this Transaction, the Selling Agent shall determine the number of Shares to be sold on any Trading Day and the price or prices at which such Shares are sold, provided, however, that it shall act in a commercially reasonable manner and on commercially reasonable terms, and shall comply with applicable securities laws, rules and regulations, applicable to it and the Transaction (including sales relating thereto).

Party A and Party B hereby acknowledge and agree that the execution and delivery of this Confirmation by the Selling Agent does not constitute a commitment or an obligation of the Selling Agent to purchase or sell any Shares or any other security as principal.

Party A Optional Termination: In addition to any other termination rights that Party A may have under the Agreement, in the event of any Merger Event, the terms of which are Share-for-Other or Share-for-Combined, pursuant to which a registered holder of Shares is entitled to receive cash consideration in connection with the Merger Event, Party A shall have the right within three Business Days after the payment of any cash consideration in connection with the Merger Event, to cause the

Transaction to terminate in part before the originally scheduled Termination Date by giving a Termination Notice to Party B through the Arranging Agent, designating a Termination Date not earlier than five Business Days after the delivery date of the Termination Notice and making the Partial Termination Payments consisting of (i) a deemed payment by Party B to Party A by means of the Merger Termination Payment (defined below) and (ii) the payment by Party A to Party B of the Premium Cash Merger Payment (defined below) on the date designated as the Termination Date.

"Merger Termination Payment" means an amount equal to the product of (i) the Termination Share Amount (defined below) and (ii) the Per Share Cash Component (defined below).

"Termination Share Amount" means the number of Shares equal to the product of the Principal Share Amount and a fraction, the numerator of which is equal to the Per Share Cash Component and the denominator if which is equal to the per share total consideration of such offer.

"Per Share Cash Component" means the per share cash component of any offer to purchase the Shares underlying the Merger Event.

"Premium Cash Merger Payment" means the amount equal to the product of (i) the Termination Share Amount and (ii) the result of the per share total consideration of any offer to purchase the Shares underlying the Merger Event, minus the Initial Share Price, provided, however, that such difference shall not be less than zero.

Party B Optional Termination: In addition to any other termination rights that Party B may have under the Agreement, Party B may elect to cause this Transaction to terminate in whole, or in part, before the originally scheduled Termination Date for any reason by giving a Termination Notice to Party A through the Arranging Agent during the last five Business Days prior to any Party B Calculation Period Payment Date and designating a Termination Date.

Except for the originally scheduled Termination Date for which no written notice is required, no Termination Date designated hereunder may be set unless Party A has received a written notice not less than 30 Business Days, in the case of either Net Cash Settlement or Net Share Settlement and not less than two Business Days in the case of Gross Physical Settlement in connection with the relevant Method of Settlement. Subject to the terms of this Transaction, Party B shall give Party A written notice, through the Arranging Agent of the Method of Settlement.

Registration Notice: Party B agrees that subsequent to the Effective Date it will not file any registration statement, amend a previously filed registration statement or commence any of the

procedures set forth in Appendix A attached hereto with respect to any Shares that may be sold in connection with Net Cash Settlement or Net Share Settlement without providing notice to, and receiving the consent of, Party A, which consent shall not be unreasonably withheld.

Sale Notification: If the Selling Agent sells any Shares acquired pursuant to this Transaction in the Initial Transaction or in either a Net Cash Settlement or a Net Share Settlement, such sale(s) must be in accordance with the terms and conditions set forth herein and the Selling Agent must notify Party B of such sale(s) as provided herein by telephonic notice, promptly confirmed in writing.

Settlement Terms: In respect of the Termination Date Party B shall specify whether Gross Physical Settlement, Net Cash Settlement or Net Share Settlement is to apply. In the event Party B fails to specify the Method of Settlement as provided herein, Party B shall be deemed to have specified Gross Physical Settlement as the Method of Settlement in respect of such Termination Date.

Adjustment Events:

Method of Adjustment: Calculation Agent Adjustment.

Extraordinary Events:

Consequences of Merger Events: Following each Merger Event:

(a) Share-for-Share: Alternative Obligation

(b) Share-for-Other: Alternative Obligation

(c) Share-for-Combined: Alternative Obligation

Nationalization or Insolvency: Cancellation and Payment

3. Miscellaneous

Transfer: Neither the Transaction nor any interest or obligation in or under the Transaction may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party, except that a party may make a transfer of the Transaction pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all its assets to, another entity, or upon or after any default of the other party. Any purported transfer that is not in compliance with this paragraph will be void.

Party B Representation and Covenants: On each Exchange Business Day during a Final Reference Share Price Pricing Period, Party B hereby represents and warrants to Party A that, unless Party B notifies Party A, through the Arranging Agent, that such day is not a Trading Day, it has publicly disclosed all material information necessary for Party B to be able to purchase or sell Shares in compliance with applicable federal securities laws. Party B hereby represents and

warrants to Party A that: (i) it has entered into this Transaction in connection with the Share repurchase program announced publicly on June 3, 1998, and July 13, 1999 for purposes consistent with those stated in such public disclosures and (ii) on the Trade Date and on the Settlement Date, Party B has available to it before and immediately after any purchase of Shares pursuant to this Transaction such orders, consents or other authorities as may be required by the SEC pursuant to rules and regulations of the Public Utility Holding Company Act of 1935 (the "1935 Act"), with respect to the execution, delivery and performance of the forward purchase obligations under this Transaction , and (iii) on the filing date of any registration statement or the commencement of any offer not involving a public offering in the case of any Net Cash Settlement or Net Share Settlement, the offering of Shares (or New Shares as provided herein), on the Settlement Date and on each day during the Final Share Price Pricing Period, will be made pursuant to the orders, consents or other authorizations that may be required under the rules and regulations promulgated under the 1935 Act , which will be in full force and effect and, to Party B's knowledge, will be free of any pending or overtly threatened proceedings contemplating the revocation or modification of such order; provided, however, in lieu of making the representations and warranties and agreeing the covenants set forth in clauses (i) and (ii), delivering an opinion of counsel addressing such matters as Party A may reasonably request and are customarily provided in connection with the purchase and sale of common stock, including, without limitation, that Party B is not subject to the 1935 Act, that no authorization, consent or notice is required in order for Party B to perform any purchase or sale obligation with respect to the Shares other than any authorizations, consents, filings or notices that may be required under the 1933 Act and any applicable state law that may be required for the authorization of any purchase of Shares. Party B also represents that it is not subject to regulation by any state, county or municipal agency, authority, board, council or similar body having authority or jurisdiction over Party B within the meaning of any applicable state law, order or regulation or any municipal government or authority with the capacity or power to regulate electric utility or gas utility companies ("Local Regulators") and all approvals and consents from or notices to any Local Regulator required by Party B to execute and deliver the Confirmation and to perform the Transaction and the related transactions contemplated thereby have been received or given and remain in full force and effect.

Party B hereby agrees that from the Trade Date through and including the Settlement Date, it will comply in

all material respects with all corporate or, if applicable, similar laws affecting its ability to perform its repurchase obligations under this Transaction, including any such requirements of the SEC or any Local Regulator. In the event that Party B reasonably believes that at any time during the term of this Transaction Party B would be prohibited from performing its repurchase obligations under this Transaction as currently contemplated without delivering notice to or obtaining the consent of the SEC or any Local Regulator, Party B will provide notice thereof through the Arranging Agent and designate a date for Settlement, which shall be a date on which Party B still satisfies such requirements and for which no notice or consent is required to perform the repurchase obligations contemplated by this Transaction.

Other Provisions: If, notwithstanding any other provision of this Confirmation, this Transaction is terminated at a time when any law, rule or regulation, including without limitation, the 1935 Act or any applicable state law, order or regulation, prevents Party B from repurchasing the Number of Shares, Gross Physical Settlement shall not apply. Each party agrees that if delivery of the Shares on any Settlement Date is subject to any restriction imposed by a regulatory authority (other than the federal securities laws and the rules of the SEC affecting Registered or Exempt Offerings) that materially restricts or prevents delivery of any such Shares, the parties will negotiate in good faith a procedure to effect settlement of such affected Shares in a manner which complies with any relevant rules of such regulatory authority.

Party B Undertakings: Party B hereby agrees that if it is the object of any merger, consolidation, amalgamation of Party B with or into another entity (and Party B is not the surviving entity) or a third party acquires such number of Shares or the right to control such number of Shares (or the voting power thereof) and the acquisition of such number of Shares or the voting power with respect thereto results in the transfer of control of Party B (within the meaning of Rule 405 of the 1933 Act), then in the event that (i) Alternative Obligation is elected in respect of Consequences of Merger Event - Share- for-Combined and (ii) a material portion of Shares are exchanged or exchangeable for New Shares (as defined in the Equity Definitions), then Party B shall cause the issuer of such New Shares to undertake and perform each and every obligation and satisfy each and every condition precedent of Party B arising under this Confirmation with respect to any purchase or sale of the Shares, including, but not limited to, the representations, agreements, and covenants that relate to the Shares and any purchase or sale thereof, the exercise or election of any Method of Settlement or Offering Method, the participation and preparation of any materials relating to any registration

statement in connection with any Registered Offering of Shares, and the determinations and decisions relating thereto, modified in all cases, mutatis mutandis, to apply to the issuer and to the New Shares. Any failure by Party B to cause the issuer of New Shares to achieve any undertakings, performance or satisfaction of any such obligations to the reasonable satisfaction of Party A shall be deemed an irrevocable exercise of Gross Physical Settlement option as the Method of Settlement that shall be deemed to supersede any prior exercise of any Method of Settlement Option.

Cessation and Suspension: If at any time during the Term of the Transaction Party B is subject to any legal or regulatory requirements ("Legal Requirements") or any directly related policies or procedures adopted by Party B with respect to the Legal Requirements, which, in Party B's reasonable judgement requires it, or Party A if acting on behalf of Party B, to refrain from purchasing or selling Shares on any Trading Day, Party B shall give prompt telephonic notice of the cessation of any further purchases or sales of Shares and the suspension of any further purchases or sales of Shares (each, a "Cessation Notice"), which cessation and suspension shall remain in effect until further notice from Party B. Each telephonic notice of a Cessation Notice shall be promptly confirmed in writing. Notwithstanding the foregoing, the delivery of a Cessation Notice shall not affect any obligation of Party A to deliver or receive Shares in settlement of any purchase or sale of Shares agreed prior to the delivery of the Cessation Notice.

Issuer Repurchase Safe Harbor: Assuming that Party B's conduct complies with the requirements of rule 10b-18 promulgated under the 1934 Act ("Rule 10b-18"), Party A will use its best efforts to comply with the manner of purchase, time, price and volume requirements of Rule 10b-18 in connection with its purchase of Shares under this Transaction.

Limited Liability: No shareholder or trustee of Party B shall be held to any liability whatever for the payment of any sum of money or for damages or otherwise under this Confirmation, and this Confirmation shall not be enforceable against any such trustee in their or his or her individual capacities or capacity and this Confirmation shall be enforceable against the trustees of Party B only as such, and every person, firm, association, trust or corporation having any claim or demand arising under this Confirmation and relating to Party B, its shareholders or trustees shall look solely to the trust estate of Party B for the payment or satisfaction thereof.

Securities Contract: Each party hereby represents to the other that it intends this Transaction to be a securities contract within the meaning of

Section 741 of Bankruptcy Code, as amended (11 U.S.C. 741).

4. Credit Support Documents: Party A: None

Party B: Collateral Appendix

5. Account Details:

Payments to Party A:Citibank, NY
ABA # 021-000-089
A/C: Credit Suisse First Boston Corp.
A/C: 40804388
FFC: Northeast Utilities
A/C #: 2GA3P0

Payments to Party B: Fleet
ABA # 011500010
Acct No.: 50252481
Ref.: NU Share Repurchase

Delivery of Shares
to Party A: To be advised by written notice within 30 days of the Trade Date

Delivery of Shares
to Party B: To be advised by written notice within 30 days of the Trade Date

6. U.S. Private Placement Representations

As this Transaction may constitute the sale by Party A to Party B in the case of this Transaction, and by Party B to Party A in the case of the Number of Shares, in each case, through Arranging Agent, of a Security or Securities (as defined in the 1933 Act), in addition to the representations contained in Section 3 of the Agreement, Party B hereby represents to Party A in respect of this Transaction and Party A represents to Party B in respect of the Number of Shares (for purposes of this Section 6, the representation of Party A with respect to Securities shall be made with respect to the Number of Shares and the representation of Party B shall be made with respect to the Transaction, in accordance with Section 3 of the Agreement), as follows:

(a) Each party is acquiring such Securities through the Arranging Agent for its own account as principal, for investment purposes only, and not with a view to, or for, resale, distribution or fractionalization thereof, in whole or in part, and no other person has a direct or indirect beneficial interest in any such Securities acquired by it through the Arranging Agent;

(b) Each party understands that the offer and sale by the other party, through the Arranging Agent, of such Securities are intended to be exempt from registration under the 1933 Act, by virtue of Section 4(2) thereof. In furtherance thereof, each Party represents and warrants that (i) it has the financial ability to bear the economic risk of its investment and has adequate means of providing for its current needs and other contingencies, (ii) it is experienced in investing in forward purchase contracts and similar instruments and has determined that such securities are a suitable investment for it, and (iii) it is an institution that qualifies as an "accredited investor" as that term is defined in Regulation D under the 1933 Act; and

(c) Each party has been given the opportunity to ask questions of, and receive answers from, the other party through the Arranging Agent concerning the terms and conditions of such Securities and concerning the financial condition and business operations of the other party and has been given the opportunity to obtain such additional information necessary in order for each party to evaluate the merits and risks of purchase of such Securities to the extent the issuer of the Securities possesses such information or can acquire it without unreasonable effort or expense.

(d) The Shares shall bear a legend substantially as set forth below:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "ACT") OR ANY STATE SECURITIES LAWS ("BLUE SKY LAW") ANY MAY NOT BE SOLD, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF WITHOUT REGISTRATION UNDER THE ACT AND UNDER APPLICABLE BLUE SKY LAW OR UNLESS SUCH SALE, TRANSFER, PLEDGE OR OTHER DISPOSITION IS EXEMPT FROM REGISTRATION THEREUNDER.

THE SALE, TRANSFER, PLEDGE OR OTHER DISPOSTION OF THIS

SECURITY IS SUBJECT TO THE AGREEMENT BETWEEN THE ISSUER, CREDIT SUISSE FIRST BOSTON CORPORATION, AS ARRANGING AGENT, AND CREDIT SUISSE FINANCIAL PRODUCTS DATED NOVEMBER 3, 1999 (THE "AGREEMENT").

Each party hereby acknowledges that it understands and agrees that disposition of any such Securities is restricted in the manner set forth under the Agreement, the 1933 Act and state securities laws. For example, such Securities have not been registered under the 1933 Act or under the securities laws of certain states and, therefore, cannot be resold, pledged, assigned or otherwise disposed of unless they have been registered under the 1933 Act and under the applicable laws of such states or an exemption from such registration is available.

9. Matters relating to the Arranging Agent:

(a) As a broker-dealer registered with the SEC, Credit Suisse First Boston Corporation in its capacity as Arranging Agent will be responsible for (i) effecting this Transaction, (ii) issuing all required confirmations and statements to Party A and Party B, (iii) maintaining books and records relating to this Transaction as required by Rules 17a-3 and 17a-4 under the Securities Exchange Act of 1934 (the "1934 Act") and (iv) unless otherwise requested by Party B, receiving, delivering, and safeguarding Party B's funds and any securities in connection with this Transaction, in compliance with Rule 15c3-3 under the Exchange Act.

(b) Credit Suisse First Boston Corporation is acting in connection with this Transaction solely in its capacity as Arranging Agent for Party A and Party B pursuant to instructions from Party A and Party B. Credit Suisse First Boston Corporation shall have no responsibility or personal liability to Party A or Party B arising from any failure by Party A or Party B to pay or perform any obligations hereunder, or to monitor or enforce compliance by Party A or Party B with any obligation hereunder, including without limitation, any obligations to maintain collateral. Each of Party A and Party B agrees to proceed solely against the other to collect or recover any securities or monies owing to it in connection with or as a result of this Transaction. Credit Suisse First Boston Corporation shall otherwise have no liability in respect of this Transaction, except for its gross negligence or wilful misconduct in performing its duties as Arranging Agent.

(c) Any and all notices, demands, or communications of any kind relating to this Transaction, including without limitation, any option exercise notice, between Party A and Party B shall be transmitted exclusively through the Arranging Agent at the following address:

Credit Suisse First Boston Corporation
11 Madison Avenue
New York, NY 10010
Facsimile No.: (212) 325-8175
Telephone No.: (212) 325-8678
Attention: Ricardo Harewood

(d) The date and time of the Transaction evidenced hereby will be furnished by the Arranging Agent to Party A and Party B upon written request.

(e) The Arranging Agent will furnish to Party B upon written request a statement as to the source and amount of any remuneration received or to be received by the Arranging Agent in connection with the Transaction evidenced hereby.

(f) Party A and Party B each represents and agrees (i) that this Transaction is not unsuitable for it in the light of such party's financial situation, investment objectives and needs and (ii) that it is entering into this Transaction in reliance upon such tax, accounting, regulatory, legal and financial advice as it deems necessary and not upon any view expressed by the other or the Arranging Agent.

(g) Party A and Party B each is aware of and agrees to be bound by the rules of the National Association of Securities Dealers, Inc. ("NASD") applicable to the Transaction and is aware of and agrees not to violate, either alone or in concert with others, any applicable position or exercise limits established by the NASD.

Credit Suisse Financial Products is regulated by The Securities and Futures Authority and has entered into this transaction as principal.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing the copy of this Confirmation enclosed for that purpose

and returning it to us.

Yours sincerely,

CREDIT SUISSE FIRST BOSTON CORPORATION, solely
in its capacities as Arranging Agent and
Selling Agent

By:
Name:
Title:

CREDIT SUISSE FINANCIAL PRODUCTS

By:
Name:
Title:

Confirmed as of the date first written above:

NORTHEAST UTILITIES

By:
Name:
Title:

APPENDIX A
TO
CONFIRMATION OF TRANSACTION
BETWEEN
CREDIT SUISSE FINANCIAL PRODUCTS
AND
NORTHEAST UTILITIES
CSFP REFERENCE TRN [.]

Unless otherwise agreed in writing by Party A and Party B with respect to specific sales of Shares by the Selling Agent or specific Shares to be delivered to the Selling Agent by Party B, the provisions of this Appendix A shall apply to all Shares in satisfaction of a Party B Net Cash Settlement or Net Share Settlement Delivery including the resale of the Number of Shares which were acquired in a transaction not involving any public offering and, in the case of Net Share Settlement, any additional Shares (collectively, the "Shares").

(a) Party B shall have reserved and have available, out of its authorized but unissued capital stock, for the purpose of effecting the payment of any Party B Net Cash or Net Share Settlement Delivery in Shares as provided in the Confirmation, the full number of shares of capital stock that would then be issuable with respect to such payment.

(b) Party B shall have filed with the SEC a registration statement on Form S-3 or such other form as is acceptable to Party A; such registration statement shall have been declared effective with respect to such Shares (the "Registration Statement") and no stop order suspending the effectiveness of the Registration Statement shall be in effect, and no proceedings for such purpose shall be pending before or threatened by the Commission. Party B, at the request of Party A, shall deliver an underwriting agreement naming Party A, or its designee, as underwriter, together with such other agreements, certificates and instruments as Party A may reasonably require either pursuant to such underwriting agreement or as are customarily provided together with such underwriting agreement.

(c) Party B shall have registered or qualified such Shares under such securities or "blue sky" laws of such States and other jurisdictions in the United States and Puerto Rico as Party A or any underwriter shall have reasonably requested, and shall have done any and all other acts and things as may be reasonably necessary to be done by Party B to enable Party A or any underwriter to consummate the disposition in such jurisdictions of the Shares covered by the Registration Statement; provided that Party B shall not be required to make any filing or take any action as a result of this paragraph (c) that would required it to qualify as a foreign corporation or file a general consent to service of process in any jurisdiction.

(d) Party B shall have caused such Shares and the issuance thereof to be registered with or approved by such other governmental agencies or

authorities in the United States as may be reasonably necessary to be done by Party B to enable Party A or any underwriter to consummate the disposition of such Shares.

(e) Party B shall have (i) given Party A and its underwriter(s), if any, and their respective counsel and accountants, the opportunity to participate in the preparation of all materials filed with the SEC or any other governmental agency (the "Filed Materials") prior to the first day of such Final Reference Share Price Pricing Period, (ii) furnished to each of them copies of all such Filed Materials (and all documents incorporated therein by reference) sufficiently in advance of filing to provide them with a reasonable opportunity to review such documents and comment thereon, (iii) given each of them such opportunities to discuss the business of Party B with its officers and the independent public accountants who have issued a report on its financial statement as shall be reasonably necessary, in the opinion of Party A and such underwriter(s) or their respective counsel, to conduct a reasonable investigation (within the meaning of the 1933 Act, as amended) with respect to such Filed Materials, (iv) delivered to Party A and its underwriter(s), if any, the financial statements of Party B filed with the SEC, (v) included in such Filed Materials material, furnished to Party B in writing, which in the reasonable judgment of Party A or its underwriter(s), if any, subject to the consent of Party B (which shall not be unreasonably withheld), should be included with respect to Party A, Party A's underwriter(s) and the "Plan of Distribution", including, without limitation, language to the effect that the holding by Party A of the Shares is not to be construed as a recommendation by Party A of the investment quality thereof and (vi) if requested by Party A, deleted from such Filed Materials any reference to Party A if in the written opinion of counsel to Party A, in form and substance to Party B, such reference to Party A by name or otherwise is not required by the 1933 Act or any similar Federal statute then in force.

(f) Party B shall have furnished to Party A and any underwriter, addressed to Party A and any such underwriter and dated the first day of the Final Reference Share Price Pricing Period, (i) an opinion of counsel for Party B (which opinion may be from internal counsel for Party B) and (ii) a "cold comfort" letter signed by the independent public accountants who have issued a report on Party B's financial statements included in such Registration Statement, covering substantially the same matters with respect to such Shares and the offering, sale and issuance thereof as are customarily covered in opinions of issuer's counsel and in accountants' letters delivered to underwriter(s) in underwritten public offerings of securities and, in the case of the accountants' letter, such other financial matters as Party A may have reasonably requested.

(g) Party B shall have complied with all applicable provisions of the 1933 Act and the 1934 Act and the Public Utility Holding Company Act of 1935, all applicable rules of the SEC and all other applicable laws, rules and regulations of any governmental or regulatory authority with respect to such Filing Materials and such Shares and the offering, sale and issuance thereof.

(h) Party B shall have caused all such Shares to be listed on the Exchange and on each securities exchange on which Party B has caused similar securities issued by Party B to be listed.

(i) Party B shall have provided a transfer agent and registrar for such Shares.

(j) Party B shall have taken such other actions as Party A or any underwriter of such Shares shall have reasonably requested in order to expedite or facilitate the disposition of such Shares.

(k) Party B shall provide Party A and its underwriter(s), if any, with indemnity and contribution in form and substance acceptable to Party A covering such matters relating to the Shares, the Filed Materials, and such other matters as Party A shall reasonably request.

(l) Party B shall have paid all customary costs and expenses reasonably incurred in connection with the foregoing, provided, that unless otherwise agreed, Party A and its underwriter(s) shall be responsible for the fees and expenses of their respective counsel.

(m) Party B shall deliver all such registered Shares through the Clearance System.

December 9, 1999
Bank One Deal #

Northeast Utilities
107 Selden Street
Berlin, CT 06037

Dear Sirs:

The purpose of this letter agreement, including Appendices A, B and C attached hereto, (this "Confirmation") is to confirm the terms and conditions of the Transaction entered into between Party A and Party B on the Trade Date specified below (the "Transaction"). Appendix C shall constitute a Credit Support Annex for purposes of the Transaction. This Confirmation constitutes a "Confirmation" as referred to in the Agreement specified below.

1. The definitions and provisions contained in the 1991 ISDA Definitions (the "1991 Swap Definitions"), as supplemented by the 1998 Supplement to the 1991 Swap Definitions (together, the "Swap Definitions") and in the 1996 ISDA Equity Derivatives Definitions (the "Equity Definitions", together with the Swap Definitions, the "Definitions") (in each case as published by the International Swaps and Derivatives Association, Inc.) are incorporated into this Confirmation. In the event of any inconsistency between the Swaps Definitions and the Equity Definitions, the Equity Definitions will govern, and between the Definitions and the provisions and this Confirmation, this Confirmation will govern. References herein to a "Transaction" shall be deemed to be references to a "Swap Transaction" for the purposes of the Swap Definitions.

If Party A and Party B are parties to the 1992 ISDA Master Agreement (the "Agreement"), this Confirmation supplements, forms a part of, and is subject to such Agreement. If Party A and Party B are not yet parties to the Agreement, they agree to use their best efforts promptly to negotiate, execute, and deliver the Agreement, including Party A's standard form of Schedule, with such modifications as Party A and Party B shall in good faith agree. Upon execution and delivery by Party A and Party B of the Agreement, this Confirmation shall supplement, form a part of, and be subject to such Agreement. Until Party A and Party B execute and deliver the Agreement, this Confirmation (together with all other Confirmations of Transactions previously entered into between them, notwithstanding anything to the contrary therein) shall supplement, form a part of, and be subject to the terms in the pre-printed 1992 ISDA Master Agreement, as if, on the Trade Date of the first such Transaction between them, Party A and Party B had executed that agreement (incorporating therein Party A's standard form of Schedule) and had specified that the Automatic Early Termination provisions contained in Section 6(a) of such agreement would not apply.

The Agreement and each Confirmation thereunder will be governed by and construed in accordance with the laws of the State of New York without reference to choice of law doctrine.

Party A and Party B expressly acknowledge that, in reliance upon the other party's entering into the Transaction evidenced by this Confirmation, each party has made (or refrained from making) substantial financial commitments and has taken (or refrained from taking) other material actions.

All payments in connection with this Transaction shall be made in U.S. Dollars.

In this Confirmation, "Party A" means Bank One, NA (Illinois) and "Party B" means Northeast Utilities.

2. The terms of the Transaction to which this Confirmation relates are as follows:

General Terms:

Trade Date: December 9, 1999

Effective Date: December 9, 1999

Termination Date: December 31, 2000 subject to adjustment in accordance with the Modified Following Business Day Convention, the terms of the Party B Net Settlement Option, the Party A Optional Termination and the Party B Optional Termination.

Transaction Type: Equity Forward

Seller: Party A

Buyer: Party B (sometimes also referred to as the "Issuer").

Shares: Common Shares, par value $5.00, of Party B.

Closing Price on the Exchange As of the Business Day Prior To the Trade Date: $ 21.25

Notional Amount: Initially, an amount equal to the Accumulated Adjusted Principal Share Amount, up to an amount equal to the Principal Share Amount, in each case multiplied by the Initial Share Price.

Principal Share Amount: The number of Shares that represent purchase prices in an aggregate principal amount of $115,000,000.

Accumulated Adjusted Principal Share Amount: On any Valuation Date during the Initial Pricing Period the aggregate number of Shares purchased by Party A up to the Principal Share Amount, for which full payment has been made by Party A.

Initial Share Price: The weighted average of the Average Share Prices for all Valuation Dates occurring during the Initial Pricing Period or, if the last day of a Calculation Period shall occur prior to the completion of the Initial Pricing Period, the weighted average of the Average Share Price for all Valuation Dates occurring to and including the last day of the relevant Calculation Period.

Average Share Price: For any Valuation Date, the weighted average price of the Shares purchased by Party A on such Valuation Date (plus a $.04 per share commission charged by Party A).

Initial Pricing Period: The earlier to occur of (i) the Business Day that is 22 Trading Days prior to the acquisition by Party B of Yankee Energy System, Inc. pursuant to the terms of the Agreement and Plan of Merger dated as of June 14, 1999 between Yankee Energy System, Inc. and Party B (the "Merger Agreement"), which acquisition is currently expected to be April 15, 2000, subject to extension to such later date as is permitted by the Merger Agreement, and for which Party B has provided written notice to Party A and (ii) the Exchange Business Day on which Shares with an aggregate purchase price of $115,000,000 have been fully purchased by Party A.

Appendix B: As promptly as practicable after Party A has completed its purchases for a given Trading Day during the Initial Pricing Period, Party A and Party B shall update Appendix B hereto in which the parties shall specify (i) the Trading Day on which Party A acquired Shares, (ii) the Accumulated Adjusted Principal Share Amount acquired by Party A on such Trading Day, (iii) the Average Share Price at which Shares were acquired by Party A on such Trading Day, (iv) the product of (a) the Accumulated Adjusted Principal Share Amount acquired by Party A on each such

Trading Day and (b) the Average Share Price for such Trading Day, and (v) an amount, expressed as a percentage, equal to the USD-LIBOR-BBA as in effect on two Business Days prior to the Funding Day relating to such Trading Day. Party A shall send Party B a revised Appendix B. Party B shall review the revised Appendix B containing Party A's revisions thereto and return it to Party A or notify Party A of any disagreement with respect to such revisions. If Party B does not notify Party A of a disagreement with respect to such revisions by the close of business on the second Exchange Business Day following actual receipt of the revised Appendix B by Party B, Party B shall be deemed to have agreed to Party A's revisions thereto, absent manifest error.

Valuation Date: In respect of the Initial Pricing Period, any Exchange Business Day on which a Market Disruption Event has not occurred. In respect of the Final Pricing Period, any Exchange Business Day on which a Registration Suspension Event or Market Disruption Event has not occurred.

Exclusion Period: The first minute of trading and the last one-half hour before the scheduled close of trading on the Exchange.

Calculation Period: The period from and including a Calculation Period Interest Reset Date to but excluding the next succeeding Calculation Period Interest Reset Date, provided that, the first Calculation Period Interest Reset Date will commence on the Effective Date and the final Calculation Interest Period will end on and exclude the Termination Date.

Calculation Period Interest Reset Dates: The 15th day of each January, April, July and October, commencing on January 15, 2000.

Party A Calculation Period Payment Dates: The 15th day of each January, April, July and October, commencing on January 15, 2000.

Party A Payment: The Dividend Amount (as defined below).

Party B Calculation Period Payment Dates: The 15th day of each January, April, July and October, commencing on January 15, 2000.

Party B Payment: An amount in U.S. Dollars equal to the Interest Amount determined as of the relevant Party B Calculation Period Payment Date.

Floating Rate Option: USD-LIBOR-BBA

Spread: 2.50%

Designated Maturity: Three Months

Interest Amount/Net Interest Amount: The payment obligation of Party A and Party B on such Calculation Period Payment Dates in respect of the Dividend Amount (defined below) and any Interest Amounts shall be netted, such that the party obligated to pay

the greater amount shall pay to the other party an amount equal to the difference between such amounts (the "Net Interest Amount").

For each Calculation Period during the Initial Pricing Period, an amount equal to the sum of each of the products of (a) the Notional Amount acquired by Party A on any Trading Day, and (b) for each such Trading Day, (i) the number of calendar days from and including the related Funding Day to and including the last day of the most current Calculation Period, divided by (ii) three hundred sixty (360), and (c) USD-LIBOR-BBA (using an agreed upon interpolated designated maturity) in effect on the second Business Day prior to a Funding Day, plus Spread; and for each Calculation Period thereafter, the product of the Notional Amount and USD-LIBOR-BBA, plus the Spread (subject to adjustment in all cases in accordance with the Modified Following Business Day Convention).

In the case either Net Cash Settlement or Net Share Settlement has been designated as the Method of Settlement, the Notional Amount (and the accrued interest attributable thereto) shall be reduced during the Final Reference Share Price Pricing Period by amounts equal to the Net Proceeds (defined below) received by Party A in respect to sales of the Shares, which reduction shall occur on the Business Day on which such Net Proceeds are received as immediately available funds by Party A. The Calculation Agent may rely on the information provided pursuant to "(D)-Physical Settlement" hereunder unless Party A delivers notice of any failure to receive an anticipated payment in respect of the Shares sold or because of any Settlement Disruption Event or an amendment to the time of payment in respect of any Shares sold.

Dividend Amount: An amount in USD equal to the sum of:

(i) The aggregate amount in respect of all dividends declared by the Issuer to which the record holder of the Principal Share Amount (provided, however, that for purpose of determining the Dividend Amount in the case either Net Cash Settlement or Net Share Settlement has been designated as the Method of Settlement, the Principal Share Amount shall be reduced by the number of Shares sold by Party A prior to the record date in respect of any dividend declared in respect of the Shares during the Final Reference Share Price Pricing Period) would be entitled by virtue of the occurrence of a dividend record date during the period from the Effective Date to the Settlement Date (other than any Lagging Dividend Payment Amount or any dividends resulting in an Adjustment due to a Potential Adjustment Event); and

(ii) An amount representing the interest that could have been earned on such dividends described in (i) at a rate equal to USD-LIBOR-BBA for a designated maturity of one month (any

non-conforming period shall be linearly interpolated by the Calculation Agent) for the period from the date that such dividends were or would have been received, for which a Party A Calculation Period Payment Date is a compounding date; the applicable compounding rate for each compounding period is USD-LIBOR-BBA with a designated maturity of one month, for which the Day Count Fraction is Actual/360 and the Following Business Day Convention will apply, and for which compounding is applicable to the Settlement Date

Lagging Dividend Payment Amount: In the event that a dividend is declared and payable to a holder of record prior to the Settlement Date of this Transaction but such dividend has not been paid on or before such Settlement Date, Party A agrees to pay to Party B an amount equal to the dividends received by Party A in respect of the Number of Shares on the next succeeding Business Day after the payment is received.

Day Count Fraction: Actual/360

Party A and Party B Final Payments

Termination Settlement Payment Options: In respect of the Termination Date (including, in case any Event of Default or Termination Event has occurred, the related Early Termination Date) Party B shall elect one of the following Settlement Options (each a "Method of Settlement"):

(A) Gross Physical Settlement: Unless Party B has specified Net Cash Settlement or Net Share Settlement in accordance with the terms hereof, on the Settlement Date, Party A will deliver the Principal Share Amount to Party B, and Party B will pay to Party A an amount in USD equal to the sum of (i) the Notional Amount and (ii) the Net Interest Amount.

(B) Net Cash Settlement: If Party B has specified Net Cash Settlement as the Method of Settlement, Party A will sell a number of Shares equal to the Principal Share Amount, in accordance with the terms hereof. On the related Settlement Date, Party A will pay to Party B, an amount in USD equal to the product of the Principal Share Amount and the Final Reference Share Price, and Party B will pay to Party A an amount in USD equal to the sum of (i) the Notional Amount and (ii) the Net Interest Amount (which will reduce the amount due from Party B if the Net Interest Amount is negative). The payment obligations of Party A and Party B on such date in respect of such amounts shall be netted, such that the party obligated to pay the greater amount shall pay to the other party an amount equal to the difference between such amounts.

If Party A is required to pay such differences on such Settlement Date from the aggregate Net Proceeds (defined below) of the sales of Shares, Party A will pay such

difference to Party B in accordance with the preceding sentence and shall retain the remainder of such proceeds. If Party B is obligated to pay such difference, Party B will pay such amount to Party A.

(C) Net Share Settlement: If Party B has specified Net Share Settlement as the Method of Settlement, Party A shall sell, in accordance with the terms hereof, such number of Shares from the Principal Share Amount that will generate aggregate Net Proceeds equal to the sum of (i) the Notional Amount and (ii) the Net Interest Amount.

If during the Final Reference Share Price Pricing Period Party A receives aggregate Net Proceeds equal to the sum of (i) the Notional Amount and (ii) the Net Interest Amount (which will reduce the amount due from Party B if the Net Interest Amount is negative) from the sale of a number of Shares that is less than the Principal Share Amount, on the relevant Settlement Date Party A shall deliver to Party B a number of Shares equal to the excess of the Principal Share Amount less such number of Shares sold by Party A during such period (the "Party A Net Share Settlement Delivery").

If during the Final Reference Share Price Pricing Period Party A sells a number of Shares equal to the Principal Share Amount and Party A receives aggregate Net Proceeds from such sales in an amount that is less than the sum of (i) the Notional Amount and (ii) the Net Interest Amount, Party A shall notify Party B of such fact, and by 4:30 p.m. New York time on the second Exchange Business Day following such notification Party B shall deliver a number of additional Shares (which Party A reasonably estimates is equal in value to the Shortfall (defined below)) (the aggregate number of additional Shares, delivered pursuant to this Net Share Settlement methodology, the "Party B Net Share Settlement Delivery") to Party A, which will be sold by Party A using the Offering Method determined pursuant to this Confirmation as described below (to the extent that such sales are required to generate aggregate Net Proceeds equal to the excess of (A) the sum of (i) the Notional Amount and (ii) the Net Interest Amount over (B) the aggregate Net Proceeds received by Party A from the sale of the Principal Share Amount (for purposes of determining the obligation of Party B in connection with Net Share Settlement. The term "Shortfall" at anytime and from time to time means the US Dollar amount by which the sum of (i) the Notional Amount and (ii) the Net Interest Amount exceeds the aggregate Net Proceeds, if any, actually received from the sale of (i) all or a portion of the Number of Shares plus (ii) additional Shares delivered pursuant to the Party B Net Share Settlement Delivery)). Party A shall use its best efforts to sell only such additional Shares as shall generate aggregate Net Proceeds equal

to the Shortfall and return the excess Shares, if any, to Party B. In the event the additional Shares delivered by Party B to Party A are sold for an amount that is less than the Shortfall, Party A shall notify Party B of such fact and by 4:30 p.m. New York time on the second Exchange Business Day following such notification Party B shall deliver additional Shares to Party A and, subject to Party B's delivery of a Sale Revocation and Designation Notice (defined below) in connection with Physical Settlement (defined below), Party B shall continue to so deliver additional Shares upon notification until the aggregate Net Proceeds received by Party A from the sale of all such Shares delivered by Party B to Party A results in a Shortfall equal to zero; provided, however, that notwithstanding Party B's obligations set forth in Appendix A hereto, in the event that Party B is required pursuant to this paragraph to deliver additional Shares and is unable to deliver additional Shares which are at the time of delivery duly authorized, validly issued, fully paid and nonassessable and free of any liens, claims or encumbrances (except liens, claims or encumbrances pursuant to this Transaction), or Party B otherwise fails to deliver such additional Shares and such inability or failure continues for five Exchange Business Days (the "Net Share Settlement Incapacity Event"), such Net Share Settlement shall be deemed terminated and Party B shall be obligated to pay Party A within five Business Days from the date of the Net Share Settlement Incapacity Event an amount in cash equal to the amount of the Shortfall that has not been received from the sale of additional Shares as of the date of the Net Share Settlement Incapacity Event and Party A shall deliver to Party B any additional Shares received in respect of such Shortfall and not sold by Party A as of the date of the Net Share Settlement Incapacity Event.

The term "Net Proceeds" in respect of a sale of Shares shall mean gross proceeds of such sale less reasonable and customary discounts, fees, commissions and expenses (the "Sale Expenses"), including, but not limited to, reasonable commissions, discounts, fees and expenses customarily payable to underwriter(s) in the case of a Registered Offering (defined below) or to a placement agent in the case of an Exempt Offering (defined below), which may include reasonable amounts customarily payable to a party acting as underwriter or placement agent, as well as any additional reasonable fees and expenses of any dealers engaged by any such underwriter or placement agent which are customarily payable.

(D) Physical Settlement: In the event Party B elects either Net Cash Settlement or Net Share Settlement, Party A agrees to provide to Party B not later than 5:00 PM on any Business Day on which it has sold

Shares a report of the number of Shares sold, the average sale price and the aggregate Net Proceeds received by Party A from such sales and a reasonable breakdown of the Sales Expenses.

At any time after the designation of the Method of Sale, and if applicable, the Offering Method, but prior to the execution and delivery of any underwriting agreement with respect to the Shares, Party B may deliver to Party A a revocation of the Net Cash Settlement or Net Share Settlement Method of Settlement and request the suspension of any further sales of Shares in respect of this Transaction by Party A (a "Sale Revocation and Designation Notice") effective on the Business Day immediately following delivery of such Sale Revocation and Designation Notice. Receipt of the Sale Revocation and Designation Notice shall obligate Party A to suspend any sales and solicitations of orders to buy the Shares but shall not affect Party A's obligations to perform any settlement or delivery of Shares in connection with sales previously agreed and sales which are pending agreement on the date such Sale Revocation and Designation Notice is received and which have been agreed before the close of business on such date. Upon receipt of a Sale Revocation and Designation Notice, Party A shall report to Party B the number of Shares that remain unsold (which may be some or all of the Principal Share Amount and any additional Shares) as of the Business Day succeeding delivery of the Sale Revocation and Designation Notice (the "Remaining Shares"). In the event of delivery of the Sale Revocation and Designation Notice, Party B shall be required to deliver to Party A a cash amount in respect of the Remaining Shares such that the amount paid by Party B to Party A for the Remaining Shares plus the aggregate Net Proceeds received by Party A from the sale of other Shares in connection with the Net Cash Settlement or the Net Share Settlement equals (i) the Notional Amount plus (ii) the Net Interest Amount, and Party A shall be required to deliver to Party B the Remaining Shares. Settlement and delivery of the Remaining Shares and payment therefor shall be made by the parties on the second Business Day after the delivery of such Sale Revocation and Designation Notice.

(E) Offering Method Upon receipt of notice designating either Net Cash Settlement or Net Share Settlement as the Method of Settlement, Party B may determine the offering method (the "Offering Method") including whether the Shares to be sold will be offered pursuant to a registration statement filed or to be filed (a "Registered Offering") pursuant to the Securities Act of 1933 (the "1933 Act"), subject to Party A's consent to a Registered Offering, which consent shall not be unreasonably withheld.

If Party B determines the Shares will be offered in a Registered Offering

and Party A consents to a Registered Offering (which consent shall not be unreasonably withheld), Party B (and to the extent required therein, Party A) will use their reasonable efforts to comply in all material respects with the Registration Procedures set forth in Appendix A attached hereto. In the event that Party A, and its underwriter(s), upon advice from their respective counsel, reasonably object to the form or substance of the registration statement, Party A will deliver to Party B a suspension request stating the reason or reasons for such objection ("Suspension Request") and Party B will either (i) modify or amend the registration statement to address such reasonable objection(s) or (ii) suspend the preparation of such registration statement with respect to the offering of the Principal Share Amount. In addition, if such registration statement has been filed and identifies either Party A or the Principal Share Amount and Party B determines not to amend or modify, or that it cannot amend or modify the registration statement to address Party A's or its underwriter(s)' reasonable objections, Party B will withdraw such registration statement pursuant to Rule 259 (or its successor) of the 1933 Act if such registration statement relates solely to the offering of the Principal Share Amount. In the event that no registration statement has been filed identifying Party A or the Principal Share Amount and Party B determines not to amend or modify, or that it cannot amend or modify the registration statement to address Party A's or its underwriter(s)' reasonable objections, Party B may within five Business Days of the delivery of the Suspension Request determine whether the Principal Share Amount will be sold pursuant to an offering that is exempt from the registration requirements of the 1933 Act (an "Exempt Offering") as the means of sale in respect of either a Net Cash Settlement or a Net Share Settlement or designate Gross Physical Settlement as the Method of Settlement. If, however, a registration statement identifying Party A or the Principal Share Amount has been filed and such registration statement is not amended to address Party A's or its underwriter(s) reasonable objections or has been withdrawn, as set forth herein, then not later than the third succeeding Business Day from the receipt of the Suspension Request Party B shall deliver to Party A a notice designating Gross Physical Settlement as the Method of Settlement.

In the event Party A delivers to Party B a notice that it will not consent to Party B's determination that the Principal Share Amount are to be sold in a Registered Offering as provided herein, Party B may, within five Business Days from the delivery of such notice, either revoke the Net Cash Settlement or Net Share Settlement Method of Settlement and designate Gross Physical Settlement as the Method of Settlement or elect to have Party A

pursue the contemplated sale of Shares in connection with Net Cash Settlement or Net Share Settlement through an Exempt Offering. If an Exempt Offering is pursued and Party B and its counsel object to the exemption to be relied on pursuant to which Shares are to be sold by Party A or the opinion of counsel to Party A or any related documentation to be used in connection with the Exempt Offering, Party B may deliver a notice of suspension to Party A and Party B may either (i) designate Gross Physical Settlement as the Method of Settlement, (ii) renew its solicitation of Party A's consent for a Registered Offering within five Business Days of its delivery of any notice of objection or (iii) subject to the consent of Party A and its counsel (which consent will not be unreasonably withheld), request an alternative Exempt Offering.

Notwithstanding the foregoing, if an Event of Default or Termination Event has occurred and is continuing with respect to Party B, Party B will be foreclosed from making any determination as to the Offering Method and, subject to the terms hereof and all applicable regulatory requirements, such determination shall be in Party A's sole discretion. In connection with any Offering Method, Party B shall cooperate with the reasonable requirements of Party A and its underwriter(s) and Party A and its underwriter(s) shall cooperate with the reasonable requests of Party B, including without limitation providing such additional information as may reasonably be required so that any offering document to be used does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made in such offering document, in light of the circumstances under which they were made, not misleading.

Final Reference Share Price: In respect of the number of Shares sold by Party A in connection with a Net Cash Settlement or a Net Share Settlement, the average Net Proceeds per Share of all sales of the Shares sold by Party A in (i) transactions on the Exchange at the exchange prices received by Party A, if any, (ii) a Registered Offering, if any, based on the public offering price and (iii) transactions with recognized dealers or principals in the private placement market which are unaffiliated with Party A pursuant to an Exempt Offering, if any, and with or through which Party A effects any sales of Shares pursuant to a Net Cash Settlement or Net Share Settlement, which may be shortened by the delivery of a Sale Revocation and Designation Notice by Party B.

Final Reference Share Price Pricing Period: The period commencing on the Termination Date, and continuing until the completion of the deliveries and any sales of Shares related thereto required for Net Cash Settlement or Net Share Settlement.

Notwithstanding any other provisions set forth herein, in the event that the Settlement Date for this transaction has been delayed to a date that is the one year anniversary of the Termination Date for any reason, including, without limitation, because a Net Share Settlement or a Net Cash Settlement has been designated and the Final Reference Share Price Pricing Period has not been completed, or in the case of any designated Method of Settlement because of any Market Disruption Event or Settlement Disruption Event, then on the Business Day next succeeding such anniversary, Party B shall be deemed to have delivered a Sale Revocation and Designation Notice to Party A suspending any further sales pursuant to the terms and conditions set forth in "(D)- Physical Settlement". Pursuant to such paragraph (D)- Physical Settlement, on the date such Sale and Revocation and Designation Notice is delivered any unsold Shares shall be deemed to be Remaining Shares and the payment and delivery procedures set forth in such paragraph shall govern the payment and delivery obligations of the parties

Settlement Dates: To the extent not otherwise provided for hereunder, each of (i) the third Exchange Business Day following the end of the Final Reference Share Price Pricing Period in the case of Net Cash Settlement or Net Share Settlement, and (ii) the next Exchange Business day following (a) the Termination Date that Party B specifies or is deemed to have specified in a Termination Notice hereunder specifying Gross Physical Settlement as the Method of Settlement or (b) the Termination Date that is applicable in the event Party B is deemed to have specified Gross Physical Settlement as the Method of Settlement in the case of Gross Physical Settlement.

If a Settlement Disruption Event prevents a Net Share Settlement or a Net Cash Settlement on the day that otherwise would have been the Settlement Date, then the Settlement Date will be the first succeeding day on which settlement can take place through the Clearance System unless a Settlement Disruption Event prevents settlement on each of the ten (10) consecutive Clearance System Business Days immediately following the original date that, but for such Settlement Disruption Event, would have been the Settlement Date. In that case, (a) if the Shares can be delivered in any other commercially reasonable manner, then the Settlement Date will be the first day on which settlement of a sale of Shares executed on that tenth (10th) Clearance System Business Day customarily would take place using such other commercially reasonable manner of delivery (which other manner of delivery will be deemed the Clearance System for purposes of delivery of the relevant Shares), and (b) if the Shares cannot be delivered in any other commercially reasonable manner, then the Settlement Date will

be postponed until delivery can be effected through the Clearance System or any other commercially reasonable manner.

Settlement Disruption Event: An event beyond the control of the parties as a result of which (i) the Clearance System cannot clear the transfer of the Shares or (ii) in the case of any Shares in physical certificate form, the payment system for bank fund transfers (e.g. the Federal Reserve wire payment system) cannot make electronic funds payments or otherwise transfer funds in the ordinary course.

Trading Day: An Exchange Business Day other than an Exchange Business Day on which (i) a Market Disruption Event occurs, or (ii) Party B, by notice to Party A by 8:30 a.m., New York time, determines, on the advice of counsel respecting applicable federal securities laws, that such day shall not be a Trading Day for one or more purposes of this Transaction specified by Party B in accordance with such advice.

Funding Day: The third Exchange Business Day after a Trading Day.

Exchange Business Day: Any day that is (or, but for the occurrence of a Market Disruption Event, would have been) a Trading Day on the Exchange other than a day on which trading on the Exchange is scheduled to close prior to its regular weekday closing time.

Market Disruption Event: The occurrence or existence on any Exchange Business Day of any suspension of or material limitation imposed on trading (by reason of movement in price exceeding limits permitted by the relevant exchange or otherwise) on the Exchange in the Shares, if, in the reasonable determination of the Calculation Agent, such suspension or limitation prevents such day from being used as a Trading Day.

Exchange: The New York Stock Exchange.

Calculation Agent: Party A, whose determinations and calculations hereunder as Calculation Agent will be binding in the absence of manifest error. Subject to the foregoing, the Calculation Agent will have no responsibility for good faith errors or omissions in making any determination or calculation as provided herein.

Party A Optional Termination: In addition to any other termination rights that Party A may have under the Agreement, in the event of any Merger Event, the terms of which are Share-for-Other or Share-for-Combined, pursuant to which a registered holder of Shares is entitled to receive cash consideration in connection with the Merger Event, Party A shall have the right within three Business Days after the payment of any cash consideration in connection with the Merger Event, to cause the Transaction to terminate in part before the originally scheduled Termination Date by giving a Termination Notice to Party B designating a Termination Date not

earlier than five Business Days after the delivery date of the Termination Notice and making the Partial Termination Payments consisting of (i) a deemed payment by Party B to Party A by means of the Merger Termination Payment (defined below) and (ii) the payment by Party A to Party B of the Premium Cash Merger Payment (defined below) on the date designated as the Termination Date.

"Merger Termination Payment" means an amount equal to the product of (i) the Termination Share Amount (defined below) and (ii) the Per Share Cash Component (defined below).

"Termination Share Amount" means the number of Shares equal to the product of (i) the Principal Share Amount and (ii) a fraction, the numerator of which is equal to the Per Share Cash Component and the denominator of which is equal to the per share total consideration of such offer.

"Per Share Cash Component" means the per share cash component of any offer to purchase the Shares underlying the Merger Event.

"Premium Cash Merger Payment" means the amount equal to the product of (i) the Termination Share Amount and (ii) the result of the per share total consideration of any offer to purchase the Shares underlying the Merger Event, minus the Initial Share Price, provided, however, that such difference shall not be less than zero.

Party B Optional Termination: In addition to any other termination rights that Party B may have under the Agreement, Party B may elect to cause this Transaction to terminate in whole, or in part, before the originally scheduled Termination Date for any reason by giving a Termination Notice to Party A during the last five Business Days prior to any Party B Calculation Period Payment Date and designating a Termination Date.

Except for the originally scheduled Termination Date for which no written notice is required, no Termination Date designated hereunder may be set unless Party A has received prior written notice of not less than 30 Business Days, in the case of either Net Cash Settlement or Net Share Settlement and of not less than two Business Days in the case of Gross Physical Settlement in connection with the relevant Method of Settlement. Subject to the terms of this Transaction, Party B shall give Party A written notice of the Method of Settlement.

Registration Notice: Party B agrees that subsequent to the Effective Date it will not file any registration statement, amend a previously filed registration statement or commence any of the procedures set forth in Appendix A attached hereto with respect to any Shares that may be sold in connection with Net Cash Settlement or Net Share Settlement without providing notice to, and receiving the consent of, Party A, which consent shall not be

unreasonably withheld.

Sale Notification: If Party A sells any Shares acquired pursuant to this Transaction in either a Net Cash Settlement or a Net Share Settlement, such sale(s) must be in accordance with the terms and conditions set forth herein and Party A must notify Party B of such sale(s) as provided herein by telephonic notice, promptly confirmed in writing.

Settlement Terms: In respect of the Termination Date Party B shall specify whether Gross Physical Settlement, Net Cash Settlement or Net Share Settlement is to apply. In the event Party B fails to specify the Method of Settlement as provided herein, Party B shall be deemed to have specified Gross Physical Settlement as the Method of Settlement in respect of such Termination Date.

Adjustment Events:

Method of Adjustment: Calculation Agent Adjustment.

Extraordinary Events:

Consequences of Merger Events: Following each Merger Event:

(a) Share-for-Share: Alternative Obligation

(b) Share-for-Other: Alternative Obligation; provided however, that if Other Consideration consists of any securities (other than New Shares) that are restricted or otherwise not readily saleable by Party A, then Cancellation and Payment shall apply.

(c) Share-for-Combined: Alternative Obligation; provided however, that if Other Consideration consists of any securities (other than New Shares) that are restricted or otherwise not readily saleable by Party A, then Cancellation and Payment shall apply.

Nationalization or Insolvency: Cancellation and Payment

3. Other Provisions:

Transfer: Neither the Transaction nor any interest or obligation in or under the Transaction may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party, except that a party may make a transfer of the Transaction pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all its assets to, another entity, or upon or after any default of the other party. Any purported transfer that is not in compliance with this paragraph will be void.

Party B Representation and Covenants: On each Exchange Business Day during a Final Reference Share Price Pricing Period and on all Valuation Dates during the Initial Pricing Period, Party B hereby represents and warrants to Party A that, unless Party B notifies Party A that such day is not a Trading Day, it has publicly disclosed all material

information necessary for Party B to be able to purchase or sell Shares in compliance with applicable federal securities laws. Party B hereby represents and warrants to Party A that: (i) it has entered into this Transaction in connection with the Share repurchase program announced publicly on June 3, 1998, and July 13, 1999 for purposes consistent with those stated in such public disclosures and (ii) on the Trade Date and on the Settlement Date, Party B has available to it before and immediately after any purchase of Shares pursuant to this Transaction such orders, consents or other authorities as may be required by the SEC pursuant to rules and regulations of the Public Utility Holding Company Act of 1935 (the "1935 Act"), with respect to the execution, delivery and performance of the forward purchase obligations under this Transaction , and (iii) on the filing date of any registration statement or the commencement of any offer not involving a public offering in the case of any Net Cash Settlement or Net Share Settlement, the offering of Shares (or New Shares as provided herein), on the Settlement Date and on each day during the Final Share Price Pricing Period, will be made pursuant to the orders, consents or other authorizations that may be required under the rules and regulations promulgated under the 1935 Act , which will be in full force and effect and, to Party B's knowledge, will be free of any pending or overtly threatened proceedings contemplating the revocation or modification of such order; provided, however, in lieu of making the representations and warranties and agreeing to the covenants set forth in clauses (i) and (ii), Party B may deliver an opinion of counsel addressing such matters as Party A may reasonably request and are customarily provided in connection with the purchase and sale of common stock, including, without limitation, that Party B is not subject to the 1935 Act, that no authorization, consent or notice is required in order for Party B to perform any purchase or sale obligation with respect to the Shares other than any authorizations, consents, filings or notices that may be required under the 1933 Act and any applicable state law that may be required for the authorization of any purchase of Shares. Party B also represents that it is not subject to regulation by any state, county or municipal agency, authority, board, council or similar body having authority or jurisdiction over Party B within the meaning of any applicable state law, order or regulation or any municipal government or authority with the capacity or power to regulate electric utility or gas utility companies ("Local Regulators") and all approvals and consents from or notices to any Local Regulator required by Party B to execute and deliver the Confirmation and to perform the Transaction and the related transactions contemplated thereby have been received or given

and remain in full force and effect.

Party B hereby agrees that from the Trade Date through and including the Settlement Date, it will comply in all material respects with all corporate or, if applicable, similar laws affecting its ability to perform its repurchase obligations under this Transaction, including any such requirements of the SEC or any Local Regulator. In the event that Party B reasonably believes that at any time during the term of this Transaction Party B would be prohibited from performing its repurchase obligations under this Transaction as currently contemplated without delivering notice to or obtaining the consent of the SEC or any Local Regulator, Party B will provide notice thereof to Party A and designate a date for Settlement, which shall be a date on which Party B still satisfies such requirements and for which no notice or consent is required to perform the repurchase obligations contemplated by this Transaction.

Impossibility: If, notwithstanding any other provision of this Confirmation, this Transaction is terminated at a time when any law, rule or regulation, including without limitation, the 1935 Act or any applicable state law, order or regulation, prevents Party B from repurchasing the Number of Shares, Gross Physical Settlement shall not apply. Each party agrees that if delivery of the Shares on any Settlement Date is subject to any restriction imposed by a regulatory authority (other than the federal securities laws and the rules of the SEC affecting Registered or Exempt Offerings) that materially restricts or prevents delivery of any such Shares, the parties will negotiate in good faith a procedure to effect settlement of such affected Shares in a manner which complies with any relevant rules of such regulatory authority.

Party B Undertakings: Party B hereby agrees that if it is the object of any merger, consolidation, amalgamation of Party B with or into another entity (and Party B is not the surviving entity) or a third party acquires such number of Shares or the right to control such number of Shares (or the voting power thereof) and the acquisition of such number of Shares or the voting power with respect thereto results in the transfer of control of Party B (within the meaning of Rule 405 of the 1933 Act), then in the event that (i) Alternative Obligation is elected in respect of Consequences of Merger Event - Share- for-Combined and (ii) a material portion of Shares are exchanged or exchangeable for New Shares (as defined in the Equity Definitions), then Party B shall transfer this Transaction to and cause the issuer of such New Shares to assume and perform each and every obligation and satisfy each and every condition precedent of Party B arising under this Confirmation with respect to any purchase or sale of the Shares, including, but not limited to, the representations, agreements, and covenants that relate

to the Shares and any purchase or sale thereof, the exercise or election of any Method of Settlement or Offering Method, the participation and preparation of any materials relating to any registration statement in connection with any Registered Offering of Shares, and the determinations and decisions relating thereto, modified in all cases, mutatis mutandis, to apply to the issuer and to the New Shares. Any failure by Party B to transfer to and cause the issuer of New Shares to assume any undertakings, performance or satisfaction of any such obligations to the reasonable satisfaction of Party A shall be deemed an irrevocable exercise of Gross Physical Settlement option as the Method of Settlement that shall be deemed to supersede any prior exercise of any Method of Settlement Option.

Cessation and Suspension: If at any time during the Term of the Transaction Party B is subject to any legal or regulatory requirements ("Legal Requirements") or any directly related policies or procedures adopted by Party B with respect to the Legal Requirements, which, in Party B's reasonable judgement requires it, or Party A if acting on behalf of Party B, to refrain from purchasing or selling Shares on any Trading Day, Party B shall give prompt telephonic notice to Party A of the cessation of any further purchases or sales of Shares and the suspension of any further purchases or sales of Shares (each, a "Cessation Notice"), which cessation and suspension shall remain in effect until further notice from Party B. Each telephonic notice of a Cessation Notice shall be promptly confirmed in writing. Notwithstanding the foregoing, the delivery of a Cessation Notice shall not affect any obligation of Party A to deliver or receive Shares in settlement of any purchase or sale of Shares agreed prior to the delivery of the Cessation Notice.

Issuer Repurchase Safe Harbor: Assuming that Party B's conduct complies with the requirements of rule 10b-18 promulgated under the 1934 Act ("Rule 10b-18"), Party A will use its best efforts to comply with the manner of purchase, time, price and volume requirements of Rule 10b-18 in connection with its purchase of Shares under this Transaction.

Limited Liability: No shareholder or trustee of Party B shall be held to any liability whatever for the payment of any sum of money or for damages or otherwise under this Confirmation, and this Confirmation shall not be enforceable against any such trustee in their or his or her individual capacities or capacity and this Confirmation shall be enforceable against the trustees of Party B only as such, and every person, firm, association, trust or corporation having any claim or demand arising under this Confirmation and relating to Party B, its shareholders or trustees shall look solely to the trust estate of

Party B for the payment or satisfaction thereof.

Securities Contract: Each party hereby represents to the other that it intends this Transaction to be a securities contract within the meaning of Section 741 of Bankruptcy Code, as amended (11 U.S.C. 741).

4. Credit Support Documents: Party A: None

Party B: Collateral Appendix

5. Account Details:

Payments to Party A:Bank One, NA
ABA # 071000013
A/C #: 48115380

Payments to Party B: Fleet
ABA # 011500010
Acct No.: 50252481
Ref.: NU Share Repurchase

Delivery of Shares to Party A: To be advised by written notice within 30 days of the Trade Date

Delivery of Shares to Party B: To be advised by written notice within 30 days of the Trade Date

6. U.S. Private Placement Representations

As this Transaction may constitute the sale by Party A to Party B in the case of this Transaction, and by Party B to Party A in the case of the Number of Shares, in each case of a Security or Securities (as defined in the 1933 Act), in addition to the representations contained in Section 3 of the Agreement, Party B hereby represents to Party A in respect of this Transaction and Party A represents to Party B in respect of the Number of Shares (for purposes of this Section 6, the representation of Party A with respect to Securities shall be made with respect to the Number of Shares and the representation of Party B shall be made with respect to the Transaction, in accordance with Section 3 of the Agreement), as follows:

(a) Each party is acquiring such Securities for its own account as principal, for investment purposes only, and not with a view to, or for, resale, distribution or fractionalization thereof, in whole or in part, and no other person has a direct or indirect beneficial interest in any such Securities acquired by it;

(b) Each party understands that the offer and sale by the other party of such Securities are intended to be exempt from registration under the 1933 Act, by virtue of Section 4(2) thereof. In furtherance thereof, each party represents and warrants that (i) it has the financial ability to bear the economic risk of its investment and has adequate means of providing for its current needs and other contingencies, (ii) it is experienced in investing in forward purchase contracts and similar instruments and has determined that such securities are a suitable investment for it, and (iii) it is an institution that qualifies as an "accredited investor" as that term is defined in Regulation D under the 1933 Act; and

(c) Each party has been given the opportunity to ask questions of, and receive answers from, the other party concerning the terms and conditions of such Securities and concerning the financial condition and business operations of the other party and has been given the opportunity to obtain such additional information necessary in order for each party to evaluate the merits and risks of purchase of such Securities to the extent the issuer of the Securities possesses such information or can acquire it without unreasonable effort or expense.

(d) The Shares shall bear a legend substantially as set forth below:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "ACT") OR ANY STATE SECURITIES LAWS ("BLUE SKY LAW") ANY MAY NOT BE SOLD, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF WITHOUT REGISTRATION UNDER THE ACT AND UNDER APPLICABLE BLUE SKY LAW OR UNLESS SUCH SALE, TRANSFER, PLEDGE OR OTHER

DISPOSITION IS EXEMPT FROM REGISTRATION THEREUNDER.

Each party hereby acknowledges that it understands and agrees that disposition of any such Securities is restricted in the manner set forth under the Agreement, the 1933 Act and state securities laws. For example, such Securities have not been registered under the 1933 Act or under the securities laws of certain states and, therefore, cannot be resold, pledged, assigned or otherwise disposed of unless they have been registered under the 1933 Act and under the applicable laws of such states or an exemption from such registration is available.

7. Miscellaneous:

(a) Any and all notices, demands, or communications of any kind relating to this Transaction, including without limitation, any option exercise notice, between Party A and Party B shall be transmitted to the following addresses:

Party A:

Bank One, NA
1 Bank One Plaza, IL1-0045
Attention: Global Derivative Products
Telephone No.: (312) 732-8580
Facsimile No.: (312) 732-5645

Party B:

Northeast Utilities
107 Selden Street
Berlin, CT 06037
Facsimile No.:
Telephone No.:
Attention:

(b) The date and time of the Transaction evidenced hereby will be furnished by Party A to Party B upon written request.

(c) Party A and Party B each represents and agrees (i) that this Transaction is not unsuitable for it in the light of such party's financial situation, investment objectives and needs and (ii) that it is entering into this Transaction in reliance upon such tax, accounting, regulatory, legal and financial advice as it deems necessary and not upon any view expressed by the other.

(d) When selling any Shares pursuant to this Transaction, Party A shall determine the number of Shares to be sold on any Trading Day and the price or prices at which such Shares are sold, provided, however, that it shall act in a commercially reasonable manner and on commercially reasonable terms, and shall comply with applicable securities laws, rules and regulations, applicable to it and the Transaction (including sales relating thereto).

(e) Party A and Party B hereby acknowledge and agree that the execution and delivery of this Confirmation by Party A does not constitute a commitment or an obligation of Party A to purchase or sell any Shares or any other security as principal.

8. Performance by Designee:

Notwithstanding any other provisions of this Confirmation, in any Transaction calling for Party A to purchase, sell, receive or deliver any shares or other securities, Party A may designate any of its affiliate entities to purchase, sell, receive or deliver such shares or other securities instead and otherwise to perform Party A's obligations in respect of such transactions, and any such designee may assume any such obligations. Party B need not be notified of such designation and such designation shall not relieve Party A of any obligation hereunder. However, if any such obligation shall be performed by such designee, Party A shall be discharged of its obligations to Party B to the extent of such performance.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing the copy of this Confirmation enclosed for that purpose and returning it to us.

Yours sincerely,

BANK ONE, NA

By:
Name:

Title:

BANK ONE, NA

By:
Name:
Title:

NORTHEAST UTILITIES

By:
Name:
Title:

APPENDIX A
TO
CONFIRMATION OF TRANSACTION
BETWEEN
BANK ONE, NA (Illinois)
AND
NORTHEAST UTILITIES

Unless otherwise agreed in writing by Party A and Party B with respect to specific sales of Shares or specific Shares to be delivered by Party B, the provisions of this Appendix A shall apply to all Shares in satisfaction of a Party B Net Cash Settlement or Net Share Settlement Delivery including the resale of the Number of Shares which were acquired in a transaction not involving any public offering and, in the case of Net Share Settlement, any additional Shares (collectively, the "Shares").

(a) Party B shall have reserved and have available, out of its authorized but unissued capital stock, for the purpose of effecting the payment of any Party B Net Cash or Net Share Settlement Delivery in Shares as provided in the Confirmation, the full number of shares of capital stock that would then be issuable with respect to such payment.

(b) Party B shall have filed with the SEC a registration statement on Form S-3 or such other form as is acceptable to Party A; such registration statement shall have been declared effective with respect to such Shares (the "Registration Statement") and no stop order suspending the effectiveness of the Registration Statement shall be in effect, and no proceedings for such purpose shall be pending before or threatened by the Commission. Party B, at the request of Party A, shall deliver an underwriting agreement naming Party A, or its designee, as underwriter, together with such other agreements, certificates and instruments as Party A may reasonably require either pursuant to such underwriting agreement or as are customarily provided together with such underwriting agreement.

(c) Party B shall have registered or qualified such Shares under such securities or "blue sky" laws of such States and other jurisdictions in the United States and Puerto Rico as Party A or any underwriter shall have reasonably requested, and shall have done any and all other acts and things as may be reasonably necessary to be done by Party B to enable Party A or any underwriter to consummate the disposition in such jurisdictions of the Shares covered by the Registration Statement; provided that Party B shall not be required to make any filing or take any action as a result of this paragraph (c) that would required it to qualify as a foreign corporation or file a general consent to service of process in any jurisdiction.

(d) Party B shall have caused such Shares and the issuance thereof to be registered with or approved by such other governmental agencies or authorities in the United States as may be reasonably necessary to be done by Party B to enable Party A or any underwriter to consummate the disposition of such Shares.

(e) Party B shall have (i) given Party A and its underwriter(s), if any, and their respective counsel and accountants, the opportunity to participate in the preparation of all materials filed with the SEC or any other governmental agency (the "Filed Materials") prior to the first day of such Final Reference Share Price Pricing Period, (ii) furnished to each of them copies of all such Filed Materials (and all documents incorporated therein by reference) sufficiently in advance of filing to provide them with a reasonable opportunity to review such documents and comment thereon, (iii) given each of them such opportunities to discuss the business of Party B with its officers and the independent public accountants who have issued a report on its financial statement as shall be reasonably necessary, in the opinion of Party A and such underwriter(s) or their respective counsel, to conduct a

reasonable investigation (within the meaning of the 1933 Act, as amended) with respect to such Filed Materials, (iv) delivered to Party A and its underwriter(s), if any, the financial statements of Party B filed with the SEC, (v) included in such Filed Materials material, furnished to Party B in writing, which in the reasonable judgment of Party A or its underwriter(s), if any, subject to the consent of Party B (which shall not be unreasonably withheld), should be included with respect to Party A, Party A's underwriter(s) and the "Plan of Distribution", including, without limitation, language to the effect that the holding by Party A of the Shares is not to be construed as a recommendation by Party A of the investment quality thereof and (vi) if requested by Party A, deleted from such Filed Materials any reference to Party A if in the written opinion of counsel to Party A, in form and substance to Party B, such reference to Party A by name or otherwise is not required by the 1933 Act or any similar Federal statute then in force.

(f) Party B shall have furnished to Party A and any underwriter, addressed to Party A and any such underwriter and dated the first day of the Final Reference Share Price Pricing Period, (i) an opinion of counsel for Party B (which opinion may be from internal counsel for Party B) and (ii) a "cold comfort" letter signed by the independent public accountants who have issued a report on Party B's financial statements included in such Registration Statement, covering substantially the same matters with respect to such Shares and the offering, sale and issuance thereof as are customarily covered in opinions of issuer's counsel and in accountants' letters delivered to underwriter(s) in underwritten public offerings of securities and, in the case of the accountants' letter, such other financial matters as Party A may have reasonably requested.

(g) Party B shall have complied with all applicable provisions of the 1933 Act and the 1934 Act and the Public Utility Holding Company Act of 1935, all applicable rules of the SEC and all other applicable laws, rules and regulations of any governmental or regulatory authority with respect to such Filing Materials and such Shares and the offering, sale and issuance thereof.

(h) Party B shall have caused all such Shares to be listed on the Exchange and on each securities exchange on which Party B has caused similar securities issued by Party B to be listed.

(i) Party B shall have provided a transfer agent and registrar for such Shares.

(j) Party B shall have taken such other actions as Party A or any underwriter of such Shares shall have reasonably requested in order to expedite or facilitate the disposition of such Shares.

(k) Party B shall provide Party A and its underwriter(s), if any, with indemnity and contribution in form and substance acceptable to Party A covering such matters relating to the Shares, the Filed Materials, and such other matters as Party A shall reasonably request.

(l) Party B shall have paid all customary costs and expenses reasonably incurred in connection with the foregoing.

(m) Party B shall deliver all such registered Shares through the Clearance System.

APPENDIX B
TO
CONFIRMATION OF TRANSACTION
BETWEEN
BANK ONE, NA (Illinois)
AND
NORTHEAST UTILITIES

[Letterhead of Bank One, NA (Illinois)]

[Date]

TO: Northeast Utilities
107 Selden Street
Berlin, CT 06037
Attention:
Telephone No.:
Facsimile No.:

FROM: Bank One, NA
1 Bank One Plaza, IL1-0045
Attention: Global Derivative Products
Telephone No.: (312) 732-8580
Facsimile No.: (312) 732-5645

RE: Transaction between Northeast Utilities ("Counterparty") and Bank One,

NA ("Bank One")

As provided in the Confirmation dated as of December 9, 1999, between Bank One and Counterparty (the "Confirmation") of which this Appendix forms a part, Counterparty has agreed to review this revised Appendix B in connection with the acquisition of Shares promptly upon receipt and either sign it indicating agreement to Bank One's revisions hereto and return it to Bank One or notify Bank One of any disagreement with respect to such revisions so that errors or discrepancies can be promptly identified and rectified, and Counterparty shall be deemed to have agreed to Bank One's revisions hereto if Counterparty does not notify Bank One of a disagreement with respect to such revisions by the close of business on the second Exchange Business Day following actual receipt hereof, absent manifest error. Capitalized terms used herein that are not otherwise defined shall be defined as provided in the Confirmation.

Trading Day	Accumulated Adjusted Principal Share Amount	Average Share Price	Notional Amount for the Funding Day corresponding to the Trading Day	Interpolated USD-LIBOR- BBA
				%
				%
				%
				%
				%
				%
Totals:		$	$	

Please confirm your agreement to be bound by the terms stated herein by executing this Appendix B or by sending to us a telex or letter, signed by a vice president or above, by the close of business on the Exchange Business Day next following actual receipt of this Appendix B by Counterparty to the attention of [Name] [Address] at Fax No. (xxx) xxx-xxxx substantially in the form below:

Quote

We acknowledge receipt of your fax dated [, 199], with respect to an update of Appendix B to the above-referenced Transaction between Bank One, NA (Illinois) and Northeast Utilities in respect of a Trade Date of [December , 1999], and confirm that such fax correctly sets forth the terms of our agreement relating to the Transaction described therein. Very truly yours, Northeast Utilities, by (specify name and title of authorized officer).

Unquote

Yours sincerely,

Bank One, NA

By:
Name:
Title:

Confirmed as of the date first above written:

Northeast Utilities

By:
Name:
Title:

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL CONDITION

OVERVIEW

The financial improvement that began in 1998 continued throughout 1999 at Northeast Utilities (NU or the company), despite rate reductions in Connecticut and Massachusetts, and larger operating losses at NU's unregulated subsidiaries. NU's results benefited from the successful restart of the Millstone 2 nuclear unit, the strong operating performance delivered by the Millstone 3 and Seabrook Station (Seabrook) nuclear units, retail sales growth, and continued control over operation and maintenance (O&M) expenses. The financial improvement allowed NU to resume the payment of a quarterly dividend for the first time since early 1997. NU shareholders received a common dividend of 10 cents per share in the fourth quarter of 1999.

During 1999, NU resolved key industry restructuring issues by establishing initial stranded cost recovery levels and standard offer service tariffs and agreements in Connecticut and by receiving final approval of a restructuring plan in Massachusetts. The auction of substantially all of the fossil and hydroelectric generation assets owned by The Connecticut Light and Power Company (CL&P) and Western Massachusetts Electric Company (WMECO) and the auction of their respective interests in the output of the Millstone units, moved both companies along in their transition into purely electric transmission and distribution companies, as contemplated by restructuring legislation in both Connecticut and Massachusetts. Also in 1999, the company made significant progress toward resolving restructuring issues in the state of New Hampshire by negotiating a global restructuring settlement that is still subject to regulatory approval.

NU earned $34.2 million, or $0.26 per share in 1999, compared with a loss of $146.8 million, or $1.12 per share in 1998 and a loss of $130 million, or $1.01 per share in 1997. Absent significant one-time items, the NU system earned $0.89 per share in 1999, compared with a loss of $0.30 per share in 1998 and a loss of $0.76 per share in 1997. NU's improved 1999 operating results are attributed to better operating performance of its nuclear units, a strong economy and continued strong expense control throughout the year. The 1999 results included $83 million, or $0.63 per share, in after-tax write-offs. These write-offs were associated with the settlement of nuclear related issues ($0.39 per share), industry restructuring ($0.15 per share) and fees related to the pending merger with Consolidated Edison, Inc. (Con Edison) ($0.09 per share). During 1998, NU recorded $133 million, or $0.82 per share, in after-tax write-offs associated with a rate decision in Connecticut, the retirement of Millstone 1 and nonrecurring charges at Charter Oak Energy, an unregulated generation subsidiary of NU. The "Agreement to Settle PSNH Restructuring" (Settlement Agreement), involving the Public Service Company of New Hampshire (PSNH) calls for an after-tax write-off of $225 million. However, that write-off was not recorded in 1999, as key aspects of the Settlement Agreement still required regulatory and legislative approval and it was not possible to determine the ultimate resolution of this matter at year end.

In 1999, NU's revenues exceeded $4 billion for the first time, totaling $4.47 billion, up 18.7 percent from revenues of $3.77 billion in 1998. The growth was primarily due to increased electric sales by Select Energy, Inc. (Select Energy), NU's unregulated power marketing subsidiary, and higher retail sales from NU's regulated subsidiaries. Select Energy's revenues totaled $554.9 million in 1999, compared with $29.3 million in 1998. Revenues from the company's regulated subsidiaries also benefited from a 3.8 percent increase in retail sales, the largest increase in retail sales in recent history. Approximately 40 percent of that growth was due to weather related factors that included a hotter than normal summer. The balance of that increase was due to economic expansion in NU's service territories.

Aside from increased revenues, the primary reason for better operating performance in 1999 was the return to service from extended outages of Millstone 3 in July 1998 and Millstone 2 in May 1999. The return to service of those units reduced replacement power costs by $215 million in 1999, compared to 1998.

Retail rate reductions involving CL&P and WMECO offset some of the growth in revenues. CL&P's rates were reduced 5 percent in early 1999. CL&P's rates were further reduced in January 2000 by 5 percent. The additional 5 percent rate reduction will offset some of the growth in future revenues. WMECO's rates were reduced a total of 15 percent from its August 1997 rates, 11.8 percent adjusted for inflation, between March 1998 and September 1999.

Sharply higher purchased-power costs at Select Energy also offset many of the benefits from higher sales. Select Energy recorded a net loss of $38.8 million in 1999, compared with a net loss of $13.4 million in 1998. Also in 1999, Select Energy's earnings were reduced by $4.1 million related to retail contracts which extend through 2003.

NU's ability to continue improving financial performance in 2000 will depend largely on continued regulated sales growth and on successful control of O&M expenses. Additionally, NU plans to meet the challenges of assimilating Yankee Energy System, Inc. (Yankee) into its business and achieving, by July 2000, the shareholder and regulatory approvals needed to complete the merger with Con Edison. NU also hopes to complete in 2000 the majority of restructuring work remaining, primarily the implementation of the Settlement Agreement in New Hampshire, the issuance of rate reduction bonds (securitization) to lower stranded costs at CL&P, WMECO and PSNH, and the auction of NU's ownership interests in the Millstone units. Additionally, during 2000, NU intends to continue focusing on the growth of its competitive businesses. NU's ability to reverse losses in its unregulated businesses will depend largely on the energy marketing subsidiary's ability to better balance its supply options, including soon to be acquired hydroelectric generation assets, with sales commitments.

MERGERS

In 1998 and 1999, NU management concluded that the pace of deregulation was accelerating throughout the northeastern United States and that shareholders would benefit from NU, not only remaining a major provider of electric transmission and distribution service, but also becoming an unregulated marketer of both electricity and natural gas. NU management also concluded that as a result of the changes occurring in the highly competitive electric utility industry, increased size would be crucial to achieve its objective of being a leading provider of energy products and services in the Northeast.

NU management discussed potential business combinations with several electric utilities in the northeastern United States. On October 13, 1999, NU announced an agreement to merge with Con Edison, a financially stronger utility based in New York. Con Edison will pay approximately $3.8 billion for all of the outstanding common stock of NU and will assume NU's debt, capitalized leases and preferred securities which totaled $3.7 billion at December 31, 1999. Under the merger agreement, NU shareholders will receive $25 per share, in a combination of cash and Con Edison common stock. NU shareholders will have the right to elect cash or stock subject to proration if the total elections exceed 50 percent in either cash or stock. NU shareholders who elect to receive stock will receive the number of shares of Con Edison stock based on the average trading prices, determined pursuant to a formula, during a fixed period prior to the closing. So long as such average trading prices are between $36 and $46 per share, the total value of the Con Edison common stock received by NU shareholders will be $25 per share. NU shareholders also have the right to receive an additional $1 per share in value as long as definitive agreements to sell its interests (other than that now held by PSNH) in Millstone 2 and 3 are entered into and recommended by the Utility Operations and Management Unit of the Connecticut Department of Public Utility Control (DPUC) on or prior to the later of December 31, 2000, or the closing of the merger. In addition, another $0.0034 per share per day for every day beyond August 5, 2000, that the merger is not consummated is added to the purchase price. If Con Edison's stock price is below $36 per share, then the value received for the stock portion will be less than $25 per share. The merger will create the nation's largest electric distribution system with more than 5 million customers and one of the 15 largest natural gas distribution systems with 1.4 million customers.

NU and Con Edison filed with various state and federal regulatory bodies in January 2000 to secure approval of the merger. The two companies expect these regulatory proceedings can be completed by the end of July 2000.

Also in 1999, NU management concluded that the Northeast Utilities system (NU system) would be stronger and customers could be better served if NU reentered the natural gas distribution business that it had exited in 1989 and examined several potential businesses in New England. By adding gas to NU's energy mix, NU will be able to broaden its services to its existing customers and will have additional opportunities for long-term growth. In June 1999, NU announced an agreement to merge with Yankee. Yankee is the natural gas division that CL&P divested in 1989. Yankee shareholders will receive $45 per share, or $479.6 million in cash and NU common stock. In addition, NU will assume Yankee's outstanding debt of approximately $240.8 million. Yankee shareholders will receive 45 percent of the $479.6 million in NU common stock and 55 percent in cash. NU will finance the cash portion of the transaction and will meet the stock component of the transaction by issuing new shares. NU expects to redeem a similar amount of shares later this year by closing out forward share purchase transactions with proceeds from restructuring. The forward share purchase transactions were arranged in late 1999 with two financial institutions. NU is prohibited from purchasing additional shares under its merger agreement with Con Edison. The merger will return to NU Connecticut's largest natural gas distribution system, as well as several unregulated businesses involved in energy services, collections and other areas. The Yankee merger received final DPUC approval in December 1999 and Securities and Exchange Commission (SEC) approval in January 2000. The merger is expected to close in early March 2000.

LIQUIDITY

During 1999, strong sales growth, improved nuclear performance and continued control of O&M expenses resulted in net cash flows provided by operations of $614.2 million in 1999, compared to $663.3 million in 1998 and $340.6 million

in 1997.

On December 15, 1999, CL&P closed on the sale of 2,235 megawatts (MW) of fossil generation assets with an unaffiliated company. Proceeds from the sale totaled $516.9 million, including payments for fuel and inventory. CL&P used the proceeds primarily to par call $406 million of first mortgage bonds in December 1999. CL&P also used $57.5 million to buy out its lease of four 40 MW turbines.

On July 26, 1999, WMECO closed on the sale of 290 MW of fossil and hydroelectric generation assets with an affiliate of Con Edison. Proceeds from the sale were $48.5 million.

Proceeds from these generation asset sales are included in net cash flows provided by investing activities. Including construction expenditures and investments in nuclear decommissioning trusts, net cash flows provided by investing activities were $151.2 million in 1999, compared with net cash flows used in investing activities of $295.2 million in 1998 and $293 million in 1997.

The strong operating cash flows provided by NU's regulated businesses and the proceeds from generation asset sales enabled the NU system to substantially reduce its outstanding debt. As of December 31, 1999, the NU system's total debt level, including capital lease obligations, was $3.3 billion, compared with $3.9 billion as of December 31, 1998, and $4.1 billion as of December 31, 1997.

The net cash flows used in financing activities were $646.4 million in 1999, compared to $375.3 million in 1998 and $98.5 million in 1997. This included $864 million paid in 1999 to retire long-term debt and preferred stock, compared to $331.8 million in 1998 and $313.8 million in 1997. Cash dividends on common shares paid in 1999 were $13.2 million, compared to no cash dividends in 1998 and $32.1 million in 1997. Payments made for preferred stock dividends were $22.8 million, $26.4 million and $30.3 million for 1999, 1998 and 1997, respectively.

The NU system's access to capital also benefited from the strong operating performance at Millstone 2 and 3, continued progress toward the resolution of all restructuring issues in New Hampshire and the announced merger with Con Edison. During 1999, NU system securities received several upgrades from three credit rating agencies. CL&P's and WMECO's senior secured bonds achieved investment grade ratings for the first time since early 1997 and PSNH's bonds were upgraded to investment grade by Standard & Poor's (S&P) for the first time since early 1994. At year end, all securities were under review for possible upgrades, or on "credit watch" with positive implications by S&P, Moody's Investors Service and Fitch IBCA.

The rating agency upgrades benefited NU's efforts to broaden its credit lines. On November 19, 1999, NU parent entered into a $350 million, 364-day unsecured revolving credit facility which allows NU parent access to $350 million in a combination of cash and letters of credit. NU parent provides credit assurance in the form of guarantees of letters of credit, performance guarantees and other assurances for the financial performance obligations of certain of its unregulated subsidiaries, particularly Select Energy. Over the course of 1999, NU parent sought and received approval from the SEC to increase the limit of such credit assurance arrangements from $75 million to $500 million. However, NU is limited under certain loan agreements to $350 million of such arrangements without creditor approval. As of December 31, 1999, NU had provided approximately $190 million of such credit assurances.

Also on November 19, 1999, CL&P and WMECO entered into a new 364-day revolving credit facility for $500 million, replacing the previous $313.75 million facility which was to expire on November 21, 1999. The revolving credit facility, which is secured by second mortgages on Millstone 2 and 3, will be used to bridge gaps in working capital and provide short-term liquidity. CL&P may draw up to $300 million and WMECO may draw up to $200 million under the facility. Once CL&P and WMECO receive the proceeds from securitization, the $500 million facility will be reduced to $300 million, with a $200 million limit for CL&P and a $100 million limit for WMECO. As of December 31, 1999, CL&P had $90 million and WMECO had $123 million outstanding under this facility.

For further information regarding the NU parent revolving credit facility and the CL&P and WMECO revolving credit facility, see Note 3, "Short-Term Debt," to the consolidated financial statements.

PSNH's $75 million revolving credit agreement was terminated on April 14, 1999. PSNH currently funds its operations through cash on hand and operating cash flows. As of December 31, 1999, PSNH had $182.6 million of cash and cash equivalents. On April 14, 1999, PSNH renewed bank letters of credit that support nearly $110 million of taxable variable-rate pollution control bonds.

CL&P also has arranged financing through the sale of its accounts receivable. CL&P can finance up to $200 million through this facility. As of December 31, 1999, CL&P had $170 million outstanding under this facility. WMECO terminated its $40 million accounts receivable credit facility on June 30, 1999.

In late 1999, NU arranged forward purchase transactions for approximately 10 million NU common shares with two financial institutions (counterparties). To effect these transactions, the counterparties purchased on the open market between November 1999 and January 2000, NU common shares, at an average price per share of $21.26, in a total aggregate amount of $215 million. The counterparties maintain ownership of the shares until the transactions are settled. Additionally, NU will continue to accrue fees on the total aggregate amount at LIBOR plus 2.5 percent per annum, until the transactions are settled. These transactions can be settled in cash or NU common shares at the company's

discretion. As required under the terms of the contracts, NU must settle the transactions no later than December 31, 2000, for an aggregate purchase price equal to $215 million. However, NU expects to settle these purchase transactions with the proceeds from restructuring in the second half of 2000. If prior to the settlement date, NU's share price falls below $15.80 per share, NU may be required to provide the counterparties with additional collateral.

During 2000, the NU system companies hope to receive regulatory approval to begin the process of securitizing approximately $2.5 billion of approved stranded costs. Securitization involves issuing rate reduction bonds with interest rates lower than the company's weighted average cost of capital. Proceeds from securitization will be used to significantly reduce the capitalization of NU's regulated subsidiaries and buyout or buydown certain purchased-power contracts with a number of nonutility generators.

RESTRUCTURING

During 1999, Connecticut and Massachusetts made significant progress in resolving industry restructuring issues. Restructuring orders issued in Connecticut and Massachusetts allowed NU to determine the impacts of discontinuing Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," for the generation portion of CL&P's and WMECO's businesses. In both states, the transmission and distribution portion of those businesses will continue to be cost-of-service regulated. In addition, the restructuring orders provided for a transition charge which allows for the recovery of CL&P's and WMECO's generation-related regulatory assets and prudently incurred stranded costs.

The process of restructuring the electric utility industry in New Hampshire has not yet been concluded, however, significant progress has been made over the past year. In August 1999, PSNH and state officials reached a Settlement Agreement, addressing all rate and restructuring issues involving PSNH, which is awaiting New Hampshire Public Utilities Commission (NHPUC) approval.

CONNECTICUT

During April 1999, CL&P filed its standard offer service plan with the DPUC and received a decision on October 1, 1999, as amended on December 15, 1999. In that decision, the DPUC approved the recovery of CL&P's regulatory assets and certain stranded costs associated with CL&P's nuclear generation assets and established the methodology for setting CL&P's standard offer rates, including the transition charge and transmission and distribution rates. The DPUC ruled on CL&P's stranded cost filing in July 1999 approving $3.5 billion of stranded cost recovery, which is utilized, in part, in the determination of the transition charge.

As provided for in the electric utility restructuring legislation enacted in April 1998, 35 percent of CL&P's customers were able to choose their electric generation supplier on January 1, 2000, with the remaining 65 percent having choice on July 1, 2000. The major components of rates are a transmission and distribution charge, a generation charge and a transition charge. For those customers who do not or are unable to choose another competitive electric generation supplier, CL&P will supply standard offer or generation service at an average rate of $0.04813 per kilowatt-hour (kWh) through December 31, 2003. The revenues attributable to standard offer (generation) service are expected to exceed the actual cost of providing generation and the difference will be applied against stranded costs. In accordance with a plan approved by the DPUC, one-half of the CL&P standard offer load was procured through a competitive bidding process, with the remaining one-half of the power being supplied by an affiliated company. The contracts are in place through the end of 2003. For further information regarding commitments and contingencies related to the Connecticut restructuring order, see Note 7A, "Commitments and Contingencies -- Restructuring -- Connecticut," to the consolidated financial statements.

MASSACHUSETTS

Massachusetts enacted electric utility restructuring legislation in November 1997. Based on an interim order approving WMECO's restructuring plan filed in December 1997, WMECO's customers were able to choose an alternative retail electricity supplier beginning on March 1, 1998. In 1999, the Massachusetts Department of Telecommunications and Energy (DTE) issued its final decision on WMECO's restructuring plan. In that decision, the DTE permitted WMECO to recover its generation-related regulatory asset balances and its nuclear decommissioning costs. However, the DTE disallowed any return on Millstone 2 and 3 starting March 1, 1998, until they returned to service and on Millstone 1 for its remaining life. The pretax impact of these disallowances was $41 million. The DTE also approved one-year contracts with the winning bidders of the standard offer and default service supply auction. For further information regarding commitments and contingencies related to the Massachusetts restructuring order, see Note 7A, "Commitments and Contingencies -- Restructuring -- Massachusetts," to the consolidated financial statements.

GENERATION ASSET DIVESTITURES-- CONNECTICUT AND MASSACHUSETTS

The Connecticut and Massachusetts restructuring laws required CL&P and WMECO to divest of their nonnuclear generation assets and utilize substantially all of

the net gains from any sales to offset stranded costs. During 1999, WMECO and CL&P sold their nonnuclear generation assets resulting in net gains of $22.4 million and $286.5 million, respectively. A corresponding amount of regulatory assets was amortized. In September 1999, NU announced that the Millstone nuclear generation assets of its subsidiaries, CL&P and WMECO, will be put up for auction as soon as practical. For further information regarding commitments and contingencies related to the Connecticut and Massachusetts generation asset divestitures, see Note 7A, "Commitments and Contingencies -- Restructuring -- Nuclear Generation Assets Auction," to the consolidated financial statements.

NEW HAMPSHIRE

In August 1999, NU, PSNH and the state of New Hampshire signed the Settlement Agreement which will resolve a number of pending regulatory and court proceedings related to PSNH. The Settlement Agreement is awaiting approval of the NHPUC and is subject to legislative approval of securitization. The key components of the agreement include an after-tax write-off of $225 million of stranded costs; the recovery of the remaining stranded costs; the securitization of $725 million of approved stranded costs; the sale of generation assets and wholesale power entitlements, with transition service being available to customers for three years; a reduction in rates of an average of 18.3 percent, and the opening of the New Hampshire electricity market to competition. For further information regarding commitments and contingencies related to the New Hampshire Settlement Agreement, see Note 7A, "Commitments and Contingencies -- Restructuring -- New Hampshire," to the consolidated financial statements.

UNREGULATED ENERGY SERVICES

The energy marketing and brokering business is intensely competitive, with many companies with larger financial resources than NU's bidding for business in the deregulating New England market. The sharply fluctuating cost of power supply caused by, among other things, weather extremes, plant outages and fuel costs, and a lack of load-following generating facilities, have made it difficult for Select Energy to economically match its wholesale power purchases with its power supply obligations. In 1999, Select Energy recorded a net loss of $38.8 million on revenues of $554.9 million, compared to a net loss of $13.4 million on revenues of $29.3 million in 1998. Select Energy's ability to economically compete has also been affected by NU's weakened financial position caused by the extended Millstone outages which ended in mid 1999. In 2000, Select Energy's expected contract with an affiliated company, Northeast Generation Company, to purchase 1,329 MW of capacity and energy should significantly reduce the load-following risk and allow Select Energy to better manage its portfolio profitability.

Select Energy's goal is to be the regional and national leader in providing standard offer service to those Northeast markets opened to retail competition. Currently, Select Energy provides more than 5,000 MW of standard offer load, making it the largest provider of standard offer service in the Northeast. On December 22, 1999, Select Energy and an unaffiliated company signed a 6-month power supply agreement, effective January 1, 2000, to meet the utility's standard offer service requirements, which are expected to exceed 3,000 MW. This contract does not include renewal or termination provisions, and payment is due within ten days of the receipt of the bill. Select Energy has been serving this standard offer load since December 1998. During 1999, revenues billed to this customer totaled $276.1 million or approximately 46 percent of Select Energy's revenues. On January 1, 2000, Select Energy began serving CL&P with one-half of its approximately 2,000 MW standard offer requirement for a 4-year period. The CL&P standard offer contract does not include renewal provisions. Select Energy can terminate the contract if the Federal Energy Regulatory Commission (FERC) or DPUC require changes to the contract which create material adverse economic impact to Select Energy which cannot be cured. These power supply contracts are expected to provide Select Energy with over 50 percent of its revenues in the year 2000. In addition, beginning in January 2000, Select Energy assumed responsibility for serving approximately 30 market-based wholesale contracts, totaling approximately 500 MW, throughout New England with electric energy supply that was previously provided by CL&P and WMECO. For the most part, the prices are fixed by contract and applicable to actual volumes.

NUCLEAR GENERATION

MILLSTONE NUCLEAR UNITS

Millstone 3 received the appropriate Nuclear Regulatory Commission (NRC) approvals and resumed operation in July 1998. Millstone 2 received similar NRC approvals, resumed operation and was returned to CL&P's rate base in May 1999. Millstone 3 and 2 achieved annual capacity factors of 81.7 percent and 57.9 percent in 1999, respectively. After a 60-day refueling and maintenance outage, Millstone 3 returned to service on June 29, 1999, and has achieved a 98.1 percent capacity factor through December 31, 1999. Since returning to service in May 1999, Millstone 2 has achieved a 90.3 percent capacity factor through December 31, 1999. NU's total share of O&M expenses associated with Millstone 3 and 2 totaled $261.8 million in 1999, as compared to $323.2 million in 1998

and $406 million in 1997. Millstone 1 is currently in decommissioning status.

An auction of the NU system's ownership interests in the Millstone units is expected in 2000 with a closing in 2001. Based on regulatory decisions received in 1999, management expects to recover all of its remaining nuclear stranded costs from retail customers.

SEABROOK

Seabrook achieved an annual capacity factor of 86.4 percent in 1999. However, since returning to service on May 13, 1999, after a 48-day refueling and maintenance outage, Seabrook has achieved a 99 percent capacity factor through December 31, 1999.

CL&P anticipates auctioning its 4.06 percent share of Seabrook, with the 35.98 percent share owned by its affiliate North Atlantic Energy Corporation (NAEC) after approval of the Settlement Agreement. The Settlement Agreement with the state of New Hampshire requires divestiture prior to December 31, 2003.

YANKEE COMPANIES

On June 1, 1999, the FERC accepted the offer of settlement which was filed on January 15, 1999, by the Maine Yankee Atomic Power Company (MYAPC). The significant aspects of the settlement allowed MYAPC to collect $33.1 million annually to pay for decommissioning and spent fuel, approved its return on equity of 6.5 percent, permitted full recovery of MYAPC's unamortized investment, including fuel, and set an incentive budget for decommissioning at $436.3 million.

On October 15, 1999, the Vermont Yankee Nuclear Power Corporation (VYNPC) agreed to sell its unit for $22 million to an unaffiliated company. Among other commitments, the acquiring company agreed to assume the decommissioning cost of the unit after it is taken out of service, and the VYNPC owners have agreed to fund the uncollected decommissioning cost to a negotiated amount at the time of the closing of the sale. VYNPC's owners have also agreed either to enter into a new purchased-power agreement with the acquiring company or to buy out such future power payment obligations by making a fixed payment to them. CL&P, WMECO and PSNH have elected the buyout option. The VYNPC owners' obligations to close and pay such amounts are conditioned upon their receipt of satisfactory regulatory approval of the transaction, including provision for adequate recovery of these payments.

NUCLEAR DECOMMISSIONING

The staff of the SEC has questioned certain of the current accounting practices of the electric utility industry regarding the recognition, measurement and classification of decommissioning costs for nuclear units in their financial statements.

Currently, the Financial Accounting Standards Board plans to review the accounting for obligations associated with the retirement of long-lived assets, including the decommissioning of nuclear units. If current accounting practices for nuclear decommissioning change, the annual provision for decommissioning could increase relative to 1999, and the estimated cost for decommissioning could be recorded as a liability with recognition of an increase in the cost of the related nuclear unit. However, management does not believe that such a change will have a material impact on the NU system's financial statements due to its current and future ability to recover decommissioning costs through rates.

SPENT NUCLEAR FUEL DISPOSAL COSTS

The United States Department of Energy (DOE) originally was scheduled to begin accepting delivery of spent fuel in 1998. However, delays in confirming the suitability of a permanent storage site continually have postponed plans for the DOE's long-term storage and disposal site. Extended delays or a default by the DOE could lead to consideration of costly alternatives. NU has the primary responsibility for the interim storage of its spent nuclear fuel. Adequate storage capacity exists to accommodate all spent nuclear fuel at Millstone 1. The facilities for Millstone 2 are expected to provide adequate storage to accommodate a full-core discharge from the reactor until 2005 with the implementation of currently planned modifications. Fuel consolidation, which has been licensed for Millstone 2, could provide adequate storage capacity for its projected life. The facilities for Millstone 3 are expected to provide adequate storage for its projected life with the addition of new storage racks. Seabrook is expected to have spent fuel storage capacity until at least 2010. Meeting spent fuel storage requirements beyond these periods could require new and separate storage facilities. For further information regarding spent nuclear fuel disposal cost, see Note 7D, "Commitments and Contingencies - Spent Nuclear Fuel Disposal Costs," to the consolidated financial statements.

MARKET RISK AND RISK MANAGEMENT INSTRUMENTS

The NU system uses swaps and collars to manage the market risk exposures associated with changes in variable interest rates and energy prices. The NU system uses these instruments to reduce risk by essentially creating offsetting market exposures. Based on the derivative instruments which are currently being

utilized by the NU system companies to hedge some of their interest rate and energy price risks, there may be an impact on earnings upon adoption of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which management has not estimated at this time.

INTEREST RATE RISK MANAGEMENT INSTRUMENTS

Several NU subsidiaries hold variable-rate, long-term debt, exposing the NU system to interest rate risk. In order to hedge some of this risk, interest rate risk management instruments have been entered into on NAEC's $200 million variable-rate note. A 10 percent increase in market interest rates above the 1999 weighted average variable rate during 2000 would result in an immaterial impact on interest expense.

ENERGY PRICE RISK MANAGEMENT INSTRUMENTS

In the generation of electricity, the most significant segment of the variable cost component is the cost of fuel. Typically, most of CL&P's fuel purchases were protected by a regulatory fuel price adjustment clause. However, for a specific, well-defined volume of fuel that was excluded from the energy price adjustment clause, CL&P employed energy price risk management instruments to protect itself against the risk of rising fuel prices, thereby limiting fuel costs and protecting its profit margins. These risks were created by the sale of long-term fixed-price electricity sales contracts to wholesale customers.

In 1999, CL&P divested substantially all of its fossil and hydroelectric generation assets and also transferred the rights and obligations of its long-term fixed-price contracts to an unregulated affiliate. As a result, the fuel swap positions were marked-to-market and CL&P recognized a loss of $5.2 million. In January 2000, the fuel swap positions were liquidated.

UNREGULATED ENERGY SERVICES MARKET RISK

NU's unregulated companies, as major providers of electricity and natural gas, have certain market risks inherent in their business activities. Market risk represents the risk of loss that may impact the companies' financial position, results of operations or cash flows due to adverse changes in commodity market prices. In 1999, the companies increased their volume of electricity and gas marketing activities, increasing their risks. Policies and procedures have been established to manage these exposures including the use of risk management instruments.

OTHER MATTERS

- ----------

ENVIRONMENTAL MATTERS

NU is subject to environmental laws and regulations structured to mitigate or remove the effect of past operations and to improve or maintain the quality of the environment. For further information regarding environmental matters, see Note 7C, "Commitments and Contingencies -- Environmental Matters," to the consolidated financial statements.

OTHER COMMITMENTS AND CONTINGENCIES

NU is subject to other other commitments and contingencies primarily relating to nuclear litigation, nuclear insurance contingencies, its construction program, long-term contractual arrangements, and the New England Power Pool generation pricing. For further information regarding these other commitments and contingencies, see Note 7, "Commitments and Contingencies," to the consolidated financial statements.

YEAR 2000 ISSUES

The transition into the year 2000 was a success for the NU system. Its mission to provide safe, reliable energy to its customers and to ensure continued operability of critical business functions was not affected by any year 2000 related issues.

The projected total cost of the year 2000 program is estimated at $21 million. The total cost to date was funded through operating cash flows. The NU system has incurred and expensed $20 million related to year 2000 readiness efforts.

FORWARD LOOKING STATEMENTS

This discussion and analysis includes forward looking statements, which are statements of future expectations and not facts. Words such as estimates, expects, anticipates, intends, plans, and similar expressions identify forward looking statements. Actual results or outcomes could differ materially as a result of further actions by state and federal regulatory bodies, competition and industry restructuring, changes in economic conditions, changes in historical weather patterns, changes in laws, developments in legal or public policy doctrines, technological developments, and other presently unknown or unforeseen factors.

RESULTS OF OPERATIONS

The components of significant income statement variances for the past two years are provided in the table below.

INCOME STATEMENT VARIANCES	1999 OVER/(UNDER) 1998		1998 OVER/(UNDER) 1997	
(Millions of Dollars)	AMOUNT	PERCENT	AMOUNT	PERCENT
Operating Revenues	$ 704	19%	$ (67)	(2)%
Operating Expenses:				
Fuel, purchased and net interchange power	428	29	(8)	(1)
Other operation	52	7	(116)	(13)
Maintenance	(58)	(15)	(103)	(20)
Depreciation	(31)	(9)	(22)	(6)
Amortization of regulatory assets, net	393	(a)	79	64
Federal and state income taxes	93	(a)	4	(a)
Taxes other than income taxes	9	4	(2)	(1)
Gain on sale of utility plant	(309)	--	--	--
Total operating expenses	584	16	(101)	(3)
Operating income	120	53	34	18
Equity in earnings of regional nuclear generating and transmission companies	(7)	(59)	(1)	(9)
Nuclear unrecoverable costs	72	50	(143)	--
Other income/(loss), net	(19)	(a)	19	61
Interest charges, net	(5)	(2)	(3)	(1)
Preferred dividends of subsidiaries	(4)	(14)	(4)	(13)
Net income/(loss)	181	(a)	(17)	(13)

(a) Percentage greater than 100.

OPERATING REVENUES

Total revenues increased by $704 million or 19 percent in 1999 due to higher revenues from the competitive companies ($552 million), higher regulated wholesale revenue ($107 million) and higher regulated retail revenue ($45 million). The competitive companies' increase is due to higher revenues from Select Energy ($526 million) and HEC Inc. (HEC) ($26 million). Select Energy's revenues were higher in 1999 as a result of new contracts for energy sales. The regulated wholesale revenue increase is primarily due to higher energy sales and related capacity and transmission revenues. The regulated retail increase is primarily due to higher retail sales ($99 million) and the impact of Millstone 2 and 3 being returned to CL&P's rate base ($13 million). These retail increases were partially offset by retail rate reductions for CL&P and WMECO ($55 and $12 million, respectively). Regulated retail kilowatt-hour sales increased by 3.8 percent.

Retail revenues decreased by $199 million in 1998 due to retail rate reductions for CL&P, PSNH and WMECO and the accounting impact of Millstone 2 and 3 being removed from CL&P's rate base. Wholesale revenues decreased by $32 million primarily as a result of the terminated contract with the Connecticut Municipal Electric Energy Cooperative (CMEEC). Other revenues decreased $50 million due to lower billings to outside companies for reimbursable costs and price differences among customer classes. These decreases were partially offset by higher fuel recoveries and higher retail sales volumes. Fuel recoveries increased by $166 million primarily due to higher fuel revenues from PSNH as a result of a higher fuel and purchased-power adjustment clause rate. Retail kilowatt-hour sales were 1.9 percent higher and contributed $48 million to nonfuel revenues in 1998 primarily as a result of economic growth in all three states.

FUEL, PURCHASED AND NET INTERCHANGE POWER

Fuel, purchased and net interchange power expense increased in 1999, primarily due to higher purchased energy and capacity costs as a result of higher sales for Select Energy ($521 million), regulated wholesale ($86 million) and regulated retail ($36 million), partially offset by lower replacement power costs due to the return to service of Millstone 2 and 3 ($215 million).

The change in fuel, purchased and net interchange power expense in 1998 was not significant.

OTHER OPERATION AND MAINTENANCE

Other O&M expenses decreased in 1999, primarily due to lower costs at the Millstone units ($125 million), partially offset by the recognition of environmental insurance proceeds in 1998 and additional environmental reserves

in 1999 ($30 million), higher transmission and power exchange expenses ($35 million), higher spending at Seabrook ($10 million) as a result of the refueling outage, higher expenditures for HEC and the competitive businesses ($32 million), and expenses associated with the Con Edison merger ($12 million) in 1999.

Other O&M expenses decreased in 1998, primarily due to lower costs at the Millstone units ($159 million), lower costs at the Seabrook and Yankee companies' nuclear units ($50 million), the recognition of environmental insurance proceeds ($27 million), and lower administrative and general expenses ($26 million). These decreases were offset partially by higher recognition of nuclear refueling outage costs primarily as a result of the 1996 CL&P rate settlement ($29 million).

DEPRECIATION

Depreciation decreased in 1999 and 1998, primarily due to the retirement of Millstone 1.

AMORTIZATION OF REGULATORY ASSETS, NET

Amortization of regulatory assets, net increased in 1999, primarily due to the increased amortization associated with the gain on the sale of CL&P's and WMECO's fossil and hydroelectric generation assets ($309 million), the amortization of CL&P's and WMECO's Millstone 1 remaining investment ($56 million) and the reclassification of the depreciation on the nuclear plants to regulatory assets ($23 million).

Amortization of regulatory assets, net increased in 1998, primarily due to accelerated amortizations in accordance with regulatory decisions for CL&P ($49 million), the amortization of NAEC's Seabrook deferred return ($79 million) and the beginning of the amortization of CL&P's Millstone 1 investment ($23 million). These increases were partially offset by the lower amortization of the PSNH acquisition premium ($40 million).

FEDERAL AND STATE INCOME TAXES

The consolidated statement of income taxes provides a reconciliation of actual and expected tax expense. The tax effect of temporary differences is accounted for in accordance with the rate-making treatment of the applicable regulatory commissions. In past years, this rate-making treatment has required the company to provide the customers with a portion of the tax benefits associated with accelerated tax depreciation in the year it is generated (flow-through depreciation). As these flow-through differences turn around, higher tax expense is recorded.

Federal and state income taxes increased approximately $93 million in 1999, primarily due to the significant increase in pretax earnings. Significant variances of other items include a $10 million increase in flow-through depreciation turnaround and $4.6 million of nontax deductible merger related expenditures offset by the elimination of a $23 million deferred tax asset valuation reserve.

Federal and state income taxes increased in 1998, primarily due to higher book taxable income, partially offset by an increase in income tax credits primarily due to the Millstone 1 write-off of unrecoverable costs as a result of the February 1999 CL&P rate decision.

GAIN ON SALE OF UTILITY PLANT

CL&P and WMECO recorded gains on the sale of their fossil and hydroelectric generation assets in 1999. A corresponding amount of amortization expense was recorded.

EQUITY IN EARNINGS OF REGIONAL NUCLEAR
GENERATING AND TRANSMISSION COMPANIES

Equity in earnings of regional nuclear generating and transmission companies decreased in 1999 and 1998, primarily due to lower earnings from the Connecticut Yankee Atomic Power Company.

NUCLEAR UNRECOVERABLE COSTS

Nuclear unrecoverable costs in 1999 are comprised of one-time charges related to the CL&P write-off of CMEEC nuclear costs ($19.9 million), the CL&P write-off of capital projects as a result of the Connecticut standard offer decision ($11 million), the CL&P/WMECO settlement of Millstone 3 joint owner litigation, net of insurance proceeds ($27 million), the WMECO return disallowed on Millstone 1 unrecovered plant from March 1998 forward ($10.8 million), and the WMECO disallowed Millstone 1 plant per the Massachusetts restructuring order ($2.1 million). In comparison, 1998 is comprised of the write-off of the Millstone 1 entitlement formerly held by CMEEC ($27.8 million) and the write-off of unrecoverable costs as a result of the February 1999 CL&P rate decision ($115.3 million).

OTHER INCOME/(LOSS), NET

Other income/(loss), net decreased in 1999, primarily due to the PSNH settlement with the New Hampshire Electric Cooperative ($6.2 million) and the

loss on the CL&P assignment of market-based contracts to Select Energy ($15 million).

The 1998 increase over 1997 is primarily due to the proceeds resulting from the shareholder derivative suit.

COMPANY REPORT

The accompanying consolidated financial statements of Northeast Utilities and subsidiaries and other sections of this annual report were prepared by the company. These financial statements, which were audited by Arthur Andersen LLP, were prepared in accordance with generally accepted accounting principles using estimates and judgment, where required, and giving consideration to materiality.

The company has endeavored to establish a control environment that encourages the maintenance of high standards of conduct in all of its business activities. The company maintains a system of internal controls over financial reporting which is designed to provide reasonable assurance to the company's management and Board of Trustees regarding the preparation of reliable, published financial statements. The system is supported by an organization of trained management personnel, policies and procedures, and a comprehensive program of internal audits. Through established programs, the company regularly communicates to its management employees their internal control responsibilities and policies prohibiting conflicts of interest.

The Audit Committee of the Board of Trustees is composed entirely of outside trustees. The Audit Committee meets periodically with management, the internal auditors and the independent auditors to review the activities of each and to discuss audit matters, financial reporting and the adequacy of internal controls.

Because of inherent limitations in any system of internal controls, errors or irregularities may occur and not be detected. The company believes, however, that its system of internal accounting controls and control environment provide reasonable assurance that its assets are safeguarded from loss or unauthorized use and that its financial records, which are the basis for the preparation of all financial statements, are reliable.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Trustees and
Shareholders of Northeast Utilities:

We have audited the accompanying consolidated balance sheets and consolidated statements of capitalization of Northeast Utilities (a Massachusetts trust) and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, comprehensive income, shareholders' equity, cash flows and income taxes for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Utilities and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Hartford, Connecticut
January 25, 2000

CONSOLIDATED STATEMENTS OF INCOME

	For the Years Ended December 31,		
(Thousands of Dollars, except share information)	1999	1998	1997
Operating Revenues	$ 4,471,251	$ 3,767,714	$ 3,834,806
Operating Expenses:			
Operation --			
Fuel, purchased and net interchange power	1,898,314	1,470,200	1,478,566
Other	855,917	803,419	919,431

Maintenance	340,419	399,165	501,693
Depreciation	302,305	332,807	354,329
Amortization of regulatory assets, net	596,437	203,132	123,718
Federal and state income taxes	180,883	82,332	12,650
Taxes other than income taxes	261,353	251,932	253,637
Gain on sale of utility plant	(308,914)	--	--
Total operating expenses	4,126,714	3,542,987	3,644,024
Operating Income	344,537	224,727	190,782
Other Income/(Loss):			
Equity in earnings of regional nuclear generating and transmission companies	5,034	12,420	11,306
Nuclear unrecoverable costs	(71,066)	(143,239)	--
Other, net	(30,855)	(12,225)	(31,185)
Minority interest in loss of subsidiary	(9,300)	(9,300)	(9,300)
Income taxes	82,272	76,393	10,702
Other loss, net	(23,915)	(75,951)	(18,477)
Income before interest charges	320,622	148,776	172,305
Interest Charges:			
Interest on long-term debt	258,093	273,824	282,095
Other interest	13,959	7,808	3,561
Deferred interest - nuclear plants	(8,401)	(12,543)	(13,675)
Interest charges, net	263,651	269,089	271,981
Income/(loss) after interest charges	56,971	(120,313)	(99,676)
Preferred Dividends of Subsidiaries	22,755	26,440	30,286
Net Income/(Loss)	$ 34,216	$ (146,753)	$ (129,962)
Earnings/(Loss) Per Common Share - Basic and Diluted	$ 0.26	$ (1.12)	$ (1.01)
Common Shares Outstanding (Average)	131,415,126	130,549,760	129,567,708

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Years Ended December 31,		
(Thousands of Dollars)	1999	1998	1997
Net Income/(Loss)	$ 34,216	$ (146,753)	$ (129,962)
Other comprehensive income, net of tax:			
Foreign currency translation adjustments	1	--	(499)
Unrealized gains on securities	118	2,019	--
Minimum pension liability adjustments	--	(613)	--
Other comprehensive income/(loss), net of tax	119	1,406	(499)
Comprehensive Income/(Loss)	$ 34,335	$ (145,347)	$ (130,461)

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEETS

	At December 31,	
(Thousands of Dollars)	1999	1998
Assets		
Utility Plant, at cost:		
Electric	$ 9,185,272	$ 9,570,547
Other	226,002	195,325
	9,411,274	9,765,872
Less: Accumulated provision for depreciation	6,088,310	4,224,416

	3,322,964	5,541,456
Unamortized PSNH acquisition costs	324,437	352,855
Construction work in progress	177,504	143,159
Nuclear fuel, net	122,529	133,411
Total net utility plant	3,947,434	6,170,881
Other Property and Investments:		
Nuclear decommissioning trusts, at market	711,910	619,143
Investments in regional nuclear generating companies, at equity	81,503	85,791
Other, at cost	94,768	151,857
	888,181	856,791
Current Assets:		
Cash and cash equivalents	255,154	136,155
Investments in securitizable assets	107,620	182,118
Receivables, less accumulated provision for uncollectible accounts of $4,895 in 1999 and $2,416 in 1998	310,190	237,207
Unbilled revenues	75,728	42,145
Fuel, materials and supplies, at average cost	172,973	202,661
Recoverable energy costs, net - current portion	73,721	67,181
Prepayments and other	75,894	68,087
	1,071,280	935,554
Deferred Charges:		
Regulatory assets	3,642,439	2,328,949
Unamortized debt expense	39,192	40,416
Other	99,526	54,790
	3,781,157	2,424,155
Total Assets	$ 9,688,052	$10,387,381

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEETS

	At December 31,	
(Thousands of Dollars)	1999	1998
Capitalization and Liabilities:		
Capitalization:		
Common shares, $5 par value - authorized 225,000,000 shares; 137,393,829 shares issued and 131,870,284 shares outstanding in 1999 and 137,031,264 shares issued and 130,954,740 shares outstanding in 1998	$ 686,969	$ 685,156
Capital surplus, paid in	940,726	940,661
Deferred contribution plan - employee stock ownership plan	(127,725)	(140,619)
Retained earnings	581,817	560,769
Accumulated other comprehensive income	1,524	1,405
Total common shareholders' equity	2,083,311	2,047,372
Preferred stock not subject to mandatory redemption	136,200	136,200
Preferred stock subject to mandatory redemption	121,289	167,539
Long-term debt	2,372,341	3,282,138
Total capitalization	4,713,141	5,633,249
Minority Interest in Consolidated Subsidiaries	100,000	100,000
Obligations Under Capital Leases	62,824	88,423
Current Liabilities:		
Notes payable to banks	278,000	30,000
Long-term debt and preferred stock - current portion	503,315	397,153
Obligations under capital leases - current portion	118,469	120,856
Accounts payable	347,321	338,612
Accrued taxes	158,684	50,755
Accrued interest	37,904	51,044
Other	126,768	139,367
	1,570,461	1,127,787
Deferred Credits and Other Long-Term Liabilities:		

Accumulated deferred income taxes	1,688,114	1,848,694
Accumulated deferred investment tax credits	140,407	143,369
Decommissioning obligation - Millstone 1	702,351	692,000
Deferred contractual obligations	358,387	418,760
Other	352,367	335,099
	3,241,626	3,437,922
Total Capitalization and Liabilities	$ 9,688,052	$10,387,381

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Thousands of Dollars)	Common Shares	Capital Surplus, Paid In	Deferred Contribution Plan -- ESOP	Retained Earnings (a)	Accumulated Other Comprehensive Income	Total
Balance as of January 1, 1997	$680,260	$939,589	$(176,091)	$ 869,618	$ 498	$2,313,874
Net loss for 1997				(129,962)		(129,962)
Cash dividends on common shares - $0.25 per share				(32,134)		(32,134)
Issuance of 790,232 common shares, $5 par value	3,951	2,551				6,502
Allocation of benefits - ESOP		(12,238)	21,950			9,712
Capital stock expenses, net		2,592				2,592
Other comprehensive loss					(499)	(499)
Balance as of December 31, 1997	684,211	932,494	(154,141)	707,522	(1)	2,170,085
Net loss for 1998				(146,753)		(146,753)
Issuance of 189,094 common shares, $5 par value	945	1,714				2,659
Allocation of benefits - ESOP		(4,769)	13,522			8,753
Unearned stock compensation		(537)				(537)
Capital stock expenses, net		3,560				3,560
Gain on equity investment		8,140				8,140
Gain on repurchase of preferred stock		59				59
Other comprehensive income					1,406	1,406
Balance as of December 31, 1998	685,156	940,661	(140,619)	560,769	1,405	2,047,372
Net income for 1999				34,216		34,216
Cash dividends on common shares - $0.10 per share				(13,168)		(13,168)
Issuance of 362,565 common shares, $5 par value	1,813	3,505				5,318
Allocation of benefits - ESOP		(3,053)	12,894			9,841
Unearned stock compensation		(1,194)				(1,194)
Capital stock expenses, net		807				807
Other comprehensive income					119	119
Balance as of December 31, 1999	$686,969	$940,726	$(127,725)	$ 581,817	$1,524	$ 2,083,311

(a) Certain consolidated subsidiaries have dividend restrictions imposed by their long-term debt agreements. These restrictions also limit the amount of retained earnings available for NU common dividends. At December 31, 1999, retained earnings available for the payment of dividends totaled $158.5 million.

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
(Thousands of Dollars)	1999	1998	1997
Operating Activities:			

Income/(loss) after interest charges	$ 56,971	$ (120,313)	$ (99,676)
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation	302,305	332,807	354,329
Deferred income taxes and investment tax credits, net	(183,356)	23,502	26,435
Amortization of regulatory assets, net	596,437	203,132	123,718
Amortization of demand-side-management costs, net	10,014	42,085	38,029
Amortization/(deferral) of recoverable energy costs	44,526	38,356	(54,102)
Nuclear unrecoverable costs	71,066	143,239	--
Gain on sale of utility plant	(308,914)	--	--
Net other (uses)/sources of cash	(55,543)	55,399	(66,518)
Changes in working capital:			
Receivables and unbilled revenues, net	(106,566)	(27,553)	352,384
Fuel, materials and supplies	29,688	10,060	(1,307)
Accounts payable	8,709	(64,258)	(104,269)
Accrued taxes	107,929	4,739	38,966
Investments in securitizable assets	74,498	48,787	(230,905)
Other working capital (excludes cash)	(33,546)	(26,714)	(36,464)
Net cash flows provided by operating activities	614,218	663,268	340,620
Financing Activities:			
Issuance of common shares	5,318	2,659	6,502
Issuance of long-term debt	200	275	260,000
Net increase/(decrease) in short-term debt	248,000	(20,000)	11,250
Reacquisitions and retirements of long-term debt	(817,759)	(269,555)	(288,793)
Reacquisitions and retirements of preferred stock	(46,250)	(62,211)	(25,000)
Cash dividends on preferred stock	(22,755)	(26,440)	(30,286)
Cash dividends on common shares	(13,168)	--	(32,134)
Net cash flows used in financing activities	(646,414)	(375,272)	(98,461)
Investing Activities:			
Investment in plant:			
Electric and other utility plant	(287,081)	(217,009)	(233,399)
Nuclear fuel	(42,471)	(17,026)	(6,852)
Net cash flows used for investments in plant	(329,552)	(234,035)	(240,251)
Investment in nuclear decommissioning trusts	(74,231)	(75,551)	(61,046)
Investment in nonregulated assets	(23,542)	--	--
Net proceeds from the sale of utility plant	565,436	--	--
Other investment activities, net	13,084	14,342	8,344
Net cash flows provided by/(used in) investing activities	151,195	(295,244)	(292,953)
Net increase/(decrease) in cash for the period	118,999	(7,248)	(50,794)
Cash and cash equivalents - beginning of period	136,155	143,403	194,197
Cash and cash equivalents - end of period	$ 255,154	$ 136,155	$ 143,403
Supplemental Cash Flow Information:			
Cash paid/(refunded) during the year for:			
Interest, net of amounts capitalized	$ 266,823	$ 238,990	$ 291,335
Income taxes	$ 86,183	$ 19,454	$ (26,387)
Increase in obligations:			
Niantic Bay Fuel Trust and other capital leases	$ 5,865	$ 12,583	$ 3,475

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CAPITALIZATION

	At December 31,	
(Thousands of Dollars)	1999	1998
Common Shareholders' Equity	$2,083,311	$2,047,372
Cumulative Preferred Stock of Subsidiaries:		
$25 par value -- authorized 36,600,000 shares at December 31, 1999 and 1998; 2,720,000 shares outstanding in 1999 and 3,780,000 shares outstanding in 1998		
$50 par value -- authorized 9,000,000 shares at December 31, 1999 and 1998; 4,314,774 shares outstanding in 1999 and 4,709,774 shares outstanding in 1998		
$100 par value -- authorized 1,000,000 shares at December 31, 1999 and 1998; 200,000 shares outstanding in 1999 and 1998		

Dividend Rates	Current Redemption Prices (a)	Current Shares Outstanding

Not Subject to Mandatory Redemption:				
$50 par value -- $1.90 to $3.28	$50.50 to $54.00	2,324,000	116,200	116,200
$100 par value -- $7.72	$103.51	200,000	20,000	20,000
Total Preferred Stock Not Subject to Mandatory Redemption			136,200	136,200
Subject to Mandatory Redemption:(b)				
$25 par value -- $1.90 to $2.65	$25.00 to $25.38	2,720,000	68,000	94,500
$50 par value -- $2.65 to $3.615	$50.67 to $51.93	1,990,774	99,539	119,289
Total Preferred Stock Subject to Mandatory Redemption			167,539	213,789
Less: Preferred Stock to be redeemed within one year			46,250	46,250
Preferred Stock Subject to Mandatory Redemption, net			121,289	167,539
Long-Term Debt:(c)				
First Mortgage Bonds --				
Maturity	Interest Rates			
1999	5.50% to 7.25%		--	254,000
2000	5.75% to 6.875%		159,000	260,000
2001	7.375% to 7.875%		220,000	220,000
2002	7.75% to 9.05%		489,150	560,000
2004	6.125%		--	140,000
2019-2023	7.375% to 7.50%		20,000	120,000
2024-2025	7.375% to 8.50%		305,000	430,000
Total First Mortgage Bonds			1,193,150	1,984,000
Other Long-Term Debt --				
Pollution Control Notes and Other Notes -- (d)				
2000	Adjustable Rate(e) and 7.67%		206,011	212,022
2005-2006	8.38% to 8.58%		158,000	177,000
2013-2018	Adjustable Rate and 5.90%		33,400	33,400
2020	Adjustable Rate		15,300	15,300
2021-2022	5.85% to 7.65% and Adjustable Rate		552,485	552,485
2028	5.85% to 5.95%		369,300	369,300
2031	Adjustable Rate		62,000	62,000
Total Pollution Control Notes and Other Notes			1,396,496	1,421,507
Fees and interest due for spent nuclear fuel disposal costs			226,463	216,377
Other			15,346	17,043
Total Other Long-Term Debt			1,638,305	1,654,927
Unamortized premium and discount, net			(2,049)	(5,886)
Total Long-Term Debt			2,829,406	3,633,041
Less: Amounts due within one year			457,065	350,903
Long-Term Debt, net			2,372,341	3,282,138
Total Capitalization			$4,713,141	$5,633,249

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED STATEMENTS OF CAPITALIZATION

(a) Each of these series is subject to certain refunding limitations for the first five years after issuance. Redemption prices reduce in future years.

(b) Changes in Preferred Stock Subject to Mandatory Redemption:

(Millions of Dollars)	
Balance at December 31, 1997	$ 276.0
Reacquisitions and Retirements	(62.2)
Balance at December 31, 1998	213.8
Reacquisitions and Retirements	(46.3)
Balance at December 31, 1999	$ 167.5

The minimum sinking fund requirements of the series subject each year to mandatory redemption aggregate $46.3 million each year in 2000 and 2001, $21.3 million in 2002, $7.7 million in 2003 and $5.3 million in 2004. In case of default on sinking fund payments, no payments may be made on any junior stock by way of dividends or otherwise (other than in shares of junior stock) so long

as the default continues. If a subsidiary is in arrears in the payment of dividends on any outstanding shares of preferred stock, the subsidiary is prohibited from redeeming or purchasing less than all of the outstanding preferred stock.

(c) Long-term debt maturities and cash sinking fund requirements, excluding fees and interest due for spent nuclear fuel disposal costs, on debt outstanding at December 31, 1999, for the years 2000 through 2004 are $457.1 million, $314 million, $374.6 million, $25.6 million, and $25.5 million, respectively.

Essentially all utility plant of CL&P, PSNH, WMECO, and NAEC, is subject to the liens of each company's respective first mortgage bond indenture. NAEC's first mortgage bonds are also secured by payments made to NAEC by PSNH under the terms of two life-of-unit, full cost recovery contracts.

CL&P and WMECO have secured $369.3 million of pollution control notes with second mortgage liens on Millstone 1, junior to the liens of their respective first mortgage bond indentures.

CL&P has $62 million of tax-exempt Pollution Control Revenue Bonds (PCRBs) with bond insurance secured by the first mortgage bonds and a liquidity facility.

Concurrent with the issuance of PSNH's Series A and B first mortgage bonds, PSNH entered into financing arrangements with the Business Finance Authority (BFA) of the state of New Hampshire. Pursuant to these arrangements, the BFA issued seven series of PCRBs and loaned the proceeds to PSNH. At December 31, 1999 and 1998, $516.5 million of the PCRBs were outstanding. PSNH's obligation to repay each series of PCRBs is secured by the first mortgage bonds. Each such series of first mortgage bonds contains similar terms and provisions as the applicable series of PCRBs. For financial reporting purposes, these bonds would not be considered outstanding unless PSNH failed to meet its obligations under the PCRBs.

(d) The average effective interest rates on the variable-rate pollution control notes ranged from 2.2 percent to 6.1 percent for 1999 and 3.1 percent to 5.6 percent for 1998.

During 1998, $535 million of adjustable-rate debt was converted to fixed-rate debt at rates ranging from 5.85 percent to 6.0 percent.

(e) Interest rate swaps effectively fix the interest rate of NAEC's $200 million variable-rate bank note at interest rates ranging from 5.81 percent to 6.07 percent.

CONSOLIDATED STATEMENTS OF INCOME TAXES

	For the Years Ended December 31,		
(Thousands of Dollars)	1999	1998	1997
The components of the federal and state income tax provisions charged to operations are:			
Current income taxes:			
Federal	$ 248,012	$(13,660)	$(22,760)
State	33,955	(3,903)	(1,727)
Total current	281,967	(17,563)	(24,487)
Deferred income taxes, net:			
Federal	(134,773)	51,913	46,871
State	(28,789)	(12,948)	(10,841)
Total deferred	(163,562)	38,965	36,030
Investment tax credits, net	(19,794)	(15,463)	(9,595)
Total income tax expense	$ 98,611	$ 5,939	$ 1,948
The components of total income tax expense are classified as follows:			
Income taxes charged to operating expenses	$ 180,883	$ 82,332	$ 12,650
Other income taxes	(82,272)	(76,393)	(10,702)
Total income tax expense	$ 98,611	$ 5,939	$ 1,948
Deferred income taxes are comprised of the tax effects of temporary differences as follows:			
Deferred tax asset associated with net operating losses	$ 14,801	$ 69,212	$ --
Depreciation, leased nuclear fuel, settlement credits and disposal costs	(4,580)	16,217	32,932
Regulatory deferral	(23,463)	(26,786)	19,237
State net operating loss carryforward	7,777	1,150	(7,670)
Regulatory disallowance	(30,719)	(18,080)	--

Sale of fossil and hydroelectric generation assets	(125,807)	--	--
Other	(1,571)	(2,748)	(8,469)
Deferred income taxes, net	$(163,562)	$ 38,965	$ 36,030
A reconciliation between income tax expense and the expected tax expense at 35 percent of pretax income:			
Expected federal income tax	$ 54,454	$(40,031)	$(34,205)
Tax effect of differences:			
Depreciation	35,672	25,793	21,776
Amortization of regulatory assets	34,736	30,740	5,498
Amortization of PSNH acquisition costs	9,946	17,301	31,298
Investment tax credit amortization	(19,794)	(15,463)	(9,595)
State income taxes, net of federal benefit	3,358	(10,953)	(8,169)
Nondeductible penalties	17	3,589	648
Adjustment for prior years' taxes	(2,796)	(7,338)	(2,592)
Employee stock ownership plan	1,166	(1,670)	(4,648)
Dividends received deduction	(1,314)	(3,218)	(1,563)
Adjustment to tax asset valuation allowance	(23,129)	7,000	8,750
Merger related expenditures	4,597	--	--
Other, net	1,698	189	(5,250)
Total income tax expense	$ 98,611	$ 5,939	$ 1,948

The accompanying notes are in integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ABOUT NORTHEAST UTILITIES

Northeast Utilities (NU or the company) is the parent company of the Northeast Utilities system (NU system). Through its regulated utilities and unregulated energy service companies, the NU system serves in excess of 30 percent of New England's electric needs and is one of the 20 largest electric utility systems in the country as measured by revenues. The NU system's regulated utilities furnish franchised retail electric service in Connecticut, New Hampshire and western Massachusetts through three wholly owned subsidiaries: The Connecticut Light and Power Company (CL&P), Public Service Company of New Hampshire (PSNH) and Western Massachusetts Electric Company (WMECO). Another wholly owned subsidiary, North Atlantic Energy Corporation (NAEC), sells all of its entitlement to the capacity and output of the Seabrook Station (Seabrook) nuclear unit to PSNH under the terms of two life-of-unit, full cost recovery contracts (Seabrook Power Contracts). A fifth wholly owned subsidiary, Holyoke Water Power Company (HWP), also is engaged in the production and distribution of electric power.

NU is registered with the Securities and Exchange Commission (SEC) as a holding company under the Public Utility Holding Company Act of 1935 (1935 Act), and the NU system is subject to the provisions of the 1935 Act. Arrangements among the NU system companies, outside agencies and other utilities covering interconnections, interchange of electric power and sales of utility property are subject to regulation by the Federal Energy Regulatory Commission (FERC) and/or the SEC. The operating subsidiaries are subject to further regulation for rates, accounting and other matters by the FERC and/or applicable state regulatory commissions.

NU Enterprises, Inc. (NUEI) is a wholly owned subsidiary of NU and acts as the holding company for NU's unregulated energy service companies. Northeast Generation Company (NGC) was formed to acquire generating facilities. Northeast Generation Services Company (NGS) was formed to provide services to the electric generation market as well as to large commercial and industrial customers in the Northeast. Select Energy, Inc. (Select Energy), HEC Inc. (HEC) and Mode 1 Communications, Inc. (Mode 1) engage in a variety of energy-related and telecommunications activities, as applicable, primarily in the unregulated energy retail and wholesale commodity, marketing and services fields. During 1999 and 1998, NUEI accounted for 13.6 percent and 1.4 percent of consolidated revenues, respectively.

Several wholly owned subsidiaries of NU provide support services for the NU system companies and, in some cases, for other New England utilities. Northeast Utilities Service Company provides centralized accounting, administrative, information resources, engineering, financial, legal, operational, planning, purchasing, and other services to the NU system companies. Northeast Nuclear Energy Company acts as agent for the NU system companies and other New England utilities in operating the Millstone nuclear units. North Atlantic Energy Service Corporation has operational responsibility for Seabrook. Three other subsidiaries construct, acquire or lease some of the property and facilities used by the NU system companies.

On October 13, 1999, NU and Consolidated Edison, Inc. (Con Edison) announced that they have agreed to a merger to combine the two companies. For further information, see Note 15, " Merger Agreement with Con Edison."

On October 12, 1999, Yankee Energy System, Inc. shareholders approved the proposed merger with NU. On December 20, 1999, the Connecticut Department of Public Utility Control (DPUC) issued its final decision approving the merger.

In January 2000, the SEC granted final approval of the merger. The transaction is expected to close in early March 2000.

B. PRESENTATION

The consolidated financial statements of the NU system include the accounts of all subsidiaries. Intercompany transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain reclassifications of prior years' data have been made to conform with the current year's presentation.

C. NEW ACCOUNTING STANDARDS

The Financial Accounting Standards Board (FASB) has issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments and hedging activities. This statement will require derivative instruments utilized by the NU system companies to be recognized on the balance sheets as assets or liabilities at fair value.

In June 1999, the FASB delayed the adoption date of SFAS No. 133 until January 1, 2001.

Based on the derivative instruments which currently are being utilized by the NU system companies to hedge some of their interest rate risk and certain power contracts, there may be an impact on earnings upon adoption of SFAS No. 133 which management has not estimated at this time.

D. INVESTMENTS AND JOINTLY OWNED ELECTRIC UTILITY PLANT

Regional Nuclear Generating Companies: CL&P, PSNH and WMECO own common stock in four regional nuclear companies (Yankee Companies). The NU system's ownership interests in the Yankee Companies at December 31, 1999 and 1998, which are accounted for on the equity basis due to the NU system companies' ability to exercise significant influence over their operating and financial policies are 49 percent of the Connecticut Yankee Atomic Power Company (CYAPC), 38.5 percent of the Yankee Atomic Electric Company (YAEC), 20 percent of the Maine Yankee Atomic Power Company (MYAPC), and 16 percent of the Vermont Yankee Nuclear Power Corporation (VYNPC). The NU system's total equity investment in the Yankee Companies at December 31, 1999 and 1998, is $81.5 million and $85.8 million, respectively. Each Yankee Company owns a single nuclear generating unit. However, VYNPC is the only unit still in operation at December 31, 1999.

Millstone: CL&P and WMECO together own 100 percent of both Millstone 1, a 660 megawatt (MW) nuclear unit and Millstone 2, an 870 MW nuclear generating unit. CL&P, PSNH and WMECO together have a 68.02 percent joint ownership interest in Millstone 3, a 1,154 MW nuclear generating unit. The company expects to auction all three units as a single package in 2000, with a closing in 2001. Appropriate regulatory approvals will be required to complete the auction.

Seabrook: CL&P and NAEC together have a 40.04 percent joint ownership interest in Seabrook, a 1,148 MW nuclear generating unit. NAEC sells all of its share of the power generated by Seabrook to PSNH under the Seabrook Power Contracts. CL&P and NAEC expect to auction their investment in Seabrook upon the resolution of the restructuring issues in the state of New Hampshire.

Plant-in-service and the accumulated provision for depreciation for the NU system's share of Millstone 2 and 3 and Seabrook are as follows:

	At December 31,	
(Millions of Dollars)	1999	1998
Plant-in-service		
Millstone 2	$ 952.1	$ 936.8
Millstone 3	2,414.9	2,407.4
Seabrook	901.9	895.5
Accumulated provision for depreciation		
Millstone 2	$ 910.0	$ 379.6
Millstone 3	2,220.5	765.9
Seabrook	318.8	170.0

Hydro-Quebec: NU has a 22.66 percent equity ownership interest, totaling $16.5 million, in two companies that transmit electricity imported from the Hydro-Quebec system in Canada.

E. DEPRECIATION

The provision for depreciation is calculated using the straight-line method based on the estimated remaining useful lives of depreciable utility

plant-in-service, adjusted for salvage value and removal costs, as approved by the appropriate regulatory agency where applicable. Except for major facilities, depreciation rates are applied to the average plant-in-service during the period. Major facilities are depreciated from the time they are placed in service. When plant is retired from service, the original cost of the plant, including costs of removal less salvage, is charged to the accumulated provision for depreciation. The costs of closure and removal of nonnuclear facilities are accrued over the life of the plant as a component of depreciation. The depreciation rates for the several classes of electric plant-in-service are equivalent to a composite rate of 3.3 percent in 1999 and 1998 and 3.8 percent in 1997.

At December 31, 1999 and 1998, the accumulated provision for depreciation included $91.5 million and $88.4 million, respectively, accrued for the cost of removal, net of salvage, for nonnuclear generation property.

As a result of discontinuing the application of SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation," for CL&P's and WMECO's generation businesses, including CL&P's ownership interest in Seabrook, the company recorded a charge to accumulated depreciation for the nuclear plant in excess of fair market value in the amount of $2 billion and a corresponding regulatory asset was created.

F. REVENUES

Regulated utility revenues are based on authorized rates applied to each customer's use of electricity. In general, rates can be changed only through a formal proceeding before the appropriate regulatory commission. Regulatory commissions also have authority over the terms and conditions of nontraditional rate-making arrangements. At the end of each accounting period, CL&P, PSNH and WMECO accrue a revenue estimate for the amount of energy delivered but unbilled.

Revenues for NU's unregulated subsidiaries, primarily Select Energy, are recognized when the energy is delivered.

G. PSNH ACQUISITION COSTS

PSNH acquisition costs represent the aggregate value placed by the 1989 rate agreement with the state of New Hampshire (Rate Agreement) on PSNH's assets in excess of the net book value of PSNH's non-Seabrook assets, plus the $700 million value assigned to Seabrook by the Rate Agreement as part of the bankruptcy resolution on June 5, 1992. The Rate Agreement provides for the recovery through rates, with a return, of the PSNH acquisition costs. The unrecovered balance was $324.4 million and $352.9 million at December 31, 1999 and 1998, respectively, and is being recovered ratably over a 20-year period ending May 1, 2011, in accordance with the Rate Agreement. Through December 31, 1999 and 1998, $668 million and $640 million, respectively, has been collected.

H. REGULATORY ACCOUNTING AND ASSETS

The accounting policies of the NU system operating companies and the accompanying consolidated financial statements conform to generally accepted accounting principles applicable to rate-regulated enterprises and historically reflect the effects of the rate-making process in accordance with SFAS No. 71. As a result of final restructuring orders issued in 1999, CL&P and WMECO discontinued the application of SFAS No. 71 for the generation portion of their businesses.

Based on a current evaluation of the various factors and conditions that are expected to impact future cost recovery, management continues to believe it is probable that the NU system operating companies will recover their investments in long-lived assets, including regulatory assets. In addition, all material regulatory assets are earning a return. The components of the NU system companies' regulatory assets are as follows:

	At December 31,	
(Millions of Dollars)	1999	1998
Recoverable nuclear costs	$2,210.8	$ 576.3
Income taxes, net	636.6	762.5
Unrecovered contractual obligations	349.2	408.0
Recoverable energy costs, net	228.2	279.2
Deferred costs - nuclear plants	111.6	187.1
Other	106.0	115.8
	$3,642.4	$2,328.9

The restructuring orders in Connecticut and Massachusetts provide for the transmission and distribution business to continue to be cost-of-service based and also provide for a transition charge which recovers stranded costs, including the nuclear regulatory assets established below.

As a result of discontinuing the application of SFAS No. 71 for CL&P's and WMECO's generation businesses, the company reclassified nuclear plant in excess of its estimated fair market value from plant to regulatory assets. As of December 31, 1999, both the CL&P unamortized balance ($1.38 billion) and the

WMECO unamortized balance ($316.1 million) are classified as recoverable nuclear costs. Also included in that regulatory asset component for 1999 is $514.7 million, which includes Millstone 1 recoverable nuclear costs relating to the recoverable portion of the undepreciated plant and related assets ($145.7 million) and the decommissioning and closure obligation ($369 million).

At this time, management continues to believe that the application of SFAS No. 71 for PSNH and NAEC remains appropriate. If the "Agreement to Settle PSNH Restructuring" (Settlement Agreement), as filed, is approved by the New Hampshire Public Utilities Commission (NHPUC) and implemented, then PSNH will discontinue the application of SFAS No. 71 for the generation portion of its business and record an after-tax write-off of $225 million. PSNH's transmission and distribution business will continue to be rate-regulated on a cost-of-service basis as the Settlement Agreement allows for the recovery of the remaining regulatory assets through that portion of the business.

I. INCOME TAXES

The tax effect of temporary differences (differences between the periods in which transactions affect income in the financial statements and the periods in which they affect the determination of taxable income) is accounted for in accordance with the rate-making treatment of the applicable regulatory commissions.

The tax effect of temporary differences, including timing differences accrued under previously approved accounting standards, that give rise to the accumulated deferred tax obligation is as follows:

	At December 31,	
(Millions of Dollars)	1999	1998
Accelerated depreciation and other plant-related differences	$1,388.0	$1,537.9
Net operating loss carryforwards	--	(33.4)
Regulatory assets-- income tax gross-up	241.2	370.0
Other	58.9	(25.8)
	$1,688.1	$1,848.7

As of December 31, 1999, PSNH had an Investment Tax Credit carryforward of $23 million, which if unused, expires in 2004.

J. RECOVERABLE ENERGY COSTS

Energy Policy Act of 1992: Under the Energy Policy Act of 1992 (Energy Act), CL&P, PSNH, WMECO, and NAEC are assessed for their proportionate shares of the costs of decontaminating and decommissioning uranium enrichment plants owned by the United States Department of Energy (DOE) (D&D Assessment). The Energy Act requires that regulators treat D&D Assessments as a reasonable and necessary current cost of fuel, to be fully recovered in rates like any other fuel cost. CL&P, PSNH, WMECO, and NAEC are currently recovering these costs through rates. As of December 31, 1999 and 1998, the NU system's total D&D Assessment deferrals were $38.4 million and $57.5 million, respectively.

CL&P: Through December 31, 1999, CL&P had an energy adjustment clause under which fuel prices above or below base-rate levels were charged to or credited to customers. At December 31, 1999 and 1998, recoverable energy costs included $62.6 million and $78.1 million, respectively, of costs previously deferred. Coincident with the start of restructuring, the fuel clause was terminated. The balance at December 31, 1999, has been recorded as a generation-related stranded cost and will be recovered through a transition charge mechanism.

PSNH: The Rate Agreement includes a fuel and purchased-power adjustment clause (FPPAC) permitting PSNH to pass through to retail customers, for a 10-year period that began in May 1991, the retail portion of differences between the fuel and purchased-power costs assumed in the Rate Agreement and PSNH's actual costs, which include the costs related to the Seabrook Power Contracts and the Clean Air Act Amendment. The cost components of the FPPAC are subject to a prudence review by the NHPUC. At December 31, 1999 and 1998, PSNH had $120.7 million and $156.3 million, respectively, of noncurrent recoverable energy costs deferred under the FPPAC. If the Settlement Agreement is approved, the FPPAC will be recovered through a transition charge.

K. DEFERRED COSTS -- NUCLEAR PLANTS

Under the Rate Agreement, the plant costs of Seabrook were phased into rates over a 7-year period beginning May 15, 1991. Total costs deferred under the phase-in plan were $288 million. This plan is accounted for in compliance with SFAS No. 92, "Regulated Enterprises -- Accounting for Phase-In Plans." The costs will be fully recovered from PSNH's customers by May 2001.

L. UNRECOVERED CONTRACTUAL OBLIGATIONS

Under the terms of contracts with the Yankee Companies, the shareholder-

sponsored companies are responsible for their proportionate share of the remaining costs of the units, including decommissioning. As management expects that the NU system companies will be allowed to recover these costs from their customers, the NU system companies have recorded regulatory assets, with corresponding obligations, on their respective balance sheets.

M. INTEREST RATE RISK MANAGEMENT INSTRUMENTS

The NU system utilizes market risk management instruments to hedge well-defined risks associated with variable interest rates. To qualify for hedge treatment, the underlying hedged item must expose the company to risks associated with market fluctuations and the market risk management instrument used must be designated as a hedge and must reduce the NU system's exposure to market fluctuations throughout the period. Amounts receivable or payable under interest rate risk management instruments are accrued and offset against interest expense.

N. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand and short-term cash investments which are highly liquid in nature and have original maturities of three months or less.

2. NUCLEAR DECOMMISSIONING AND PLANT CLOSURE COSTS

Millstone and Seabrook: The NU system operating nuclear power plants, Millstone 2 and 3 and Seabrook, have service lives that are expected to end during the years 2015 through 2026, and upon retirement, must be decommissioned. Millstone 1's expected service life was to end in 2010, however, in July 1998, restart activities were discontinued and preparations for decommissioning the unit began. Current decommissioning studies conclude that complete and immediate dismantlement as soon as practical after retirement continues to be the most viable and economic method of decommissioning a unit. These studies are reviewed and updated periodically to reflect changes in decommissioning requirements, costs, technology, and inflation. Changes in requirements or technology, the timing of funding or dismantling or adoption of a decommissioning method other than immediate dismantlement would change decommissioning cost estimates and the amounts required to be recovered. CL&P, PSNH and WMECO attempt to recover sufficient amounts through their allowed rates to cover their expected decommissioning costs.

The estimated cost of decommissioning Millstone 2, in year end 1999 dollars is $413.4 million. The NU system's ownership share of the estimated cost of decommissioning Millstone 3 and Seabrook in year end 1999 dollars, is $421.3 million and $226.2 million, respectively. Nuclear decommissioning costs are accrued over the expected service lives of the units and are included in depreciation expense. Nuclear decommissioning expenses for these units amounted to $30.6 million in 1999, $27.9 million in 1998 and $28.6 million in 1997. Nuclear decommissioning, as a cost of removal, is included in the accumulated provision for depreciation. Through December 31, 1999 and 1998, total decommissioning expenses of $260.6 million and $229.7 million, respectively, have been collected from customers and are reflected in the accumulated provision for depreciation.

A Post-Shutdown Decommissioning Activities Report for Millstone 1 was filed with the Nuclear Regulatory Commission (NRC) in June 1999 which outlines decommissioning activities, and costs, and supports the obligation recorded by the company. Nuclear decommissioning expenses for Millstone 1 were $25.7 million in 1999, $19.8 million in 1998 and $20.2 million in 1997.

External decommissioning trusts have been established for the costs of decommissioning the Millstone units. Payments for the NU system's ownership share of the cost of decommissioning Seabrook are paid to an independent decommissioning financing fund managed by the state of New Hampshire. Funding of the estimated decommissioning costs assumes levelized collections for the Millstone units and escalated collections for Seabrook and after-tax earnings on the Millstone and Seabrook decommissioning funds of 5.5 percent and 6.5 percent, respectively.

As of December 31, 1999 and 1998, CL&P, PSNH and WMECO collected a total of $260.6 million and $229.7 million, respectively, through rates toward the future decommissioning costs of their shares of Millstone 2 and 3 and Seabrook, of which $239.7 million in 1999 and $209.9 million in 1998 have been transferred to external decommissioning trusts. Earnings on the decommissioning trusts increase the decommissioning trust balances and the accumulated reserves for depreciation. Unrealized gains and losses associated with the decommissioning trusts and financing funds also impact the balance of the trusts and the accumulated reserve for depreciation. The fair values of the amounts in the external decommissioning trusts were $410.2 million and $349.9 million at December 31, 1999 and 1998, respectively.

Yankee Companies: VYNPC owns and operates a nuclear generating unit with a service life that is expected to end in 2012. The NU system's ownership share of estimated costs, in year end 1999 dollars, of decommissioning this unit is $68.6 million. On October 15, 1999, VYNPC agreed to sell the unit for $22 million to an unaffiliated company. Among other commitments, the acquiring company agreed to assume the decommissioning cost of the unit after it is taken out of service, and the VYNPC owners have agreed to fund the uncollected decommissioning cost to a negotiated amount at the time of the closing of the sale.

As of December 31, 1999 and 1998, NU's remaining estimated obligation, including decommissioning for the units owned by CYAPC, YAEC and MYAPC, which have been shut down was $358.4 million and $418.8 million, respectively.

3. SHORT-TERM DEBT

Limits: The amount of short-term borrowings that may be incurred by NU and the NU system operating companies is subject to periodic approval by either the SEC under the 1935 Act or by the respective state regulators. SEC authorization allowed NU, CL&P, WMECO, and NAEC, as of January 1, 1999, to incur total short-term borrowings up to a maximum of $400 million, $375 million, $250 million, and $60 million, respectively. In addition, the charters of CL&P and WMECO contain preferred stock provisions restricting the amount of unsecured debt those companies may incur. As of December 31, 1999, CL&P's and WMECO's charters permit CL&P and WMECO to incur $322 million and $132 million, respectively, of unsecured debt. PSNH is authorized under a NHPUC order to incur short-term borrowings up to a maximum of $68.3 million.

Credit Agreements: On November 19, 1999, CL&P and WMECO entered into a new 364-day revolving credit facility for $500 million, replacing the previous $313.75 million facility which was to expire on November 21, 1999. The revolving credit facility will be used to bridge gaps in working capital and provide short-term liquidity. CL&P and WMECO may draw up to $300 million and $200 million, respectively, under the facility which is secured by second mortgages on Millstone 2 and 3. Unless extended, the new credit facility will expire on November 17, 2000. At December 31, 1999 and 1998, there were $213 million and $30 million, respectively, in borrowings under these facilities.

To support the working capital needs of NU and its unregulated subsidiaries, NU replaced its $25 million 364-day revolving credit facility which was to expire on November 21, 1999, with a new 364-day unsecured revolving credit facility (NU Credit Agreement) on November 19, 1999. This new facility provides a total commitment of $350 million which is available subject to two overlapping sub-limits. First, subject to the notional amount of any letters of credit outstanding, amounts up to $200 million are available for advances. Second, subject to the advances outstanding, letters of credit may be issued in notional amounts up to $250 million. Unless extended, this credit facility will expire on November 17, 2000. As of December 31, 1999 and 1998, there were $65 million and no borrowings under the NU Credit Agreement and the previous credit facility, respectively. In regard to credit support, NU had $29 million in letters of credit issued under this agreement as of December 31, 1999.

In addition, NU provides credit assurance in the form of guarantees, letters of credit, performance guarantees and other assurances for the financial performance obligations of certain of its unregulated subsidiaries. NU currently has authorization from the SEC to provide up to $500 million of guarantees, but is limited under certain loan agreements to $350 million of such arrangements without creditor approval. As of December 31, 1999, NU had provided approximately $190 million of such credit assurances.

Under the credit agreements discussed above, the respective borrowers may borrow at fixed or variable rates plus an applicable margin based upon the companies' most senior secured debt as rated by the lower of Standard and Poor's or Moody's Investor Service (Moody's). The weighted average interest rate on the NU system companies' notes payable to banks outstanding on December 31, 1999 and 1998, was 7.928 percent and 6.53 percent, respectively. Maturities of short-term debt obligations were for periods of three months or less.

These credit agreements provide that the parties to these agreements must comply with certain financial and nonfinancial covenants as are customarily included in such agreements, including, but not limited to, common equity ratios, interest coverage ratios and dividend payment restrictions.

4. LEASES

CL&P and WMECO finance their nuclear fuel for Millstone 2 and their respective shares of the nuclear fuel for Millstone 3 under the Niantic Bay Fuel Trust (NBFT) capital lease agreement. This capital lease agreement has an expiration date of June 1, 2040. At December 31, 1999 and 1998, the present value of the capital lease obligation to the NBFT was $157 million and $178.7 million, respectively. In connection with the planned nuclear divestiture, CL&P and WMECO anticipate that the NBFT capital lease agreement will be terminated and the NBFT's obligation under the $180 million Series G Intermediate Term Note agreement will be assigned to CL&P and WMECO.

CL&P and WMECO make quarterly lease payments for the cost of nuclear fuel consumed in the reactors based on a units-of-production method at rates which reflect estimated kilowatt-hours of energy provided plus financing costs associated with the fuel in the reactors. Upon permanent discharge from the reactors, ownership of the nuclear fuel transfers to CL&P and WMECO.

The NU system companies also have entered into lease agreements, some of which are capital leases, for the use of data processing and office equipment, vehicles, nuclear control room simulators, and office space. The provisions of these lease agreements generally provide for renewal options.

Capital lease rental payments charged to operating expense were $20.8 million in 1999, $31 million in 1998 and $19 million in 1997. Interest included in capital lease rental payments was $13.7 million in 1999, $18.3 million in 1998 and $13.6 million in 1997. Operating lease rental payments charged to expense were $7.5 million in 1999, $15.7 million in 1998 and $17.3 million in 1997.

Future minimum rental payments, excluding annual nuclear fuel lease payments and executory costs, such as property taxes, state use taxes, insurance and maintenance, under long-term noncancelable leases, as of December 31, 1999 are:

(Millions of Dollars)		
Year	Capital Leases	Operating Leases
2000	$ 7.4	$ 24.4
2001	4.9	22.6
2002	3.1	19.0
2003	3.1	15.5
2004	3.0	13.6
After 2004	30.6	26.9
Future minimum lease payments	52.1	$ 122.0
Less amount representing interest	27.8	
Present value of future minimum lease payments for other than nuclear fuel	24.3	
Present value of future nuclear fuel lease payments	157.0	
Present value of future minimum lease payments	$ 181.3	

5. EMPLOYEE BENEFITS

A. PENSION BENEFITS AND POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The NU system companies participate in a uniform noncontributory defined benefit retirement plan covering substantially all regular NU system employees. Benefits are based on years of service and the employees' highest eligible compensation during 60 consecutive months of employment. The total pension credit, part of which was credited to utility plant, was $54.4 million in 1999, $44.1 million in 1998 and $22.5 million in 1997.

Currently, the NU system companies annually fund an amount at least equal to that which will satisfy the requirements of the Employee Retirement Income Security Act and Internal Revenue Code (the Code).

The NU system companies also provide certain health care benefits, primarily medical and dental, and life insurance benefits through a benefit plan to retired employees. These benefits are available for employees retiring from the NU system who have met specified service requirements. For current employees and certain retirees, the total benefit is limited to two times the 1993 per retiree health care cost. These costs are charged to expense over the future estimated work life of the employee. The NU system companies annually fund postretirement costs through external trusts with amounts that have been rate-recovered and which also are tax deductible under the Code.

Pension and trust assets are invested primarily in domestic and international equity securities and bonds.

The following table represents information on the plans' benefit obligation, fair value of plan assets, and the respective plans' funded status:

	At December 31,			
	Pension Benefits		Postretirement Benefits	
(Millions of Dollars)	1999	1998	1999	1998
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year	$ (1,479.2)	$(1,392.8)	$(305.2)	$(286.0)
Service cost	(43.7)	(37.4)	(7.6)	(6.6)
Interest cost	(106.3)	(96.8)	(21.8)	(20.9)
Plan amendment	(79.6)	--	--	--
Transfers	--	8.5	--	--
Actuarial gain/(loss)	133.8	(37.7)	(1.3)	(16.1)
Benefits paid	78.3	77.0	28.9	24.4
Settlements	(19.9)	--	0.2	--
Benefit obligation at end of year	$ (1,516.6)	$(1,479.2)	$(306.8)	$(305.2)
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	$ 2,098.0	$ 1,919.4	$ 151.2	$ 129.4
Actual return on plan assets	310.5	264.7	18.7	17.4
Employer contribution	--	--	29.7	28.8
Benefits paid	(78.3)	(77.0)	(28.9)	(24.4)

Transfers	--	(9.1)	--	--
Fair value of plan assets at end of year	$ 2,330.2	$ 2,098.0	$ 170.7	$ 151.2
Funded status at December 31	$ 813.6	$ 618.8	$(136.1)	$(154.0)
Unrecognized transition (asset)/obligation	(7.4)	(9.0)	196.6	211.9
Unrecognized prior service cost	99.2	27.6	--	--
Unrecognized net gain	(904.7)	(670.4)	(60.4)	(57.9)
Prepaid/(accrued) benefit cost	$ 0.7	$ (33.0)	$ 0.1	$ --

The following actuarial assumptions were used in calculating the plans' year end funded status:

	At December 31,			
	Pension Benefits		Postretirement Benefits	
	1999	1998	1999	1998
Discount rate	7.75%	7.00%	7.75%	7.00%
Compensation/progression rate	4.75	4.25	4.75	4.25
Health care cost trend rate(a)	N/A	N/A	5.57	5.22

(a) The annual per capita cost of covered health care benefits was assumed to decrease to 4.90 percent by 2001.

The components of net periodic benefit cost are:

	For the Years Ended December 31,					
	Pension Benefits			Postretirement Benefits		
(Millions of Dollars)	1999	1998	1997	1999	1998	1997
Service cost	$ 43.7	$ 37.4	$ 34.9	$ 7.6	$ 6.6	$ 5.7
Interest cost	106.3	96.8	98.6	21.8	20.9	20.6
Expected return on plan assets	(175.5)	(153.2)	(135.1)	(11.7)	(9.9)	(8.1)
Amortization of unrecognized net transition (asset)/obligation	(1.5)	(1.5)	(1.5)	15.1	15.1	15.1
Amortization of prior service cost	7.9	2.1	2.1	--	--	--
Amortization of actuarial gain	(33.5)	(25.7)	(18.9)	--	--	--
Other amortization, net	--	--	--	(3.1)	(3.8)	(5.0)
Settlements	(1.8)	--	(2.6)	--	--	--
Net periodic benefit (credit)/cost	$ (54.4)	$ (44.1)	$ (22.5)	$ 29.7	$ 28.9	$ 28.3

For calculating pension and postretirement benefit costs, the following assumptions were used:

	For the Years Ended December 31,					
	Pension Benefits			Postretirement Benefits		
	1999	1998	1997	1999	1998	1997
Discount rate	7.00%	7.25%	7.75%	7.00%	7.25%	7.75%
Expected long-term rate of return	9.50	9.50	9.25	N/A	N/A	N/A
Compensation/progression rate	4.25	4.25	4.75	4.25	4.25	4.75
Long-term rate of return -						
Health assets, net of tax	N/A	N/A	N/A	7.50	7.75	7.50
Life assets	N/A	N/A	N/A	9.50	9.50	9.25

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. The effect of changing the assumed health care cost trend rate by one percentage point in each year would have the following effects:

(Millions of Dollars)	One Percentage Point Increase	One Percentage Point Decrease
Effect on total service and interest cost components	$ 1.4	$ (1.4)
Effect on postretirement benefit obligation	$16.4	$(16.1)

The trust holding the health plan assets is subject to federal income taxes.

B. 401(K) SAVINGS PLAN

NU maintains a 401(k) Savings Plan for substantially all NU system employees. This savings plan provides for employee contributions up to specified limits. NU matches employee contributions up to a maximum of 3 percent of eligible compensation with cash and NU stock. The matching contributions made by NU were $13.8 million for 1999, $13.2 million for 1998 and $12 million for 1997.

C. ESOP

NU maintains an Employee Stock Ownership Plan (ESOP) for purposes of allocating shares to employees participating in the NU system's 401(k) Savings Plan. Under this arrangement, NU issued unsecured notes during 1991 and 1992 totaling $250 million, the proceeds of which were lent to the ESOP trust for the purchase of 10.8 million newly issued NU common shares (ESOP Shares). The ESOP trust is obligated to make principal and interest payments on the ESOP notes at the same rate that ESOP Shares are allocated to employees. NU makes annual contributions to the ESOP equal to the ESOP's debt service, less dividends received by the ESOP. All dividends received by the ESOP on unallocated shares are used to pay debt service and are not considered dividends for financial reporting purposes. During the fourth quarter of 1999, NU paid a 10 cent per share dividend. During 1998, there were no dividends paid on NU stock.

In 1999 and 1998, the ESOP trust issued 556,978 and 584,107 of NU common shares, respectively, to satisfy 401(k) Savings Plan obligations to employees. As of December 31, 1999 and 1998, the total allocated ESOP shares were 5,281,836 and 4,724,858, respectively, and total unallocated ESOP shares were 5,518,349 and 6,075,327, respectively. The fair market value of unallocated ESOP shares as of December 31, 1999 and 1998, was $113.5 million and $97.2 million, respectively.

D. STOCK-BASED COMPENSATION

Employee Stock Purchase Plan (ESPP): Since July 1998, the NU system has maintained an ESPP for all eligible employees. Under the ESPP, shares of NU common stock may be purchased at 6-month intervals at 85 percent of the lower of the price on the first or last day of each 6-month period. Employees may purchase shares having a value not exceeding 25 percent of their compensation at the beginning of the purchase period. During 1999 and 1998, employees purchased 253,853 and 129,471 shares, respectively, at discounted prices ranging from $13.76 to $14.93 per share in 1999 and $13.60 per share in 1998. At December 31, 1999 and 1998, 1,616,676 and 1,870,529 shares remained reserved for future issuance under the ESPP, respectively.

Incentive Plans: The NU system has long-term incentive plans authorizing various types of share-based awards, including stock options, to be made to eligible employees and board members. The exercise price of stock options, as set at the time of grant, is generally equal to the fair market value per share at the date of grant. Under the Northeast Utilities Incentive Plan (Incentive Plan), the number of shares which may be utilized for awards granted during a given calendar year may not exceed one percent of the total number of shares of NU common stock outstanding as of the first day of that calendar year.

Stock option transactions for 1997, 1998 and 1999 are as follows:

		Exercise Price Per Share	
	Options	Range	Weighted Average
Outstanding December 31, 1996	--	$ --	$ --
Granted	500,000	$ 9.625	$ 9.625
Outstanding December 31, 1997	500,000	$ 9.625	$ 9.625
Granted	741,273	$ 14.875 -- $ 16.8125	$ 16.178
Forfeited	(7,595)	$ 16.3125	$ 16.3125

Outstanding December 31, 1998	1,233,678	$ 9.625 -- $ 16.8125	$ 13.5213
Granted	644,123	$ 14.9375 -- $ 21.125	$ 15.2514
Exercised	(19,368)	$ 16.3125 -- $ 16.8125	$ 16.3986
Forfeited	(32,177)	$ 14.9375 -- $ 16.3125	$ 15.8714
OUTSTANDING DECEMBER 31, 1999	1,826,256	$ 9.625 -- $ 21.125	$ 14.0585
Exercisable December 31, 1997	--	$ --	$ --
Exercisable December 31, 1998	232,936	$ 14.875 -- $ 16.8125	$ 16.2972
EXERCISABLE DECEMBER 31, 1999	711,787	$ 9.625 -- $ 21.125	$ 14.0102

The vesting schedule for the options granted in 1997 is 50 percent after two years, 75 percent after three years and the total award after four years. The vesting schedule for the options granted in 1998 is one-third upon grant, two-thirds after one year and the total award after two years. The options that were granted in 1999 vest ratably over three years from the date of grant.

Also under the Incentive Plan, the NU system awarded 91,120 and 49,973 of restricted shares in 1999 and 1998, respectively. These shares have the same vesting schedule as the options granted under the Incentive Plan. During 1997, certain key officers were awarded restricted stock totaling 25,700 shares which vest ratably over three years from the date of grant. The NU system has also made several small grants of restricted stock and other incentive-based stock compensation. During 1999, 1998 and 1997, $2.2 million, $0.8 million and $0.3 million, respectively, was expensed for stock-based compensation.

Had compensation cost been determined for the ESPP and the incentive plan stock options under the fair value method as opposed to the intrinsic value method followed by the NU system, net income/(loss) and net income/(loss) per share would have been as follows:

(Millions of Dollars, except per share amounts)	1999	1998	1997
Net income/(loss)	$ 29.6	$(149.1)	$(130.0)
Basic income/(loss) per share	$ 0.23	$ (1.14)	$ (1.01)
Diluted income/(loss) per share	$ 0.22	$ (1.14)	$ (1.01)

The fair value of each stock option grant has been estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	1999	1998	1997
Risk-free interest rate	5.69%	5.82%	6.41%
Expected life	10 years	10 years	10 years
Expected volatility	36.21%	35.05%	31.89%
Expected dividend yield	1.89%	5.46%	7.42%

The weighted average grant date fair values of options granted during 1999, 1998 and 1997 were $6.79, $3.98 and $1.68, respectively. As of December 31, 1999, the weighted average remaining contractual life for those options out standing is 8.47 years.

6. SALE OF CUSTOMER RECEIVABLES

As of December 31, 1999 and 1998, CL&P had sold accounts receivable of $170 million and $105 million, respectively, to a third-party purchaser with limited recourse through the CL&P Receivables Corporation (CRC), a wholly owned subsidiary of CL&P. In addition, at December 31, 1999 and 1998, $22.5 million and $11.6 million, respectively, of assets was designated as collateral under the agreement with CRC.

On June 30, 1999, WMECO terminated its $40 million accounts receivable program with its respective sponsor. At December 31, 1998, WMECO had sold accounts receivable of $20 million to a third-party purchaser.

Concentrations of credit risk to the purchaser under the company's agreement with respect to the receivables are limited due to CL&P's diverse customer base within its service territory.

7. COMMITMENTS AND CONTINGENCIES

A. RESTRUCTURING

Connecticut: During 1999, restructuring orders were issued by the DPUC which required CL&P to discontinue the application of SFAS No. 71 to the generation portion of its business and allowed for the recovery of the majority of its

stranded costs. Stranded costs including regulatory assets will be collected through a transition charge through 2026. The restructuring orders also allowed for securitization of CL&P's nonnuclear regulatory assets and the costs to buyout or buydown the various purchased-power contracts. Securitization is the process of monetizing stranded costs through the sale of nonrecourse debt securities by a special purpose entity, collateralized by CL&P's interests in its stranded cost recoveries.

On December 15, 1999, the DPUC issued a supplemental decision approving the components of CL&P's rates for standard offer service commencing on January 1, 2000. The DPUC also approved an interim nuclear capital recovery mechanism for the period from January 1, 2000, until the nuclear units are sold at auction. In approving the rates, the DPUC denied recovery of most of the capital additions made to Millstone 2 and 3 subsequent to June 30, 1997, which the company has or will expend to maintain those plants in a safe and efficient condition or to maintain their auction value. If implemented as approved, the company would not recover a significant portion of the capital additions which have been or are expected to be incurred subsequent to July 1, 1997, until the plants are sold in 2001. On December 29, 1999, CL&P filed with the DPUC a petition for reconsideration of this portion of the order. The DPUC has agreed to reopen the docket to consider CL&P's petition. Management believes the restructuring legislation provides for the recovery of these prudently incurred expenditures. If CL&P is unsuccessful in favorably resolving this contingency, an impairment loss of $50 million would be recorded.

Massachusetts: In 1999, restructuring orders required WMECO to discontinue the application of SFAS No. 71 for the generation portion of its business. In these restructuring orders, WMECO was allowed to recover the majority of its stranded costs through a transition charge over the 12-year transition period beginning March 1, 1998. The decision instructed WMECO to work with the Massachusetts attorney general regarding the recovery of nuclear capital additions made after July 1, 1991. The decision also concluded that the company's deferred fuel balance should be included as part of the company's outstanding generating unit performance proceedings and not as part of the transition charge. Management believes that these costs are recoverable and that there will not be an impact on the results of operations.

Nuclear Generation Assets Auction: In September 1999, NU announced that the Millstone nuclear generation assets of CL&P and WMECO will be put up for auction as soon as practical. On November 8, 1999, CL&P filed its divestiture plan for the Millstone units with the DPUC. The auction is expected to begin in early 2000, provided all regulatory approvals have been met, with a successful bidder chosen by mid 2000 and a closing in 2001. No NU system company will participate as a bidder in the auction process. Management expects to recover all of its nuclear stranded costs through the net proceeds of generation asset sales and through billing a transition charge to retail customers.

New Hampshire: In August 1999, NU, PSNH and the state of New Hampshire signed a Settlement Agreement intended to settle a number of pending regulatory and court proceedings related to PSNH. Parties to the agreement included the governor of New Hampshire, the Governor's Office of Energy and Community Service, the New Hampshire attorney general, certain members of the staff of the NHPUC, PSNH and NU. The Settlement Agreement was submitted to the NHPUC on August 2, 1999, and is awaiting approval. If approved by the NHPUC, the Settlement Agreement would resolve 11 NHPUC dockets and PSNH's federal lawsuit which had enjoined the state of New Hampshire from implementing its restructuring legislation, would require PSNH to write off $225 million after-tax of its stranded costs and would allow for the recovery of the remaining amount. Also, implementation of the Settlement Agreement is contingent upon the issuance of $725 million in rate reduction bonds (securitization). Issuance of the rate reduction bonds requires the initial approval of the NHPUC and final approval from the New Hampshire Legislature via enactment of appropriate legislation. Other approvals are also required from various federal and state regulatory agencies and financial lenders. Under the terms of the Settlement Agreement, on the effective date, PSNH's rates will be reduced from current levels by an average of 18.3 percent. Due to the number of approvals required and still pending to implement the Settlement Agreement, management continues to believe the application of SFAS No. 71 is appropriate for PSNH at this time.

The Settlement Agreement also requires PSNH to sell its generation assets and certain power contracts, including PSNH's current purchased-power contract with NAEC for the output from Seabrook. The net proceeds from all sales will be used to recover a portion of PSNH's stranded costs. The sales would be accomplished through an auction process subject to approval by the NHPUC. Following the divestiture, the transmission and distribution portion of the business will continue to be cost-of-service based.

Phase I of the proceeding regarding the Settlement Agreement allowed proponents to provide sufficient record for the NHPUC to compare the Settlement Agreement to a range of reasonable outcomes in the other associated dockets. The NHPUC also determined within the testimony of Phase I that the Con Edison merger is relevant to the Settlement Agreement and intervening parties should have discovery in Phase II to evaluate the impact of the merger on the Settlement Agreement. Phase II allowed opponents to file testimony concerning the Settlement Agreement and then allowed proponents to conduct discovery and file rebuttal testimony. A decision on the Settlement Agreement is expected in the first quarter of 2000.

B. NUCLEAR LITIGATION

The non-NU joint owners of Millstone 3 have filed demands for arbitration with

CL&P and WMECO as well as lawsuits in Massachusetts Superior Court against NU and its current and former trustees related to the companies' operation of Millstone 3. During 1999, NU and these subsidiaries agreed in principle to settle with certain of the joint owners, who own 58 percent of the non-NU ownership of Millstone 3. The settlements provide for the payment to the claimants of $36.4 million and certain contingent payments.

Arbitration and litigation claims remain outstanding for the remaining joint owners who have not agreed to settle. Management cannot estimate the potential outcome of the arbitration and litigation for the nonsettled joint owners, therefore, no liability has been established as of December 31, 1999.

C. ENVIRONMENTAL MATTERS

The NU system is subject to environmental laws and regulations intended to mitigate or remove the effect of past operations and improve or maintain the quality of our environment. As such, the NU system has an active environmental auditing and training program and believes it is in compliance with the current laws and regulations.

However, the normal course of operations may necessarily involve activities and substances that expose the NU system to potential liabilities of which management cannot determine the outcome. Additionally, management cannot determine the outcome for liabilities that may be imposed for past acts, even though such past acts may have been lawful at the time they occurred. Management does not believe, however, that this will have a material impact on the NU system's financial statements.

Based upon currently available information for the estimated remediation costs as of December 31, 1999 and 1998, the liability recorded by the NU system for its estimated environmental remediation costs amounted to $24.8 million and $21.5 million, respectively.

D. SPENT NUCLEAR FUEL DISPOSAL COSTS

Under the Nuclear Waste Policy Act of 1982, CL&P, PSNH, WMECO, and NAEC must pay the DOE for the disposal of spent nuclear fuel and high-level radioactive waste. The DOE is responsible for the selection and development of repositories for, and the disposal of, spent nuclear fuel and high-level radioactive waste. Fees for nuclear fuel burned on or after April 7, 1983, are billed currently to customers and paid to the DOE on a quarterly basis. For nuclear fuel used to generate electricity prior to April 7, 1983 (Prior Period Fuel), an accrual has been recorded for the full liability and payment must be made prior to the first delivery of spent fuel to the DOE. Until such payment is made, the outstanding balance will continue to accrue interest at the 3-month treasury bill yield rate. As of December 31, 1999 and 1998, fees due to the DOE for the disposal of Prior Period Fuel were $226.5 million and $216.4 million, respectively, including interest costs of $144.3 million and $134 million, respectively.

E. NUCLEAR INSURANCE CONTINGENCIES

Insurance policies covering the NU system's nuclear facilities have been purchased for the primary cost of repair, replacement or decontamination of utility property, certain extra costs incurred in obtaining replacement power during prolonged accidental outages and the excess cost of repair, replacement or decontamination or premature decommissioning of utility property.

The NU system is subject to retroactive assessments if losses under those policies exceed the accumulated funds available to the insurer. The maximum potential assessments with respect to losses arising during the current policy year for the primary property insurance program, the replacement power policies and the excess property damage policies are $11 million, $6.2 million and $15 million, respectively. In addition, insurance has been purchased in the aggregate amount of $200 million on an industry basis for coverage of worker claims.

Under certain circumstances, in the event of a nuclear incident at one of the nuclear facilities covered by the federal government's third-party liability indemnification program, the NU system could be assessed liabilities in proportion to its ownership interest in each of its nuclear units up to $83.9 million. The NU system's payment of this assessment would be limited to, in proportion to its ownership interest in each of its nuclear units, $10 million in any one year per nuclear unit. In addition, if the sum of all claims and costs from any one nuclear incident exceeds the maximum amount of financial protection, the NU system would be subject to an additional 5 percent or $4.2 million liability, in proportion to its ownership interests in each of its nuclear units. Based upon its ownership interests in the Millstone units and in Seabrook, the NU system's maximum liability, including any additional assessments, would be $271 million per incident, of which payments would be limited to $30.8 million per year. In addition, through purchased-power contracts with VYNPC, the NU system would be responsible for up to an additional assessment of $14.1 million per incident, of which payments would be limited to $1.6 million per year.

F. CONSTRUCTION PROGRAM

The NU system companies currently forecast construction expenditures of $1.8 billion for the years 2000-2004, including $309.7 million for 2000. The NU system companies estimate that nuclear fuel requirements, including nuclear

fuel financed through the NBFT, will be $217.8 million for the years 2000-2003, including $74.2 million for 2000.

G. LONG-TERM CONTRACTUAL ARRANGEMENTS

Yankee Companies: The NU system companies relied on VYNPC for 1.5 percent of their capacity under long-term contracts. Under the terms of their agreements, the NU system companies paid their ownership (or entitlement) shares of costs, which included depreciation, operation and maintenance (O&M) expenses, taxes, the estimated cost of decommissioning, and a return on invested capital. These costs were recorded as purchased-power expenses and recovered through the companies' rates. The total cost of purchases under contracts with VYNPC amounted to $29.2 million in 1999, $27.3 million in 1998 and $24.2 million in 1997. VYNPC has agreed to sell its nuclear unit. Upon completion of the sale, this long-term contract will be terminated.

Nonutility Generators (NUGs): CL&P, PSNH and WMECO have entered into various arrangements for the purchase of capacity and energy from NUGs. For the years ended December 31, 1999 and 1998, 13 percent and for the year ended December 31, 1997, 14 percent, of NU system electricity requirements were met by NUGs. The total cost of purchases under these arrangements amounted to $461.8 million in 1999, $459.7 million in 1998 and $447.6 million in 1997. The company is in the process of renegotiating the terms of these contracts through either a contract buydown or buyout. The company expects any payments to the NUGs as result of these renegotiations to be recovered from the company's customers.

Hydro-Quebec: Along with other New England utilities, CL&P, PSNH, WMECO, and HWP have entered into agreements to support transmission and terminal facilities to import electricity from the Hydro-Quebec system in Canada. CL&P, PSNH, WMECO, and HWP are obligated to pay, over a 30-year period ending in 2020, their proportionate shares of the annual O&M expenses and capital costs of those facilities.

New Hampshire Electric Cooperative (NHEC): Previously, PSNH entered into a buy-back agreement to purchase the capacity and energy of the NHEC's share of Seabrook and to pay all of NHEC's Seabrook costs for a 10-year period, which began on July 1, 1990. The total cost of purchases under this agreement was $33 million in 1999, $29.7 million in 1998 and $23.4 million in 1997. These costs are recoverable through the FPPAC. The estimated annual cost of this agreement for year 2000 is $14.6 million.

Estimated Annual Costs: The estimated annual costs of the NU system's significant long-term contractual arrangements, absent the effects of any contract terminations or buydowns are as follows:

(Millions of Dollars)	2000	2001	2002	2003	2004
VYNPC	$ 24.1	$ 21.8	$ 21.9	$ 21.5	$ 21.0
NUGs	472.6	480.2	489.2	500.1	487.3
Hydro-Quebec	31.3	30.3	29.6	28.7	27.8

Select Energy: Select Energy maintains long-term agreements to purchase both wholesale and retail energy in the normal course of business. The notional amount of these purchase contracts is $3.1 billion at December 31, 1999. These contracts extend through 2004 as follows:

(Millions of Dollars)	
Year	
2000	$1,271
2001	638
2002	573
2003	499
2004	101
Total	$3,082

H. NEW ENGLAND POWER POOL (NEPOOL) GENERATION PRICING

Disputes with respect to interpretation and implementation of the NEPOOL market rules have arisen with respect to various competitive product markets. In certain cases, Select Energy and the NU operating companies stand to gain as a result of resolution of such disputes. In other cases, Select Energy and the NU operating companies could incur additional costs as the result of resolution of the disputes. The various disputes are in various stages of resolution through alternative dispute resolution and regulatory review. It is too early to tell the level of potential gain or loss that may result upon resolution of these issues.

8. MARKET RISK AND RISK MANAGEMENT INSTRUMENTS

Interest Rate Risk Management: NAEC uses swap instruments with financial institutions to hedge against interest rate risk associated with its $200

million variable-rate bank note. Under the agreements, NAEC exchanges quarterly payments based on a differential between a fixed contractual interest rate and the 3-month LIBOR rate at a given time. As of December 31, 1999 and 1998, NAEC had outstanding agreements with a total notional value of $200 million and mark-to-market positions of positive $0.5 million and negative $2.3 million, respectively.

Energy Price Risk Management: Beginning in 1997 through 1999, CL&P used swap instruments with financial institutions to hedge the energy price risk created by long-term negotiated energy contracts. These agreements were intended to minimize exposure associated with rising fuel prices by managing a portion of CL&P's cost of producing power for these negotiated energy contracts.

In 1999, CL&P divested substantially all of its fossil and hydroelectric generation assets and agreed to transfer the rights and obligations related to the long-term negotiated energy contracts to an unregulated affiliate. Accordingly, the fuel swap positions were marked-to-market and CL&P recognized a loss of $5.2 million. In January 2000, the fuel swap positions were liquidated.

Credit Risk: These agreements have been made with various financial institutions, each of which is rated "A3" or better by Moody's rating group. NAEC is exposed to credit risk on its respective market risk management instruments if the counterparties fail to perform their obligations. Management anticipates that the counterparties will fully satisfy their obligations under the agreements.

Unregulated Energy Services Market Risk: NU's unregulated companies, as major providers of electricity and natural gas, have certain market risks inherent in their business activities. Market risk represents the risk of loss that may impact the companies' financial position, results of operations or cash flows due to adverse changes in commodity market prices. In 1999, the companies increased their volume of the electricity and gas marketing activities, increasing their risks. Policies and procedures have been established to manage these exposures including the use of risk management instruments.

9. MINORITY INTEREST IN CONSOLIDATED SUBSIDIARY

CL&P Capital LP (CL&P LP), a subsidiary of CL&P, previously had issued $100 million of cumulative 9.3 percent Monthly Income Preferred Securities (MIPS), Series A. CL&P has the sole ownership interest in CL&P LP, as a general partner, and is the guarantor of the MIPS securities. Subsequent to the MIPS issuance, CL&P LP loaned the proceeds of the MIPS issuance, along with CL&P's $3.1 million capital contribution, back to CL&P in the form of an unsecured debenture. CL&P consolidates CL&P LP for financial reporting purposes. Upon consolidation, the unsecured debenture is eliminated, and the MIPS securities are accounted for as a minority interest.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each of the following financial instruments:

Cash and cash equivalents: The carrying amounts approximate fair value due to the short-term nature of cash and cash equivalents.

Supplemental Executive Retirement Plan (SERP) Investments: Investments held for the benefit of the SERP are recorded at fair market value. The investments having a cost basis of $5.8 million and $5.4 million held for benefit of the SERP were recorded at their fair market values at December 31, 1999 and 1998 of $9.2 million and $8.7 million, respectively.

Nuclear decommissioning trusts: The investments held in the NU system companies' nuclear decommissioning trusts were marked-to-market by $129 million as of December 31, 1999 and $110.4 million as of December 31, 1998, with corresponding offsets to the accumulated provision for depreciation. The amounts adjusted in 1999 and in 1998 represent cumulative net unrealized gains. The cumulative gross unrealized holding losses were immaterial for both 1999 and 1998.

Preferred stock and long-term debt: The fair value of the NU system's fixed-rate securities is based upon the quoted market price for those issues or similar issues. Adjustable rate securities are assumed to have a fair value equal to their carrying value. The carrying amounts of the NU system's financial instruments and the estimated fair values are as follows:

	At December 31, 1999	
(Millions of Dollars)	Carrying Amount	Fair Value
Preferred stock not subject to mandatory redemption	$ 136.2	$ 164.0
Preferred stock subject to mandatory redemption	167.5	166.8
Long-term debt -		
First mortgage bonds	1,193.2	1,209.5
Other long-term debt	1,638.3	1,430.1
MIPS	100.0	97.3

	At December 31, 1998	
(Millions of Dollars)	Carrying Amount	Fair Value
Preferred stock not subject to mandatory redemption	$ 136.2	$ 97.0
Preferred stock subject to mandatory redemption	213.8	205.9
Long-term debt -		
First mortgage bonds	1,984.0	2,003.6
Other long-term debt	1,654.9	1,682.7
MIPS	100.0	102.0

11. OTHER COMPREHENSIVE INCOME

The accumulated balance for each other comprehensive income item is as follows:

(Thousands of Dollars)	December 31, 1998	Current Period Change	December 31, 1999
Foreign currency translation adjustments	$ (1)	$ 1	$ --
Unrealized gains on securities	2,019	118	2,137
Minimum pension liability adjustments	(613)	--	(613)
Accumulated other comprehensive income	$ 1,405	$ 119	$ 1,524

(Thousands of Dollars)	December 31, 1997	Current Period Change	December 31, 1998
Foreign currency translation adjustments	$(1)	$ --	$ (1)
Unrealized gains on securities	--	2,019	2,019
Minimum pension liability adjustments	--	(613)	(613)
Accumulated other comprehensive income	$(1)	$1,406	$ 1,405

The changes in the components of other comprehensive income are reported net of the following income tax effects:

(Thousands of Dollars)	1999	1998	1997
Foreign currency translation adjustments	$ --	$ --	$359
Unrealized gains on securities	(71)	(1,222)	--
Minimum pension liability adjustments	--	398	--
Other comprehensive income	$(71)	$ (824)	$359

12. EARNINGS PER SHARE

Earnings per share (EPS) is computed based upon the weighted average number of common shares outstanding during each year. Diluted earnings per share is computed on the basis of the weighted average number of common shares outstanding plus the potential dilutive effect if certain securities are converted into common stock.

The following table sets forth the components of basic and diluted EPS:

(Millions of Dollars, except share information)	1999	1998	1997

Income/(loss) after interest charges	$57.0	$(120.4)	$ (99.7)
Preferred dividends of subsidiaries	22.8	26.4	30.3
Net income/(loss)	$34.2	$(146.8)	$(130.0)
Basic EPS common shares outstanding (average)	131,415,126	130,549,760	129,567,708
Dilutive effect of employee stock options	616,447	--(a)	--(a)
Diluted EPS common shares outstanding (average)	132,031,573	130,549,760	129,567,708
Basic earnings/ (loss) per share	$0.26	$(1.12)	$(1.01)
Diluted earnings/ (loss) per share	$0.26	$(1.12)	$(1.01)

(a) The addition of dilutive potential common shares would be anti-dilutive for 1998 and 1997 and was not included.

13. MODE 1

In August 1998, NorthEast Optic Network, Inc. (NEON) issued 4,000,000 new common shares on the open market in an initial public offering (IPO). The IPO had the effect of decreasing Mode 1's ownership interest in NEON from 40.78 percent to 30.74 percent. The shares were issued at an amount greater than Mode 1's investment, resulting in a $13.7 million pretax increase to Mode 1's equity. NU's accounting policy is to recognize the gain or loss from this type of change in ownership interest in net income. However, as a result of the startup nature of NEON's operations, this change in ownership interest was recognized in additional paid in capital.

In conjunction with the IPO, Mode 1 sold 217,997 NEON shares, resulting in a pretax gain of $1.7 million and further reducing its ownership interest to 29.4 percent of the outstanding common shares of NEON.

On November 23, 1999, NEON entered into two agreements with unaffiliated companies. Under the agreements, NEON will provide network transport and carrier services among the service areas of NEON and the two unaffiliated companies and each company will provide connectivity from the backbone system to their respective local loops. Additionally, each company will manage their local distribution into their respective end-users' locations. NEON will also develop, operate and market the combined telecommunications infrastructure created under the two agreements.

As the agreements are implemented, the two unaffiliated companies will ultimately obtain 10.75 percent and 9.25 percent ownership interests, respectively, in NEON and will each nominate one member to the NEON Board of Directors. The agreements are subject to regulatory approvals, which are expected by the spring of 2000.

14. SEGMENT INFORMATION

Effective January 1, 1999, the NU system companies adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." The NU system is organized between regulated utilities and unregulated energy services.

The regulated utilities segment represents 87 percent of the NU system's total revenue and is comprised of several business units including generation, transmission and distribution.

The unregulated energy services segment in the following table includes NGC, NGS, Select Energy and HEC.

Other in the following table includes the results for Mode 1. Mode 1 had a net loss of $4.3 million for the year ended December 31, 1999. Interest expense included in Other primarily relates to the debt of NU parent. Inter-segment eliminations of revenues and expenses are also included in Other.

Regulated utilities revenues primarily are derived from residential, commercial and industrial customers and are not dependent on any single customer. The unregulated energy services segment has a major customer whose purchases represented 46 percent of its total revenues for the year ended December 31, 1999.

	For the Year Ended December 31, 1999
	Unregulated

(Millions of Dollars)	Regulated Utilities	Energy Services	Other	Total
Operating revenues	$ 3,888.7	$ 606.3	$(23.7)	$ 4,471.3
Operating expenses	(3,495.9)	(646.7)	15.9	(4,126.7)
Operating income/(loss)	392.8	(40.4)	(7.8)	344.6
Other (loss)/income	(36.4)	(1.2)	13.7	(23.9)
Interest expense	(247.8)	(1.0)	(14.9)	(263.7)
Preferred dividends	(22.8)	--	--	(22.8)
Net income/(loss)	$ 85.8	$ (42.6)	$ (9.0)	$ 34.2
Total assets	$ 9,388.3	$ 222.5	$ 77.3	$ 9,688.1

Prior to 1999, the NU system evaluated management performance using a cost-based budget, therefore business segment reporting on a comparative basis will not be available until the year 2000.

15. MERGER AGREEMENT WITH CON EDISON

On October 13, 1999, NU and Con Edison announced that they have agreed to a merger to combine the two companies. The shareholders of NU will receive $25 per share in a combination of cash and Con Edison common stock.

NU shareholders also have the right to receive an additional $1 per share if a definitive agreement to sell its interests (other than that now held by PSNH) in Millstone 2 and 3 is entered into and recommended by the Utility Operations and Management Unit of the DPUC on or prior to the later of December 31, 2000, or the closing of the merger. Further, the value of the amount of cash or common stock to be received by NU shareholders is subject to increase by an amount of $0.0034 per share per day for each day that the transaction does not close after August 5, 2000.

Upon completion of the merger, NU will become a wholly owned subsidiary of Con Edison. The purchase is subject to the approval of the shareholders of both companies and several regulatory agencies. The companies anticipate that these regulatory procedures will be completed by July 2000.

CONSOLIDATED STATEMENTS OF QUARTERLY FINANCIAL DATA (UNAUDITED)

	Quarter Ended (a)			
(Thousands of Dollars, except per share information)	March 31	June 30	September 30	December 31
1999				
Operating Revenues	$ 1,043,407	$ 1,038,569	$ 1,240,539	$ 1,148,736
Operating Income	$ 89,638	$ 56,492	$ 110,544	$ 87,863
Net Income/(Loss)	$ 18,444	$ 228	$ 31,218	$ (15,674)
Basic and Diluted Earnings/(Loss) Per Common Share	$ 0.14	$ --	$ 0.24	$ (0.12)
1998				
Operating Revenues	$ 958,905	$ 874,809	$ 974,382	$ 959,618
Operating Income	$ 40,488	$ 76,296	$ 82,675	$ 25,268
Net (Loss)/Income	$ (17,949)	$ 6,273	$ (3,075)	$ (132,002)
Basic and Diluted (Loss)/Earnings Per Common Share	$ (0.14)	$ 0.05	$ (0.02)	$ (1.01)

CONSOLIDATED GENERATION STATISTICS (UNAUDITED)

	1999	1998	1997	1996	1995
Source of Electric Energy: (kWh-millions)					
Nuclear -- Steam(b)	13,558	5,679	3,778	9,405	18,235
Fossil -- Steam	10,959	12,505	13,155	9,188	9,162
Hydro -- Conventional	1,206	1,510	1,260	1,544	1,099
Hydro -- Pumped Storage	944	819	959	1,217	1,209
Internal Combustion	262	80	184	206	37
Energy Used for Pumping	(1,318)	(1,130)	(1,327)	(1,668)	(1,674)

Net Generation	25,611	19,463	18,009	19,892	28,068
Purchased and Net Interchange	43,849	24,945	24,377	22,111	14,256
Company Use and Unaccounted for	(2,612)	(2,566)	(2,802)	(2,473)	(2,706)
Net Energy Sold	66,848	41,842	39,584	39,530	39,618
System Capability -- MW(b) (c)	8,194.2	8,169.6	8,312.0(d)	8,894.0	8,394.8
System Peak Demand -- MW	7,188.2	6,454.7	6,455.5	5,946.9	6,358.2
Nuclear Capacity -- MW(b) (c)	2,218.5	2,217.8	2,785.0(d)	3,117.8	3,239.6
Nuclear Contribution to Total Energy Requirements (%)(b)	38.0	19.0	13.0	28.0	52.0
Nuclear Capacity Factor (%)(d)	86.4	32.8	19.6	38.0	69.9

(a) Reclassifications of prior years' data have been made to conform with the current presentation.

(b) Includes the NU system's entitlements in regional nuclear generating companies, net of capacity sales and purchases.

(c) Millstone 2 returned to service during the second quarter of 1999, following NRC approval. Millstone 3 returned to service during the third quarter of 1998 following NRC approval. During the third quarter of 1998, CL&P and WMECO decided to retire Millstone 1 and prepare for final decommissioning.

(d) Represents the average capacity factor for the nuclear units operated by the NU system.

SELECTED CONSOLIDATED FINANCIAL DATA (UNAUDITED)

(Thousands of Dollars, except percentages and share information)	1999	1998	1997	1996	1995
Balance Sheet Data:					
Net Utility Plant	$ 3,947,434	$ 6,170,881	$ 6,463,158	$ 6,732,165	$ 7,000,837
Total Assets	9,688,052	10,387,381	10,414,412	10,741,748	10,559,574
Total Capitalization (a)	5,216,456	6,030,402	6,472,504	6,659,617	6,820,624
Obligations Under Capital Leases (a)	181,293	209,279	207,731	206,165	230,482
Income Data:					
Operating Revenues	$ 4,471,251	$ 3,767,714	$ 3,834,806	$ 3,792,148	$ 3,750,560
Net Income/(Loss)	34,216	(146,753)	(129,962)	38,929	282,434
Common Share Data:					
Basic and Diluted Earnings/ (Loss) Per Common Share	$0.26	$(1.12)	$(1.01)	$0.30	$2.24
Common Shares Outstanding (Average)	131,415,126	130,549,760	129,567,708	127,960,382	126,083,645
Dividends Per Share	$0.10	$--	$0.25	$1.38	$1.76
Market Price -- High	$22	$17 1/4	$14 1/4	$25 1/4	$25 3/8
Market Price -- Low	$13 9/16	$11 11/16	$7 5/8	$9 1/2	$21
Market Price -- Closing (end of year)	$20 9/16	$16	$11 13/16	$13 1/8	$24 1/4
Book Value Per Share (end of year)	$15.80	$15.63	$16.67	$18.02	$19.08
Rate of Return Earned on Average Common Equity (%)	1.6	(7.0)	(5.8)	1.6	12.0
Market-to-Book Ratio (end of year)	1.3	1.0	0.7	0.7	1.3
Capitalization:					
Common Shareholders' Equity	40%	34%	34%	35%	36%
Preferred Stock (a)(b)	5	5	6	6	7
Long-Term Debt (a)	55	61	60	59	57
Total Capitalization	100%	100%	100%	100%	100%

(a) Includes portions due within one year.

(b) Excludes $100 million of MIPS.

CONSOLIDATED SALES STATISTICS (UNAUDITED)

	1999	1998	1997	1996	1995
Revenues: (thousands)					
Residential	$1,517,913	$1,475,363	$1,499,394	$1,501,465	$1,469,988
Commercial	1,272,969	1,273,146	1,266,449	1,246,822	1,230,608
Industrial	560,801	568,913	560,782	565,900	583,204
Other Utilities	926,056	336,623	329,764	315,577	303,004
Streetlighting and Railroads	45,564	47,682	48,867	48,053	47,510
Non-Franchised Sales	24,659	22,479	21,476	8,360	--
Miscellaneous	52,357	16,429	47,446	23,513	50,353
Total Electric	4,400,319	3,740,635	3,774,178	3,709,690	3,684,667
Other	70,932	27,079	60,628	82,458	65,893
Total	$4,471,251	$3,767,714	$3,834,806	$3,792,148	$3,750,560
Sales: (kWh - millions)					
Residential	12,912	12,162	12,099	12,241	12,005
Commercial	12,850	12,477	12,091	12,012	11,737
Industrial	7,050	6,948	6,801	6,820	6,842
Other Utilities	33,575	9,742	8,034	8,032	8,718
Streetlighting and Railroads	314	320	318	319	316
Non-Franchised Sales	147	193	241	50	--
Total	66,848	41,842	39,584	39,474	39,618
Customers: (average)					
Residential	1,569,932	1,555,013	1,535,134	1,532,015	1,526,127
Commercial	164,932	162,500	159,350	157,347	156,652
Industrial	7,721	7,847	7,804	7,792	7,861
Other	3,908	3,890	3,929	3,916	3,878
Total	1,746,493	1,729,250	1,706,217	1,701,070	1,694,518
Average Annual Use Per Residential Customer (kWh)	8,243	7,799	7,898	8,005	7,880(a)
Average Annual Bill Per Residential Customer	$ 969.38	$ 946.80	$ 978.72	$ 980.19	$ 964.88(a)
Average Revenue per kWh:					
Residential	11.76 cents	12.14 cents	12.39 cents	12.27 cents	12.24 cents
Commercial	9.91	10.20	10.47	10.38	10.49
Industrial	7.95	8.19	8.25	8.30	8.52

(a) Effective January 1, 1996, the amounts shown reflect billed and unbilled sales. 1995 has been restated to reflect this change.

1999 Annual Report

The Connecticut Light and Power Company and Subsidiaries

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition

Overview

The financial improvement that began in 1998 continued throughout 1999 at The Connecticut Light and Power Company (CL&P or the company), an operating subsidiary of Northeast Utilities (NU) and part of the Northeast Utilities system (NU system), despite a rate reduction in Connecticut. CL&P's results benefited from the successful restart of the Millstone 2 nuclear unit, the strong operating performance delivered by the Millstone 3 and Seabrook Station (Seabrook) nuclear units, retail sales growth, and continued control over operation and maintenance (O&M) expenses. A rate reduction reduced the positive financial impacts of these items.

During 1999, CL&P resolved key industry restructuring issues by establishing initial stranded cost recovery levels and standard offer service tariffs and agreements. The auction of substantially all of the fossil and hydroelectric generation assets owned by CL&P and the auction of its respective interest in the output of the Millstone units, moved CL&P along in its transition into a purely electric transmission and distribution company, as contemplated by restructuring legislation in Connecticut.

CL&P lost $13.6 million in 1999, compared with a loss of $195.7 million in 1998 and a loss of $139.6 million in 1997. The 1999 results included after-tax write-offs associated with the settlement of nuclear related issues and industry restructuring totaling $28.8 million. During 1998, CL&P's results included write-offs associated with a rate decision in Connecticut and the retirement of Millstone 1 totaling $133.4 million.

In 1999, CL&P's revenues increased to $2.45 billion, up 2.5 percent from revenues of $2.39 billion in 1998. The growth was primarily due to a 2.9 percent increase in retail sales. That growth was due to weather related factors that included a hotter than normal summer. The balance of that increase was due to economic expansion in CL&P's service territory. A retail rate reduction offset some of the growth in revenues. CL&P's rates were reduced 5 percent in early 1999. CL&P's rates were further reduced in January 2000 by 5 percent. The additional 5 percent rate reduction will offset some of the growth in future revenues.

Aside from increased revenues, the primary reason for better operating performance in 1999 was the return to service from extended outages of Millstone 3 in July 1998 and Millstone 2 in May 1999.

CL&P's ability to continue improving financial performance in 2000 will depend largely on continued sales growth and on successful control of O&M expenses.

CL&P also hopes to complete in 2000 the majority of restructuring work remaining, primarily the issuance of rate reduction bonds (securitization) to lower stranded costs, and the auction of CL&P's ownership interests in the Millstone units.

Mergers

In 1998 and 1999, NU management concluded that the pace of deregulation was accelerating throughout the northeastern United States and that shareholders would benefit from NU not only remaining a major provider of electric transmission and distribution service, but also an unregulated marketer of both electricity and natural gas. NU management also concluded that as a result of the changes occurring in the highly competitive electric utility industry, increased size would be crucial to achieve its objective of being a leading provider of energy products and services in the Northeast.

On October 13, 1999, NU announced an agreement to merge with Consolidated Edison, Inc. (Con Edison), a financially stronger utility based in New York. The merger will create the nation's largest electric distribution system with more than 5 million customers and one of the 15 largest natural gas distribution systems with 1.4 million customers.

NU and Con Edison filed with various state and federal regulatory bodies in January 2000 to secure approval of the merger. The two companies expect these regulatory proceedings can be completed by the end of July 2000.

Also in 1999, NU management concluded that the NU system would be stronger and customers could be better served if NU reentered the natural gas distribution business that it had exited in 1989 and examined several potential businesses in New England. By adding gas to NU's energy mix, NU will be able to broaden its services to its existing customers and will have additional opportunities for long-term growth. In June 1999, NU announced an agreement to merge with Yankee Energy System, Inc. (Yankee). The merger will return to NU Connecticut's largest natural gas distribution system, as well as several unregulated businesses involved in energy services, collections and other areas. The Yankee merger received Yankee shareholder approval in October 1999, final Connecticut Department of Public Utility Control (DPUC) approval in December 1999 and Securities and Exchange Commission (SEC) approval in January 2000. The merger closed on March 1, 2000.

Liquidity

During 1999, strong sales growth, improved nuclear performance and continued control of O&M expenses resulted in net cash flows provided by operations of $299.4 million in 1999, compared to $364.1 million in 1998 and $37.2 million in 1997. The decrease in cash flows from operations is primarily related to increased tax payments in 1999.

On December 15, 1999, CL&P sold 2,235 megawatts (MW) of fossil generation assets to an unaffiliated company. Proceeds from the sale totaled $516.9 million, including payments for fuel and inventory. CL&P used the proceeds primarily to par call $406 million of first mortgage bonds in December 1999. CL&P also used $57.5 million to buy out its lease of four 40 MW turbines.

Proceeds from the generation asset sale are included in net cash flows provided by investing activities. Including construction expenditures and investments in nuclear decommissioning trusts, net cash flows provided by investing activities were $261.4 million in 1999, compared with net cash flows used in investing activities of $183 million in 1998 and $108.1 million in 1997.

Positive operating cash flows and the proceeds from the generation asset sale enabled CL&P to substantially reduce its outstanding debt. As of December 31, 1999, CL&P's total debt level, including capital lease obligations, was $1.6 billion, compared with $2.2 billion as of December 31, 1998, and $2.3 billion as of December 31, 1997.

The net cash flows used in financing activities were $560.9 million in 1999, compared to $181.2 million in 1998 and net cash flows provided by financing activities of $71 million in 1997. This included $639.8 million paid in 1999 to retire long-term debt and preferred stock, compared to $80.7 million in 1998 and $204.1 million in 1997. There were no cash dividends on common shares paid in 1999 and 1998 and $6 million in 1997. Payments made for preferred stock dividends were $12.8 million, $14.1 million and $15.2 million for 1999, 1998 and 1997, respectively.

CL&P's access to capital also benefited from the strong operating performance at Millstone 2 and 3 and the announced merger with Con Edison. During 1999, CL&P's securities received several upgrades from three credit rating agencies. CL&P's senior secured bonds achieved investment grade ratings for the first time since early 1997. At year end, all securities were under review for possible upgrades, or on "credit watch" with positive implications by Standard & Poor's, Moody's Investors Service and Fitch IBCA.

The rating agency upgrades benefited CL&P's efforts to broaden its credit

lines. On November 19, 1999, CL&P and Western Massachusetts Electric Company (WMECO) entered into a new 364-day revolving credit facility for $500 million, replacing the previous $313.75 million facility which was to expire on November 21, 1999. The revolving credit facility, which is secured by second mortgages on Millstone 2 and 3, will be used to bridge gaps in working capital and provide short-term liquidity. CL&P may draw up to $300 million under the facility. Once CL&P receives the proceeds from securitization, the $500 million facility will be reduced to $300 million, with a $200 million limit for CL&P. As of December 31, 1999, CL&P had $90 million outstanding under this facility.

For further information regarding the CL&P and WMECO revolving credit facility, see Note 3, "Short-Term Debt," to the consolidated financial statements.

CL&P also has arranged financing through the sale of its accounts receivable. CL&P can finance up to $200 million through this facility. As of December 31, 1999, CL&P had $170 million outstanding under this facility.

During 2000, CL&P hopes to receive regulatory approval to begin the process of securitizing its approved stranded costs. Securitization involves issuing rate reduction bonds with interest rates lower than the company's weighted average cost of capital. Proceeds from securitization will be used to significantly reduce the capitalization of CL&P and buyout or buydown certain purchased-power contracts with a number of nonutility generators.

Restructuring

During 1999, Connecticut made significant progress in resolving industry restructuring issues. Restructuring orders issued in Connecticut allowed CL&P to determine the impacts of discontinuing Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," for the generation portion of CL&P's business. The transmission and distribution portion of that business will continue to be cost-of-service regulated. In addition, the restructuring orders provided for a transition charge which allows for the recovery of CL&P's generation-related regulatory assets and prudently incurred stranded costs.

During April 1999, CL&P filed its standard offer service plan with the DPUC and received a decision on October 1, 1999, as amended on December 15, 1999. In that decision, the DPUC approved the recovery of CL&P's regulatory assets and certain stranded costs associated with CL&P's nuclear generation assets and established the methodology for setting CL&P's standard offer rates, including the transition charge and transmission and distribution rates. The DPUC ruled on CL&P's stranded cost filing in July 1999 approving $3.5 billion of stranded cost recovery, which is utilized, in part, in the determination of the transition charge.

As provided for in the electric utility restructuring legislation enacted in April 1998, 35 percent of CL&P's customers were able to choose their electric generation supplier on January 1, 2000, with the remaining 65 percent having choice on July 1, 2000. The major components of rates are a transmission and distribution charge, a generation charge and a transition charge. For those customers who do not or are unable to choose another competitive electric generation supplier, CL&P will supply standard offer or generation service at an average rate of $0.04813 per kilowatt-hour (kWh) through December 31, 2003. The revenues attributable to standard offer (generation) service are expected to exceed the actual cost of providing generation and the difference will be applied against stranded costs. In accordance with a plan approved by the DPUC, one-half of the CL&P standard offer load was procured through a competitive bidding process, with the remaining one-half of the power being supplied by an affiliated company. The contracts are in place through the end of 2003. For further information regarding commitments and contingencies related to the Connecticut restructuring order, see Note 11A, "Commitments and Contingencies - Restructuring," to the consolidated financial statements.

Generation Asset Divestitures

The Connecticut restructuring laws required CL&P to divest of its generation assets and utilize substantially all of the net gains from any sales to offset stranded costs. During 1999, CL&P sold its fossil generation assets resulting in a net gain of $286.5 million. A corresponding amount of regulatory assets was amortized. Also during 1999, CL&P signed agreements to transfer certain hydroelectric generation assets to Northeast Generation Company, an unregulated affiliate of NU. This transaction closed on March 14, 2000. In September 1999, NU announced that the Millstone nuclear generation assets of its subsidiaries, CL&P and WMECO, will be put up for auction as soon as practical. For further information regarding commitments and contingencies related to the generation asset divestitures, see Note 11A, "Commitments and Contingencies - Restructuring," to the consolidated financial statements.

Nuclear Generation

Millstone Nuclear Units

Millstone 3 received the appropriate Nuclear Regulatory Commission (NRC) approvals and resumed operation in July 1998. Millstone 2 received similar NRC approvals, resumed operation and was returned to CL&P's rate base in May 1999. Millstone 3 and 2 achieved annual capacity factors of 81.7 percent and 57.9

percent in 1999, respectively. After a 60-day refueling and maintenance outage, Millstone 3 returned to service on June 29, 1999, and has achieved a 98.1 percent capacity factor through December 31, 1999. Since returning to service in May 1999, Millstone 2 has achieved a 90.3 percent capacity factor through December 31, 1999. NU's total share of O&M expenses associated with Millstone 3 and 2 totaled $261.8 million in 1999, as compared to $323.2 million in 1998 and $406 million in 1997. Millstone 1 is currently in decommissioning status.

An auction of CL&P's ownership interests in the Millstone units is expected in 2000 with a closing in 2001. Based on regulatory decisions received in 1999, management expects to recover all of its remaining nuclear stranded costs from retail customers.

Seabrook
Seabrook achieved an annual capacity factor of 86.4 percent in 1999. However, since returning to service on May 13, 1999, after a 48-day refueling and maintenance outage, Seabrook has achieved a 99 percent capacity factor through December 31, 1999.

CL&P anticipates auctioning its 4.06 percent share of Seabrook, with the 35.98 percent share owned by its affiliate North Atlantic Energy Corporation.

Yankee Companies
On June 1, 1999, the Federal Energy Regulatory Commission accepted the offer of settlement which was filed on January 15, 1999, by the Maine Yankee Atomic Power Company (MYAPC). The significant aspects of the settlement allowed MYAPC to collect $33.1 million annually to pay for decommissioning and spent fuel, approved its return on equity of 6.5 percent, permitted full recovery of MYAPC's unamortized investment, including fuel, and set an incentive budget for decommissioning at $436.3 million.

On October 15, 1999, the Vermont Yankee Nuclear Power Corporation (VYNPC) agreed to sell its unit for $22 million to an unaffiliated company. Among other commitments, the acquiring company agreed to assume the decommissioning cost of the unit after it is taken out of service, and the VYNPC owners have agreed to fund the uncollected decommissioning cost to a negotiated amount at the time of the closing of the sale. VYNPC's owners have also agreed either to enter into a new purchased-power agreement with the acquiring company or to buy out such future power payment obligations by making a fixed payment to them. CL&P has elected the buyout option. The VYNPC owners' obligations to close and pay such amounts are conditioned upon their receipt of satisfactory regulatory approval of the transaction, including provision for adequate recovery of these payments.

Nuclear Decommissioning
The staff of the SEC has questioned certain of the current accounting practices of the electric utility industry regarding the recognition, measurement and classification of decommissioning costs for nuclear units in their financial statements.

Currently, the Financial Accounting Standards Board plans to review the accounting for obligations associated with the retirement of long-lived assets, including the decommissioning of nuclear units. If current accounting practices for nuclear decommissioning change, the annual provision for decommissioning could increase relative to 1999, and the estimated cost for decommissioning could be recorded as a liability with recognition of an increase in the cost of the related nuclear unit. However, management does not believe that such a change will have a material impact on CL&P's financial statements due to its current and future ability to recover decommissioning costs through rates.

Spent Nuclear Fuel Disposal Costs
The United States Department of Energy (DOE) originally was scheduled to begin accepting delivery of spent fuel in 1998. However, delays in confirming the suitability of a permanent storage site continually have postponed plans for the DOE's long-term storage and disposal site. Extended delays or a default by the DOE could lead to consideration of costly alternatives. CL&P has the primary responsibility for the interim storage of its share of spent nuclear fuel. Adequate storage capacity exists to accommodate all spent nuclear fuel at Millstone 1. The facilities for Millstone 2 are expected to provide adequate storage to accommodate a full-core discharge from the reactor until 2005 with the implementation of currently planned modifications. Fuel consolidation, which has been licensed for Millstone 2, could provide adequate storage capacity for its projected life. The facilities for Millstone 3 are expected to provide adequate storage for its projected life with the addition of new storage racks. Seabrook is expected to have spent fuel storage capacity until at least 2010. Meeting spent fuel storage requirements beyond these periods could require new and separate storage facilities. For further information regarding spent nuclear fuel disposal costs, see Note 11D, "Commitments and Contingencies - Spent Nuclear Fuel Disposal Costs," to the consolidated financial statements.

Market Risk and Risk Management Instruments

CL&P uses energy price risk management instruments to manage the market risk exposures associated with changes in energy prices. CL&P uses these instruments to reduce risk by essentially creating offsetting market exposures. Based on the derivative instruments that were being utilized by CL&P to hedge some of their energy price risks, there may be an impact on earnings upon adoption of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which management has not estimated at this time.

Energy Price Risk Management Instruments

In the generation of electricity, the most significant segment of the variable cost component is the cost of fuel. Typically, most of CL&P's fuel purchases were protected by a regulatory fuel price adjustment clause. However, for a specific, well-defined volume of fuel that was excluded from the energy price adjustment clause, CL&P employed energy price risk management instruments to protect itself against the risk of rising fuel prices, thereby limiting fuel costs and protecting its profit margins. These risks were created by the sale of long-term fixed-price electricity sales contracts to wholesale customers.

In 1999, CL&P divested substantially all of its fossil and hydroelectric generation assets and also transferred the rights and obligations of its long-term fixed-price contracts to an unregulated affiliate. As a result, the fuel swap positions were marked-to-market and CL&P recognized a loss of $5.2 million. In January 2000, the fuel swap positions were liquidated.

Other Matters

Environmental Matters

CL&P is subject to environmental laws and regulations structured to mitigate or remove the effect of past operations and to improve or maintain the quality of the environment. For further information regarding environmental matters, see Note 11C, "Commitments and Contingencies - Environmental Matters," to the consolidated financial statements.

Other Commitments and Contingencies

CL&P is subject to other commitments and contingencies primarily relating to nuclear litigation, nuclear insurance contingencies, its construction program, long-term contractual arrangements, and the New England Power Pool generation pricing. For further information regarding these commitments and contingencies, see Note 11, "Commitments and Contingencies," to the consolidated financial statements.

Year 2000 Issues

The transition into the year 2000 was a success for the NU system and CL&P. Its mission to provide safe, reliable energy to its customers and to ensure continued operability of critical business functions was not affected by any year 2000 related issues.

The projected total cost of the year 2000 program is estimated at $21 million for the NU system. The total cost to date was funded through operating cash flows. The NU system has incurred and expensed $20 million related to year 2000 readiness efforts.

Forward Looking Statements

This discussion and analysis includes forward looking statements, which are statements of future expectations and not facts. Words such as estimates, expects, anticipates, intends, plans, and similar expressions identify forward looking statements. Actual results or outcomes could differ materially as a result of further actions by state and federal regulatory bodies, competition and industry restructuring, changes in economic conditions, changes in historical weather patterns, changes in laws, developments in legal or public policy doctrines, technological developments, and other presently unknown or unforeseen factors.

RESULTS OF OPERATIONS

The components of significant income statement variances for the past two years are provided in the table below.

Income Statement Variances
(Millions of Dollars)

	1999 over/(under) 1998		1998 over/(under) 1997	
	Amount	Percent	Amount	Percent
Operating Revenues	$ 66	3%	$(79)	(3)%
Operating Expenses:				
Fuel, purchased and net interchange power	(143)	(13)	(60)	(5)
Other operation and maintenance	(94)	(12)	(136)	(15)
Depreciation	(23)	(10)	(22)	(9)

Amortization of regulatory assets, net	327	(a)	59	96
Federal and state income taxes	164	-	(12)	(18)
Taxes other than income taxes	5	3	(2)	(1)
Gain on sale of utility plant	(286)	-	-	-
Operating income	146	(a)	36	(a)
Equity in earnings of regional nuclear generating companies	(5)	(76)	1	10
Nuclear unrecoverable costs	90	63	(143)	-
Other, net	(20)	(a)	(4)	(a)
Minority interest in loss of subsidiary	-	-	-	-
Interest charges, net	-	-	5	3
Net Income/(Loss)	182	93	(56)	(40)

(a) Percentage greater than 100.

Operating Revenues
Operating revenues increased by $66 million or 3 percent in 1999, due to higher wholesale revenues ($72 million). The wholesale revenue increase is primarily due to higher energy sales and related capacity and transmission revenues. Retail revenues decreased primarily due to a retail rate reduction ($55 million) and lower fuel clause revenues ($33 million), partially offset by the impact of Millstone 2 and 3 being returned to CL&P's rate base ($13 million) and higher retail sales ($62 million). Retail kilowatt-hour sales increased by 2.9 percent.

The removal of Millstone 2 and 3 from CL&P's rate base reduced revenues by $68 million in 1998. Wholesale revenues decreased by $33 million, primarily as a result of terminating the contract with the Connecticut Municipal Electric Energy Cooperative (CMEEC). These decreases were partially offset by higher retail sales volumes. Retail kilowatt-hour sales were 2.2 percent higher and contributed $36 million to nonfuel revenues in 1998 primarily as a result of economic growth.

Fuel, Purchased and Net Interchange Power
Fuel, purchased and net interchange power expense decreased in 1999, primarily due to lower replacement power costs due to the return to service of Millstone 2 and 3, partially offset by higher purchased-power costs as a result of a high sales demand.

The change in fuel, purchased and net interchange power expense in 1998, is primarily due to lower replacement power costs due to the return to service of Millstone 3 and lower costs at the Yankee nuclear units ($21 million). This change was partially offset by higher capacity charges ($51 million).

Other Operation and Maintenance
Other O&M expenses decreased in 1999, primarily due to lower costs at the Millstone units ($107 million), lower conservation and load management amortization ($14 million), and lower fossil O&M expenses ($7 million), partially offset by the recognition of environmental insurance proceeds in 1998 ($9 million), higher transmission expenses ($12 million), and higher storm costs ($12 million).

Other O&M expenses decreased in 1998, primarily due to lower costs at the Millstone units ($125 million), lower administrative and general expenses ($12 million), the recognition of environmental insurance proceeds ($9 million), lower distribution costs ($8 million), a decrease in sales and marketing expenses ($8 million), and lower costs from ISO-New England for interchange services ($7 million). These decreases were partially offset by higher recognition of nuclear refueling outage costs primarily as a result of the 1996 rate settlement ($34 million).

Depreciation
Depreciation decreased in 1999 and 1998, primarily due to the retirement of Millstone 1.

Amortization of Regulatory Assets, Net
Amortization of regulatory assets, net increased in 1999, primarily due to the increased amortization associated with the gain on the sale of fossil generation assets ($286 million), the amortization of CL&P's Millstone 1 remaining investment ($51 million) and the reclassification of the depreciation on the nuclear plants transferred to regulatory assets ($19 million). These increases were partially offset by the completion of the amortization of the cogeneration deferral in the first quarter of 1999 ($23 million).

Amortization of regulatory assets, net increased in 1998, primarily due to accelerated amortizations in accordance with regulatory decisions ($52 million) and the beginning of the amortization of the Millstone 1 investment ($20 million).

Federal and State Income Taxes
Federal and state income taxes increased in 1999, primarily due to higher book taxable income.

Federal and state income taxes decreased in 1998, primarily due to lower book taxable income and the increase in income tax credits primarily due to the Millstone 1 write-off of unrecoverable costs as a result of the February 1999 rate decision.

Gain on Sale of Utility Plant
CL&P recorded a gain on the sale of its fossil generation assets in 1999. A corresponding amount of amortization expense was recorded.

Equity Earnings of Regional Nuclear Generating Companies
Equity earnings of regional nuclear generating companies decreased in 1999, primarily due to lower earnings from the Connecticut Yankee Atomic Power Company.

The change in equity earnings of regional nuclear generating companies in 1998 was not significant.

Nuclear Unrecoverable Costs
Nuclear unrecoverable costs in 1999 are comprised of one-time charges related to the write-off of capital projects as a result of the Connecticut standard offer decision ($11 million), the settlement of Millstone 3 joint owner litigation, net of insurance proceeds ($22 million) and the write-off of CMEEC nuclear costs ($20 million). In comparison, 1998 is comprised of the write-off of the Millstone 1 entitlement formerly held by CMEEC ($27.8 million) and the write-off of unrecoverable costs as a result of the February 1999 rate decision ($115.3 million).

Other, Net
Other, net, decreased in 1999, primarily due to the loss on the CL&P assignment of market-based contracts to Select Energy, Inc.

The change in other, net in 1998 was not significant.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors
of The Connecticut Light and Power Company:

We have audited the accompanying consolidated balance sheets of The Connecticut Light and Power Company (a Connecticut corporation and a wholly owned subsidiary of Northeast Utilities) and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, comprehensive income, common stockholder's equity and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Connecticut Light and Power Company and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

/s/ ARTHUR ANDERSEN LLP
ARTHUR ANDERSEN LLP

Hartford, Connecticut
January 25, 2000

THE CONNECTICUT LIGHT AND POWER COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31,	1999	1998	1997
	(Thousands of Dollars)		
Operating Revenues	$2,452,855	$2,386,864	$2,465,587
Operating Expenses:			
Operation -			
Fuel, purchased and net interchange power	927,989	1,070,677	1,131,063
Other	480,138	520,518	572,900
Maintenance	217,961	271,317	355,772
Depreciation	193,776	216,509	238,667
Amortization of regulatory assets, net	447,776	120,884	61,648
Federal and state income taxes	122,059	(11,642)	(59,436)
Taxes other than income taxes	174,884	170,347	172,592
Gain on sale of utility plant	(286,477)	-	-
Total operating expenses	2,278,106	2,358,610	2,473,206
Operating Income/(Loss)	174,749	28,254	(7,619)
Other (Loss)/Income:			
Equity in earnings of regional nuclear generating companies	1,506	6,241	5,672
Nuclear unrecoverable costs	(53,031)	(143,239)	-
Other, net	(25,962)	(6,075)	(1,856)
Minority interest in loss of subsidiary	(9,300)	(9,300)	(9,300)
Income taxes	36,921	67,127	7,573
Other (loss)/income, net	(49,866)	(85,246)	2,089
Income/(Loss) before interest charges	124,883	(56,992)	(5,530)
Interest Charges:			
Interest on long-term debt	127,533	133,192	132,127
Other interest	10,918	5,541	1,940
Interest charges, net	138,451	138,733	134,067
Net Loss	$ (13,568)	$ (195,725)	$ (139,597)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Net Loss	$ (13,568)	$ (195,725)	$ (139,597)
Other comprehensive income, net of tax:			
Unrealized gains on securities	38	638	-
Minimum pension liability adjustments	-	(260)	-
Other comprehensive income, net of tax	38	378	-
Comprehensive Loss	$ (13,530)	$ (195,347)	$ (139,597)

The accompanying notes are an integral part of these financial statements.

THE CONNECTICUT LIGHT AND POWER COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AT DECEMBER 31,	1999	1998
	(Thousands of Dollars)	
ASSETS		
Utility Plant, at original cost:		
Electric	$ 5,811,126	$ 6,173,871

Less: Accumulated provision for depreciation.....	4,234,771	2,758,012
	1,576,355	3,415,859
Construction work in progress.....	115,529	83,477
Nuclear fuel, net.....	80,766	87,867
Total net utility plant.....	1,772,650	3,587,203
Other Property and Investments:		
Nuclear decommissioning trusts, at market.....	516,796	452,755
Investments in regional nuclear generating companies, at equity.....	54,472	56,999
Other, at cost.....	36,696	93,864
	607,964	603,618
Current Assets:		
Cash.....	364	434
Investments in securitizable assets.....	107,620	160,253
Notes receivable from affiliated companies.....	-	6,600
Receivables, less accumulated provision for uncollectible accounts of $300 in 1999 and 1998.....	19,680	22,186
Accounts receivable from affiliated companies.....	3,390	1,721
Taxes receivable.....	-	26,478
Fuel, materials, and supplies, at average cost.....	37,603	71,982
Prepayments and other.....	148,628	121,514
	317,285	411,168
Deferred Charges:		
Regulatory assets.....	2,564,095	1,415,838
Unamortized debt expense.....	16,323	19,603
Other.....	19,967	12,768
	2,600,385	1,448,209
Total Assets.....	$ 5,298,284	$ 6,050,198

The accompanying notes are an integral part of these financial statements.

THE CONNECTICUT LIGHT AND POWER COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AT DECEMBER 31,	1999	1998
	(Thousands of Dollars)	
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, $10 par value - authorized 24,500,000 shares; 12,222,930 shares outstanding in 1999 and 1998.....	$ 122,229	$ 122,229
Capital surplus, paid in.....	665,598	664,156
Retained earnings.....	153,254	210,108
Accumulated other comprehensive income.....	416	378
Total common stockholder's equity.....	941,497	996,871
Preferred stock not subject to mandatory redemption.....	116,200	116,200
Preferred stock subject to mandatory redemption.....	79,789	99,539
Long-term debt.....	1,241,051	1,793,952
Total capitalization.....	2,378,537	3,006,562
Minority Interest in Consolidated Subsidiary.....	100,000	100,000
Obligations Under Capital Leases.....	50,969	68,444
Current Liabilities:		
Notes payable to banks.....	90,000	10,000
Notes payable to affiliated company.....	11,700	-
Long-term debt and preferred stock - current portion.....	178,755	233,755

Obligations under capital leases - current portion	93,431	94,440
Accounts payable	101,106	121,040
Accounts payable to affiliated companies	3,215	32,758
Accrued taxes	169,214	19,396
Accrued interest	18,640	31,409
Other	26,347	34,872
	692,408	577,670
Deferred Credits and Other Long-term Liabilities:		
Accumulated deferred income taxes	999,473	1,194,722
Accumulated deferred investment tax credits	107,064	114,457
Decommissioning obligation - Millstone 1	580,320	560,500
Deferred contractual obligations	238,142	277,826
Other	151,371	150,017
	2,076,370	2,297,522
Total Capitalization and Liabilities	$ 5,298,284	$ 6,050,198

The accompanying notes are an integral part of these financial statements.

THE CONNECTICUT LIGHT AND POWER COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

	Common Stock	Capital Surplus, Paid In	Retained Earnings (a)	Accumulated Other Comprehensive Income	Total
	(Thousands of Dollars)				
Balance at January 1, 1997	$122,229	$639,657	$ 580,779	$ -	$1,342,665
Net loss for 1997			(139,597)		(139,597)
Cash dividends on preferred stock			(15,221)		(15,221)
Cash dividends on common stock			(5,989)		(5,989)
Capital stock expenses, net		1,676			1,676
Balance at December 31, 1997	122,229	641,333	419,972	-	1,183,534
Net loss for 1998			(195,725)		(195,725)
Cash dividends on preferred stock			(14,139)		(14,139)
Capital stock expenses, net		2,764			2,764
Capital contribution from Northeast Utilities		20,000			20,000
Gain on repurchase of preferred stock		59			59
Other comprehensive income				378	378
Balance at December 31, 1998	122,229	664,156	210,108	378	996,871
Net loss for 1999			(13,568)		(13,568)
Cash dividends on preferred stock			(12,832)		(12,832)
Capital stock expenses, net		1,442			1,442
Allocation of benefits - ESOP			(30,454)		(30,454)
Other comprehensive income				38	38
Balance at December 31, 1999	$122,229	$665,598	$ 153,254	$ 416	$ 941,497

(a) The company has dividend restrictions imposed by its long-term debt agreements. At December 31, 1999, these restrictions totaled approximately $512 million.

The accompanying notes are an integral part of these financial statements.

THE CONNECTICUT LIGHT AND POWER COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Thousands of Dollars)	For the Years Ended December 31, 1999	1998	1997
Operating Activities:			
Net loss	$ (13,568)	$(195,725)	$(139,597)
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation	193,776	216,509	238,667
Deferred income taxes and investment tax credits, net	(140,459)	(65,689)	(10,401)
Amortization of regulatory assets, net	447,776	120,884	61,648
Amortization of demand-side-management costs, net	10,014	42,085	38,029
Amortization/(deferral) of recoverable energy costs	12,702	30,745	(9,533)
Deferred nuclear refueling outage, net of amortization	-	-	(45,333)
Nuclear unrecoverable costs	53,031	143,239	-
Allocation of ESOP benefits	(30,454)	-	-
Gain on sale of utility plant	(286,477)	-	-
Net other (uses)/sources of cash	(113,174)	34,016	(50,953)
Changes in working capital:			
Receivables	837	29,914	254,223
Fuel, materials and supplies	34,379	9,896	(1,941)
Accounts payable	(49,477)	(63,592)	(22,036)
Accrued taxes	149,818	(13,621)	4,310
Investments in securitizable assets	52,633	45,372	(205,625)
Other working capital (excludes cash)	(21,930)	30,097	(74,266)
Net cash flows provided by operating activities	299,427	364,130	37,192
Financing Activities:			
Issuance of long-term debt	-	-	200,000
Net increase/(decrease) in short-term debt	91,700	(86,300)	96,300
Reacquisitions and retirements of long-term debt	(620,010)	(45,006)	(204,116)
Reacquisitions and retirements of preferred stock	(19,750)	(35,711)	-
Cash dividends on preferred stock	(12,832)	(14,139)	(15,221)
Cash dividends on common stock	-	-	(5,989)
Net cash flows (used in)/provided by financing activities	(560,892)	(181,156)	70,974
Investing Activities:			
Investment in plant:			
Electric utility plant	(180,982)	(132,194)	(155,550)
Nuclear fuel	(26,198)	(8,444)	(702)
Net cash flows used for investments in plant	(207,180)	(140,638)	(156,252)
Investment in NU system Money Pool	6,600	(6,600)	109,050
Investment in nuclear decommissioning trusts	(54,582)	(54,106)	(45,314)
Other investment activities, net	(355)	(1,655)	(15,595)
Net proceeds from the sale of utility plant	516,912	-	-
Capital contributions from Northeast Utilities	-	20,000	-
Net cash flows provided by/(used in) investing activities	261,395	(182,999)	(108,111)
Net (decrease)/increase in cash for the period	(70)	(25)	55
Cash - beginning of period	434	459	404
Cash - end of period	$ 364	$ 434	$ 459
Supplemental Cash Flow Information:			
Cash paid/(refunded) during the year for:			
Interest, net of amounts capitalized	$ 142,398	$ 110,119	$ 145,962
Income taxes	$ 19,754	$ (46,747)	$ (22,338)
Increase in obligations:			
Niantic Bay Fuel Trust	$ 4,752	$ 10,208	$ 2,815

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. About The Connecticut Light and Power Company
The Connecticut Light and Power Company (CL&P or the company) along with the Public Service Company of New Hampshire (PSNH), Western Massachusetts Electric Company (WMECO), North Atlantic Energy Corporation (NAEC), and Holyoke Water Power Company (HWP) are the operating companies comprising the Northeast Utilities system (NU

system) and are wholly owned by Northeast Utilities (NU). The NU system serves in excess of 30 percent of New England's electric needs and is one of the 20 largest electric utility systems in the country as measured by revenues. The NU system furnishes franchised retail electric service in Connecticut, New Hampshire and western Massachusetts through CL&P, PSNH and WMECO. NAEC sells all of its entitlement to the capacity and output of the Seabrook Station (Seabrook) nuclear unit to PSNH under the terms of two life-of-unit, full cost recovery contracts. HWP, also is engaged in the production and distribution of electric power.

NU is registered with the Securities and Exchange Commission (SEC) as a holding company under the Public Utility Holding Company Act of 1935 (1935 Act) and the NU system, including CL&P, is subject to provisions of the 1935 Act. Arrangements among the NU system companies, outside agencies and other utilities covering interconnections, interchange of electric power and sales of utility property are subject to regulation by the Federal Energy Regulatory Commission (FERC) and/or the SEC. CL&P is subject to further regulation for rates, accounting and other matters by the FERC and/or applicable state regulatory commissions.

Several wholly owned subsidiaries of NU provide support services for the NU system companies, including CL&P, and, in some cases, for other New England utilities. Northeast Utilities Service Company (NUSCO) provides centralized accounting, administrative, information resources, engineering, financial, legal, operational, planning, purchasing, and other services to the NU system companies, including CL&P. Northeast Nuclear Energy Company acts as agent for the NU system companies and other New England utilities in operating the Millstone nuclear units. North Atlantic Energy Service Corporation has operational responsibility for Seabrook. In addition, CL&P has established a special purpose subsidiary whose business consists of the purchase and resale of receivables.

On October 13, 1999, NU and Consolidated Edison, Inc. (Con Edison) announced that they have agreed to a merger to combine the two companies. For further information, see Note 17, "Merger Agreement with Con Edison."

B. Presentation

The consolidated financial statements of CL&P include the accounts of all subsidiaries. Intercompany transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain reclassifications of prior years' data have been made to conform with the current year's presentation.

All transactions among affiliated companies are on a recovery of cost basis which may include amounts representing a return on equity and are subject to approval by various federal and state regulatory agencies.

C. New Accounting Standards

The Financial Accounting Standards Board (FASB) has issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments and hedging activities. This statement will require derivative instruments utilized by CL&P to be recognized as assets or liabilities at fair value.

In June 1999, the FASB delayed the adoption date of SFAS No. 133 to January 1, 2001.

Based on the derivative instruments utilized by CL&P, there may be an impact on earnings upon adoption of SFAS No. 133 which management has not estimated at this time.

D. Investments and Jointly Owned Electric Utility Plant

Regional Nuclear Generating Companies: CL&P owns common stock in four regional nuclear companies (Yankee Companies). CL&P's ownership interests in the Yankee Companies at December 31, 1999 and 1998, which are accounted for on the equity basis due to CL&P's ability to exercise significant influence over their operating and financial policies are 34.5 percent of the Connecticut Yankee Atomic Power Company (CYAPC), 24.5 percent of the Yankee Atomic Electric Company (YAEC), 12 percent of the Maine Yankee Atomic Power Company (MYAPC), and 9.5 percent of the Vermont Yankee Nuclear Power Corporation (VYNPC). CL&P's total

equity investment in the Yankee Companies at December 31, 1999 and 1998, is $54.5 million and $57.0 million, respectively. Each Yankee Company owns a single nuclear generating unit. However, VYNPC is the only unit still in operation at December 31, 1999.

Millstone: CL&P has an 81 percent joint ownership interest in both Millstone 1, a 660 megawatt (MW) nuclear unit and Millstone 2, an 870 MW nuclear generating unit. CL&P has a 52.93 percent joint ownership interest in Millstone 3, a 1,154 MW nuclear generating unit. NU expects to auction all three units as a single package in 2000, with a closing in 2001. Appropriate regulatory approvals will be required to complete the auction.

Seabrook: CL&P has a 4.06 percent joint ownership interest in Seabrook, a 1,148 MW nuclear generating unit. CL&P expects to auction its investment in Seabrook, jointly with NAEC, upon the resolution of the restructuring issues in the state of New Hampshire.

Plant-in-service and the accumulated provision for depreciation for CL&P's share of Millstone 2 and 3 and Seabrook are as follows:

At December 31,	1999	1998
	(Millions of Dollars)	
Plant-in-service		
Millstone 2	$ 771.7	$ 759.3
Millstone 3	1,915.1	1,909.4
Seabrook	173.9	174.3
Accumulated provision for depreciation		
Millstone 2	$ 743.3	$ 309.2
Millstone 3	1,822.8	609.3
Seabrook	165.7	39.3

E. Depreciation

The provision for depreciation is calculated using the straight-line method based on estimated remaining useful lives of depreciable utility plant-in-service, adjusted for salvage value and removal costs, as approved by the appropriate regulatory agency, where applicable. Except for major facilities, depreciation rates are applied to the average plant-in-service during the period. Major facilities are depreciated from the time they are placed in service. When plant is retired from service, the original cost of the plant, including costs of removal less salvage, is charged to the accumulated provision for depreciation. The costs of closure and removal of nonnuclear facilities are accrued over the life of the plant as a component of depreciation. The depreciation rates for the several classes of electric plant-in-service are equivalent to a composite rate of 3.3 percent in 1999, 3.2 percent in 1998 and 3.8 percent in 1997.

At December 31, 1999 and 1998, the accumulated provision for depreciation included $47.9 million accrued for the cost of removal, net of salvage, for nonnuclear generation property.

As a result of discontinuing the application of SFAS No. 71 "Accounting for the Effects of Certain Types of Regulation," for CL&P's generation business, including CL&P's ownership interest in Seabrook, the company recorded a charge to accumulated depreciation for the nuclear plant in excess of fair market value in the amount of $1.7 billion, and a corresponding regulatory asset was created.

F. Revenues

Revenues are based on authorized rates applied to each customer's use of electricity. In general, rates can be changed only through a formal proceeding before the appropriate regulatory commission. Regulatory commissions also have authority over the terms and conditions of nontraditional rate-making arrangements. At the end of each accounting period, CL&P accrues a revenue estimate for the amount of energy delivered but unbilled.

G. Regulatory Accounting and Assets

The accounting policies of CL&P and the accompanying consolidated financial statements conform to generally accepted accounting principles applicable to rate-regulated enterprises and historically reflect the effects of the rate-making process in accordance with SFAS No. 71. As a result of final restructuring orders issued in 1999, CL&P discontinued the application of SFAS No. 71 for the generation portion of its business.

Based on a current evaluation of the various factors and conditions that are expected to impact future cost recovery, management continues to believe it is probable that CL&P will recover its investments in long-lived assets, including regulatory assets. In addition, all material regulatory assets are earning a return. The components of CL&P's

regulatory assets are as follows:

At December 31,	1999	1998
	(Millions of Dollars)	
Recoverable nuclear costs	$1,781.9	$ 442.7
Income taxes, net	399.5	538.5
Unrecovered contractual obligations	228.9	267.0
Recoverable energy costs, net	89.4	102.1
Other	64.4	65.5
	$2,564.1	$1,415.8

The restructuring orders in Connecticut provide for the transmission and distribution business to continue to be cost-of-service based and also provide for a transition charge which recovers stranded costs, including the nuclear regulatory assets established below.

As a result of discontinuing the application of SFAS No. 71 for CL&P's generation business, the company reclassified nuclear plant in excess of its estimated fair market value from plant to regulatory assets. As of December 31, 1999, the unamortized balance of $1.38 billion is classified as recoverable nuclear costs. Also included in that regulatory asset component for 1999 is $401.9 million, which includes Millstone 1 recoverable nuclear costs relating to the recoverable portion of the undepreciated plant and related assets ($101.9 million) and the decommissioning and closure obligation ($300 million).

H. Income Taxes

The tax effect of temporary differences (differences between the periods in which transactions affect income in the financial statements and the periods in which they affect the determination of taxable income) is accounted for in accordance with the rate-making treatment of the applicable regulatory commissions.

The tax effect of temporary differences, including timing differences accrued under previously approved accounting standards, that give rise to the accumulated deferred tax obligation is as follows:

At December 31,	1999	1998
	(Millions of Dollars)	
Accelerated depreciation and other plant-related differences	$845.6	$1,002.7
Net operating loss carryforwards	-	(7.8)
Regulatory assets - income tax gross up	153.7	279.8
Other	0.2	(80.0)
	$999.5	$1,194.7

I. Recoverable Energy Costs

Under the Energy Policy Act of 1992 (Energy Act), CL&P is assessed for its proportionate share of the costs of decontaminating and decommissioning uranium enrichment plants owned by the United States Department of Energy (DOE) (D&D Assessment). The Energy Act requires that regulators treat D&D Assessments as a reasonable and necessary current cost of fuel, to be fully recovered in rates like any other fuel cost. CL&P is currently recovering these costs through rates. As of December 31, 1999 and 1998, CL&P's total D&D Assessment deferrals were $26.9 million and $44.9 million, respectively.

Through December 31, 1999, CL&P had an energy adjustment clause under which fuel prices above or below base-rate levels were charged to or credited to customers. At December 31, 1999 and 1998, recoverable energy costs included $62.6 million and $78.1 million, respectively, of costs previously deferred. Coincident with the start of restructuring, the fuel clause was terminated. The balance at December 31, 1999, has been recorded as a generation-related stranded cost and will be recovered through a transition charge mechanism.

J. Unrecovered Contractual Obligations

Under the terms of contracts with the Yankee Companies, the shareholder-sponsored companies, including CL&P, are responsible for their proportionate share of the remaining costs of the units, including decommissioning. As management expects that CL&P will be allowed to

recover these costs from its customers, CL&P has recorded a regulatory asset, with a corresponding obligation, on its balance sheet.

2. NUCLEAR DECOMMISSIONING AND PLANT CLOSURE COSTS

Millstone and Seabrook: CL&P's operating nuclear power plants, Millstone 2 and 3 and Seabrook, have service lives that are expected to end during the years 2015 through 2026 and upon retirement, must be decommissioned. Millstone 1's expected service life was to end in 2010, however, in July 1998, restart activities were discontinued and preparations for decommissioning the unit began. Current decommissioning studies conclude that complete and immediate dismantlement as soon as practical after retirement continues to be the most viable and economic method of decommissioning a unit. These studies are reviewed and updated periodically to reflect changes in decommissioning requirements, costs, technology, and inflation. Changes in requirements or technology, the timing of funding or dismantling or adoption of a decommissioning method other than immediate dismantlement would change decommissioning cost estimates and the amounts required to be recovered. CL&P attempts to recover sufficient amounts through its allowed rates to cover its expected decommissioning costs.

CL&P's ownership share of the estimated cost of decommissioning Millstone 2 and 3 and Seabrook, in year end 1999 dollars, is $334.9 million, $327.9 million and $22.9 million, respectively. Nuclear decommissioning costs are accrued over the expected service lives of the units and are included in depreciation expense. Nuclear decommissioning expenses for these units amounted to $19.6 million in 1999, $19.1 million in 1998 and $20 million in 1997. Nuclear decommissioning, as a cost of removal, is included in the accumulated provision for depreciation.

A Post-Shutdown Decommissioning Activities Report for Millstone 1 was filed with the Nuclear Regulatory Commission in June 1999 which outlines decommissioning activities, and costs, and supports the obligation recorded by the company. Nuclear decommissioning expenses for Millstone 1 were $22.8 million in 1999, $17.3 million in 1998 and $17.7 million in 1997.

External decommissioning trusts have been established for the costs of decommissioning the Millstone units. Payments for CL&P's ownership share of the cost of decommissioning Seabrook is paid to an independent decommissioning financing fund managed by the state of New Hampshire. Funding of the estimated decommissioning costs assumes levelized collections for the Millstone units and escalated collections for Seabrook and after-tax earnings on the Millstone and Seabrook decommissioning funds of 5.5 percent and 6.5 percent, respectively.

As of December 31, 1999 and 1998, CL&P collected a total of $185.1 million and $165.6 million, respectively, through rates toward the future decommissioning costs of their shares of Millstone 2 and 3 and Seabrook, of which $164.2 million in 1999 and $145.8 million in 1998 have been transferred to external decommissioning trusts. Earnings on the decommissioning trusts increase the decommissioning trust balances and the accumulated reserves for depreciation. Unrealized gains and losses associated with the decommissioning trusts and financing funds also impact the balance of the trusts and the accumulated reserve for depreciation. The fair values of the amounts in the external decommissioning trusts were $282.2 million and $242.2 million at December 31, 1999 and 1998, respectively.

Yankee Companies: VYNPC owns and operates a nuclear generating unit with a service life that is expected to end in 2012. CL&P's ownership share of estimated costs, in year end 1999 dollars, of decommissioning this unit is $40.7 million. On October 15, 1999, VYNPC agreed to sell the unit for $22 million to an unaffiliated company. Among other commitments, the acquiring company agreed to assume the decommissioning cost of the unit after it is taken out of service, and the VYNPC owners have agreed to fund the uncollected decommissioning cost to a negotiated amount at the time of the closing of the sale.

As of December 31, 1999 and 1998, CL&P's remaining estimated obligation, including decommissioning for the units owned by CYAPC, YAEC and MYAPC, which have been shut down was $238.1 million and $277.8 million, respectively.

3. SHORT-TERM DEBT

Limits: The amount of short-term borrowings that may be incurred by CL&P is subject to periodic approval by either the SEC under the 1935 Act or by the respective state regulators. SEC authorization allowed CL&P, as of January 1, 1999, to incur total short-term borrowings up to a maximum of $375 million. In addition, the charter of CL&P contains preferred stock provisions restricting the amount of unsecured debt the company may incur. As of December 31, 1999, CL&P's charter permits CL&P to incur $322 million of unsecured debt.

Credit Agreement: On November 19, 1999, CL&P and WMECO entered into a new 364-day revolving credit facility for $500 million, replacing the

previous $313.75 million facility which was to expire on November 21, 1999. The revolving credit facility, will be used to bridge gaps in working capital and provide short-term liquidity. CL&P may draw up to $300 million under the facility, which is secured by second mortgages on Millstone 2 and 3. Unless extended, the new credit facility will expire on November 17, 2000. At December 31, 1999 and 1998, there were $90 million and $10 million, respectively, in borrowings under these facilities.

Under the credit agreement discussed above, CL&P may borrow at fixed or variable rates plus an applicable margin based upon the company's most senior secured debt as rated by the lower of Standard & Poor's or Moody's Investors Service. The weighted average interest rate on CL&P's notes payable to banks outstanding on December 31, 1999 and 1998, was 7.69 percent and 6.53 percent, respectively.

This credit agreement provides that CL&P must comply with certain financial and nonfinancial covenants as are customarily included in such agreements, including, but not limited to, common equity ratios and interest coverage ratios.

Money Pool: Certain subsidiaries of NU, including CL&P, are members of the Northeast Utilities System Money Pool (Pool). The Pool provides a more efficient use of the cash resources of the NU system and reduces outside short-term borrowings. NUSCO administers the Pool as agent for the member companies. Short-term borrowing needs of the member companies are first met with available funds of other member companies, including funds borrowed by NU parent. NU parent may lend to the Pool but may not borrow. Funds may be withdrawn from or repaid to the Pool at any time without prior notice. Investing and borrowing subsidiaries receive or pay interest based on the average daily federal funds rate. Borrowings based on loans from NU parent, however, bear interest at NU parent's cost and must be repaid based upon the terms of NU parent's original borrowing. At December 31, 1999 and 1998, CL&P had $11.7 million and no borrowings, respectively, from the Pool. The interest rate on borrowings from the Pool at December 31, 1999 and 1998, was 4.9 percent and 5.8 percent, respectively. Maturities of short-term debt obligations were for periods of three months or less.

4. LEASES

CL&P finances its respective shares of nuclear fuel for Millstone 2 and 3 under the Niantic Bay Fuel Trust (NBFT) capital lease agreement. This capital lease agreement has an expiration date of June 1, 2040. At December 31, 1999 and 1998, the present value of CL&P's capital lease obligation to the NBFT was $127.2 million and $144.8 million, respectively. In connection with the planned nuclear divestiture, CL&P anticipates that its portion of the NBFT capital lease will be terminated and CL&P's portion of the NBFT's obligation under the $180 million Series G Intermediate Term Note agreement will be assigned to CL&P.

CL&P makes quarterly lease payments for the cost of nuclear fuel consumed in the reactors based on a units-of-production method at rates which reflect estimated kilowatt-hours of energy provided plus financing costs associated with the fuel in the reactors. Upon permanent discharge from the reactors, CL&P's interest in the nuclear fuel transfers to CL&P.

CL&P also has entered into lease agreements, some of which are capital leases, for the use of data processing and office equipment, vehicles, nuclear control room simulators, and office space. The provisions of these lease agreements generally provide for renewal options.

Capital lease rental payments charged to operating expense were $10 million in 1999, $20.5 million in 1998 and $10.5 million in 1997. Interest included in capital lease rental payments was $9.4 million in 1999, $14.1 million in 1998 and $9.9 million in 1997. Operating lease rental payments charged to expense were $14.3 million in 1999, $17.9 million in 1998 and $19.7 million in 1997.

Future minimum rental payments, excluding annual nuclear fuel lease payments and executory costs such as property taxes, state use taxes, insurance, and maintenance, under long-term noncancelable leases, as of December 31, 1999, are:

Year	Capital Leases	Operating Leases
	(Millions of Dollars)	
2000	$ 2.4	$16.1
2001	2.4	13.0
2002	2.4	11.3
2003	2.4	9.7
2004	2.3	8.6
After 2004	29.4	16.9
Future minimum lease payments	41.3	$75.6

Less amount representing interest..	24.1
Present value of future minimum lease payments for other than nuclear fuel.....	17.2
Present value of future nuclear fuel lease payments.....	127.2
Present value of future minimum lease payments.....	$144.4

5. PREFERRED STOCK NOT SUBJECT TO MANDATORY REDEMPTION

Details of preferred stock not subject to mandatory redemption are:

Description	December 31, 1999 Redemption Price	Shares Outstanding December 31, 1999	December 31, 1999	December 31, 1998
			(Millions of Dollars)	
$1.90 Series of 1947	$52.50	163,912	$ 8.2	$ 8.2
$2.00 Series of 1947	54.00	336,088	16.8	16.8
$2.04 Series of 1949	52.00	100,000	5.0	5.0
$2.20 Series of 1949	52.50	200,000	10.0	10.0
3.90% Series of 1949	50.50	160,000	8.0	8.0
$2.06 Series E of 1954	51.00	200,000	10.0	10.0
$2.09 Series F of 1955	51.00	100,000	5.0	5.0
4.50% Series of 1956	50.75	104,000	5.2	5.2
4.96% Series of 1958	50.50	100,000	5.0	5.0
4.50% Series of 1963	50.50	160,000	8.0	8.0
5.28% Series of 1967	51.43	200,000	10.0	10.0
$3.24 Series G of 1968	51.84	300,000	15.0	15.0
6.56% Series of 1968	51.44	200,000	10.0	10.0
			$116.2	$116.2

6. PREFERRED STOCK SUBJECT TO MANDATORY REDEMPTION

Details of preferred stock subject to mandatory redemption are:

Description	December 31, 1999 Redemption Price	Shares Outstanding December 31, 1999	December 31, 1999	December 31, 1998
			(Millions of Dollars)	
7.23% Series of 1992	$51.93	981,434	$49.1	$ 52.8
5.30% Series of 1993	50.67	1,009,340	50.5	66.5
			99.6	119.3
Less preferred stock to be redeemed within one year		395,000	19.8	19.8
			$79.8	$ 99.5

Each of these series is subject to certain refunding limitations for the first five years after issuance. Redemption prices reduce in future years.

The following table details redemption and sinking fund activity for preferred stock subject to mandatory redemption:

Series	Minimum Annual Sinking Fund Requirement	Shares Reacquired 1999	Shares Reacquired 1998
	(Millions of Dollars)		
7.23% Series of 1992 (1)	$ 3.8	75,000	443,566
5.30% Series of 1993 (2)	16.0	320,000	270,660

(1) Sinking fund requirements commenced September 1, 1998.
(2) Sinking fund requirements commenced October 1, 1999.

The minimum sinking fund requirements of the series subject each year to mandatory redemption aggregate $19.8 million each year for 2000 through 2002, $6.2 million in 2003, and $3.8 million in 2004. In case of default on sinking fund payments, no payments may be made on any junior stock by way of dividends or otherwise (other than in shares of junior stock) so long as the default continues. If CL&P is in arrears in the payment of dividends on any outstanding shares of preferred stock, CL&P would be prohibited from redeeming or purchasing less than all of the outstanding preferred stock.

7. LONG-TERM DEBT

Details of long-term debt outstanding are:

At December 31,	1999	1998
	(Millions of Dollars)	
First Mortgage Bonds:		
7 1/4% Series VV due 1999	$ -	$ 74.0
5 1/2% Series A due 1999	-	140.0
5 3/4% Series XX due 2000	159.0	200.0
7 7/8% Series A due 2001	160.0	160.0
7 3/4% Series C due 2002	200.0	200.0
6 1/8% Series B due 2004	-	140.0
7 3/8% Series TT due 2019	20.0	20.0
7 1/2% Series YY due 2023	-	100.0
8 1/2% Series C due 2024	115.0	115.0
7 7/8% Series D due 2024	140.0	140.0
7 3/8% Series ZZ due 2025	-	125.0
	794.0	1,414.0
Pollution Control Notes:		
Variable rate, due 2016-2022	46.4	46.4
Variable tax exempt, due 2028-2031	377.5	377.5
Fees and interest due for spent nuclear fuel disposal costs	183.4	175.0
Other	0.2	0.1
Less amounts due within one year	159.0	214.0
Unamortized premium and discount, net	(1.4)	(5.0)
Long-term debt, net	$1,241.1	$1,794.0

Long-term debt maturities and cash sinking fund requirements, excluding fees and interest due for spent nuclear fuel disposal costs, on debt outstanding at December 31, 1999, for the years 2000 through 2004 are $159 million, $160 million, $200 million, and minimal requirements for 2003 and 2004, respectively.

Essentially all utility plant of CL&P is subject to the liens of the company's first mortgage bond indenture.

CL&P has secured $315.5 million of pollution control notes with second mortgage liens on Millstone 1, junior to the liens of its first mortgage bond indenture.

CL&P has $62 million of tax-exempt Pollution Control Revenue Bonds with bond insurance secured by first mortgage bonds and a liquidity facility.

The average effective interest rate on the variable-rate pollution control notes ranged from 2.2 percent to 3.9 percent for 1999 and from 3.6 percent to 3.7 percent for 1998.

8. INCOME TAX EXPENSE

The components of the federal and state income tax provisions were charged/(credited) to operations as follows:

For the Years Ended December 31,	1999	1998	1997
	(Millions of Dollars)		
Current income taxes:			
Federal	$197.7	$ (9.2)	$(53.3)
State	27.9	(3.9)	(3.3)
Total current	225.6	(13.1)	(56.6)
Deferred income taxes, net:			
Federal	(113.0)	(34.9)	8.4
State	(20.1)	(17.5)	(11.4)
Total deferred	(133.1)	(52.4)	(3.0)

Investment tax credits, net.....	(7.3)	(13.3)	(7.4)
Total income tax expense/(credit).....	$ 85.2	$(78.8)	$(67.0)

The components of total income tax expense/(credit) are classified as follows:

For the Years Ended December 31,	1999	1998	1997
	(Millions of Dollars)		
Income taxes charged to operating expenses.....	$122.1	$(11.7)	$(59.4)
Other income taxes.....	(36.9)	(67.1)	(7.6)
Total income tax expense/(credit).....	$ 85.2	$(78.8)	$(67.0)

Deferred income taxes are comprised of the tax effects of temporary differences as follows:

For the Years Ended December 31,	1999	1998	1997
	(Millions of Dollars)		
Depreciation, leased nuclear fuel, settlement credits and disposal costs.....	$ (9.9)	$ (5.6)	$ 12.0
Regulatory deferral.....	6.2	(36.7)	(12.4)
State net operating loss carryforward..	7.8	1.1	(7.7)
Regulatory disallowance.....	(24.2)	(18.1)	-
Sale of fossil generation assets.....	(126.1)	-	-
Pension accruals.....	9.8	8.9	6.5
Contractual settlements.....	0.6	1.3	1.8
Other.....	2.7	(3.3)	(3.2)
Deferred income taxes, net.....	$(133.1)	$(52.4)	$ (3.0)

A reconciliation between income tax expense/(credit) and the expected tax expense/(credit) at 35 percent of pretax income is as follows:

For the Years Ended December 31,	1999	1998	1997
	(Millions of Dollars)		
Expected federal income tax.....	$25.0	$(96.1)	$(72.3)
Tax effect of differences:			
Depreciation.....	36.5	20.9	19.5
Amortization of regulatory assets....	22.5	22.7	3.9
Investment tax credit amortization...	(7.3)	(13.3)	(7.4)
State income taxes, net of federal benefit.....	5.1	(13.9)	(9.6)
Other, net.....	3.4	0.9	(1.1)
Total income tax expense/(credit).....	$85.2	$(78.8)	$(67.0)

9. EMPLOYEE BENEFITS

A. Pension Benefits and Postretirement Benefits Other Than Pensions
The NU system companies, including CL&P, participate in a uniform noncontributory defined benefit retirement plan covering substantially all regular NU system employees. Benefits are based on years of service and the employees' highest eligible compensation during 60 consecutive months of employment. CL&P's portion of the NU system's total pension credit, part of which was credited to utility plant, was $40.3 million in 1999, $32.6 million in 1998 and $22.5 million in 1997.

Currently, CL&P annually funds an amount at least equal to that which will satisfy the requirements of the Employee Retirement Income Security Act and Internal Revenue Code (the Code).

The NU system companies, including CL&P, also provide certain health care benefits, primarily medical and dental, and life insurance benefits through a benefit plan to retired employees. These benefits are available for employees retiring from CL&P who have met specified service requirements. For current employees and certain retirees, the

total benefit is limited to two times the 1993 per retiree health care cost. These costs are charged to expense over the future estimated work life of the employee. CL&P annually funds postretirement costs through external trusts with amounts that have been rate-recovered and which also are tax deductible under the Code.

Pension and trust assets are invested primarily in domestic and international equity securities and bonds.

The following table represents information on the plans' benefit obligation, fair value of plan assets, and the respective plans' funded status:

	At December 31,			
	Pension Benefits		Postretirement Benefits	
(Millions of Dollars)	1999	1998	1999	1998
Change in benefit obligation				
Benefit obligation at beginning of year	$ (562.7)	$(531.6)	$(133.8)	$(126.6)
Service cost	(11.0)	(9.8)	(2.3)	(2.0)
Interest cost	(40.0)	(37.5)	(9.3)	(9.2)
Plan amendment	(32.5)	-	-	-
Transfers	1.8	(6.3)	-	-
Actuarial gain/(loss)	58.8	(12.4)	(0.6)	(7.7)
Benefits paid	35.5	34.9	14.1	11.7
Settlements	(1.8)	-	-	-
Benefit obligation at end of year	$ (551.9)	$(562.7)	$(131.9)	$(133.8)
Change in plan assets				
Fair value of plan assets at beginning of year	$ 935.7	$ 846.4	$ 53.8	$ 46.1
Actual return on plan assets	135.8	117.9	6.6	6.1
Employer contribution	-	-	13.4	13.3
Benefits paid	(35.5)	(34.9)	(14.1)	(11.7)
Transfers	1.8	6.3	-	-
Fair value of plan assets at end of year	$1,037.8	$ 935.7	$ 59.7	$ 53.8
Funded status at December 31	$ 485.9	$ 373.0	$ (72.2)	$ (80.0)
Unrecognized transition (asset)/obligation	(4.6)	(5.5)	95.5	102.8
Unrecognized prior service cost	33.1	3.2	-	-
Unrecognized net gain	(400.9)	(295.8)	(23.3)	(22.8)
Prepaid benefit cost	$ 113.5	$ 74.9	$ -	$ -

The following actuarial assumptions were used in calculating the plans' year end funded status:

	At December 31,			
	Pension Benefits		Postretirement Benefits	
	1999	1998	1999	1998
Discount rate	7.75%	7.00%	7.75%	7.00%
Compensation/progression rate	4.75	4.25	4.75	4.25
Health care cost trend rate(a)	N/A	N/A	5.57	5.22

(a) The annual per capita cost of covered health care benefits was assumed to decrease to 4.90 percent by 2001.

The components of net periodic benefit (credit)/cost are:

	For the Years Ended December 31,					
	Pension Benefits			Postretirement Benefits		
(Millions of Dollars)	1999	1998	1997	1999	1998	1997
Service cost	$ 11.0	$ 9.8	$ 8.8	$ 2.3	$ 2.0	$ 1.7
Interest cost	40.0	37.5	37.9	9.3	9.2	9.2
Expected return on plan assets	(78.1)	(68.4)	(59.6)	(4.2)	(3.6)	(3.1)

Amortization of unrecognized net transition (asset)/ obligation	(0.9)	(0.9)	(0.9)	7.3	7.4	7.3
Amortization of prior service cost	2.7	0.3	0.3	-	-	-
Amortization of actuarial gain	(15.0)	(10.9)	(8.1)	-	-	-
Other amortization, net	-	-	-	(1.3)	(1.7)	(2.3)
Settlements	-	-	(0.9)	-	-	-
Net periodic benefit (credit)/cost	$(40.3)	$(32.6)	$(22.5)	$13.4	$13.3	$12.8

For calculating pension and postretirement benefit costs, the following assumptions were used:

	For the Years Ended December 31,					
	Pension Benefits			Postretirement Benefits		
	1999	1998	1997	1999	1998	1997
Discount rate	7.00%	7.25%	7.75%	7.00%	7.25%	7.75%
Expected long-term rate of return	9.50	9.50	9.25	N/A	N/A	N/A
Compensation/ progression rate	4.25	4.25	4.75	4.25	4.25	4.75
Long-term rate of return - Health assets, net of tax	N/A	N/A	N/A	7.50	7.75	7.50
Life assets	N/A	N/A	N/A	9.50	9.50	9.25

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. The effect of changing the assumed health care cost trend rate by one percentage point in each year would have the following effects:

(Millions of Dollars)	One Percentage Point Increase	One Percentage Point Decrease
Effect on total service and interest cost components	$0.6	$(0.6)
Effect on postretirement benefit obligation	$7.3	$(7.2)

The trust holding the health plan assets is subject to federal income taxes.

B. Employee Stock Ownership Plan

In June 1999, CL&P paid NU parent $30.5 million for NU shares issued from 1992 through 1998 on behalf of its employees in accordance with NU's 401(k) plan. CL&P charged retained earnings for this payment, as compensation expense had already been recorded in the respective years at the fair market value of the shares allocated.

10. SALE OF CUSTOMER RECEIVABLES

As of December 31, 1999 and 1998, CL&P had sold accounts receivable of $170 million and $105 million, respectively, to a third-party purchaser with limited recourse through the CL&P Receivables Corporation (CRC), a wholly owned subsidiary of CL&P. In addition, at December 31, 1999 and 1998, $22.5 million and $11.6 million, respectively, of assets was designated as collateral under the agreement with CRC.

Concentrations of credit risk to the purchaser under the company's agreement with respect to the receivables are limited due to CL&P's diverse customer base within its service territory.

11. COMMITMENTS AND CONTINGENCIES

A. Restructuring

During 1999, restructuring orders were issued by the Connecticut Department of Public Utility Control (DPUC), which required CL&P to discontinue the application of SFAS No. 71 to the generation portion of its business and allowed for the recovery of the majority of its stranded costs. Stranded costs including regulatory assets will be collected through a transition charge through 2026. The restructuring orders also allowed for securitization of CL&P's nonnuclear regulatory assets and the costs to buyout or buydown the various purchased-power contracts. Securitization is the process of monetizing stranded costs through the sale of nonrecourse debt securities by a special purpose

entity, collateralized by CL&P's interests in its stranded cost recoveries.

On December 15, 1999, the DPUC issued a supplemental decision approving the components of CL&P's rates for standard offer service commencing on January 1, 2000. The DPUC also approved an interim nuclear capital recovery mechanism for the period from January 1, 2000, until the nuclear units are sold at auction. In approving the rates, the DPUC denied recovery of most of the capital additions made to Millstone 2 and 3 subsequent to June 30, 1997, which CL&P has or will expend to maintain those plants in a safe and efficient condition or to maintain their auction value. If implemented as approved, CL&P would not recover a significant portion of the capital additions which have been or are expected to be incurred subsequent to July 1, 1997, until the plants are sold in 2001. On December 29, 1999, CL&P filed with the DPUC a petition for reconsideration of this portion of the order. The DPUC has agreed to reopen the docket to consider CL&P's petition. Management believes the restructuring legislation provides for the recovery of these prudently incurred expenditures. If CL&P is unsuccessful in favorably resolving this contingency, an impairment loss of $50 million would be recorded.

In September 1999, NU announced that the Millstone nuclear generation assets of CL&P will be put up for auction as soon as practical. On November 8, 1999, CL&P filed its divestiture plan for the Millstone units with the DPUC. The auction is expected to begin in early 2000, provided all regulatory approvals have been met, with a successful bidder chosen by mid 2000 and a closing in 2001. No NU system company will participate as a bidder in the auction process. Management expects to recover all of CL&P's nuclear stranded costs through the net proceeds of generation asset sales and billing through a transition charge to retail customers.

B. Nuclear Litigation

The non-NU joint owners of Millstone 3 have filed demands for arbitration with CL&P and WMECO as well as lawsuits in Massachusetts Superior Court against NU and its current and former trustees related to the companies' operation of Millstone 3. During 1999, NU and these subsidiaries agreed in principle to settle with certain of the joint owners, who own 58 percent of the non-NU ownership of Millstone 3. The settlements provide for the payment to the claimants of $36.4 million and certain contingent payments.

Arbitration and litigation claims remain outstanding for the remaining joint owners who have not agreed to settle. Management cannot estimate the potential outcome of the arbitration and litigation for the nonsettled joint owners, therefore, no liability has been established at December 31, 1999.

C. Environmental Matters

The NU system, including CL&P, is subject to environmental laws and regulations intended to mitigate or remove the effect of past operations and improve or maintain the quality of our environment. As such, the NU system and CL&P have active environmental auditing and training programs and believe they are in compliance with the current laws and regulations.

However, the normal course of operations may necessarily involve activities and substances that expose CL&P to potential liabilities of which management cannot determine the outcome. Additionally, management cannot determine the outcome for liabilities that may be imposed for past acts, even though such past acts may have been lawful at the time they occurred. Management does not believe, however, that this will have a material impact on CL&P's financial statements.

Based upon currently available information for the estimated remediation costs at December 31, 1999 and 1998, the liability recorded by CL&P for its estimated environmental remediation costs amounted to $6.9 million and $8 million, respectively.

D. Spent Nuclear Fuel Disposal Costs

Under the Nuclear Waste Policy Act of 1982, CL&P must pay the DOE for the disposal of spent nuclear fuel and high-level radioactive waste. The DOE is responsible for the selection and development of repositories for, and the disposal of, spent nuclear fuel and high-level radioactive waste. Fees for nuclear fuel burned on or after April 7, 1983, are billed currently to customers and paid to the DOE on a quarterly basis. For nuclear fuel used to generate electricity prior to April 7, 1983 (Prior Period Fuel), an accrual has been recorded for the full liability and payment must be made prior to the first delivery of spent fuel to the DOE. Until such payment is made, the outstanding balance will continue to accrue interest at the 3-month treasury bill yield rate. As of December 31, 1999 and 1998, fees due to the DOE for the disposal of CL&P's Prior Period Fuel were $183.4 million and $175 million, respectively, including interest costs of $116.9 million and $108.5

million, respectively.

E. Nuclear Insurance Contingencies

Insurance policies covering CL&P's ownership share of the NU system's nuclear facilities have been purchased for the primary cost of repair, replacement or decontamination of utility property, certain extra costs incurred in obtaining replacement power during prolonged accidental outages and the excess cost of repair, replacement or decontamination or premature decommissioning of utility property.

CL&P is subject to retroactive assessments if losses under those policies exceed the accumulated funds available to the insurer. The maximum potential assessments with respect to losses arising during the current policy year for the primary property insurance program, the replacement power policies and the excess property damage policies are $7.1 million, $4.1 million and $8.9 million, respectively. In addition, insurance has been purchased by the NU system in the aggregate of $200 million on an industry basis for coverage of worker claims.

Under certain circumstances, in the event of a nuclear incident at one of the nuclear facilities covered by the federal government's third-party liability indemnification program, the NU system, including CL&P, could be assessed liabilities in proportion to its ownership interest in each of its nuclear units up to $83.9 million. The NU system's payment of this assessment would be limited to, in proportion to its ownership interest in each of its nuclear units, $10 million in any one year per nuclear unit. In addition, if the sum of all claims and costs from any one nuclear incident exceeds the maximum amount of financial protection, the NU system would be subject to an additional 5 percent or $4.2 million liability, in proportion to its ownership interests in each of its nuclear units. Based upon its ownership interests in the Millstone units and in Seabrook, CL&P's maximum liability, including any additional assessments, would be $192.9 million per incident, of which payments would be limited to $21.9 million per year. In addition, through purchased-power contracts with VYNPC, CL&P would be responsible for up to an additional assessment of $8.4 million per incident, of which payments would be limited to $1 million per year.

F. Construction Program

CL&P currently forecasts construction expenditures of $1.3 billion for the years 2000-2004, including $205.8 million for 2000. CL&P estimates that nuclear fuel requirements, including nuclear fuel financed through the NBFT, will be $137.5 million for the years 2000-2003, including $47.5 million for 2000.

G. Long-Term Contractual Arrangements

Yankee Companies: The NU system companies relied on VYNPC for 1.5 percent of their capacity under long-term contracts. Under the terms of its agreement, CL&P paid its ownership (or entitlement) shares of costs, which included depreciation, operation and maintenance (O&M) expenses, taxes, the estimated cost of decommissioning, and a return on invested capital. These costs were recorded as purchased-power expenses and recovered through CL&P's rates. CL&P's cost of purchases under contracts with VYNPC amounted to $17 million in 1999, $15.9 million in 1998 and $14.1 million in 1997. VYNPC has agreed to sell its nuclear unit. Upon completion of the sale, this long-term contract will be terminated.

Nonutility Generators (NUGs): CL&P has entered into various arrangements for the purchase of capacity and energy from NUGs. For the years ended December 31, 1999 and 1998, 13 percent and for the year ended December 31, 1997, 14 percent, of NU's system electricity requirements were met by NUGs. CL&P's total cost of purchases under these arrangements amounted to $293.8 million in 1999, $290.7 million in 1998 and $283.2 million in 1997. The company is in the process of renegotiating the terms of these contracts through either a contract buydown or buyout. The company expects any payments to the NUGs as a result of these renegotiations to be recovered from the company's customers.

Hydro-Quebec: Along with other New England utilities, CL&P has entered into an agreement to support transmission and terminal facilities to import electricity from the Hydro-Quebec system in Canada. CL&P is obligated to pay, over a 30-year period ending in 2020, its proportionate share of the annual O&M expenses and capital costs of those facilities.

Estimated Annual Costs: The estimated annual costs of CL&P's significant long-term contractual arrangements, absent the effects of any contract terminations or buydowns, are as follows:

	2000	2001	2002	2003	2004
	(Millions of Dollars)				

VYNPC	$ 15.9	$ 16.5	$ 16.6	$ 16.2	$ 15.9
NUGs	291.0	292.5	296.2	301.7	283.3
Hydro-Quebec	17.8	17.3	16.8	16.3	15.8

H. New England Power Pool (NEPOOL) Generation Pricing
Disputes with respect to interpretation and implementation of the NEPOOL market rules have arisen with respect to various competitive product markets. In certain cases, CL&P stands to gain as a result of resolution of such disputes. In other cases, CL&P could incur additional costs as the result of resolution of the disputes. The various disputes are in various stages of resolution through alternative dispute resolution and regulatory review. It is too early to tell the level of potential gain or loss that may result upon resolution of these issues.

12. MARKET RISK AND RISK MANAGEMENT INSTRUMENTS
Energy Price Risk Management: Beginning in 1997 through 1999, CL&P used swap instruments with financial institutions to hedge the energy price risk created by long-term negotiated energy contracts. These agreements were intended to minimize exposure associated with rising fuel prices by managing a portion of CL&P's cost of producing power for these negotiated energy contracts.

In 1999, CL&P divested substantially all of its fossil and hydroelectric generation assets and agreed to transfer the rights and obligations related to the long-term negotiated energy contracts to an unregulated affiliate. Accordingly, the fuel swap positions were marked-to-market and CL&P recognized a loss of $5.2 million. In January 2000, the fuel swap positions were liquidated.

13. MINORITY INTEREST IN CONSOLIDATED SUBSIDIARY
CL&P Capital LP (CL&P LP), a subsidiary of CL&P, previously had issued $100 million of cumulative 9.3 percent Monthly Income Preferred Securities (MIPS), Series A. CL&P has the sole ownership interest in CL&P LP, as a general partner, and is the guarantor of the MIPS securities. Subsequent to the MIPS issuance, CL&P LP loaned the proceeds of the MIPS issuance, along with CL&P's $3.1 million capital contribution, back to CL&P in the form of an unsecured debenture. CL&P consolidates CL&P LP for financial reporting purposes. Upon consolidation, the unsecured debenture is eliminated, and the MIPS securities are accounted for as a minority interest.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS
The following methods and assumptions were used to estimate the fair value of each of the following financial instruments:

Supplemental Executive Retirement Plan (SERP) Investments: CL&P's portion of the investments held for the benefit of the SERP are recorded at fair market value. These investments having a cost basis of $0.2 million held for benefit of the SERP were recorded at their fair market values at December 31, 1999 and 1998, of $1.3 million.

Nuclear decommissioning trusts: CL&P's portion of the investments held in the NU system companies' nuclear decommissioning trusts were marked-to-market by $88.2 million as of December 31, 1999, and $78.7 million as of December 31, 1998, with corresponding offsets to the accumulated provision for depreciation. The amounts adjusted in 1999 and 1998 represent cumulative net unrealized gains. The cumulative gross unrealized holding losses were immaterial for both 1999 and 1998.

Preferred stock and long-term debt: The fair value of CL&P's fixed-rate securities is based upon the quoted market price for those issues or similar issues. Adjustable rate securities are assumed to have a fair value equal to their carrying value. The carrying amounts of CL&P's financial instruments and the estimated fair values are as follows:

	At December 31, 1999	
(Millions of Dollars)	Carrying Amount	Fair Value
Preferred stock not subject to mandatory redemption	$116.2	$144.9
Preferred stock subject to mandatory redemption	99.6	96.8
Long-term debt - First mortgage bonds	794.0	805.4
Other long-term debt	607.3	564.5
MIPS	100.0	97.3

	At December 31, 1998	
(Millions of Dollars)	Carrying Amount	Fair Value
Preferred stock not subject to mandatory redemption	$ 116.2	$ 77.2
Preferred stock subject to mandatory redemption	119.3	108.1
Long-term debt -		
First mortgage bonds	1,414.0	1,421.9
Other long-term debt	598.9	601.2
MIPS	100.0	102.0

15. OTHER COMPREHENSIVE INCOME

The accumulated balance for each other comprehensive income item is as follows:

(Thousands of Dollars)	December 31, 1998	Current Period Change	December 31, 1999
Unrealized gains on securities	$ 638	$38	$ 676
Minimum pension liability adjustments	(260)	-	(260)
Accumulated other comprehensive income	$ 378	$38	$ 416

(Thousands of Dollars)	December 31, 1997	Current Period Change	December 31, 1998
Unrealized gains on securities	$ -	$ 638	$ 638
Minimum pension liability adjustments	-	(260)	(260)
Accumulated other comprehensive income	$ -	$ 378	$ 378

The changes in the components of other comprehensive income are reported net of the following income tax effects:

(Thousands of Dollars)	1999	1998	1997
Unrealized gains on securities	$(26)	$(446)	$ -
Minimum pension liability adjustments	-	182	-
Other comprehensive income	$(26)	$(264)	$ -

16. SEGMENT INFORMATION

Effective January 1, 1999, the NU system companies, including CL&P, adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." The NU system is organized between regulated utilities and unregulated energy services. CL&P is included in the regulated utilities segment of the NU system and has no other reportable segments.

17. MERGER AGREEMENT WITH CON EDISON

On October 13, 1999, NU and Con Edison announced that they have agreed to a merger to combine the two companies. The shareholders of NU will receive $25 per share in a combination of cash and Con Edison common stock.

NU shareholders also have the right to receive an additional $1 per share if a definitive agreement to sell its interests (other than that now held by PSNH) in Millstone 2 and 3 is entered into and recommended by the Utility Operations and Management Unit of the DPUC on or prior to the later

of December 31, 2000, or the closing of the merger. Further, the value of the amount of cash or common stock to be received by NU shareholders is subject to increase by an amount of $0.0034 per share per day for each day that the transaction does not close after August 5, 2000.

Upon completion of the merger, NU will become a wholly owned subsidiary of Con Edison. The purchase is subject to the approval of the shareholders of both companies and several regulatory agencies. The companies anticipate that these regulatory procedures can be completed by July 2000.

The Connecticut Light and Power Company and Subsidiaries

SELECTED CONSOLIDATED FINANCIAL DATA	1999	1998	1997	1996	1995
			(Thousands of Dollars)		
Operating Revenues	$2,452,855	$2,386,864	$2,465,587	$2,397,460	$2,387,069
Operating Income/(Loss)	174,749	28,254	(7,619)	59,142	324,026
Net (Loss)/Income	(13,568)	(195,725)	(139,597)	(50,868)	205,216
Cash Dividends on Common Stock	-	-	5,989	138,608	164,154
Total Assets	5,298,284	6,050,198	6,081,223	6,244,036	6,045,631
Long-Term Debt(a)	1,400,056	2,007,957	2,043,327	2,038,521	1,822,018
Preferred Stock Not Subject to Mandatory Redemption	116,200	116,200	116,200	116,200	116,200
Preferred Stock Subject to Mandatory Redemption (a)	99,539	119,289	155,000	155,000	155,000
Obligations Under Capital Leases (a)	144,400	162,884	158,118	155,708	172,264

CONSOLIDATED QUARTERLY FINANCIAL DATA (Unaudited)

	Quarter Ended			
1999	March 31	June 30	September 30	December 31
	(Thousands of Dollars)			
Operating Revenues	$606,997	$565,069	$667,349	$613,440
Operating Income	$ 20,412	$ 24,370	$ 51,969	$ 77,998
Net (Loss)/Income	$(13,705)	$(6,814)	$ 9,873	$(2,922)
1998				
Operating Revenues	$608,961	$561,224	$628,148	$ 588,531
Operating Income/(Loss)	$ 6,261	$ 11,066	$ 29,945	$ (19,018)
Net Loss	$(30,979)	$(26,361)	$(20,405)	$(117,980)

(a) Includes portion due within one year.

The Connecticut Light and Power Company and Subsidiaries

CONSOLIDATED STATISTICS (Unaudited)

	Gross Electric Utility Plant December 31, (Thousands of Dollars)	kWh Sales (Millions)	Average Annual Use Per Residential Customer (kWh)	Electric Customers (Average)	Employees December 31,
1999	$6,007,421	29,317	8,969	1,120,846	2,377
1998	6,345,215	27,356	8,476	1,111,370	2,379
1997	6,639,786	25,766	8,526	1,103,309	2,163
1996	6,512,659	26,043	8,639	1,099,340	2,194
1995	6,389,190	26,366	8,506 (a)	1,094,527	2,285

(a) Effective January 1, 1996, the amounts shown reflect billed and unbilled sales. The 1995 amounts have been restated to reflect this change.

1999 Annual Report

Public Service Company of New Hampshire

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Public Service Company of New Hampshire

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition

Overview
Public Service Company of New Hampshire (PSNH or the company) is a wholly owned operating subsidiary of Northeast Utilities (NU) and is part of the Northeast Utilities system (NU system). North Atlantic Energy Corporation (NAEC) is another wholly owned subsidiary of NU. PSNH is obligated to purchase the capacity and output from NAEC's 35.98 percent joint ownership interest in the Seabrook Station (Seabrook) nuclear unit under the terms of two life-of-unit, full cost recovery contracts (Seabrook Power Contracts).

During 1999, PSNH made significant progress toward resolving industry restructuring issues in the state of New Hampshire by negotiating a global restructuring settlement that is still subject to regulatory approval. The "Agreement to Settle PSNH Restructuring" (Settlement Agreement) includes an after-tax write-off of $225 million. However, that write-off was not recorded in 1999, as key aspects of the Settlement Agreement still required regulatory and legislative approval and it was not possible to determine the ultimate resolution of this matter at year end. Also, upon the approval and implementation of the Settlement Agreement, PSNH and NAEC will restructure the Seabrook Power Contracts to provide for the buydown of the value of the Seabrook Asset.

During 1999, PSNH's revenues increased to $1.16 billion, up 6.7 percent from revenues of $1.09 billion in 1998. During 1999, PSNH had net income of $84.2 million, compared to $91.7 million in 1998 and $92.2 million in 1997.

Mergers

In 1998 and 1999, NU management concluded that the pace of deregulation was accelerating throughout the northeastern United States and that shareholders would benefit from NU not only remaining a major provider of electric transmission and distribution service, but also becoming an unregulated marketer of both electricity and natural gas. NU management also concluded that as a result of the changes occurring in the highly competitive electric utility industry, increased size would be crucial to achieve its objective of being a leading provider of energy products and services in the Northeast.

On October 13, 1999, NU announced an agreement to merge with Consolidated Edison, Inc. (Con Edison), a financially stronger utility based in New York. The merger will create the nation's largest electric distribution system with more than 5 million customers and one of the 15 largest natural gas distribution systems with 1.4 million customers.

NU and Con Edison filed with various state and federal regulatory bodies in January 2000 to secure approval of the merger. The two companies expect these regulatory proceedings can be completed by the end of July 2000.

Also in 1999, NU management concluded that the NU system would be stronger and customers could be better served if NU reentered the natural gas distribution business that it had exited in 1989 and examined several potential businesses in New England. By adding gas to NU's energy mix, NU will be able to broaden its services to its existing customers and will have additional opportunities for long-term growth. In June 1999, NU announced an agreement to merge with Yankee Energy System, Inc. (Yankee). The merger will return to NU, Connecticut's largest natural gas distribution system, as well as several unregulated businesses involved in energy services, collections and other areas. The Yankee merger received Yankee shareholder approval in October 1999, final Connecticut Department of Public Utility Control approval in December 1999 and Securities and Exchange Commission (SEC) approval in January 2000. The merger closed on March 1, 2000.

Liquidity

During 1999, net cash flows provided by operations were $199.1 million, compared to $217.6 million in 1998 and $231.7 million in 1997. The decrease in 1999 is primarily related to a decrease in net income and increased tax payments.

Net cash flows used in financing activities included $31.6 million in 1999, compared to $204.3 million in 1998 and $121.9 million in 1997. This included $25 million paid in 1999 to retire long-term debt and preferred stock, compared to $195 million in 1998 and $25 million in 1997. Payments made for preferred stock dividends were $6.6 million, $9.3 million and $11.9 million for 1999, 1998 and 1997, respectively. There were no cash dividends on common shares paid in 1999 and 1998 and $85 million in 1997.

Including construction expenditures and investments in nuclear decommissioning trusts, net cash flows used in investing activities were $45.8 million in 1999, compared to $46.9 million in 1998 and $16.3 million in 1997.

PSNH's access to capital also benefited from the continued progress toward the resolution of all restructuring issues in New Hampshire. During 1999, PSNH's securities received several upgrades from three credit rating agencies. PSNH's bonds were upgraded to investment grade by Standard & Poor's (S&P) for the first time since early 1994. At year end, all securities were under review for possible upgrades, or on "credit watch" with positive implications by S&P, Moody's Investors Service and Fitch IBCA.

PSNH's $75 million revolving credit agreement was terminated on April 14, 1999. PSNH currently funds its operations through cash on hand and operating cash flows. As of December 31, 1999, PSNH had $182.6 million of cash and cash equivalents. On April 14, 1999, PSNH renewed bank letters of credit that support nearly $110 million of taxable variable-rate pollution control bonds.

During 2000, pending the approval of the Settlement Agreement and enactment of legislation, PSNH hopes to begin the process of securitizing approximately $725 million of approved stranded costs. Securitization involves issuing rate reduction bonds with interest rates lower than the company's weighted average cost of capital. Proceeds from securitization will be used to significantly reduce the capitalization of PSNH and other purposes as set forth in the Settlement Agreement.

Restructuring

The process of restructuring the electric utility industry in New Hampshire has not yet been resolved; however, significant progress has been made over the past year. In August 1999, NU, PSNH and the state of New Hampshire signed the Settlement Agreement which, once approved and implemented, will resolve a number of pending regulatory and court proceedings related to PSNH. The Settlement Agreement is awaiting approval of the New Hampshire Public Utilities Commission and is subject to legislative approval for securitization. Some of the key components of the agreement for PSNH include an after-tax write-off of $225 million of stranded costs; the recovery of the remaining stranded costs; the securitization of $725 million of approved stranded costs; a reduction in rates of an average of 18.3 percent; the opening of the New Hampshire electricity market to competition; and the sale of generation assets and wholesale power entitlements with transition service being available to customers for three years.

Upon the approval and implementation of the Settlement Agreement, PSNH and NAEC will restructure the Seabrook Power Contract to provide for the buydown of the value of NAEC's Seabrook asset to $100 million. Subsequent to the contract

buydown, NAEC will continue to bill PSNH for recovery of the remaining Seabrook cost of $100 million. The Settlement Agreement also requires NAEC to sell via public auction its share of Seabrook, with the sale to occur no later than December 31, 2003. Upon a successful sale of NAEC's share of Seabrook, the existing Seabrook Power Contracts between PSNH and NAEC will be terminated. For further information regarding commitments and contingencies related to restructuring, see Note 10A, "Commitments and Contingencies - Restructuring" to the financial statements.

Nuclear Generation

Seabrook
Seabrook achieved an annual capacity factor of 86.4 percent in 1999. However, since returning to service on May 13, 1999, after a 48-day refueling and maintenance outage, Seabrook has achieved a 99 percent capacity factor through December 31, 1999. PSNH receives 35.98 percent of Seabrook's output under long-term contracts with NAEC.

NAEC anticipates auctioning its 35.98 percent share of Seabrook with the 4.06 percent owned by its affiliate, The Connecticut Light and Power Company, after approval of the Settlement Agreement.

Millstone 3
PSNH has a 2.85 percent ownership share of the Millstone 3 nuclear unit. Millstone 3 received the appropriate Nuclear Regulatory Commission approvals, resumed operation in July 1998 and achieved an annual capacity factor of 81.7 percent in 1999. After a 60-day refueling and maintenance outage, Millstone 3 returned to service on June 29, 1999, and has achieved a 98.1 percent capacity factor through December 31, 1999.

An auction of the NU system's ownership interests in the Millstone units is expected in 2000 with a closing in 2001. Based on regulatory decisions received in 1999, management expects to recover all of its remaining nuclear stranded costs from retail customers.

Yankee Companies
On June 1, 1999, the Federal Energy Regulatory Commission accepted the offer of settlement which was filed on January 15, 1999, by the Maine Yankee Atomic Power Company (MYAPC). The significant aspects of the settlement allowed MYAPC to collect $33.1 million annually to pay for decommissioning and spent fuel, approved its return on equity of 6.5 percent, permitted full recovery of MYAPC's unamortized investment, including fuel, and set an incentive budget for decommissioning at $436.3 million.

PSNH is a 4 percent shareholder and sponsor company of the Vermont Yankee Nuclear Power Corporation (VYNPC). On October 15, 1999, VYNPC agreed to sell its unit for $22 million to an unaffiliated company. Among other commitments, the acquiring company agreed to assume the decommissioning cost of the unit after it is taken out of service, and the VYNPC owners have agreed to fund the uncollected decommissioning cost to a negotiated amount at the time of the closing of the sale. VYNPC's owners have also agreed either to enter into a new purchased-power agreement with the acquiring company or to buy out such future power payment obligations by making a fixed payment to them. PSNH has elected the buyout option. The VYNPC owners' obligations to close and pay such amounts are conditioned upon their receipt of satisfactory regulatory approval of the transaction, including provision for adequate recovery of these payments.

Nuclear Decommissioning
The staff of the SEC has questioned certain of the current accounting practices of the electric utility industry regarding the recognition, measurement and classification of decommissioning costs for nuclear units in their financial statements.

Currently, the Financial Accounting Standards Board plans to review the accounting for obligations associated with the retirement of long-lived assets, including the decommissioning of nuclear units. If current accounting practices for nuclear decommissioning change, the annual provision for decommissioning could increase relative to 1999, and the estimated cost for decommissioning could be recorded as a liability with recognition of an increase in the cost of the related nuclear unit. However, management does not believe that such a change will have a material impact on PSNH's financial statements due to its current and future ability to recover decommissioning costs through rates.

Spent Nuclear Fuel Disposal Costs
The United States Department of Energy (DOE) originally was scheduled to begin accepting delivery of spent fuel in 1998. However, delays in confirming the suitability of a permanent storage site continually have postponed plans for the DOE's long-term storage and disposal site. Extended delays or a default by the DOE could lead to consideration of costly alternatives. PSNH has the primary responsibility for the interim storage of its share of spent nuclear fuel for Millstone 3. The facilities for Millstone 3 are expected to provide adequate storage for its projected life with the addition of new storage racks. Seabrook is expected to have spent fuel storage capacity until at

least 2010. Meeting spent fuel storage requirements beyond these periods could require new and separate storage facilities. For further information regarding spent nuclear fuel disposal costs, see Note 10D, "Commitments and Contingencies - Spent Nuclear Fuel Disposal Costs," to the financial statements.

Other Matters

Environmental Matters
PSNH is subject to environmental laws and regulations structured to mitigate or remove the effect of past operations and to improve or maintain the quality of the environment. For further information regarding environmental matters, see Note 10C, "Commitments and Contingencies - Environmental Matters," to the financial statements.

Other Commitments and Contingencies
PSNH is subject to other commitments and contingencies primarily relating to nuclear litigation, nuclear insurance contingencies, its construction program, long-term contractual arrangements, the New England Power Pool generation pricing and its deferred receivable from an affiliate company. For further information regarding these other commitments and contingencies, see Note 10, "Commitments and Contingencies," to the financial statements.

Year 2000 Issues
The transition into the year 2000 was a success for the NU system and PSNH. Its mission to provide safe, reliable energy to its customers and to ensure continued operability of critical business functions was not affected by any year 2000 related issues.

The projected total cost of the year 2000 program is estimated at $21 million for the NU system. The total cost to date was funded through operating cash flows. The NU system has incurred and expensed $20 million related to year 2000 readiness efforts.

Forward Looking Statements
This discussion and analysis includes forward looking statements, which are statements of future expectations and not facts. Words such as estimates, expects, anticipates, intends, plans, and similar expressions identify forward looking statements. Actual results or outcomes could differ materially as a result of further actions by state and federal regulatory bodies, competition and industry restructuring, changes in economic conditions, changes in historical weather patterns, changes in laws, developments in legal or public policy doctrines, technological developments, and other presently unknown or unforeseen factors.

RESULTS OF OPERATIONS

The components of significant income statement variances for the past two years are provided in the table below.

Income Statement Variances
Millions of Dollars

	1999 over(under) 1998		1998 over/(under) 1997	
	Amount	Percent	Amount	Percent
Operating Revenues	$73	7%	$(21)	(2)%
Operating Expenses:				
Fuel, purchased and net interchange power	86	14	44	8
Other operation and maintenance	11	7	(2)	(1)
Depreciation	2	5	1	2
Amortization of regulatory assets, net	8	30	(30)	(53)
Federal and state income taxes	(31)	(44)	(16)	(18)
Taxes other than income taxes	-	-	(1)	(1)
Operating Income	(7)	(5)	(13)	(9)
Equity in earnings of regional nuclear generating companies	(2)	(58)	1	93
Other, net	(4)	(38)	9	(a)
Interest charges, net	(1)	(1)	(7)	(15)
Net Income	(7)	(8)	-	-

(a) Percent greater than 100.

Operating Revenues
Operating revenues increased by $73 million or 7 percent in 1999, primarily due to higher retail revenues ($43 million), higher wholesale energy and capacity sales and transmission revenues ($30 million). Retail kilowatt-hour

sales increased by 5.3 percent.

Operating revenues decreased $21 million in 1998, primarily due to the 1997 retail rate decrease. Retail kilowatt-hour sales were 2.3 percent higher for 1998 and contributed approximately $9 million to operating revenues.

Fuel, Purchased and Net Interchange Power
Fuel, purchased and net interchange power expense increased in 1999, primarily due to higher purchased-power expenses ($48 million) and higher deferred expenses ($25 million) associated with the company's fuel clause and higher capacity costs for Seabrook ($8 million). Seabrook's capacity costs are higher due to costs associated with the refueling outage in 1999 and the amortization of the return that was deferred by PSNH through November 1998.

Fuel, purchased and net interchange power expense increased in 1998, primarily due to higher costs associated with the Seabrook Power Contract as a result of the amortization of Seabrook phase-in costs that began in June 1998 ($57 million), partially offset by lower costs at the Millstone 3 and Maine Yankee nuclear units ($6 million).

Other Operation and Maintenance
Other operation and maintenance (O&M) expenses increased in 1999, primarily due to the recognition of environmental insurance proceeds which reduced O&M expense in 1998 ($12 million), higher fossil maintenance expenses ($3 million) and higher transmission expenses ($2 million), partially offset by lower storm costs in 1999 ($6 million).

Other O&M expenses decreased in 1998, primarily due to the recognition of environmental insurance proceeds ($12 million), partially offset by higher costs related to the January ice storm, net of insurance proceeds ($8 million).

Amortization of Regulatory Assets, Net
Amortization of regulatory assets, net increased in 1999, primarily due to an increase in the amortization of the Seabrook deferred return which began in June 1998. The reduction of the acquisition premium amortization ($21 million) was offset by the completion of the amortization of net operating loss carryforwards ($21 million).

Amortization of regulatory assets, net decreased in 1998, primarily due to the completion of the amortization of a portion of the company's acquisition premium ($40 million), partially offset by the additional amortization of Seabrook phase-in costs ($10 million).

Federal and State Income Taxes
Federal and state income taxes decreased in 1999, primarily due to the utilization of net operating loss carryforwards.

Federal and state income taxes decreased in 1998, primarily due to lower taxable income.

Equity Earnings of Regional Nuclear Generating Companies
Equity in earnings of regional nuclear generating companies decreased in 1999 and 1998, primarily due to lower earnings from the Connecticut Yankee Atomic Power Company.

Other, Net
Other, net decreased in 1999, primarily due to the settlement with the New Hampshire Electric Cooperative which required a $6.2 million write-off.

Other, net increased in 1998, primarily due to the amortization of the taxes associated with the Seabrook phase-in costs which began in December 1997.

Interest Charge, Net
The change in interest charges, net in 1999 were not significant compared to 1998.

Interest charges, net decreased in 1998, primarily due to the maturity of bonds ($170 million) in May 1998.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors
of Public Service Company of New Hampshire:

We have audited the accompanying balance sheets of Public Service Company of New Hampshire (a New Hampshire corporation and a wholly owned subsidiary of Northeast Utilities) as of December 31, 1999 and 1998, and the related statements of income, comprehensive income, common stockholder's equity and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Service Company of New Hampshire as of December 31, 1999 and 1998, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the company will continue as a going concern. As discussed in Note 10A, the company, Northeast Utilities, and the state of New Hampshire are involved in litigation regarding the proposed implementation of restructuring legislation. The restructuring legislation as currently contemplated would require the company to discontinue the application of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation." The discontinuance would result in the company being in technical default under its current financial covenants, which would, if not waived or renegotiated, give rise to the rights of lenders to accelerate the payment of approximately $516 million of the company's indebtedness and approximately $405 million of an affiliate's indebtedness. Although a settlement agreement on restructuring has been reached among the company, the state of New Hampshire, and others, implementation is subject to significant contingencies, including New Hampshire legislative, federal and state regulatory, and financial lender approvals. These conditions raise substantial doubt about the company's ability to continue as a going concern. The financial statements referred to above do not include any adjustments that might result from the outcome of this uncertainty.

/s/ ARTHUR ANDERSEN LLP
ARTHUR ANDERSEN LLP

Hartford, Connecticut
January 25, 2000

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31,	1999	1998	1997
	(Thousands of Dollars)		
Operating Revenues	$ 1,160,572	$ 1,087,247	$ 1,108,459
Operating Expenses:			
Operation -			
Fuel, purchased and net interchange power	691,743	605,518	561,197
Other	129,041	118,565	133,911
Maintenance	52,481	51,734	38,320
Depreciation	47,695	45,342	44,377
Amortization of regulatory assets, net	34,915	26,758	56,557
Federal and state income taxes	36,810	65,079	86,450
Taxes other than income taxes	43,282	43,052	43,623
Total operating expenses	1,035,967	956,048	964,435
Operating Income	124,605	131,199	144,024
Other Income/(Loss):			
Equity in earnings of regional nuclear generating companies and subsidary company	1,112	2,649	1,373
Other, net	5,681	9,222	698
Income taxes	(3,914)	(7,473)	(2,391)
Other income/(loss), net	2,879	4,398	(320)

Income before interest charges	127,484	135,597	143,704
Interest Charges:			
Interest on long-term debt	42,728	43,317	51,259
Other interest	547	594	273
Interest charges, net	43,275	43,911	51,532
Net Income	$ 84,209	$ 91,686	$ 92,172

STATEMENTS OF COMPREHENSIVE INCOME

Net Income	$ 84,209	$ 91,686	$ 92,172
Other comprehensive income, net of tax:			
Unrealized gains on securities	70	1,198	-
Minimum pension liability adjustments	-	(194)	-
Other comprehensive income, net of tax	70	1,004	-
Comprehensive Income	$ 84,279	$ 92,690	$ 92,172

The accompanying notes are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

BALANCE SHEETS

AT DECEMBER 31	1999	1998
	(Thousands of Dollars)	
ASSETS		
Utility Plant, at cost:		
Electric	$ 1,939,856	$ 1,927,341
Less: Accumulated provision for depreciation	674,155	631,584
	1,265,701	1,295,757
Unamortized acquisition costs	324,437	352,855
Construction work in progress	17,160	20,735
Nuclear fuel, net	1,734	1,323
Total net utility plant	1,609,032	1,670,670
Other Property and Investments:		
Nuclear decommissioning trusts, at market	6,880	5,580
Investments in regional nuclear generating companies and subsidiary company, at equity	18,855	19,836
Other, at cost	3,149	4,319
	28,884	29,735
Current Assets:		
Cash and cash equivalents	182,588	60,885
Receivables, less the accumulated provision for uncollectible accounts of $1,359 in 1999 and and $2,041 in 1998	79,290	89,044
Accounts receivable from affiliated companies	9,091	12,018
Taxes receivable from affiliated companies	11,661	-
Accrued utility revenues	48,822	42,145
Fuel, materials, and supplies, at average cost	38,076	36,642
Recoverable energy costs - current portion	73,721	65,257
Prepayments and other	18,121	22,744
	461,370	328,735
Deferred Charges:		
Regulatory assets	490,921	610,222
Deferred receivable from affiliated company	12,984	22,728
Unamortized debt expense	11,896	13,995
Other	7,346	5,510

	523,147	652,455
Total Assets	$ 2,622,433	$ 2,681,595

The accompanying notes are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

BALANCE SHEETS

AT DECEMBER 31	1999	1998
	(Thousands of Dollars)	
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, $1 par value - authorized 100,000,000 shares; 1,000 shares outstanding in 1999 and 1998	$ 1	$ 1
Capital surplus, paid in	424,654	424,250
Retained earnings	319,938	252,912
Accumulated other comprehensive income	1,074	1,004
Total common stockholder's equity	745,667	678,167
Preferred stock subject to mandatory redemption	25,000	50,000
Long-term debt	516,485	516,485
Total capitalization	1,287,152	1,244,652
Obligations Under Seabrook Power Contracts and Other Capital Leases	624,477	703,411
Current Liabilities:		
Long-term debt and preferred stock - current portion	25,000	25,000
Obligations under Seabrook Power Contracts and other capital leases - current portion	101,676	138,812
Accounts payable	38,685	26,227
Accounts payable to affiliated companies	38,229	28,410
Accrued taxes	33,443	82,743
Accrued interest	6,294	5,894
Accrued pension benefits	45,504	46,004
Other	10,184	8,540
	299,015	361,630
Deferred Credits and Other Long-term Liabilities:		
Accumulated deferred income taxes	266,644	225,091
Accumulated deferred investment tax credits	12,532	3,460
Deferred contractual obligations	56,544	66,400
Deferred revenue from affiliated company	12,984	22,728
Other	63,085	54,223
	411,789	371,902
Total Capitalization and Liabilities	$ 2,622,433	$ 2,681,595

The accompanying notes are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

	Common Stock	Capital Surplus, Paid In	Retained Earnings	Accumulated Other Comprehensive Income	Total
			(Thousands of Dollars)		

Balance at January 1, 1997	$ 1	$423,058	$175,254	$ -	$ 598,313
Net income for 1997			92,172		92,172
Cash dividends on preferred stock			(11,925)		(11,925)
Cash dividends on common stock			(85,000)		(85,000)
Capital stock expenses, net		655			655
Balance at December 31, 1997	1	423,713	170,501	-	594,215
Net income for 1998			91,686		91,686
Cash dividends on preferred stock			(9,275)		(9,275)
Capital stock expenses, net		537			537
Other comprehensive income				1,004	1,004
Balance at December 31, 1998	1	424,250	252,912	1,004	678,167
Net income for 1999			84,209		84,209
Cash dividends on preferred stock			(6,625)		(6,625)
Capital stock expenses, net		404			404
Allocation of benefits - ESOP			(10,558)		(10,558)
Other comprehensive income				70	70
Balance at December 31, 1999	$ 1	$424,654	$319,938	$ 1,074	$ 745,667

The accompanying notes are an integral part of these financial statements.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
(Thousands of Dollars)	1999	1998	1997
Operating Activities:			
Net income	$ 84,209	$ 91,686	$ 92,172
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation	47,695	45,342	44,377
Deferred income taxes and investment tax credits, net	(5,297)	78,366	21,645
Amortization of recoverable energy costs, net	27,065	2,065	(12,336)
Amortization of regulatory assets, net	34,915	26,758	56,557
Amortization/(deferral) of Seabrook capital costs	16,920	(31,587)	(8,376)
Allocation of ESOP benefits	(10,558)	-	-
Other sources/(uses) of cash	32,117	(20,360)	(17,536)
Changes in working capital:			
Receivables and accrued utility revenues	6,004	21,536	9,407
Fuel, materials and supplies	(1,434)	3,519	4,691
Accounts payable	22,277	729	(14,897)
Accrued taxes	(49,300)	13,298	69,364
Other working capital (excludes cash)	(5,494)	(13,710)	(13,365)
Net cash flows provided by operating activities	199,119	217,642	231,703
Financing Activities:			
Reacquisitions and retirements of long-term debt	-	(170,000)	-
Reacquisitions and retirements of preferred stock	(25,000)	(25,000)	(25,000)
Cash dividends on preferred stock	(6,625)	(9,275)	(11,925)
Cash dividends on common stock	-	-	(85,000)
Net cash flows used in financing activities	(31,625)	(204,275)	(121,925)
Investing Activities:			
Investment in plant:			
Electric utility plant	(46,096)	(43,780)	(33,570)
Nuclear fuel	(1,168)	(307)	5
Net cash flows used for investments in plant	(47,264)	(44,087)	(33,565)
Investment in NU system Money Pool	-	-	18,250
Investment in nuclear decommissioning trusts	(678)	(641)	(490)
Other investment activities, net	2,151	(2,213)	(529)
Net cash flows used in investing activities	(45,791)	(46,941)	(16,334)

Net increase/(decrease) in cash for the period	121,703	(33,574)	93,444
Cash and cash equivalents - beginning of period	60,885	94,459	1,015
Cash and cash equivalents - end of period	$ 182,588	$ 60,885	$ 94,459
Supplemental Cash Flow Information:			
Cash paid during the year for:			
Interest, net of amounts capitalized	$ 39,895	$ 42,677	$ 51,775
Income taxes	$ 38,511	$ 18,948	$ 10,612
(Decrease)/increase in obligations:			
Seabrook Power Contracts	$ (115,065)	$ (78,939)	$ 6,197

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. About Public Service Company of New Hampshire

Public Service Company of New Hampshire (PSNH or the company) along with The Connecticut Light and Power Company (CL&P), Western Massachusetts Electric Company (WMECO), North Atlantic Energy Corporation (NAEC), and Holyoke Water Power Company (HWP) are the operating companies comprising the Northeast Utilities system (NU system) and are wholly owned by Northeast Utilities (NU). The NU system serves in excess of 30 percent of New England's electric needs and is one of the 20 largest electric utility systems in the country as measured by revenues. The NU system furnishes franchised retail electric service in New Hampshire, Connecticut, and western Massachusetts through PSNH, CL&P and WMECO. NAEC sells all of its entitlement to the capacity and output of Seabrook Station (Seabrook) nuclear unit to PSNH under the terms of two life-of-unit, full cost recovery contracts (Seabrook Power Contacts). HWP, also is engaged in the production and distribution of electric power.

NU is registered with the Securities and Exchange Commission (SEC) as a holding company under the Public Utility Holding Company Act of 1935 (1935 Act) and the NU system, including PSNH, is subject to provisions of the 1935 Act. Arrangements among the NU system companies, outside agencies and other utilities covering interconnections, interchange of electric power and sales of utility property are subject to regulation by the Federal Energy Regulatory Commission (FERC) and/or the SEC. PSNH is subject to further regulation for rates, accounting and other matters by the FERC and/or applicable state regulatory commissions.

Several wholly owned subsidiaries of NU provide support services for the NU system companies including PSNH, and, in some cases, for other New England utilities. Northeast Utilities Service Company (NUSCO) provides centralized accounting, administrative, information resources, engineering, financial, legal, operational, planning, purchasing, and other services to the NU system companies, including PSNH. Northeast Nuclear Energy Company acts as agent for the NU system companies and other New England utilities in operating the Millstone nuclear units. North Atlantic Energy Service Corporation has operational responsibility for Seabrook.

On October 13, 1999, NU and Consolidated Edison, Inc. (Con Edison) announced that they have agreed to a merger to combine the two companies. For further information, see Note 14, "Merger Agreement with Con Edison."

B. Presentation

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain reclassifications of prior years' data have been made to conform with the current year's presentation.

All transactions among affiliated companies are on a recovery of cost basis which may include amounts representing a return on equity and are subject to approval by various federal and state regulatory agencies.

C. New Accounting Standards

The Financial Accounting Standards Board (FASB) has issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments and hedging activities. This statement will require derivative instruments utilized by the NU system companies to be recognized as assets or liabilities at fair value.

In June 1999, the FASB delayed the adoption date of SFAS No. 133 until January 1, 2001.

There may be an impact on earnings upon adoption of SFAS No. 133 which management has not estimated at this time.

D. Investments and Jointly Owned Electric Utility Plant

Regional Nuclear Generating Companies: PSNH owns common stock in four regional nuclear companies (Yankee Companies). PSNH's ownership interests in the Yankee Companies at December 31, 1999 and 1998, which are accounted for on the equity basis due to PSNH's ability to exercise significant influence over their operating and financial policies are 5 percent of the Connecticut Yankee Atomic Power Company (CYAPC), 7 percent of the Yankee Atomic Electric Company (YAEC), 5 percent of Maine Yankee Atomic Power Company (MYAPC), and 4 percent of Vermont Yankee Nuclear Power Corporation (VYNPC). PSNH's total equity investment in the Yankee Companies at December 31, 1999 and 1998 is $12.3 million and $13.4 million, respectively. Each Yankee Company owns a single nuclear generating unit. However, VYNPC is the only unit still in operation at December 31, 1999.

Millstone: PSNH has a 2.85 percent joint ownership interest in Millstone 3, a 1,154 megawatt (MW) nuclear generating unit. At December 31, 1999 and 1998, plant-in-service included $119.3 million and $118.8 million, respectively, and the accumulated provision for depreciation included $39 million and $35.5 million, respectively, related to PSNH's share of Millstone 3.

Wyman Unit 4: PSNH has a 3.14 percent ownership interest in Wyman Unit 4, a 632 MW oil-fired generating unit. At December 31, 1999 and 1998, plant-in-service included $6.1 million in each year and the accumulated provision for depreciation included $4.2 million and $4 million, respectively.

E. Depreciation

The provision for depreciation is calculated using the straight-line method based on estimated remaining useful lives of depreciable utility plant-in-service, adjusted for salvage value and removal costs, as approved by the appropriate regulatory agency where applicable. Except for major facilities, depreciation rates are applied to the average plant-in-service during the period. Major facilities are depreciated from the time they are placed in service. When plant is retired from service, the original cost of plant, including costs of removal, less salvage, is charged to the accumulated provision for depreciation. The costs of closure and removal of nonnuclear facilities are accrued over the life of the plant as a component of depreciation. The depreciation rates for the several classes of electric plant-in-service are equivalent to a composite rate of 3.7 percent in 1999, 3.6 percent in 1998 and 3.7 percent in 1997.

At December 31, 1999 and 1998, the accumulated provision for depreciation included $40.4 million and $37.3 million, respectively, accrued for the cost of removal, net of salvage, for nonnuclear generation property.

F. Revenues

Revenues are based on authorized rates applied to each customer's use of electricity. In general, rates can be changed only through a formal proceeding before the appropriate regulatory commission. Regulatory commissions also have authority over the terms and conditions of non-traditional rate-making arrangements. At the end of each accounting period, PSNH accrues a revenue estimate for the amount of energy delivered but unbilled.

G. PSNH Acquisition Costs

PSNH acquisition costs represent the aggregate value placed by the 1989 Rate Agreement with the state of New Hampshire (Rate Agreement) on PSNH's assets in excess of the net book value of PSNH's non-Seabrook assets, plus the $700 million value assigned to Seabrook by the Rate Agreement as part of the bankruptcy resolution on June 5, 1992, (Acquisition Date). The Rate Agreement provides for the recovery through rates, with a return, of the PSNH acquisition costs. The unrecovered balance was $324.4 million and $352.9 million, at December 31, 1999 and 1998, respectively, and is being recovered ratably over a 20-year period ending May 1, 2011, in accordance with the Rate Agreement. Through December 31, 1999 and 1998, $668 million

and $640 million, respectively, have been collected.

H. Regulatory Accounting and Assets

The accounting policies of PSNH and the accompanying financial statements conform to generally accepted accounting principles applicable to rate-regulated enterprises and reflect the effects of the rate-making process in accordance with SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation." Assuming a cost-of-service based regulatory structure, regulators may permit incurred costs, normally treated as expenses, to be deferred and recovered through future revenues. Through their actions, regulators may also reduce or eliminate the value of an asset, or create a liability. If any portion of PSNH's operations were no longer subject to the provisions of SFAS No. 71, PSNH would be required to write off all of its related regulatory assets and liabilities, unless there is a formal transition plan that provides for the recovery, through established rates, for the collection of these costs through a portion of the business which would remain regulated on a cost-of-service basis. At the time of transition, PSNH would be required to determine any impairment to the carrying costs of deregulated plant and inventory assets.

Based on a current evaluation of the various factors and conditions that are expected to impact future cost recovery, management continues to believe it is probable that PSNH will recover its investments in long-lived assets, including regulatory assets. In addition, all material regulatory assets are earning a return. The components of PSNH's regulatory assets are as follows:

At December 31,	1999	1998
	(Millions of Dollars)	
Recoverable energy costs, net.....	$120.7	$156.3
Income taxes, net.....	166.2	139.7
Unrecovered contractual obligations.....	56.5	66.4
Deferred costs - nuclear plants.....	144.4	244.6
Other.....	3.1	3.2
	$490.9	$610.2

At this time, management continues to believe that the application of SFAS No. 71 for PSNH remains appropriate. If the "Agreement to Settle PSNH Restructuring" (Settlement Agreement), as filed, is approved by the New Hampshire Public Utilities Commission (NHPUC) and implemented, then PSNH will discontinue the application of SFAS No. 71 for the generation portion of its business and record an after-tax write-off of $225 million. Additionally, PSNH will make a payment to NAEC to buydown the Seabrook Power Contracts to $100 million. PSNH's transmission and distribution business will continue to be rate-regulated on a cost-of-service basis as the Settlement Agreement allows for the recovery of the remaining regulatory assets through that portion of the business.

I. Income Taxes

The tax effect of temporary differences (differences between the periods in which transactions affect income in the financial statements and the periods in which they affect the determination of taxable income) is accounted for in accordance with the rate-making treatment of the applicable regulatory commissions.

The tax effect of temporary differences, including timing differences accrued under previously approved accounting standards, that give rise to the accumulated deferred tax obligation is as follows:

At December 31,	1999	1998
	(Millions of Dollars)	
Accelerated depreciation and other plant-related differences.....	$102.4	$100.8
Net operating loss carryforwards.....	-	(25.6)
Regulatory assets - income tax gross up....	62.0	52.4
Other.....	102.2	97.5
	$266.6	$225.1

As of December 31, 1999, PSNH had an Investment Tax Credit carryforward

of $23 million, which if unused, expires in 2004.

J. Recoverable Energy Costs
Under the Energy Policy Act of 1992 (Energy Act), PSNH is assessed for its proportionate share of the costs of decontaminating and decommissioning uranium enrichment plants owned by the United States Department of Energy (DOE) (D&D Assessment). The Energy Act requires that regulators treat D&D Assessments as a reasonable and necessary current cost of fuel, to be fully recovered in rates like any other fuel cost. PSNH is currently recovering these costs through rates. As of December 31, 1999 and 1998, PSNH's total D&D deferrals were approximately $0.2 million in each year.

The Rate Agreement includes a fuel and purchased-power adjustment clause (FPPAC) permitting PSNH to pass through to retail customers, for a 10-year period that began in May 1991, the retail portion of differences between the fuel and purchased-power costs assumed in the Rate Agreement and PSNH's actual costs, which include the costs related to the Seabrook Power Contracts and the Clean Air Act Amendment. The cost components of the FPPAC are subject to a prudence review by the NHPUC. At December 31, 1999 and 1998, PSNH had $120.5 million and $156 million, respectively, of noncurrent recoverable energy costs deferred under the FPPAC. If the Settlement Agreement is approved, these FPPAC costs will be recovered through a transition charge.

In addition, under the Rate Agreement, charges made by NAEC through the Seabrook Power Contracts, including the deferred Seabrook capital expenses, are to be collected by PSNH through the FPPAC. Beginning on June 1, 1998, the Seabrook deferred capital expenses began to be recovered over a 36-month period.

K. Deferred Costs - Nuclear Plants
Under the Rate Agreement, the plant costs of Seabrook were phased into rates over a 7-year period beginning May 15, 1991. Total costs deferred under the phase-in plan were $288 million. This plan is accounted for in compliance with SFAS No. 92, "Regulated Enterprises - Accounting for Phase-In Plans." The Rate Agreement provides for these costs to be fully recovered from PSNH's customers by May 2001.

L. Unrecovered Contractual Obligations
Under the terms of contracts with the Yankee companies, the shareholder-sponsor companies, including PSNH, are each responsible for their proportionate share of the remaining costs of the units, including decommissioning. As management expects that PSNH will be allowed to recover these costs from its customers, PSNH has recorded a regulatory asset, with a corresponding obligation on its balance sheet.

M. Cash and Cash Equivalents
Cash and cash equivalents includes cash on hand and short-term cash investments which are highly liquid in nature and have original maturities of three months or less.

2. SEABROOK POWER CONTRACTS
PSNH and NAEC have entered into two power contracts that obligate PSNH to purchase NAEC's 35.98 percent ownership of the capacity and output of Seabrook for the term of Seabrook's operating license. Under these power contracts, PSNH is obligated to pay NAEC's cost of service during this period, regardless of whether Seabrook is operating. NAEC's cost of service includes all of its Seabrook-related costs, including operation and maintenance (O&M) expenses, fuel expense, income and property tax expense, depreciation expense, certain overhead and other costs, and a return on its allowed investment.

In August 1999, NU, PSNH and the state of New Hampshire signed the Settlement Agreement which, once approved and implemented, will resolve a number of pending regulatory and court proceedings related to PSNH. The Settlement Agreement is awaiting approval of the NHPUC and is subject to legislative approval for the issuance of rate reduction bonds (securitization). The Settlement Agreement also requires NAEC to sell via public auction its share of Seabrook, with the sale to occur no later than December 31, 2003. Upon the approval and implementation of the Settlement Agreement, PSNH and NAEC will restructure the power contracts to provide for the buydown of the value of the Seabrook asset to $100 million. Upon a successful sale of NAEC's share of Seabrook, the existing Seabrook Power Contracts between PSNH and NAEC will be terminated. However, PSNH will continue to be responsible for funding NAEC's ownership share of Seabrook's decommissioning liability.

Currently, PSNH has included its right to buy power from NAEC on its balance sheet as part of utility plant and regulatory assets with a corresponding obligation. At December 31, 1999, this right to buy power was valued at $723.1 million.

Under the current Seabrook Power Contracts, if Seabrook is shut down prior to the expiration of its operating license, PSNH will be unconditionally

required to pay NAEC termination costs for 39 years, less the period during which Seabrook has operated. These termination costs will reimburse NAEC for its share of Seabrook shut-down and decommissioning costs, and will pay NAEC a return of and on any undepreciated balance of its initial investment over the remaining term of the power contracts, and the return of and on any capital additions to the plant made after the Acquisition Date over a period of five years after shut down (net of any tax benefits to NAEC attributable to the cancellation).

Contract payments charged to operating expenses in 1999, 1998 and 1997 were $280 million, $272 million and $188 million, respectively. Interest included in the contract payments in 1999, 1998 and 1997 was $49 million, $54 million and $57 million, respectively.

Future minimum payments, excluding executory costs, such as property taxes, state use taxes, insurance and maintenance, under the terms of the contracts, as of December 31, 1999, were approximately:

Year	Seabrook Power Contracts
	(Millions of Dollars)
2000	$ 193.0
2001	116.8
2002	77.5
2003	75.2
2004	72.9
After 2005	1,006.8
Future minimum payments	1,542.2
Less amount representing interest	819.1
Present value of Seabrook Power Contracts payments	$ 723.1

3. LEASES

PSNH has entered into lease agreements, some of which are capital leases, for the use of data processing and office equipment, vehicles and office space. The provisions of these lease agreements generally provide for renewal options.

Capital lease rental payments charged to operating expense were $1.5 million in 1999 and $1.6 million in 1998 and 1997. Interest included in capital lease rental payments was $0.4 million in 1999, $0.2 million in 1998 and $0.3 million in 1997. Operating lease rental payments charged to expense were $3.1 million in 1999, $5.4 million in 1998 and $5.7 million in 1997.

Future minimum rental payments, excluding executory costs such as property taxes, state use taxes, insurance and maintenance, under long-term noncancelable leases, as of December 31, 1999, are:

Year	Capital Leases	Operating Leases
	(Millions of Dollars)	
2000	$ 1.2	$ 7.6
2001	1.2	7.1
2002	0.4	4.4
2003	0.4	3.0
2004	0.4	2.5
After 2004	1.1	3.9
Future minimum lease payments	4.7	$28.5
Less amount representing interest	1.7	
Present value of future minimum lease payments	$ 3.0	

4. NUCLEAR DECOMMISSIONING AND PLANT CLOSURE COSTS

Millstone and Seabrook: Under the terms of the Rate Agreement, PSNH is obligated to pay NAEC's share of Seabrook's decommissioning costs, even if the unit is shut down prior to the expiration of its operating license. Accordingly, NAEC bills PSNH directly for its share of the costs of decommissioning Seabrook. PSNH records its Seabrook decommissioning costs as a component of purchased-power expense. Under the Rate Agreement, these costs are recovered through base rates. The Seabrook decommissioning costs will continue to be increased annually by its respective escalation rates until the unit is sold. Under New Hampshire law, Seabrook decommissioning funding requirements are set by the New Hampshire Nuclear Decommissioning Financing Committee (NDFC). During April 1999, the NDFC issued an order

that adjusted the decommissioning collection period and funding levels assuming that Seabrook's anticipated energy producing life was 25 years from the date it went into commercial operation. Decommissioning collections are now expected to be completed by October 2015, as opposed to 2026, for the decommissioning collection period only. The cost of funding decommissioning Seabrook is now accrued over the estimated remaining accelerated funding period that was ordered by the NDFC. This is eleven years earlier than the service life established by Seabrook's Nuclear Regulatory Commission's operating license.

Millstone 3 and Seabrook's service lives are expected to end during the years 2025 and 2026, respectively, and upon retirement, must be decommissioned. Current decommissioning studies conclude that complete and immediate dismantlement as soon as practical after retirement continues to be the most viable and economic method of decommissioning a unit. These studies are reviewed and updated periodically to reflect changes in decommissioning requirements, costs, technology, and inflation. Changes in requirements or technology, the timing of funding or dismantling or adoption of a decommissioning method other than immediate dismantlement would change decommissioning cost estimates and the amounts required to be recovered. PSNH attempts to recover sufficient amounts through its allowed rates to cover its expected decommissioning costs.

PSNH's ownership share of the estimated cost of decommissioning Millstone 3 and NAEC's ownership share of Seabrook, in year end 1999 dollars, is $17.6 million and $203.3 million, respectively. Nuclear decommissioning costs are accrued over the expected service life of Millstone 3 and are included in depreciation expense. Nuclear decommissioning expenses for PSNH's ownership share of Millstone 3 amounted to $0.5 million in 1999 and $0.4 million in 1998 and 1997. Nuclear decommissioning, as a cost of removal, is included in the accumulated provision for depreciation.

External decommissioning trusts have been established for the costs of decommissioning the Millstone units. PSNH payments for NAEC's ownership share of the cost of decommissioning Seabrook are paid by NAEC to an independent decommissioning financing fund managed by the state of New Hampshire. Funding of the estimated decommissioning costs assumes levelized collections for the Millstone units and escalated collections for Seabrook and after-tax earnings on the Millstone and Seabrook decommissioning funds of 5.5 percent and 6.5 percent, respectively.

As of December 31, 1999 and 1998, PSNH collected a total of $3.5 million and $3 million, respectively, through rates toward the future decommissioning costs of its share of Millstone 3, all of which have been transferred to external decommissioning trusts. As of December 31, 1999 and 1998, NAEC has paid approximately $32.7 million and $25.6 million (including payments made prior to the Acquisition Date by PSNH) into Seabrook's decommissioning fund. Earnings on the decommissioning trusts increase the decommissioning trust balances and the accumulated reserves for depreciation. Unrealized gains and losses associated with the decommissioning trusts and financing funds also impact the balance of the trusts and the accumulated reserve for depreciation. The fair values of the amounts in the external decommissioning trusts for Millstone 3 were $6.9 million and $5.6 million for 1999 and 1998, respectively.

Yankee Companies: VYNPC owns and operates a nuclear generating unit with a service life that is expected to end in 2012. PSNH's ownership share of estimated costs, in year end 1999 dollars, of decommissioning this unit is $17.2 million. On October 15, 1999, VYNPC agreed to sell the unit for $22 million to an unaffiliated company. Among other commitments, the acquiring company agreed to assume the decommissioning cost of the unit after it is taken out of service, and the VYNPC owners have agreed to fund the uncollected decommissioning cost to a negotiated amount at the time of the closing of the sale.

As of December 31, 1999 and 1998, PSNH's remaining estimated obligation, including decommissioning for the units owned by CYAPC, YAEC and MYAPC, which have been shut down, was $56.5 million and $66.4 million, respectively.

5. SHORT-TERM DEBT

Limits: PSNH is authorized under an order of the NHPUC to incur short-term borrowings up to a maximum of $68.3 million.

Money Pool: Certain subsidiaries of NU, including PSNH, are members of the Northeast Utilities System Money Pool (Pool). The Pool provides a more efficient use of the cash resources of the NU system and reduces outside short-term borrowings. NUSCO administers the Pool as agent for the member companies. Short-term borrowing needs of the member companies are first met with available funds of other member companies, including funds borrowed by NU parent. NU parent may lend to the Pool but may not borrow. Funds may be withdrawn from or repaid to the Pool at any time without prior notice. Investing and borrowing subsidiaries receive or pay interest based on the average daily federal funds rate. Borrowings based on loans from NU parent, however, bear interest at NU parent's cost

and must be repaid based upon the terms of NU parent's original borrowing. At December 31, 1999 and 1998, PSNH had no outstanding borrowings from the Pool. Due to the conditions placed on PSNH by lenders and the NHPUC during April 1998, PSNH is presently restricted from lending money to the Pool. Maturities of short-term debt obligations were for periods of three months or less.

6. PREFERRED STOCK SUBJECT TO MANDATORY REDEMPTION

Details of preferred stock subject to mandatory redemption are:

Description	Shares Outstanding December 31, 1999	December 31, 1999	December 31, 1998
10.60% Series A of 1991.....	2,000,000	$50.0	$75.0
Less preferred stock to be redeemed within one year.....	1,000,000	25.0	25.0
		$25.0	$50.0

The Series A preferred stock is not subject to optional redemption by PSNH. It is subject to an annual sinking fund requirement of $25 million each year, which began on June 30, 1997, sufficient to retire annually 1,000,000 shares at $25 per share. In case of default on dividends or sinking fund payments, no payments may be made on any junior stock by way of dividends or otherwise (other than in shares of junior stock) so long as the default continues. If PSNH is in arrears in the payment of dividends on any outstanding shares of preferred stock, PSNH would be prohibited from redeeming or purchasing less than all of the outstanding preferred stock.

7. LONG-TERM DEBT

Details of long-term debt outstanding are:

At December 31,	1999	1998
	(Millions of Dollars)	
Pollution Control Revenue Bonds:		
7.65% Tax-Exempt Series A, due 2021.....	$ 66.0	$ 66.0
7.50% Tax-Exempt Series B, due 2021.....	109.0	109.0
7.65% Tax-Exempt Series C, due 2021.....	112.5	112.5
6.00% Tax-Exempt Series D, due 2021.....	75.0	75.0
6.00% Tax-Exempt Series E, due 2021.....	44.8	44.8
Adjustable Rate, Series D, due 2021 (a).....	39.5	39.5
Adjustable Rate, Series E, due 2021 (a).....	69.7	69.7
Long-term debt.....	$516.5	$516.5

(a) On April 14, 1999, PSNH renewed bank letters of credit that support nearly $110 million of taxable variable-rate pollution control bonds.

There are no cash sinking fund requirements or debt maturities for the years 2000 through 2004. There are annual renewal and replacement fund requirements equal to 2.25 percent of the average of net depreciable utility property owned by PSNH at the reorganization date, plus cumulative gross property additions thereafter. PSNH expects to meet these future fund requirements by certifying property additions. Any deficiency would need to be satisfied by the deposit of cash or bonds.

Concurrent with the issuance of PSNH's Series A and B first mortgage bonds, PSNH entered into financing arrangements with the Business Finance Authority of the State of New Hampshire (BFA). Pursuant to these arrangements, the BFA issued seven series of Pollution Control Revenue Bonds (PCRBs) and loaned the proceeds to PSNH. PSNH's obligation to repay each series of PCRBs is secured by the first mortgage bonds. Each such series of first mortgage bonds contains similar terms and provisions as the applicable series of PCRBs. For financial reporting purposes, these bonds would not be considered outstanding unless PSNH failed to meet its obligations under the PCRBs.

The average effective interest rates on the variable-rate pollution control notes ranged from 2.2 percent to 6.1 percent in 1999 and from 3.1 percent to 5.6 percent in 1998.

8. INCOME TAX EXPENSE

The components of the federal and state income tax provisions were charged/(credited) to operations as follows:

For the Years Ended December 31,	1999	1998	1997
	(Millions of Dollars)		
Current income taxes:			
Federal	$41.4	$(6.6)	$67.1
State	4.6	0.8	0.1
Total current	46.0	(5.8)	67.2
Deferred income taxes, net:			
Federal	4.6	78.0	21.0
State	(2.2)	0.9	1.2
Total deferred	2.4	78.9	22.2
Investment tax credits, net	(7.7)	(0.5)	(0.5)
Total income tax expense	$40.7	$72.6	$88.9

The components of total income tax expense are classified as follows:

For the Years Ended December 31,	1999	1998	1997
	(Millions of Dollars)		
Income taxes charged to operating expenses	$36.8	$65.1	$86.5
Other income taxes	3.9	7.5	2.4
Total income tax expense	$40.7	$72.6	$88.9

Deferred income taxes are comprised of the tax effects of temporary differences as follows:

For the Years Ended December 31,	1999	1998	1997
	(Millions of Dollars)		
Depreciation	$ (6.5)	$(12.1)	$(1.9)
Regulatory deferral	(12.6)	22.6	28.3
State net operating loss carryforward	29.5	69.2	-
Regulatory disallowance	(2.3)	-	-
Contractual settlements	(6.7)	-	-
Other	1.0	(0.8)	(4.2)
Deferred income taxes, net	$ 2.4	$ 78.9	$22.2

A reconciliation between income tax expense and the expected tax expense at 35 percent of pretax income is as follows:

For the Years Ended December 31,	1999	1998	1997
	(Millions of Dollars)		
Expected federal income tax	$43.7	$57.5	$63.4
Tax effect on differences:			
Depreciation	0.9	(2.2)	1.1
Amortization of regulatory assets	9.9	17.3	31.3
Investment tax credit amortization	(7.7)	(0.5)	(0.5)
State income taxes, net of federal benefit	1.6	1.0	0.8
Adjustment for prior years' taxes	-	(0.9)	(0.6)
Adjustment to tax asset valuation allowance	(7.4)	-	-
Other, net	(0.3)	0.4	(6.6)
Total income tax expense	$40.7	$72.6	$88.9

9. EMPLOYEE BENEFITS

A. Pension Benefits and Postretirement Benefits Other Than Pensions
The NU system's subsidiaries, including PSNH, participate in a uniform noncontributory defined benefit retirement plan covering substantially

all regular NU system employees. Benefits are based on years of service and employees' highest eligible compensation during 60 consecutive months of employment. PSNH's portion of the NU system's pension (credit)/cost, part of which was (credited)/charged to utility plant, was $(0.5) million in 1999, $(0.1) million in 1998 and $1.3 million in 1997.

Currently, PSNH annually funds an amount at least equal to that which will satisfy the requirements of the Employee Retirement Income Security Act and Internal Revenue Code (the Code).

The NU system companies, including PSNH, also provide certain health care benefits, primarily medical and dental, and life insurance benefits through a benefit plan to retired employees. These benefits are available for employees retiring from PSNH who have met specified service requirements. For current employees and certain retirees, the total benefit is limited to two times the 1993 per retiree health care cost. These costs are charged to expense over the future estimated work life of the employee. PSNH annually funds postretirement costs through external trusts with amounts that have been rate-recovered and which also are tax deductible under the Code.

Pension and trust assets are invested primarily in domestic and international equity securities and bonds.

The following table represents information on the plans' benefit obligation, fair value of plan assets, and the respective plans' funded status:

	At December 31,			
	Pension Benefits		Postretirement Benefits	
(Millions of Dollars)	1999	1998	1999	1998
Change in benefit obligation				
Benefit obligation at beginning of year	$(201.0)	$(188.0)	$(50.1)	$(46.6)
Service cost	(4.9)	(4.3)	(1.0)	(0.9)
Interest cost	(14.3)	(13.2)	(3.6)	(3.4)
Plan amendment	(11.2)	-	-	-
Transfers	0.5	(0.7)	-	-
Actuarial gain/(loss)	19.1	(5.0)	(1.5)	(2.8)
Benefits paid	10.3	10.2	5.0	3.6
Benefit obligation at end of year	$(201.5)	$(201.0)	$(51.2)	$(50.1)
Change in plan assets				
Fair value of plan assets at beginning of year	$ 213.2	$ 195.6	$ 27.3	$ 22.9
Actual return on plan assets	30.4	27.1	3.4	3.2
Employer contribution	-	-	4.9	4.8
Benefits paid	(10.3)	(10.2)	(5.0)	(3.6)
Transfers	0.5	0.7	-	-
Fair value of plan assets at end of year	$ 233.8	$ 213.2	$ 30.6	$ 27.3
Funded status at December 31	$ 32.3	$ 12.2	$(20.6)	$(22.8)
Unrecognized transition obligation	3.3	3.7	38.2	41.2
Unrecognized prior service cost	16.9	7.0	-	-
Unrecognized net gain	(98.0)	(68.9)	(17.6)	(18.4)
Accrued benefit cost	$ (45.5)	$ (46.0)	$ -	$ -

The following actuarial assumptions were used in calculating the plans' year end funded status:

	At December 31,			
	Pension Benefits		Postretirement Benefits	
	1999	1998	1999	1998
Discount rate	7.75%	7.00%	7.75%	7.00%
Compensation/progression rate	4.75	4.25	4.75	4.25
Health care cost trend rate(a)	N/A	N/A	5.57	5.22

(a) The annual per capita cost of covered health care benefits was assumed

to decrease to 4.90 percent by 2001.

The components of net periodic benefit (credit)/cost are:

	For the Years Ended December 31,					
	Pension Benefits			Postretirement Benefits		
(Millions of Dollars)	1999	1998	1997	1999	1998	1997
Service cost	$ 4.9	$ 4.3	$ 4.0	$ 1.0	$ 0.9	$ 0.8
Interest cost	14.3	13.2	13.4	3.6	3.4	3.4
Expected return on plan assets	(17.7)	(15.6)	(13.9)	(2.1)	(1.8)	(1.4)
Amortization of unrecognized transition obligation	0.3	0.3	0.3	2.9	2.9	2.9
Amortization of prior service cost	1.3	0.5	0.5	-	-	-
Amortization of actuarial gain	(3.6)	(2.8)	(2.0)	-	-	-
Other amortization, net	-	-	-	(0.5)	(0.5)	(0.8)
Settlements	-	-	(1.0)	-	-	-
Net periodic benefit (credit)/cost	$ (0.5)	$ (0.1)	$ 1.3	$ 4.9	$ 4.9	$ 4.9

For calculating pension and postretirement benefit costs, the following assumptions were used:

	For the Years Ended December 31,					
	Pension Benefits			Postretirement Benefits		
	1999	1998	1997	1999	1998	1997
Discount rate	7.00%	7.25%	7.75%	7.00%	7.25%	7.75%
Expected long-term rate of return	9.50	9.50	9.25	N/A	N/A	N/A
Compensation/ progression rate	4.25	4.25	4.75	4.25	4.25	4.75
Long-term rate of return -						
Health assets, net of tax	N/A	N/A	N/A	7.50	7.75	7.50
Life assets	N/A	N/A	N/A	9.50	9.50	9.25

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. The effect of changing the assumed health care cost trend rate by one percentage point in each year would have the following effects:

(Millions of Dollars)	One Percentage Point Increase	One Percentage Point Decrease
Effect on total service and interest cost components	$0.3	$(0.3)
Effect on postretirement benefit obligation	$3.3	$(3.0)

The trust holding the health plan assets is subject to federal income taxes.

B. Employee Stock Ownership Plan

In June 1999, PSNH paid NU parent $10.6 million for NU shares issued from 1992 through 1998 on behalf of their employees in accordance with NU's 401(k) plan. Each operating company, including PSNH, appropriately charged retained earnings for this payment, as compensation expense had already been recorded in the respective years at the fair market value of the shares allocated.

10. COMMITMENTS AND CONTINGENCIES

A. Restructuring

In August 1999, NU, PSNH and the state of New Hampshire signed a Settlement Agreement intended to settle a number of pending regulatory and court proceedings related to PSNH. Parties to the agreement included the governor of New Hampshire, the Governor's Office of Energy and Community Service, the New Hampshire attorney general, certain members of the staff of the NHPUC, PSNH and NU. The Settlement

Agreement was submitted to the NHPUC on August 2, 1999 and is awaiting approval. If approved by the NHPUC, the Settlement Agreement would resolve 11 NHPUC dockets and PSNH's federal lawsuit which had enjoined the state of New Hampshire from implementing its restructuring legislation, would require PSNH to write off $225 million after-tax of its stranded costs and would allow for the recovery of the remaining amount. Also, implementation of the Settlement Agreement is contingent upon securitization. Securitization requires the initial approval of the NHPUC and final approval from the New Hampshire Legislature via enactment of appropriate legislation. Other approvals are also required from various federal and state regulatory agencies and financial lenders. Under the terms of the Settlement Agreement, on the effective date, PSNH's rates will be reduced from current levels by an average of 18.3 percent. Due to the number of approvals required and still pending to implement the Settlement Agreement, management continues to believe the application of SFAS No. 71 is appropriate for PSNH at this time.

The Settlement Agreement also requires PSNH to sell its generation assets and certain power contracts, including PSNH's current purchased-power contracts with NAEC for the output from Seabrook. The net proceeds from all sales will be used to recover a portion of PSNH's stranded costs. The sales would be accomplished through an auction process subject to approval by the NHPUC. Following the divestiture, the transmission and distribution portion of the business will continue to be cost-of-service based.

Phase I of the proceeding regarding the Settlement Agreement allowed proponents to provide sufficient record for the NHPUC to compare the Settlement Agreement to a range of reasonable outcomes in the other associated dockets. The NHPUC also determined during Phase I that the Con Edison merger is relevant to the Settlement Agreement and intervening parties should have discovery in Phase II to evaluate the impact of the merger on the Settlement Agreement. Phase II allowed opponents to file testimony concerning the Settlement Agreement and then allowed proponents to conduct discovery and file rebuttal testimony. A decision on the Settlement Agreement is expected in the first quarter of 2000.

B. Environmental Matters

The NU system, including PSNH, is subject to environmental laws and regulations intended to mitigate or remove the effect of past operations and improve or maintain the quality of our environment. As such, the NU system and PSNH have active environmental auditing and training programs and believe they are in compliance with the current laws and regulations.

However, the normal course of operations may necessarily involve activities and substances that expose PSNH to potential liabilities of which management cannot determine the outcome. Additionally, management cannot determine the outcome for liabilities that may be imposed for past acts, even though such past acts may have been lawful at the time they occurred. Management does not believe, however, that this will have a material impact on PSNH's financial statements.

Based upon currently available information for the estimated remediation costs as of December 31, 1999 and 1998, the liability recorded by PSNH for its estimated environmental remediation costs amounted to $9.5 million and $7.9 million, respectively.

C. Spent Nuclear Fuel Disposal Costs

Under the Nuclear Waste Policy Act of 1982, PSNH must pay the DOE for the disposal of spent nuclear fuel and high-level radioactive waste. The DOE is responsible for the selection and development of repositories for, and the disposal of, spent nuclear fuel and high-level radioactive waste. Fees for nuclear fuel burned are billed currently to customers and paid to the DOE on a quarterly basis.

D. Nuclear Insurance Contingencies

Insurance policies covering PSNH's ownership share of the NU system's nuclear facilities have been purchased for the primary cost of repair, replacement or decontamination of utility property, certain extra costs incurred in obtaining replacement power during prolonged accidental outages and the excess cost of repair, replacement or decontamination or premature decommissioning of utility property.

PSNH is subject to retroactive assessments if losses under those policies exceed the accumulated funds available to the insurer. The maximum potential assessments, including costs resulting from PSNH's contracts with NAEC, with respect to losses arising during the current policy year for the primary property insurance program, the replacement power policies and the excess property damage policies are $0.2 million, $1.2 million and $4.1 million, respectively. In addition, insurance has been purchased in the aggregate amount of $200 million on an industry basis by the NU system for coverage of worker claims.

Under certain circumstances, in the event of a nuclear incident at one of the nuclear facilities covered by the federal government's third-party liability indemnification program, the NU system, including PSNH, could be assessed liabilities in proportion to its ownership interest in each of its nuclear units up to $83.9 million. The NU system's payment of this assessment would be limited to, in proportion to its ownership interest in each of its nuclear units, $10 million in any one year per nuclear unit. In addition, if the sum of all claims and costs from any one nuclear incident exceeds the maximum amount of financial protection, the NU system would be subject to an additional 5 percent or $4.2 million liability, in proportion to its ownership interests in each of its nuclear units. Under the terms of the Seabrook Power Contracts, PSNH could be obligated to pay for any assessment charged to NAEC as a cost of service. Based upon its ownership interest in Millstone 3 and NAEC's ownership interest in Seabrook, PSNH's maximum liability, including any additional assessments, would be $33.8 million per incident, of which payments would be limited to $3.9 million per year. In addition, through purchased-power contracts with VYNPC, PSNH would be responsible for up to an additional assessment of $3.5 million per incident, of which payments would be limited to $0.3 million per year.

E. Construction Program

PSNH currently forecasts construction expenditures of $314.3 million for the years 2000-2004, including $51.6 million for 2000. PSNH estimates that nuclear fuel requirements for its share of Millstone 3 will be $3.2 million for the years 2000-2004, including $1.2 million for 2000.

F. Long-Term Contractual Arrangements

Yankee Companies: The NU system companies relied on VYNPC for 1.5 percent of their capacity under long-term contracts. Under the terms of its agreement, PSNH paid its ownership (or entitlement) shares of costs, which included depreciation, O&M expenses, taxes, the estimated cost of decommissioning, and a return on invested capital. These costs were recorded as purchased-power expenses and recovered through PSNH's rates. PSNH's cost of purchases under contracts with VYNPC amounted to $7.5 million in 1999, $7 million in 1998 and $6.2 million in 1997. VYNPC has agreed to sell its nuclear unit. Upon completion of the sale, this long-term contract will be terminated.

Nonutility Generators (NUGs): PSNH is obligated under various arrangements for the purchase of capacity and energy from NUGs. For the years ended December 31, 1999 and 1998, 13 percent and for the year ended December 31, 1997, 14 percent, of NU system electricity requirements were met by NUGs. PSNH's total cost of purchases under these arrangements amounted to $139.8 million in 1999, $139.1 million in 1998 and $133.1 million in 1997. The company expects to renegotiate the terms of these contracts through either a contract buydown or buyout. The company expects any payments to the NUGs as a result of any successful renegotiations to be recovered from the company's customers.

Hydro-Quebec: Along with other New England utilities, PSNH has entered into an agreement to support transmission and terminal facilities to import electricity from the Hydro-Quebec system in Canada. PSNH is obligated to pay, over a 30-year period ending in 2020, its proportionate share of the annual O&M expenses and capital costs of those facilities.

New Hampshire Electric Cooperative (NHEC): PSNH entered into a buy-back agreement to purchase the capacity and energy of the NHEC's share of Seabrook and to pay all of NHEC's Seabrook costs for a 10-year period, which began on July 1, 1990. The total cost of purchases under this agreement was $33 million in 1999, $29.7 million in 1998 and $23.4 million in 1997. These costs are recoverable through the FPPAC. The estimated annual cost of this agreement for year 2000 was $14.6 million.

Estimated Annual Costs: The estimated annual costs of PSNH's significant long-term contractual arrangements, absent the effects of any contract terminations or buydowns are as follows:

	2000	2001	2002	2003	2004
	(Millions of Dollars)				
VYNPC	$ 3.5	$ 0.5	$ 0.5	$ 0.5	$ 0.5
NUGs	145.1	150.0	154.6	159.3	163.7
Hydro-Quebec	9.7	9.4	9.2	8.9	8.6

G. New England Power Pool (NEPOOL) Generation Pricing

Disputes with respect to interpretation and implementation of the NEPOOL market rules have arisen with respect to various competitive

product markets. In certain cases, PSNH stands to gain as a result of resolution of such disputes. In other cases, PSNH could incur additional costs as the result of resolution of the disputes. The various disputes are in various stages of resolution through alternative dispute resolution and regulatory review. It is too early to tell the level of potential gain or loss that may result upon resolution of these issues.

H. Deferred Receivable from Affiliated Company

At the time PSNH emerged from bankruptcy on May 16, 1991, in accordance with the phase-in under the Rate Agreement, it began to accrue a deferred return on a portion of its Seabrook investment. From May 16, 1991, to the Acquisition Date, PSNH accrued a deferred return of $50.9 million. On the Acquisition Date, PSNH sold the $50.9 million deferred return to NAEC as part of the Seabrook-related assets.

At the time PSNH transferred the deferred return to NAEC, it realized, for income tax purposes, a gain that was deferred under the consolidated income tax rules. Beginning December 1, 1997, the gain is being amortized into income for income tax purposes, as the deferred return of $50.9 million, and the associated income taxes of $32.9 million, are being collected by NAEC through the Seabrook Power Contracts. As NAEC recovers the $32.9 million in years eight through ten of the Rate Agreement, corresponding payments are being made to PSNH. The balance of the deferred receivable from NAEC at December 31, 1999 and 1998, was $13 million and $22.7 million, respectively.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each of the following financial instruments:

Cash and cash equivalents: The carrying amounts approximate fair value due to the short-term nature of cash and cash equivalents.

Supplemental Executive Retirement Plan (SERP) Investments: PSNH's portion of the investments held for the benefit of the SERP are recorded at fair value. The investments having a cost basis of $0.3 million held for benefit of the SERP were recorded at their fair market values at December 31, 1999 and 1998, of $2.2 million.

Nuclear decommissioning trusts: PSNH's portion of the investments held in the NU system companies' nuclear decommissioning trusts were marked-to-market by $2.2 million as of December 31, 1999, and $1.6 million as of December 31, 1998, with corresponding offsets to the accumulated provision for depreciation. The amounts adjusted in 1999 and 1998 represent cumulative net unrealized gains. The cumulative gross unrealized holding losses were immaterial for both 1999 and 1998.

Preferred stock and long-term debt: The fair value of PSNH's fixed-rate securities is based upon the quoted market price for those issues or similar issues. Adjustable rate securities are assumed to have a fair value equal to their carrying value. The carrying amounts of PSNH's financial instruments and the estimated fair values are as follows:

	At December 31, 1999	
(Millions of Dollars)	Carrying Amount	Fair Value
Preferred stock subject to mandatory redemption.....	$ 50.0	$ 52.0
Other long-term debt.....	516.5	517.4

	At December 31, 1998	
(Millions of Dollars)	Carrying Amount	Fair Value
Preferred stock subject to mandatory redemption.....	$ 75.0	$ 78.0
Other long-term debt.....	516.5	535.4

12. OTHER COMPREHENSIVE INCOME

The accumulated balance for each other comprehensive income item is as follows:

	December 31, 1998	Current Period Change	December 31, 1999
(Thousands of Dollars)			
Unrealized gains on securities....	$1,198	$70	$1,268
Minimum pension liability adjustments.....	(194)	-	(194)
Accumulated other comprehensive income.....	$1,004	$70	$1,074

	December 31, 1997	Current Period Change	December 31, 1998
(Thousands of Dollars)			
Unrealized gains on securities....	$ -	$1,198	$1,198
Minimum pension liability adjustments.....	-	(194)	(194)
Accumulated other comprehensive income.....	$ -	$1,004	$1,004

The changes in the components of other comprehensive income are reported net of the following income tax effects:

(Thousands of Dollars)	1999	1998	1997
Unrealized gains on securities.....	$ 39	$(660)	$ -
Minimum pension liability adjustments.....	-	107	-
Other comprehensive income.....	$ 39	$(553)	$ -

13. SEGMENT INFORMATION

Effective January 1, 1999, the NU system companies, including PSNH, adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." The NU system is organized between regulated utilities and unregulated energy services. PSNH is included in the regulated utilities segment of the NU system and has no other reportable segments.

14. MERGER AGREEMENT WITH CON EDISON

On October 13, 1999, NU and Con Edison announced that they have agreed to a merger to combine the two companies. The shareholders of NU will receive $25 per share in a combination of cash and Con Edison common stock.

NU shareholders also have the right to receive an additional $1 per share if a definitive agreement to sell its interests (other than that now held by PSNH) in Millstone 2 and 3 is entered into and recommended by the Utility Operations and Management Unit of the Connecticut Department of Public Utility Control on or prior to the later of December 31, 2000, or the closing of the merger. Further, the value of the amount of cash or common stock to be received by NU shareholders is subject to increase by an amount of $0.0034 per share per day for each day that the transaction does not close after August 5, 2000.

Upon completion of the merger, NU will become a wholly owned subsidiary of Con Edison. The purchase is subject to the approval of the shareholders of both companies and several regulatory agencies. The companies anticipate that these regulatory procedures can be completed by July 2000.

Public Service Company of New Hampshire

SELECTED FINANCIAL DATA	1999	1998	1997	1996	1995
			(Thousands of Dollars)		
Operating Revenues.....	$1,160,572	$1,087,247	$1,108,459	$1,110,169	$ 979,971
Operating Income.....	124,605	131,199	144,024	155,758	155,628

Net Income	84,209	91,686	92,172	97,465	83,255
Cash Dividends on Common Stock	-	-	85,000	52,000	52,000
Total Assets	2,622,433	2,681,595	2,837,159	2,851,212	2,920,487
Long-Term Debt(a)	516,485	516,485	686,485	686,485	858,985
Preferred Stock Subject to Mandatory Redemption (a)	50,000	75,000	100,000	125,000	125,000
Obligations Under Seabrook Power Contracts and Other Capital Leases (a)	726,153	842,223	921,813	914,617	915,288

QUARTERLY FINANCIAL DATA (Unaudited)

	Quarter Ended			
1999	March 31	June 30	September 30	December 31
	(Thousands of Dollars)			
Operating Revenues	$286,799	$286,824	$310,739	$276,210
Operating Income	$ 35,449	$ 29,419	$ 34,666	$ 25,071
Net Income	$ 25,281	$ 20,695	$ 25,584	$ 12,649
1998				
Operating Revenues	$261,745	$250,784	$286,614	$288,104
Operating Income	$ 18,769	$ 42,406	$ 37,434	$ 32,590
Net Income	$ 6,791	$ 31,601	$ 29,892	$ 23,402

(a) Includes portions due within one year.

Public Service Company of New Hampshire

STATISTICS (Unaudited)

	Gross Electric Utility Plant December 31, (Thousands of Dollars)(a)	kWh Sales (Millions)	Average Annual Use Per Residential Customer (kWh)	Electric Customers (Average)	Employees December 31,
1999	$2,283,187	12,832	6,665	427,694	1,258
1998	2,302,254	12,579	6,347	421,602	1,265
1997	2,312,628	13,340	6,528	407,642	1,254
1996	2,382,009	13,601	6,567	407,082	1,279
1995	2,469,474	11,001	6,524 (b)	406,077	1,339

(a) Includes unamortized acquisition costs.

(b) Effective January 1, 1996, the amounts shown reflect billed and unbilled sales. The 1995 amounts have been restated to reflect this change.

1999 Annual Report

Western Massachusetts Electric Company and Subsidiary

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Western Massachusetts Electric Company and Subsidiary

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition

Overview
The financial improvement that began in 1998 continued throughout 1999 at Western Massachusetts Electric Company (WMECO or the company), an operating subsidiary of Northeast Utilities (NU) and part of the Northeast Utilities system (NU system), despite a rate reduction in Massachusetts. WMECO's results benefited from the successful restart of the Millstone 2 nuclear unit, the strong operating performance delivered by the Millstone 3 nuclear unit, retail sales growth, and continued control over operation and maintenance (O&M) expenses. A rate reduction reduced the positive impacts of these items.

During 1999, WMECO resolved key industry restructuring issues by receiving final approval of a restructuring plan in Massachusetts. The auction of substantially all of the fossil and hydroelectric generation assets owned by WMECO and the auction of its respective interest in the output of the Millstone units, moved WMECO along in its transition into a purely electric transmission and distribution company, as contemplated by restructuring legislation in Massachusetts.

WMECO earned $2.9 million in 1999, compared with a loss of $9.6 million in 1998 and a loss of $27.5 million in 1997. The 1999 results included after-tax write-offs associated with the settlement of nuclear related issues and industry restructuring totaling $27.9 million. During 1998, WMECO's results included write-offs associated with the retirement of Millstone 1 totaling $26.7 million.

In 1999, WMECO's revenues increased to $414.2 million, up 5.3 percent from revenues of $393.3 million in 1998. The growth was primarily due to a 3.6 percent increase in retail sales. That growth was due to weather related factors that included a hotter than normal summer. The balance of that increase was due to economic expansion in WMECO's service territory. A retail rate reduction offset some of the growth in revenues. WMECO's rates were reduced a total of 15 percent from its August 1997 rates, 11.8 percent adjusted for inflation, between March 1998 and September 1999.

Aside from increased revenues, the primary reason for better operating performance in 1999 was the return to service from extended outages of Millstone 3 in July 1998 and Millstone 2 in May 1999.

WMECO's ability to continue improving financial performance in 2000 will depend largely on continued sales growth and on successful control of O&M expenses. WMECO also hopes to complete in 2000 the majority of restructuring work remaining, primarily the issuance of rate reduction bonds (securitization) to lower stranded costs, and the auction of WMECO's ownership interests in the Millstone units.

Mergers

In 1998 and 1999, NU management concluded that the pace of deregulation was accelerating throughout the northeastern United States and that shareholders would benefit from NU not only remaining a major provider of electric transmission and distribution service, but also an unregulated marketer of both electricity and natural gas. NU management also concluded that as a result of the changes occurring in the highly competitive electric utility industry, increased size would be crucial to achieve its objective of being a leading provider of energy products and services in the Northeast.

On October 13, 1999, NU announced an agreement to merge with Consolidated Edison, Inc. (Con Edison), a financially stronger utility based in New York. The merger will create the nation's largest electric distribution system with more than 5 million customers and one of the 15 largest natural gas distribution systems with 1.4 million customers.

NU and Con Edison filed with various state and federal regulatory bodies in January 2000 to secure approval of the merger. The two companies expect these regulatory proceedings can be completed by the end of July 2000.

Also in 1999, NU management concluded that the NU system would be stronger and customers could be better served if NU reentered the natural gas distribution business that it had exited in 1989 and examined several potential businesses in New England. By adding gas to NU's energy mix, NU will be able to broaden its services to its existing customers and NU will have additional opportunities for long-term growth. In June 1999, NU announced an agreement to merge with Yankee Energy System, Inc. (Yankee). The merger will return to NU Connecticut's largest natural gas distribution system, as well as several unregulated businesses involved in energy services, collections and other areas. The Yankee merger received Yankee shareholder approval in October 1999, final Connecticut Department of Public Utility Control (DPUC) approval in December 1999 and Securities and Exchange Commission (SEC) approval in January 2000. The merger closed on March 1, 2000.

Liquidity

Net cash flows provided by operations decreased to $2.1 million, compared to $27.6 million in 1998 and $27.7 million in 1997. The impacts of strong sales growth, improved nuclear performance and continued control of O&M expenses were offset by the termination of its accounts receivable financing arrangement.

In July 1999, WMECO sold 290 megawatts (MW) of fossil and hydroelectric generation assets with an affiliate of Con Edison. Proceeds from the sale were $48.5 million.

Proceeds from the generation asset sale are included in net cash flows provided by investing activities. Including construction expenditures and investments in nuclear decommissioning trusts, net cash flows provided by investing activities were $22.9 million in 1999, compared with net cash flows used in investing activities of $34.8 million in 1998 and $36.7 million in 1997.

Positive operating cash flows and the proceeds from the generation asset sale enabled WMECO to reduce its outstanding debt. As of December 31, 1999, WMECO's total debt level, including capital lease obligations, was $452.7 million, compared with $474.3 million as of December 31, 1998, and $458.9 million as of December 31, 1997.

The net cash flows used in financing activities were $24.1 million in 1999, compared to net cash flows provided by financing activities of $7.2 million in 1998 and $9.1 million in 1997. This included $102.4 million paid in 1999 to retire long-term debt and preferred stock, compared to $11.3 million in 1998 and $14.7 million in 1997. There were no cash dividends on common shares paid in 1999 and 1998 and $15 million in 1997. Payments made for preferred stock dividends were $3.3 million, $3 million and $3.1 million for 1999, 1998 and 1997, respectively.

WMECO's access to capital also benefited from the strong operating performance at Millstone 2 and 3 and the announced merger with Con Edison. During 1999, WMECO's securities received several upgrades from three credit rating agencies. WMECO's senior secured bonds achieved investment grade ratings for the first time since early 1997. At year end, all securities were under review for possible upgrades, or on "credit watch" with positive implications by Standard & Poor's, Moody's Investors Service and Fitch IBCA.

The rating agency upgrades benefited WMECO's efforts to broaden its credit lines. On November 19, 1999, WMECO and The Connecticut Light and Power Company (CL&P) entered into a new 364-day revolving credit facility for $500 million, replacing the previous $313.75 million facility which was to expire on November 21, 1999. The revolving credit facility, which is secured by second mortgages on Millstone 2 and 3, will be used to bridge gaps in working capital and provide short-term liquidity. WMECO may draw up to $200 million under the facility. Once WMECO receives the proceeds from securitization, the $500 million facility will be reduced to $300 million, with a $100 million limit for WMECO. As of December 31, 1999, WMECO had $123 million outstanding under this facility.

For further information regarding the WMECO and CL&P revolving credit facility, see Note 3, "Short-Term Debt," to the consolidated financial statements.

Previously, WMECO also had arranged financing through the sale of its accounts receivable. WMECO terminated its $40 million accounts receivable credit facility on June 30, 1999.

During 2000, WMECO hopes to receive regulatory approval to begin the process of securitizing its approved stranded costs. Securitization involves issuing rate reduction bonds with interest rates lower than the company's weighted average cost of capital. Proceeds from securitization will be used to significantly reduce the capitalization of WMECO and buydown its remaining purchased-power contract with a nonutility generator.

Restructuring

During 1999, Massachusetts made significant progress in resolving industry restructuring issues. Restructuring orders issued in Massachusetts allowed WMECO to determine the impacts of discontinuing Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation," for the generation portion of WMECO's business. The transmission and distribution portion of that business will continue to be cost-of-service regulated. In addition, the restructuring orders provided for a transition charge which allows for the recovery of WMECO's generation-related regulatory assets and prudently incurred stranded costs.

Massachusetts enacted electric utility restructuring legislation in November 1997. Based on an interim order approving WMECO's restructuring plan filed in December 1997, WMECO's customers were able to choose an alternative retail electricity supplier beginning on March 1, 1998. In 1999, the Massachusetts Department of Telecommunications and Energy (DTE) issued its final decision on WMECO's restructuring plan. In that decision, the DTE permitted WMECO to recover its generation-related regulatory asset balances and its nuclear decommissioning costs. However, the DTE disallowed any return on Millstone 2 and 3 starting March 1, 1998, until they returned to service and on Millstone 1 for its remaining life. The pretax impact of these disallowances was $41 million. The DTE also approved one-year contracts with the winning bidders of the standard offer and default service supply auction. For further information regarding commitments and contingencies related to the Massachusetts restructuring order, see Note 11A, "Commitments and Contingencies - Restructuring," to the consolidated financial statements.

Generation Asset Divestitures

The Massachusetts restructuring laws required WMECO to divest of its generation assets and utilize substantially all of the net gains from any sales to offset stranded costs. During 1999, WMECO sold its fossil and certain hydroelectric generation assets resulting in a net gain of $22.4 million. A corresponding amount of regulatory assets was amortized. Also during 1999, WMECO signed agreements to transfer certain hydroelectric generation assets to Northeast Generation Company, an unregulated affiliate of NU. This transaction closed on March 14, 2000. In September 1999, NU announced that the Millstone nuclear generation assets of its subsidiaries, WMECO and CL&P, will be put up for auction as soon as practical. For further information regarding commitments and contingencies related to the generation asset divestitures, see Note 11A, "Commitments and Contingencies - Restructuring," to the consolidated financial statements.

Nuclear Generation

Millstone Nuclear Units

Millstone 3 received the appropriate Nuclear Regulatory Commission (NRC) approvals and resumed operation in July 1998. Millstone 2 received similar NRC approvals and resumed operation in May 1999. Millstone 3 and 2 achieved annual capacity factors of 81.7 percent and 57.9 percent in 1999, respectively. After a 60-day refueling and maintenance outage, Millstone 3 returned to service on June 29, 1999, and has achieved a 98.1 percent capacity factor through December 31, 1999. Since returning to service in May 1999, Millstone 2 has achieved a 90.3 percent capacity factor through December 31, 1999.
NU's total share of O&M expenses associated with Millstone 3 and 2 totaled $261.8 million in 1999, as compared to $323.2 million in 1998 and $406 million in 1997. Millstone 1 is currently in decommissioning status.

An auction of WMECO's ownership interests in the Millstone units is expected in 2000 with a closing in 2001. Based on regulatory decisions received in 1999, management expects to recover all of its nuclear stranded costs through the net gains from generation asset sales and from retail customers.

Yankee Companies

On June 1, 1999, the Federal Energy Regulatory Commission accepted the offer of settlement which was filed on January 15, 1999, by the Maine Yankee Atomic Power Company (MYAPC). The significant aspects of the settlement allowed MYAPC to collect $33.1 million annually to pay for decommissioning and spent fuel, approved its return on equity of 6.5 percent, permitted full recovery of MYAPC's unamortized investment, including fuel, and set an incentive budget for decommissioning at $436.3 million.

On October 15, 1999, the Vermont Yankee Nuclear Power Corporation (VYNPC) agreed to sell its unit for $22 million to an unaffiliated company. Among other commitments, the acquiring company agreed to assume the decommissioning cost of the unit after it is taken out of service, and the VYNPC owners have agreed to fund the uncollected decommissioning cost to a negotiated amount at the time of the closing of the sale. VYNPC's owners have also agreed either to enter into a new purchased-power agreement with the acquiring company or to buy out such future power payment obligations by making a fixed payment to them. WMECO has elected the buyout option. The VYNPC owners' obligations to close and pay such amounts are conditioned upon their receipt of satisfactory regulatory approval of the transaction, including provision for adequate recovery of these payments.

Nuclear Decommissioning

The staff of the SEC has questioned certain of the current accounting practices of the electric utility industry regarding the recognition, measurement and classification of decommissioning costs for nuclear units in their financial statements.

Currently, the Financial Accounting Standards Board plans to review the accounting for obligations associated with the retirement of long-lived assets, including the decommissioning of nuclear units. If current accounting practices for nuclear decommissioning change, the annual provision for decommissioning could increase relative to 1999, and the estimated cost for decommissioning could be recorded as a liability with recognition of an increase in the cost of the related nuclear unit. However, management does not believe that such a change will have a material impact on WMECO's financial statements due to the current and future ability to recover decommissioning costs through rates.

Spent Nuclear Fuel Disposal Costs

The United States Department of Energy (DOE) originally was scheduled to begin accepting delivery of spent fuel in 1998. However, delays in confirming the suitability of a permanent storage site continually have postponed plans for the DOE's long-term storage and disposal site. Extended delays or a default by the DOE could lead to consideration of costly alternatives. WMECO has the primary responsibility for the interim storage of its spent nuclear fuel. Adequate storage capacity exists to accommodate all spent nuclear fuel at Millstone 1. The facilities for Millstone 2 are expected to provide adequate storage to accommodate a full-core discharge from the reactor until 2005 with the implementation of currently planned modifications. Fuel consolidation, which has been licensed for Millstone 2, could provide adequate storage capacity for its projected life. The facilities for Millstone 3 are expected to provide adequate storage for its projected life with the addition of new storage racks. Meeting spent fuel storage requirements beyond these periods could require new and separate storage facilities. For further information regarding spent nuclear fuel disposal costs, see Note 11D, "Commitments and Contingencies - Spent Nuclear Fuel Disposal Costs," to the consolidated financial statements.

Other Matters

Environmental Matters

WMECO is subject to environmental laws and regulations structured to mitigate or remove the effect of past operations and to improve or maintain the quality of the environment. For further information regarding environmental matters, see Note 11C, "Commitments and Contingencies - Environmental Matters," to the consolidated financial statements.

Other Commitments and Contingencies

WMECO is subject to other commitments and contingencies primarily relating to nuclear litigation, nuclear insurance contingencies, its construction program, long-term contractual arrangements, and the New England Power Pool generation pricing. For further information regarding these commitments and contingencies, see Note 11, "Commitments and Contingencies," to the consolidated financial statements.

Year 2000 Issues

The transition into the year 2000 was a success for the NU system and WMECO. Its mission to provide safe, reliable energy to its customers and to ensure continued operability of critical business functions was not affected by any

year 2000 related issues.

The projected total cost of the year 2000 program is estimated at $21 million for the NU system. The total cost to date was funded through operating cash flows. The NU system has incurred and expensed $20 million related to year 2000 readiness efforts.

Forward Looking Statements

This discussion and analysis includes forward looking statements, which are statements of future expectations and not facts. Words such as estimates, expects, anticipates, intends, plans, and similar expressions identify forward looking statements. Actual results or outcomes could differ materially as a result of further actions by state and federal regulatory bodies, competition and industry restructuring, changes in economic conditions, changes in historical weather patterns, changes in laws, developments in legal or public policy doctrines, technological developments, and other presently unknown or unforeseen factors.

RESULTS OF OPERATIONS

The components of significant income statement variances for the past two years are provided in the table below.

Income Statement Variances
(Millions of Dollars)

	1999 over/(under) 1998		1998 over/(under) 1997	
	Amount	Percent	Amount	Percent
Operating Revenues	$21	5%	$(33)	(8)%
Operating Expenses:				
Fuel, purchased and net interchange power	21	16	(40)	(24)
Other operation and maintenance	(25)	(14)	(31)	(15)
Depreciation	(13)	(32)	1	3
Amortization of regulatory assets, net	20	(a)	(1)	(6)
Federal and state income taxes	9	(a)	16	99
Taxes other than income taxes	1	5	-	-
Gain on sale of utility plant	(22)	-	-	-
Operating income	22	(a)	20	(a)
Equity in earnings regional nuclear generating companies	(1)	(76)	-	-
Nuclear unrecoverable costs	(18)	-	-	-
Other, net	(2)	(90)	(1)	(72)
Interest charges, net	(4)	(12)	2	8
Net Income	12	(a)	18	65

(a) Percentage greater than 100.

Operating Revenues

Operating revenues increased by $21 million or 5 percent in 1999, due to higher wholesale and retail revenues. Wholesale revenues increased ($17 million) due to higher energy sales and related capacity and transmission revenues. Retail revenues increased by $4 million due to the retail kilowatt-hour sales increase of 3.6 percent which increased revenues by $16 million and was partially offset by the retail rate decrease in 1998 ($12 million).

Operating revenues decreased in 1998, primarily due to a 10 percent retail rate decrease in 1998, partially offset by higher retail sales. Retail kilowatt-hour sales were 1.3 percent higher than 1997.

Fuel, Purchased and Net Interchange Power

Fuel, purchased and net interchange power expense increased in 1999, primarily due to a reversal of fuel expense deferrals which were recorded in other O&M expenses as a result of the WMECO restructuring order, partially offset by lower replacement power costs.

Fuel, purchased and net interchange power expense decreased in 1998, primarily due to lower replacement power costs as a result of the return to service of Millstone 3 and lower capacity charges from the Connecticut Yankee Atomic Power Company and MYAPC ($10 million).

Other Operation and Maintenance

Other O&M expenses decreased in 1999, primarily due to lower costs at the Millstone units ($17 million), deferrals associated with the restructuring order ($5 million), and lower fossil and hydroelectric O&M costs ($4 million), partially offset by higher transmission expenses ($4 million).

Other O&M expenses decreased in 1998, primarily due to lower costs at the Millstone units.

Depreciation
Depreciation decreased in 1999, primarily due to lower rates utilized in 1999 as a result of the 1999 restructuring orders and the retirement of Millstone 1.

The change in depreciation in 1998 was not significant.

Amortization of Regulatory Assets, Net
Amortization of regulatory assets, net increased in 1999, primarily due to increased amortization associated with the gain on the sale of fossil and hydroelectric generation assets ($13 million), the amortization of the Millstone 1 investment ($5 million) and the reclassification of the depreciation on the nuclear plants transferred to regulatory assets ($4 million).

The change in amortization of regulatory assets, net in 1998 was not significant.

Federal and State Income Taxes
Federal and state income taxes increased in 1999, primarily due to higher book taxable income.

Federal and state income taxes increased in 1998, primarily due to higher book taxable income.

Gain on Sale of Utility Plant
WMECO recorded a gain on the sale of its fossil and hydroelectric generation assets in 1999. A corresponding amount of amortization expense was recorded.

Nuclear Unrecoverable Costs
Nuclear unrecoverable costs in 1999 are comprised of one-time charges related to the return disallowed on Millstone 1 unrecovered plant from March 1998 forward ($11 million), the settlement of Millstone 3 owner litigation, net of insurance proceeds ($5 million) and the disallowed Millstone 1 plant per the Massachusetts restructuring order ($2 million).

Interest Charges
Interest charges decreased in 1999, primarily due to lower interest on long-term debt outstanding.

The change in interest charges in 1998 was not significant.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors
of Western Massachusetts Electric Company:

We have audited the accompanying consolidated balance sheets of Western Massachusetts Electric Company (a Massachusetts corporation and a wholly owned subsidiary of Northeast Utilities) and subsidiary as of December 31, 1999 and 1998, and the related consolidated statements of income, comprehensive income, common stockholder's equity and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western Massachusetts Electric Company and subsidiary as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

/s/ ARTHUR ANDERSEN LLP
ARTHUR ANDERSEN LLP

Hartford, Connecticut
January 25, 2000

WESTERN MASSACHUSETTS ELECTRIC COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31,	1999	1998	1997
	(Thousands of Dollars)		
Operating Revenues	$414,231	$393,322	$426,447
Operating Expenses:			
Operation -			
Fuel, purchased and net interchange power.	151,714	130,401	170,867
Other	101,842	117,663	123,508
Maintenance	47,586	56,622	81,466
Depreciation	27,771	40,901	39,753
Amortization of regulatory assets, net	26,488	6,016	6,428
Federal and state income taxes	18,849	2,109	(15,142)
Taxes other than income taxes	20,677	19,756	19,316
Gain on sale of utility plant	(22,437)	-	-
Total operating expenses	372,490	373,468	426,196
Operating Income	41,741	19,854	251
Other (Loss)/Income:			
Equity in earnings of regional nuclear generating companies	407	1,699	1,524
Nuclear unrecoverable costs	(18,035)	-	-
Other, net	(3,618)	(1,905)	(1,106)
Income taxes	9,906	2,198	1,026
Other (loss)/income, net	(11,340)	1,992	1,444
Income before interest charges	30,401	21,846	1,695
Interest Charges:			
Interest on long-term debt	24,255	28,027	26,046
Other interest	3,259	3,398	3,109
Interest charges, net	27,514	31,425	29,155
Net Income/(Loss)	$ 2,887	$ (9,579)	$(27,460)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Net Income/(Loss)	$ 2,887	$ (9,579)	$(27,460)
Other comprehensive income, net of tax:			
Unrealized gains on securities	10	183	-
Minimum pension liability adjustments	-	(33)	-
Other comprehensive income, net of tax	10	150	-
Comprehensive Income/(Loss)	$ 2,897	$ (9,429)	$(27,460)

The accompanying notes are an integral part of these financial statements.

WESTERN MASSACHUSETTS ELECTRIC COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

AT DECEMBER 31,	1999	1998
	(Thousands of Dollars)	

ASSETS		
Utility Plant, at original cost:		
Electric	$ 1,175,954	$ 1,221,257
Less: Accumulated provision for depreciation	813,978	517,401
	361,976	703,856
Construction work in progress	21,181	14,858
Nuclear fuel, net	18,880	19,931
Total net utility plant	402,037	738,645
Other Property and Investments:		
Nuclear decommissioning trusts, at market	144,567	125,598
Investments in regional nuclear generating companies, at equity	14,723	15,440
Other, at cost	6,232	7,322
	165,522	148,360
Current Assets:		
Cash	950	106
Investments in securitizable assets	-	21,865
Receivables, less the accumulated provision for uncollectible accounts of $1,640 in 1999 and $50 in 1998	31,692	862
Accounts receivable from affiliated companies	3,918	4,188
Taxes receivable	1,912	14,255
Accrued utility revenues	13,485	-
Fuel, materials, and supplies, at average cost	3,097	5,053
Prepayments and other	30,119	25,920
	85,173	72,249
Deferred Charges:		
Regulatory assets	594,800	322,435
Unamortized debt expense	1,926	2,298
Other	4,146	3,695
	600,872	328,428
Total Assets	$ 1,253,604	$ 1,287,682

The accompanying notes are an integral part of these financial statements.

WESTERN MASSACHUSETTS ELECTRIC COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

AT DECEMBER 31,	1999	1998
	(Thousands of Dollars)	
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, $25 par value - 1,072,471 shares authorized and outstanding in 1999 and 1998	$ 26,812	$ 26,812
Capital surplus, paid in	171,691	151,431
Retained earnings	38,712	46,003
Accumulated other comprehensive income	160	150
Total common stockholder's equity	237,375	224,396
Preferred stock not subject to mandatory redemption	20,000	20,000
Preferred stock subject to mandatory redemption	16,500	18,000
Long-term debt	290,279	349,314
Total capitalization	564,154	611,710
Obligations Under Capital Leases	8,106	12,129

Current Liabilities:		
Notes payable to banks	123,000	20,000
Notes payable to affiliated company	9,400	30,900
Long-term debt and preferred stock - current portion	1,500	41,500
Obligations under capital leases - current portion	21,866	21,964
Accounts payable	12,974	17,952
Accounts payable to affiliated companies	3,208	12,866
Accrued taxes	589	1,264
Accrued interest	6,046	8,030
Other	14,384	6,831
	192,967	161,307
Deferred Credits and Other Long-term Liabilities:		
Accumulated deferred income taxes	242,942	248,985
Accumulated deferred investment tax credits	19,765	21,895
Decommissioning obligation - Millstone 1	136,130	131,500
Deferred contractual obligations	63,701	74,534
Other	25,839	25,622
	488,377	502,536
Total Capitalization and Liabilities	$ 1,253,604	$ 1,287,682

The accompanying notes are an integral part of these financial statements.

WESTERN MASSACHUSETTS ELECTRIC COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

	Common Stock	Capital Surplus, Paid In	Retained Earnings (a)	Accumulated Other Comprehensive Income	Total
	(Thousands of Dollars)				
Balance at January 1, 1997	$26,812	$150,911	$104,212	$ -	$281,935
Net loss for 1997			(27,460)		(27,460)
Cash dividends on preferred stock			(3,140)		(3,140)
Cash dividends on common stock			(15,004)		(15,004)
Capital stock expenses, net		260			260
Balance at December 31, 1997	26,812	151,171	58,608	-	236,591
Net loss for 1998			(9,579)		(9,579)
Cash dividends on preferred stock			(3,026)		(3,026)
Capital stock expenses, net		260			260
Other comprehensive income				150	150
Balance at December 31, 1998	26,812	151,431	46,003	150	224,396
Net income for 1999			2,887		2,887
Cash dividends on preferred stock			(3,298)		(3,298)
Capital stock expenses, net		260			260
Allocation of benefits - ESOP			(6,880)		(6,880)
Capital contribution from Northeast Utilities		20,000			20,000
Other comprehensive income				10	10
Balance at December 31, 1999	$26,812	$171,691	$ 38,712	$ 160	$237,375

(a) No dividend restrictions except for appropriated retained earnings for hydro reserves which were established in 1978 of $0.9 million.

The accompanying notes are an integral part of these financial statements.

WESTERN MASSACHUSETTS ELECTRIC COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Thousands of Dollars)	For the Years Ended December 31, 1999	1998	1997
Operating Activities:			
Net income/(loss)	$ 2,887	$ (9,579)	$ (27,460)
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation	27,771	40,901	39,753
Deferred income taxes and investment tax credits, net	(6,544)	7,405	(1,256)
Amortization of regulatory assets, net	26,488	6,016	6,428
Nuclear unrecoverable costs	18,035	-	-
Allocation of ESOP benefits	(6,880)	-	-
Gain on sale of utility plant	(22,437)	-	-
Other (uses)/sources of cash	(13,517)	636	796
Changes in working capital:			
Receivables and accrued utility revenues	(44,045)	1,622	49,415
Fuel, materials and supplies	1,956	807	(543)
Accounts payable	(14,636)	(20,962)	4,826
Investments in securitizable assets	21,865	3,415	(25,280)
Accrued taxes	(675)	742	(2,137)
Other working capital (excludes cash)	11,789	(3,441)	(16,882)
Net cash flows provided by operating activities	2,057	27,562	27,660
Financing Activities:			
Issuance of long-term debt	-	-	60,000
Net increase/(decrease) in short-term debt	81,500	21,550	(18,050)
Reacquisitions and retirements of long-term debt	(100,850)	(9,800)	(14,700)
Reacquisitions and retirements of preferred stock	(1,500)	(1,500)	-
Cash dividends on preferred stock	(3,298)	(3,026)	(3,140)
Cash dividends on common stock	-	-	(15,004)
Net cash flows (used in)/provided by financing activities	(24,148)	7,224	9,106
Investing Activities:			
Investment in plant:			
Electric utility plant	(30,192)	(19,895)	(26,249)
Nuclear fuel	(5,817)	(1,801)	(8)
Net cash flows used for investments in plant	(36,009)	(21,696)	(26,257)
Investment in nuclear decommissioning trusts	(11,387)	(12,918)	(9,645)
Other investment activities, net	1,807	(171)	(826)
Net proceeds from the sale of utility plant	48,524	-	-
Capital contributions from Northeast Utilities	20,000	-	-
Net cash flows provided by/(used in) investing activities	22,935	(34,785)	(36,728)
Net increase in cash for the period	844	1	38
Cash - beginning of period	106	105	67
Cash - end of period	$ 950	$ 106	$ 105
Supplemental Cash Flow Information:			
Cash paid/(refunded) during the year for:			
Interest, net of amounts capitalized	$ 30,958	$ 22,902	$ 28,711
Income taxes	$ (6,296)	$ (2,624)	$ (1,121)
Increase in obligations:			
Niantic Bay Fuel Trust	$ 1,112	$ 2,375	$ 660

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. About Western Massachusetts Electric Company
Western Massachusetts Electric Company (WMECO or the company) along with The Connecticut Light and Power Company (CL&P), Public Service Company of New Hampshire (PSNH), North Atlantic Energy Corporation (NAEC), and

Holyoke Water Power Company (HWP) are the operating companies comprising the Northeast Utilities system (NU system) and are wholly owned by Northeast Utilities (NU). The NU system serves in excess of 30 percent of New England's electric needs and is one of the 20 largest electric utility systems in the country as measured by revenues. The NU system furnishes franchised retail electric service in western Massachusetts, Connecticut and New Hampshire through WMECO, CL&P and PSNH. NAEC sells all of its entitlement to the capacity and output of the Seabrook Station (Seabrook) nuclear unit to PSNH under the terms of two life-of-unit, full cost recovery contracts. HWP, also is engaged in the production and distribution of electric power.

NU is registered with the Securities and Exchange Commission (SEC) as a holding company under the Public Utility Holding Company Act of 1935 (1935 Act) and the NU system, including WMECO, is subject to provisions of the 1935 Act. Arrangements among the NU system companies, outside agencies and other utilities covering interconnections, interchange of electric power and sales of utility property are subject to regulation by the Federal Energy Regulatory Commission (FERC) and/or the SEC. WMECO is subject to further regulation for rates, accounting and other matters by the FERC and/or applicable state regulatory commissions.

Several wholly owned subsidiaries of NU provide support services for the NU system companies, including WMECO, and, in some cases, for other New England utilities. Northeast Utilities Service Company (NUSCO) provides centralized accounting, administrative, information resources, engineering, financial, legal, operational, planning, purchasing, and other services to the NU system companies, including WMECO. Northeast Nuclear Energy Company acts as agent for the NU system companies and other New England utilities in operating the Millstone nuclear units. North Atlantic Energy Service Corporation has operational responsibility for Seabrook. In addition, WMECO had previously established a special purpose subsidiary whose business consisted of the purchase and resale of receivables. This business was terminated on June 30, 1999.

On October 13, 1999, NU and Consolidated Edison, Inc. (Con Edison) announced that they have agreed to a merger to combine the two companies. For further information, see Note 15, "Merger Agreement with Con Edison."

B. Presentation

The consolidated financial statements of WMECO include the accounts of its subsidiary. Intercompany transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain reclassifications of prior years' data have been made to conform with the current year's presentation.

All transactions among affiliated companies are on a recovery of cost basis which may include amounts representing a return on equity and are subject to approval by various federal and state regulatory agencies.

C. New Accounting Standards

The Financial Accounting Standards Board (FASB) has issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments and hedging activities. This statement will require derivative instruments to be recognized as assets or liabilities at fair value.

In June 1999, the FASB delayed the adoption date of SFAS No. 133 to January 1, 2001.

There may be an impact on earnings upon adoption of SFAS No. 133 which management has not estimated at this time.

D. Investments and Jointly Owned Electric Utility Plant

Regional Nuclear Generating Companies: WMECO owns common stock in four regional nuclear companies (Yankee Companies). WMECO's ownership interests in the Yankee Companies at December 31, 1999 and 1998, which are accounted for on the equity basis due to WMECO's ability to exercise significant influence over their operating and financial policies are 9.5 percent of the Connecticut Yankee Atomic Power Company (CYAPC), 7 percent of the Yankee Atomic Electric Company (YAEC), 3 percent of the Maine Yankee Atomic Power Company (MYAPC), and 2.5 percent of the Vermont Yankee Nuclear Power Corporation (VYNPC). WMECO's total equity investment in the Yankee Companies at December 31, 1999 and 1998, is

$14.7 million and $15.4 million, respectively. Each Yankee Company owns a single nuclear generating unit. However, VYNPC is the only unit still in operation at December 31, 1999.

Millstone: WMECO has a 19 percent joint ownership in both Millstone 1, a 660 megawatt (MW) nuclear unit and Millstone 2, an 870 MW nuclear generating unit. WMECO has a 12.24 percent joint ownership interest in Millstone 3, a 1,154 MW nuclear generating unit. NU expects to auction all three units as a single package in 2000, with a closing in 2001. Appropriate regulatory approvals will be required to complete the auction.

Plant-in-service and the accumulated provision for depreciation for WMECO's share of Millstone 2 and 3 are as follows:

At December 31,	1999	1998
	(Millions of Dollars)	
Plant-in-service		
Millstone 2	$180.4	$177.5
Millstone 3	380.5	379.2
Accumulated provision for depreciation		
Millstone 2	$166.7	$ 70.4
Millstone 3	358.7	121.1

E. Depreciation

The provision for depreciation is calculated using the straight-line method based on estimated remaining useful lives of depreciable utility plant-in-service, adjusted for salvage value and removal costs, as approved by the appropriate regulatory agency, where applicable. Except for major facilities, depreciation rates are applied to the average plant-in-service during the period. Major facilities are depreciated from the time they are placed in service. When plant is retired from service, the original cost of the plant, including costs of removal less salvage, is charged to the accumulated provision for depreciation. The costs of closure and removal of nonnuclear facilities are accrued over the life of the plant as a component of depreciation. The depreciation rates for the several classes of electric plant-in-service are equivalent to a composite rate of 2.3 percent in 1999, 2.9 percent in 1998 and 3.2 percent in 1997.

At December 31, 1999 and 1998, the accumulated provision for depreciation included $3.2 million accrued for the cost of removal, net of salvage, for nonnuclear generation property.

As a result of discontinuing the application of SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation," for WMECO's generation business, the company recorded a charge to accumulated depreciation for the nuclear plant in excess of fair market value in the amount of $330 million, and a corresponding regulatory asset was created.

F. Revenues

Revenues are based on authorized rates applied to each customer's use of electricity. In general, rates can be changed only through a formal proceeding before the appropriate regulatory commission. Regulatory commissions also have authority over the terms and conditions of nontraditional rate-making arrangements. At the end of each accounting period, WMECO accrues a revenue estimate for the amount of energy delivered but unbilled.

G. Regulatory Accounting and Assets

The accounting policies of WMECO and the accompanying consolidated financial statements conform to generally accepted accounting principles applicable to rate-regulated enterprises and historically reflect the effects of the rate-making process in accordance with SFAS No. 71. As a result of final restructuring orders issued in 1999, WMECO discontinued the application of SFAS No. 71 for the generation portion of its business.

Based on a current evaluation of the various factors and conditions that are expected to impact future cost recovery, management continues to believe it is probable that WMECO will recover its investments in long-lived assets, including regulatory assets. In addition, all material regulatory assets are earning a return. The components of WMECO's regulatory assets are as follows:

At December 31,	1999	1998
	(Millions of Dollars)	
Recoverable nuclear costs	$428.9	$133.7
Income taxes, net	49.0	57.1
Unrecovered contractual obligations	63.7	74.5

Recoverable energy costs, net.....	16.3	19.0
Other.....	36.9	38.1
	$594.8	$322.4

The restructuring orders in Massachusetts provide for the transmission and distribution business to continue to be cost-of-service based and also provide for a transition charge which recovers stranded costs, including the nuclear regulatory assets established below.

As a result of discontinuing the application of SFAS No. 71 for WMECO's generation business, the company reclassified nuclear plant in excess of its estimated fair market value from plant to regulatory assets. As of December 31, 1999, the unamortized balance of $316.1 million is classified as recoverable nuclear costs. Also included in that regulatory asset component for 1999 is $112.8 million, which includes Millstone 1 recoverable nuclear costs relating to the recoverable portion of the undepreciated plant and related assets ($43.8 million) and the decommissioning and closure obligation ($69 million).

H. Income Taxes

The tax effect of temporary differences (differences between the periods in which transactions affect income in the financial statements and the periods in which they affect the determination of taxable income) is accounted for in accordance with the rate-making treatment of the applicable regulatory commissions.

The tax effect of temporary differences, including timing differences accrued under previously approved accounting standards, that give rise to the accumulated deferred tax obligation is as follows:

At December 31,	1999	1998
	(Millions of Dollars)	
Accelerated depreciation and other plant-related differences.....	$213.4	$228.0
Regulatory assets - income tax gross up...	19.0	29.3
Other.....	10.5	(8.3)
	$242.9	$249.0

I. Recoverable Energy Costs

Under the Energy Policy Act of 1992 (Energy Act), WMECO is assessed for its proportionate share of the costs of decontaminating and decommissioning uranium enrichment plants owned by the United States Department of Energy (DOE) (D&D Assessment). The Energy Act requires that regulators treat D&D Assessments as a reasonable and necessary current cost of fuel, to be fully recovered in rates like any other fuel cost. WMECO is currently recovering these costs through rates. As of December 31, 1999 and 1998, WMECO's total D&D Assessment deferrals were $9.6 million and $10.5 million, respectively.

J. Unrecovered Contractual Obligations

Under the terms of contracts with the Yankee Companies, the shareholder-sponsored companies, including WMECO, are responsible for their proportionate share of the remaining costs of the units, including decommissioning. As management expects that WMECO will be allowed to recover these costs from its customers, WMECO has recorded a regulatory asset, with a corresponding obligation, on its balance sheet.

2. NUCLEAR DECOMMISSIONING AND PLANT CLOSURE COSTS

Millstone: WMECO's operating nuclear power plants, Millstone 2 and 3, have service lives that are expected to end in 2015 and 2025, respectively, and upon retirement, must be decommissioned. Millstone 1's expected service life was to end in 2010, however, in July 1998, restart activities were discontinued and preparations for decommissioning the unit began. Current decommissioning studies conclude that complete and immediate dismantlement as soon as practical after retirement continues to be the most viable and economic method of decommissioning a unit. These studies are reviewed and updated periodically to reflect changes in decommissioning requirements, costs, technology, and inflation. Changes in requirements or technology, the timing of funding or dismantling or adoption of a decommissioning method other than immediate dismantlement would change decommissioning cost estimates and the amounts required to be recovered. WMECO attempts to recover sufficient amounts through its allowed rates to cover its expected decommissioning costs.

WMECO's ownership share of the estimated cost of decommissioning Millstone 2 and 3, in year end 1999 dollars, is $78.5 million and $75.8 million. Nuclear decommissioning costs are accrued over the expected service lives of the units and are included in depreciation expense. Nuclear decommissioning expenses for these units amounted to $3.7 million in 1999, 1998 and 1997, respectively. Nuclear decommissioning, as a cost of removal, is included in the accumulated provision for depreciation.

A Post-Shutdown Decommissioning Activities Report for Millstone 1 was filed with the Nuclear Regulatory Commission in June 1999 which outlines decommissioning activities, and costs, and supports the obligation recorded by the company. Nuclear decommissioning expenses for Millstone 1 were $2.9 million in 1999 and $2.5 million in 1998 and 1997, respectively.

External decommissioning trusts have been established for the costs of decommissioning the Millstone units. Funding of the estimated decommissioning costs assumes levelized collections for the Millstone units and after-tax earnings on the Millstone decommissioning funds of 5.5 percent.

As of December 31, 1999 and 1998, WMECO collected a total of $39.3 million and $35.5 million, respectively, through rates toward the future decommissioning costs of their shares of Millstone 2 and 3, all of which has been transferred to external decommissioning trusts. Earnings on the decommissioning trusts increase the decommissioning trust balances and the accumulated reserves for depreciation. Unrealized gains and losses associated with the decommissioning trusts and financing funds also impact the balance of the trusts and the accumulated reserve for depreciation. The fair values of the amounts in the external decommissioning trusts were $77.4 million and $66.9 million at December 31, 1999 and 1998, respectively.

Yankee Companies: VYNPC owns and operates a nuclear generating unit with a service life that is expected to end in 2012. WMECO's ownership share of estimated costs, in year end 1999 dollars, of decommissioning this unit is $10.7 million. On October 15, 1999, VYNPC agreed to sell the unit for $22 million to an unaffiliated company. Among other commitments, the acquiring company agreed to assume the decommissioning cost of the unit after it is taken out of service, and the VYNPC owners have agreed to fund the uncollected decommissioning cost to a negotiated amount at the time of the closing of the sale.

As of December 31, 1999 and 1998, WMECO's remaining estimated obligation, including decommissioning for the units owned by CYAPC, YAEC and MYAPC, which have been shut down was $63.7 million and $74.5 million, respectively.

3. SHORT-TERM DEBT

Limits: The amount of short-term borrowings that may be incurred by WMECO is subject to periodic approval by either the SEC under the 1935 Act or by the respective state regulators. SEC authorization allowed WMECO, as of January 1, 1999, to incur total short-term borrowings up to a maximum of $250 million. In addition, the charter of WMECO contains preferred stock provisions restricting the amount of unsecured debt the company may incur. As of December 31, 1999, WMECO's charter permits WMECO to incur $132 million of unsecured debt.

Credit Agreement: On November 19, 1999, WMECO and CL&P entered into a new 364-day revolving credit facility for $500 million, replacing the previous $313.75 million facility which was to expire on November 21, 1999. The revolving credit facility will be used to bridge gaps in working capital and provide short-term liquidity. WMECO may draw up to $200 million under the facility, which is secured by second mortgages on Millstone 2 and 3. Unless extended, the new credit facility will expire on November 17, 2000. At December 31, 1999 and 1998, there were $123 million and $20 million, respectively, in borrowings under these facilities.

Under the credit agreement discussed above, WMECO may borrow at fixed or variable rates plus an applicable margin based upon the company's most senior secured debt as rated by the lower of Standard & Poor's or Moody's Investors Service. The weighted average interest rate on the WMECO's notes payable to banks outstanding on December 31, 1999 and 1998, was 7.70 percent and 6.53 percent, respectively.

This credit agreement provides that WMECO must comply with certain financial and nonfinancial covenants as are customarily included in such agreements, including, but not limited to, common equity ratios and interest coverage ratios.

Money Pool: Certain subsidiaries of NU, including WMECO, are members of the Northeast Utilities System Money Pool (Pool). The Pool provides a more efficient use of the cash resources of the NU system and reduces outside short-term borrowings. NUSCO administers the Pool as agent for the member companies. Short-term borrowing needs of the member companies are first met with available funds of other member companies, including funds

borrowed by NU parent. NU parent may lend to the Pool but may not borrow. Funds may be withdrawn from or repaid to the Pool at any time without prior notice. Investing and borrowing subsidiaries receive or pay interest based on the average daily federal funds rate. Borrowings based on loans from NU parent, however, bear interest at NU parent's cost and must be repaid based upon the terms of NU parent's original borrowing. At December 31, 1999 and 1998, WMECO had $9.4 million and $30.9 million, respectively, of borrowings outstanding from the Pool. The interest rate on borrowings from the Pool at December 31, 1999 and 1998, was 4.9 percent and 5.8 percent, respectively. Maturities of short-term debt obligations were for periods of three months or less.

4. LEASES

WMECO finances its respective shares of the nuclear fuel for Millstone 2 and 3 under the Niantic Bay Fuel Trust (NBFT) capital lease agreement. This capital lease agreement has an expiration date of June 1, 2040. At December 31, 1999 and 1998, the present value of WMECO's capital lease obligation to the NBFT was $29.8 million and $33.9 million, respectively. In connection with the planned nuclear divestiture, WMECO anticipates that its portion of the NBFT capital lease will be terminated and WMECO's portion of the NBFT's obligation under the $180 million Series G Intermediate Term Note agreement will be assigned to WMECO.

WMECO makes quarterly lease payments for the cost of nuclear fuel consumed in the reactors based on a units-of-production method at rates which reflect estimated kilowatt-hours of energy provided plus financing costs associated with the fuel in the reactors. Upon permanent discharge from the reactors, WMECO's interest in the nuclear fuel transfers to WMECO.

WMECO also has entered into lease agreements, some of which are capital leases, for the use of data processing and office equipment, vehicles, nuclear control room simulators, and office space. The provisions of these lease agreements generally provide for renewal options.

Capital lease rental payments charged to operating expense were $2.6 million in 1999, $4.1 million in 1998 and $1.8 million in 1997. Interest included in capital lease rental payments was $3.1 million in 1999, $2.8 million in 1998 and $1.8 million in 1997. Operating lease rental payments charged to expense were $4.8 million in 1999, $5.8 million in 1998 and $6 million in 1997.

Future minimum rental payments, excluding annual nuclear fuel lease payments and executory costs such as property taxes, state use taxes, insurance, and maintenance, under long-term noncancelable leases, as of December 31, 1999, are:

Year	Capital Leases	Operating Leases
2000	$ 0.05	$ 4.3
2001	0.05	3.9
2002	0.05	3.7
2003	0.05	3.4
2004	-	3.1
After 2004	-	15.1
Future minimum lease payments	0.20	$33.5
Present value of future nuclear fuel lease payments	29.80	
Present value of future minimum lease payments	$30.00	

5. PREFERRED STOCK NOT SUBJECT TO MANDATORY REDEMPTION

Details of preferred stock not subject to mandatory redemption are:

Description	December 31, 1999 Redemption Price	Shares Outstanding December 31, 1999	December 31, 1999	December 31, 1998
			(Millions of Dollars)	
7.72% Series B of 1971	$103.51	200,000	$20.0	$20.0

6. PREFERRED STOCK SUBJECT TO MANDATORY REDEMPTION

Details of preferred stock subject to mandatory redemption are:

Description	December 31, 1999 Redemption Price	Shares Outstanding December 31, 1999	December 31, 1999	December 31, 1998
			(Millions of Dollars)	
7.60% Series of 1987	$25.38	720,000	$18.0	$19.5
Less preferred stock to be redeemed within one year		60,000	1.5	1.5
			$16.5	$18.0

The series is subject to certain refunding limitations for the first five years after issuance. The redemption price reduces in future years.

The minimum sinking fund requirements of the series subject to mandatory redemption aggregate $1.5 million per year for each year for 2000 through 2004. In case of default on sinking fund payments, no payments may be made on any junior stock by way of dividends or otherwise (other than in shares of junior stock) so long as the default continues. If WMECO is in arrears in the payment of dividends on any outstanding shares of preferred stock, WMECO would be prohibited from redeeming or purchasing less than all of the outstanding preferred stock.

7. LONG-TERM DEBT

Details of long-term debt outstanding are:

At December 31,	1999	1998
	(Millions of Dollars)	
First Mortgage Bonds:		
6 1/4% Series X, due 1999	$ -	$ 40.0
6 7/8% Series W, due 2000	-	60.0
7 3/8% Series B, due 2001	60.0	60.0
7 3/4% Series V, due 2002	84.2	85.0
7 3/4% Series Y, due 2024	50.0	50.0
	194.2	295.0
Pollution Control Notes:		
Tax Exempt 1993 Series A, 5.85% due 2028	53.8	53.8
Fees and interest due for spent nuclear fuel disposal costs	43.0	41.4
Less amounts due within one year	-	40.0
Unamortized premium and discount, net	(0.7)	(0.9)
Long-term debt, net	$290.3	$349.3

Long-term debt maturities and cash sinking fund requirements, excluding fees and interest due for spent nuclear fuel disposal costs, on debt outstanding at December 31, 1999, are $60 million and $84.2 million in 2001 and 2002, respectively. There are no long-term debt maturities or cash sinking fund requirements for 2000, 2003 and 2004.

Essentially all utility plant of WMECO is subject to the liens of the company's first mortgage bond indenture.

WMECO has secured $53.8 million of pollution control notes with second mortgage liens on Millstone 1, junior to the liens of its first mortgage bond indenture.

On October 1, 1998, the variable interest rate on WMECO's $53.8 million principal amount pollution control notes, 1993 Series A, due 2028, was fixed at a rate of 5.85 percent per annum.

8. INCOME TAX EXPENSE

The components of the federal and state income tax provisions were charged/(credited) to operations as follows:

For the Years Ended December 31,	1999	1998	1997
	(Millions of Dollars)		
Current income taxes:			
Federal	$13.5	$(7.4)	$(14.3)
State	2.0	(0.1)	(0.6)

Total current	15.5	(7.5)	(14.9)
Deferred income taxes, net:			
Federal	(3.5)	6.5	-
State	(0.9)	2.4	0.2
Total deferred	(4.4)	8.9	0.2
Investment tax credits, net	(2.2)	(1.5)	(1.5)
Total income tax expense/(credit)	$ 8.9	$(0.1)	$(16.2)

The components of total income tax expense/(credit) are classified as follows:

For the Years Ended December 31,	1999	1998	1997
	(Millions of Dollars)		
Income taxes charged to operating expenses	$18.8	$ 2.1	$(15.2)
Other income taxes	(9.9)	(2.2)	(1.0)
Total income tax expense/(credit)	$ 8.9	$(0.1)	$(16.2)

Deferred income taxes are comprised of the tax effects of temporary differences as follows:

For the Years Ended December 31,	1999	1998	1997
	(Millions of Dollars)		
Depreciation, leased nuclear fuel, settlement credits, and disposal costs	$(2.3)	$ 5.8	$ 1.4
Regulatory deferral	(1.4)	1.3	-
Regulatory disallowance	(4.2)	-	-
Pension accruals	4.2	1.0	1.0
Other	(0.7)	0.8	(2.2)
Deferred income taxes, net	$(4.4)	$ 8.9	$ 0.2

A reconciliation between income tax expense/(credit) and the expected tax expense/(credit) at 35 percent of pretax income is as follows:

For the Years Ended December 31,	1999	1998	1997
	(Millions of Dollars)		
Expected federal income tax	$4.1	$(3.4)	$(15.3)
Tax effect of differences:			
Depreciation	1.8	2.2	0.1
Amortization of regulatory assets	4.6	0.9	1.9
Investment tax credit amortization	(2.2)	(1.5)	(1.5)
State income taxes, net of federal benefit	0.7	1.5	(0.3)
Adjustment for prior years' taxes	-	(0.4)	(0.3)
Dividends received deduction	(0.4)	(0.7)	(0.4)
Other, net	0.3	1.3	(0.4)
Total income tax expense/(credit)	$8.9	$(0.1)	$(16.2)

9. EMPLOYEE BENEFITS

A. Pension Benefits and Postretirement Benefits Other Than Pensions
The NU system companies, including WMECO, participate in a uniform noncontributory defined benefit retirement plan covering substantially all regular NU system employees. Benefits are based on years of service and the employees' highest eligible compensation during 60 consecutive months of employment. WMECO's portion of the NU system's total pension credit, part of which was credited to utility plant, was $10.8 million in 1999, $7.4 million in 1998 and $5.7 million in 1997.

Currently, WMECO annually funds an amount at least equal to that which will satisfy the requirements of the Employee Retirement Income Security

Act and Internal Revenue Code (the Code).

The NU system companies, including WMECO, also provide certain health care benefits, primarily medical and dental, and life insurance benefits through a benefit plan to retired employees. These benefits are available for employees retiring from WMECO who have met specified service requirements. For current employees and certain retirees, the total benefit is limited to two times the 1993 per retiree health care cost. These costs are charged to expense over the future estimated work life of the employee. WMECO annually funds postretirement costs through external trusts with amounts that have been rate-recovered and which also are tax deductible under the Code.

Pension and trust assets are invested primarily in domestic and international equity securities and bonds.

The following table represents information on the plans' benefit obligation, fair value of plan assets, and the respective plans' funded status:

	At December 31,			
	Pension Benefits		Postretirement Benefits	
(Millions of Dollars)	1999	1998	1999	1998
Change in benefit obligation				
Benefit obligation at beginning of year	$(118.7)	$(109.5)	$(30.1)	$(27.8)
Service cost	(2.4)	(2.2)	(0.5)	(0.5)
Interest cost	(8.5)	(7.9)	(2.1)	(2.1)
Plan amendment	(7.3)	-	-	-
Transfers	0.2	(3.0)	-	-
Actuarial gain/(loss)	10.2	(3.8)	0.4	(2.4)
Benefits paid	7.8	7.7	2.6	2.7
Settlements	0.6	-	0.2	-
Benefit obligation at end of year	$(118.1)	$(118.7)	$(29.5)	$(30.1)
Change in plan assets				
Fair value of plan assets at beginning of year	$ 201.6	$ 181.0	$ 14.6	$ 12.8
Actual return on plan assets	29.9	25.3	1.7	1.6
Employer contribution	-	-	2.9	2.9
Benefits paid	(7.8)	(7.7)	(2.6)	(2.7)
Transfers	0.2	3.0	-	-
Fair value of plan assets at end of year	$ 223.9	$ 201.6	$ 16.6	$ 14.6
Funded status at December 31	$ 105.8	$ 82.9	$(12.9)	$(15.5)
Unrecognized transition (asset)/obligation	(1.2)	(1.5)	21.2	23.0
Unrecognized prior service cost	7.6	1.1	-	-
Unrecognized net gain	(85.7)	(66.6)	(8.2)	(7.5)
Prepaid benefit cost	$ 26.5	$ 15.9	$ 0.1	$ -

The following actuarial assumptions were used in calculating the plans' year end funded status:

	At December 31,			
	Pension Benefits		Postretirement Benefits	
	1999	1998	1999	1998
Discount rate	7.75%	7.00%	7.75%	7.00%
Compensation/progression rate	4.75	4.25	4.75	4.25
Health care cost trend rate(a)	N/A	N/A	5.57	5.22

(a) The annual per capita cost of covered health care benefits was assumed to decrease to 4.90 percent by 2001.

The components of net periodic benefit (credit)/cost are:

	For the Years Ended December 31,	
	Pension Benefits	Postretirement Benefits

(Millions of Dollars)	1999	1998	1997	1999	1998	1997
Service cost	$ 2.4	$ 2.2	$ 1.9	$ 0.5	$ 0.5	$ 0.4
Interest cost	8.5	7.9	7.9	2.1	2.1	2.0
Expected return on plan assets	(16.9)	(14.8)	(12.9)	(1.0)	(0.9)	(0.7)
Amortization of unrecognized net transition (asset)/ obligation	(0.2)	(0.2)	(0.2)	1.6	1.6	1.6
Amortization of prior service cost	0.6	0.1	0.1	-	-	-
Amortization of actuarial gain	(3.4)	(2.6)	(2.0)	-	-	-
Other amortization, net	-	-	-	(0.3)	(0.4)	(0.5)
Settlements	(1.8)	-	(0.5)	-	-	-
Net periodic benefit (credit)/cost	$(10.8)	$ (7.4)	$(5.7)	$ 2.9	$ 2.9	$ 2.8

For calculating pension and postretirement benefit costs, the following assumptions were used:

	For the Years Ended December 31,					
	Pension Benefits			Postretirement Benefits		
	1999	1998	1997	1999	1998	1997
Discount rate	7.00%	7.25%	7.75%	7.00%	7.25%	7.75%
Expected long-term rate of return	9.50	9.50	9.25	N/A	N/A	N/A
Compensation/ progression rate	4.25	4.25	4.75	4.25	4.25	4.75
Long-term rate of return -						
Health assets, net of tax	N/A	N/A	N/A	7.50	7.75	7.50
Life assets	N/A	N/A	N/A	9.50	9.50	9.25

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. The effect of changing the assumed health care cost trend rate by one percentage point in each year would have the following effects:

(Millions of Dollars)	One Percentage Point Increase	One Percentage Point Decrease
Effect on total service and interest cost components	$0.1	$(0.1)
Effect on postretirement benefit obligation	$1.8	$(1.7)

The trust holding the health plan assets is subject to federal income taxes.

B. Employee Stock Ownership Plan
In June 1999, WMECO paid NU parent $6.9 million for NU shares issued from 1992 through 1998 on behalf of its employees in accordance with NU's 401(k) plan. WMECO charged retained earnings for this payment, as compensation expense had already been recorded in the respective years at the fair market value of the shares allocated.

10. SALE OF CUSTOMER RECEIVABLES
On June 30, 1999, WMECO terminated its $40 million accounts receivable program with its respective sponsor. At December 31, 1998, WMECO had sold accounts receivable of $20 million to a third-party purchaser.

11. COMMITMENTS AND CONTINGENCIES

A. Restructuring
In 1999, restructuring orders required WMECO to discontinue the application of SFAS No. 71 for the generation portion of its business. In these restructuring orders, WMECO was allowed to recover the majority of its stranded costs through a transition charge over the 12-year transition period beginning March 1, 1998. The decision instructed WMECO to work with the Massachusetts attorney general regarding the recovery of nuclear capital additions made after July 1, 1991. The decisions also concluded that the company's deferred fuel balance should be included as part of the company's outstanding generating unit performance proceedings and not as part of the transition charge. Management believes that these costs are recoverable and that there

will not be an impact on the results of operations.

In September 1999, NU announced that the Millstone nuclear generation assets of WMECO will be put up for auction as soon as practical. The auction is expected to begin in early 2000, provided all regulatory approvals have been met, with a successful bidder chosen by mid 2000 and a closing in 2001. No NU system company will participate as a bidder in the auction process. Management expects to recover all of WMECO's nuclear stranded costs through the net proceeds of generation asset sales and billing through a transition charge to retail customers.

B. Nuclear Litigation

The non-NU joint owners of Millstone 3 have filed demands for arbitration with WMECO and CL&P as well as lawsuits in Massachusetts Superior Court against NU and its current and former trustees related to the companies' operation of Millstone 3. During 1999, NU and these subsidiaries agreed in principle to settle with certain of the joint owners, who own 58 percent of the non-NU ownership of Millstone 3. The settlements provide for the payment to the claimants of $36.4 million and certain contingent payments.

Arbitration and litigation claims remain outstanding for the remaining joint owners who have not agreed to settle. Management cannot estimate the potential outcome of the arbitration and litigation for the nonsettled joint owners, therefore, no liability has been established at December 31, 1999.

C. Environmental Matters

The NU system, including WMECO, is subject to environmental laws and regulations intended to mitigate or remove the effect of past operations and improve or maintain the quality of our environment. As such, the NU system and WMECO have active environmental auditing and training programs and believe they are in compliance with the current laws and regulations.

However, the normal course of operations may necessarily involve activities and substances that expose WMECO to potential liabilities of which management cannot determine the outcome. Additionally, management cannot determine the outcome for liabilities that may be imposed for past acts, even though such past acts may have been lawful at the time they occurred. Management does not believe, however, that this will have a material impact on WMECO's financial statements.

Based upon currently available information for the estimated remediation costs at December 31, 1999 and 1998, the liability recorded by WMECO for its estimated environmental remediation costs amounted to $4.2 million and $1.9 million, respectively.

D. Spent Nuclear Fuel Disposal Costs

Under the Nuclear Waste Policy Act of 1982, WMECO must pay the DOE for the disposal of spent nuclear fuel and high-level radioactive waste. The DOE is responsible for the selection and development of repositories for, and the disposal of, spent nuclear fuel and high-level radioactive waste. Fees for nuclear fuel burned on or after April 7, 1983, are billed currently to customers and paid to the DOE on a quarterly basis. For nuclear fuel used to generate electricity prior to April 7, 1983 (Prior Period Fuel), an accrual has been recorded for the full liability and payment must be made prior to the first delivery of spent fuel to the DOE. Until such payment is made, the outstanding balance will continue to accrue interest at the 3-month treasury bill yield rate. As of December 31, 1999 and 1998, fees due to the DOE for the disposal of WMECO's Prior Period Fuel were $43 million and $41.4 million, respectively, including interest costs of $27.4 million and $25.5 million, respectively.

E. Nuclear Insurance Contingencies

Insurance policies covering WMECO's ownership share of the NU system's nuclear facilities have been purchased for the primary cost of repair, replacement or decontamination of utility property, certain extra costs incurred in obtaining replacement power during prolonged accidental outages and the excess cost of repair, replacement or decontamination or premature decommissioning of utility property.

WMECO is subject to retroactive assessments if losses under those policies exceed the accumulated funds available to the insurer. The maximum potential assessments with respect to losses arising during the current policy year for the primary property insurance program, the replacement power policies and the excess property damage policies are $1.6 million, $0.9 million and $2 million, respectively. In addition, insurance has been purchased by the NU system in the aggregate of $200 million on an industry basis for coverage of worker claims.

Under certain circumstances, in the event of a nuclear incident at one of the nuclear facilities covered by the federal government's third-party liability indemnification program, the NU system, including

WMECO, could be assessed liabilities in proportion to its ownership interest in each of its nuclear units up to $83.9 million. The NU system's payment of this assessment would be limited to, in proportion to its ownership interest in each of its nuclear units, $10 million in any one year per nuclear unit. In addition, if the sum of all claims and costs from any one nuclear incident exceeds the maximum amount of financial protection, the NU system would be subject to an additional 5 percent or $4.2 million liability, in proportion to its ownership interests in each of its nuclear units. Based upon its ownership interests in the Millstone units, WMECO's maximum liability, including any additional assessments, would be $44.3 million per incident, of which payments would be limited to $5 million per year. In addition, through purchased-power contracts with VYNPC, WMECO would be responsible for up to an additional assessment of $2.2 million per incident, of which payments would be limited to $0.3 million per year.

F. Construction Program

WMECO currently forecasts construction expenditures of $112.6 million for the years 2000-2004, including $24.2 million for 2000. WMECO estimates that nuclear fuel requirements, including nuclear fuel financed through the NBFT, will be $30.8 million for the years 2000-2003, including $10.7 million for 2000.

G. Long-Term Contractual Arrangements

Yankee Companies: The NU system companies relied on VYNPC for 1.5 percent of their capacity under long-term contracts. Under the terms of its agreement, WMECO paid its ownership (or entitlement) shares of costs, which included depreciation, operation and maintenance (O&M) expenses, taxes, the estimated cost of decommissioning, and a return on invested capital. These costs were recorded as purchased-power expenses and recovered through WMECO's rates. WMECO's cost of purchases under contracts with VYNPC amounted to $4.7 million in 1999, $4.4 million in 1998 and $3.9 million in 1997. VYNPC has agreed to sell its nuclear unit. Upon completion of the sale, this long-term contract will be terminated.

Nonutility Generators (NUGs): WMECO has entered into various arrangements for the purchase of capacity and energy from NUGs. For the years ended December 31, 1999 and 1998, 13 percent and for the year ended December 31, 1997, 14 percent, of NU's system electricity requirements were met by NUGs. WMECO's total cost of purchases under these arrangements amounted to $28.2 million in 1999, $29.9 million in 1998 and $31.2 million in 1997. The company is in the process of renegotiating the terms of these contracts through either a contract buydown or buyout. The company expects any payments to the NUGs as a result of these renegotiations to be recovered from the company's customers.

Hydro-Quebec: Along with other New England utilities, WMECO has entered into an agreement to support transmission and terminal facilities to import electricity from the Hydro-Quebec system in Canada. WMECO is obligated to pay, over a 30-year period ending in 2020, its proportionate share of the annual O&M expenses and capital costs of those facilities.

Estimated Annual Costs: The estimated annual costs of WMECO's significant long-term contractual arrangements, absent the effects of any contract terminations or buydowns are as follows:

	2000	2001	2002	2003	2004
	(Millions of Dollars)				
VYNPC	$ 4.7	$ 4.8	$ 4.8	$ 4.8	$ 4.6
NUGs	28.8	29.5	30.4	31.2	31.9
Hydro-Quebec	3.6	3.5	3.4	3.3	3.2

H. New England Power Pool (NEPOOL) Generation Pricing

Disputes with respect to interpretation and implementation of the NEPOOL market rules have arisen with respect to various competitive product markets. In certain cases, WMECO stands to gain as a result of resolution of such disputes. In other cases, WMECO could incur additional costs as the result of resolution of the disputes. The various disputes are in various stages of resolution through alternative dispute resolution and regulatory review. It is too early to tell the level of potential gain or loss that may result upon resolution of these issues.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each of the following financial instruments:

Supplemental Executive Retirement Plan (SERP) Investments: WMECO's portion of the investments held for the benefit of the SERP are recorded at fair market value. These investments having a cost basis of $0.1 million held for benefit of the SERP were recorded at their fair market values at December 31, 1999 and 1998, of $0.4 million.

Nuclear decommissioning trusts: WMECO's portion of the investments held in the NU system companies' nuclear decommissioning trusts were marked-to-market by $35.4 million as of December 31, 1999, and $27.8 million as of December 31, 1998, with corresponding offsets to the accumulated provision for depreciation. The amounts adjusted in 1999 and 1998 represent cumulative net unrealized gains. The cumulative gross unrealized holding losses were immaterial for both 1999 and 1998.

Preferred stock and long-term debt: The fair value of WMECO's fixed-rate securities is based upon the quoted market price for those issues or similar issues. Adjustable rate securities are assumed to have a fair value equal to their carrying value. The carrying amounts of WMECO's financial instruments and the estimated fair values are as follows:

	At December 31, 1999	
(Millions of Dollars)	Carrying Amount	Fair Value
Preferred stock not subject to mandatory redemption	$ 20.0	$ 19.1
Preferred stock subject to mandatory redemption	18.0	18.0
Long-term debt - First mortgage bonds	194.2	196.3
Other long-term debt	96.8	89.9

	At December 31, 1998	
(Millions of Dollars)	Carrying Amount	Fair Value
Preferred stock not subject to mandatory redemption	$ 20.0	$ 19.8
Preferred stock subject to mandatory redemption	19.5	19.8
Long-term debt - First mortgage bonds	295.0	297.2
Other long-term debt	95.2	95.4

13. OTHER COMPREHENSIVE INCOME

The accumulated balance for each other comprehensive income item is as follows:

(Thousands of Dollars)	December 31, 1998	Current Period Change	December 31, 1999
Unrealized gains on securities	$183	$10	$193
Minimum pension liability adjustments	(33)	-	(33)
Accumulated other comprehensive income	$150	$10	$160

(Thousands of Dollars)	December 31, 1997	Current Period Change	December 31, 1998
Unrealized gains on securities	$ -	$183	$183
Minimum pension liability			

adjustments	-	(33)	(33)
Accumulated other comprehensive income	$ -	$150	$150

The changes in the components of other comprehensive income are reported net of the following income tax effects:

(Thousands of Dollars)	1999	1998	1997
Unrealized gains on securities	$(7)	$(117)	$ -
Minimum pension liability adjustments	-	21	-
Other comprehensive income	$(7)	$ (96)	$ -

14. SEGMENT INFORMATION

Effective January 1, 1999, the NU system companies, including WMECO, adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." The NU system is organized between regulated utilities and unregulated energy services. WMECO is included in the regulated utilities segment of the NU system and has no other reportable segments.

15. MERGER AGREEMENT WITH CON EDISON

On October 13, 1999, NU and Con Edison announced that they have agreed to a merger to combine the two companies. The shareholders of NU will receive $25 per share in a combination of cash and Con Edison common stock.

NU shareholders also have the right to receive an additional $1 per share if a definitive agreement to sell its interests (other than that now held by PSNH) in Millstone 2 and 3 is entered into and recommended by the Utility Operations and Management Unit of the DPUC on or prior to the later of December 31, 2000, or the closing of the merger. Further, the value of the amount of cash or common stock to be received by NU shareholders is subject to increase by an amount of $0.0034 per share per day for each day that the transaction does not close after August 5, 2000.

Upon completion of the merger, NU will become a wholly owned subsidiary of Con Edison. The purchase is subject to the approval of the shareholders of both companies and several regulatory agencies. The companies anticipate that these regulatory procedures can be completed by July 2000.

Western Massachusetts Electric Company and Subsidiary

SELECTED CONSOLIDATED FINANCIAL DATA	1999	1998	1997	1996	1995
	(Thousands of Dollars)				
Operating Revenues	$ 414,231	$ 393,322	$ 426,447	$ 421,337	$ 420,434
Operating Income	41,741	19,854	251	33,190	63,064
Net Income/(Loss)	2,887	(9,579)	(27,460)	11,089	39,133
Cash Dividends on Common Stock	-	-	15,004	16,494	30,223
Total Assets	1,253,604	1,287,682	1,179,128	1,191,915	1,142,346
Long-Term Debt (a)	290,279	389,314	396,649	349,442	347,470
Preferred Stock Not Subject to Mandatory Redemption	20,000	20,000	20,000	20,000	53,500
Preferred Stock Subject to Mandatory Redemption (a)	18,000	19,500	21,000	21,000	24,000
Obligations Under Capital Leases (a)	29,972	34,093	32,887	32,234	36,011

CONSOLIDATED QUARTERLY FINANCIAL DATA (Unaudited)

	Quarter Ended			
1999	March 31	June 30	September 30	December 31
	(Thousands of Dollars)			
Operating Revenues	$ 97,686	$108,829	$107,776	$ 99,940

Operating Income/(Loss).....	$ 12,205	$ 8,812	$ 22,821	$ (2,097)
Net Income/(Loss).....	$ 4,852	$ 4,183	$ 11,368	$(17,516)
1998				
Operating Revenues.....	$107,189	$ 90,649	$ 93,839	$101,645
Operating Income.....	$ 7,838	$ 6,614	$ 4,301	$ 1,101
Net Income/(Loss).....	$ 1,367	$ (738)	$ (3,546)	$ (6,662)

(a) Includes portion due within one year.

Western Massachusetts Electric Company and Subsidiary

CONSOLIDATED STATISTICS (Unaudited)

	Gross Electric Utility Plant December 31, (Thousands of Dollars)	kWh Sales (Millions)	Average Annual Use Per Residential Customer (kWh)	Electric Customers (Average)	Employees December 31,
1999	$1,216,015	4,654	7,423	198,012	482
1998	1,256,046	4,091	6,979	196,339	533
1997	1,334,233	4,300	7,121	195,324	507
1996	1,303,361	4,626	7,335	194,705	497
1995	1,285,269	4,846	7,105 (a)	193,964	533

(a) Effective January 1, 1996, the amounts shown reflect billed and unbilled sales. The 1995 amounts have been restated to reflect this change.

1999 Annual Report

North Atlantic Energy Corporation

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North Atlantic Energy Corporation

Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition

Overview

North Atlantic Energy Corporation, (NAEC or the company), is a wholly owned operating subsidiary of Northeast Utilities (NU) and is part of the Northeast Utilities system (NU system). Public Service Company of New Hampshire (PSNH), is another wholly owned subsidiary of NU. PSNH is obligated to purchase the capacity and output from NAEC's 35.98 percent joint ownership interest in the Seabrook Station (Seabrook) nuclear unit under the terms of two life-of-unit, full cost recovery contracts (Seabrook Power Contracts).

The company's only assets are Seabrook and other Seabrook-related assets and its only source of revenues are the Seabrook Power Contracts. PSNH's obligations under the Seabrook Power Contracts are solely its own and have not been guaranteed by NU. The Seabrook Power Contracts contain no provisions entitling PSNH to terminate its obligations. If, however, PSNH were to fail to perform its obligations under the Seabrook Power Contracts, the company would be required to find other purchasers for Seabrook's power.

During 1999, NU made significant progress toward resolving restructuring issues in the state of New Hampshire by negotiating a global restructuring settlement that is still subject to regulatory approval. The "Agreement to Settle PSNH Restructuring" (Settlement Agreement), among other things, requires PSNH to sell its generation assets and certain power contracts, including PSNH's current purchased-power contract with NAEC for the output from Seabrook. If the Settlement Agreement is approved and implemented, NAEC and The Connecticut Light and Power Company (CL&P), another NU affiliate which has a 4.06 percent ownership interest in Seabrook, will sell their investments in Seabrook.

In 1999, NAEC's revenues increased to $287.4 million, up 3.9 percent from revenues of $276.7 million in 1998. In 1999, NAEC had net income of $29.6 million, compared to $29.5 million in 1998.

Mergers

In 1998 and 1999, NU management concluded that the pace of deregulation was accelerating throughout the northeastern United States and that shareholders would benefit from NU not only remaining a major provider of electric transmission and distribution service, but also becoming an unregulated marketer of both electricity and natural gas. NU management also concluded that as a result of the changes occurring in the highly competitive electric

utility industry, increased size would be crucial to achieve its objective of being a leading provider of energy products and services in the Northeast.

On October 13, 1999, NU announced an agreement to merge with Consolidated Edison, Inc. (Con Edison), a financially stronger utility based in New York. The merger will create the nation's largest electric distribution system with more than 5 million customers and one of the 15 largest natural gas distribution systems with 1.4 million customers.

NU and Con Edison filed with various state and federal regulatory bodies in January 2000 to secure approval of the merger. The two companies expect these regulatory proceedings can be completed by the end of July 2000.

Also in 1999, NU management concluded that the NU system would be stronger and customers could be better served if NU reentered the natural gas distribution business that it had exited in 1989 and examined several potential businesses in New England. By adding gas to NU's energy mix, NU will be able to broaden its services to its existing customers and will have additional opportunities for long-term growth. In June 1999, NU announced an agreement to merge with Yankee Energy System, Inc. (Yankee). The merger will return to NU, Connecticut's largest natural gas distribution system, as well as several unregulated businesses involved in energy services, collections and other areas. The Yankee merger received Yankee shareholder approval in October 1999, final Connecticut Department of Public Utility Control approval in December 1999 and Securities and Exchange Commission (SEC) approval in January 2000. The merger closed on March 1, 2000.

Liquidity

During 1999, net cash flows provided by operations were $181.4 million, compared to $128.7 million in 1998 and $55.6 million in 1997. The increase in 1999 was primarily due to a decrease in tax payments.

Net cash flows used in financing activities were $130 million in 1999, compared to $75 million in 1998 and $37.6 million in 1997. This included $70 million to retire long-term debt, compared to $20 million paid in 1998 and 1997. Cash dividends on common shares paid in 1999 were $60 million, compared to $45 million in 1998 and $25 million in 1997.

Including investments made in the NU System Money Pool, construction expenditures and investments in nuclear decommissioning trusts, net cash flows used in investing activities were $51.5 million in 1999, compared to $53.7 million in 1998 and $18.4 million in 1997.

Restructuring

In August 1999, NU, PSNH and the state of New Hampshire signed the Settlement Agreement which, once approved and implemented, will resolve a number of pending regulatory and court proceedings related to PSNH. The Settlement Agreement is awaiting approval of the New Hampshire Public Utilities Commission and is subject to legislative approval for the issuance of rate reduction bonds (securitization). Some of the key components of the agreement for PSNH include an after-tax write-off of $225 million of stranded costs by PSNH; the recovery of the remaining stranded costs; the securitization of $725 million of approved stranded costs; a reduction in rates of an average of 18.3 percent; the opening of the New Hampshire electricity market to competition; and the sale of generation assets and wholesale power entitlements with transition service being available to customers for three years.

Upon the approval and implementation of the Settlement Agreement, NAEC and PSNH will restructure the Seabrook Power Contracts to provide for the buydown of the value of the Seabrook asset to $100 million. NAEC will utilize the restructuring payments it receives from PSNH to significantly reduce its capitalization. Subsequent to the contract buydown, NAEC will continue to bill PSNH for recovery of the remaining Seabrook cost of $100 million. NAEC's return on equity will be lowered to 7 percent. The Settlement Agreement also requires NAEC to sell via public auction its share of Seabrook, with the sale to occur no later than December 31, 2003. Upon a successful sale of NAEC's share of Seabrook, the existing Seabrook Power Contracts with PSNH and NAEC will be terminated. For further information regarding commitments and contingencies related to restructuring, see Note 7A, "Commitments and Contingencies - Restructuring," to the financial statements.

Nuclear Generation

Seabrook
Seabrook achieved an annual capacity factor of 86.4 percent in 1999. However, since returning to service on May 13, 1999, after a 48-day refueling and maintenance outage, Seabrook has achieved a 99 percent capacity factor through December 31, 1999.

NAEC anticipates auctioning its 35.98 percent share of Seabrook, with the 4.06 percent owned by its affiliate, CL&P, after approval of the Settlement Agreement.

Nuclear Decommissioning
The staff of the SEC has questioned certain of the current accounting practices of the electric utility industry regarding the recognition, measurement and classification of decommissioning costs for nuclear units in their financial statements.

Currently, the Financial Accounting Standards Board plans to review the accounting for obligations associated with the retirement of long-lived assets, including the decommissioning of nuclear units. If current accounting practices for nuclear decommissioning change, the annual provision for decommissioning could increase relative to 1999, and the estimated cost for decommissioning could be recorded as a liability with recognition of an increase in the cost of the related nuclear unit. However, management does not believe that such a change will have a material impact on NAEC's financial statements.

Spent Nuclear Fuel Disposal Costs
The United States Department of Energy (DOE) originally was scheduled to begin accepting delivery of spent fuel in 1998. However, delays in confirming the suitability of a permanent storage site continually have postponed plans for the DOE's long-term storage and disposal site. Extended delays or a default by the DOE could lead to consideration of costly alternatives. NAEC has the primary responsibility for the interim storage of its spent nuclear fuel. Seabrook is expected to have spent fuel storage capacity until at least 2010. Meeting spent fuel storage requirements beyond this period could require new and separate storage facilities. For further information regarding spent nuclear fuel disposal costs, see Note 7C, "Commitments and Contingencies - Spent Nuclear Fuel Disposal Costs," to the financial statements.

Market Risk and Risk Management Instruments

NAEC uses swaps to manage its market risk exposures associated with changes in variable interest rates. NAEC uses these instruments to reduce risk by essentially creating offsetting market exposures. Based on the derivative instruments which are currently being utilized by NAEC to hedge some of its interest rate risks, there may be an impact on earnings upon adoption of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," which management has not estimated at this time.

Interest Rate Risk Management Instruments
NAEC holds variable-rate, long-term debt, exposing the company to interest rate risk. In order to hedge some of this risk, interest rate risk management instruments have been entered into on NAEC's $200 million variable-rate note. A 10 percent increase in market interest rates above the 1999 weighted average variable rate during 2000 would result in an immaterial impact on interest expense.

Other Matters

Environmental Matters
NAEC is subject to environmental laws and regulations structured to mitigate or remove the effect of past operations and to improve or maintain the quality of the environment. For further information regarding environmental matters, see Note 7B, "Commitments and Contingencies - Environmental Matters," to the financial statements.

Other Commitments and Contingencies
NAEC is subject to other commitments and contingencies primarily relating to nuclear insurance contingencies, its Seabrook construction program and the New England Power Pool generation pricing. For further information regarding these other commitments and contingencies, see Note 7, "Commitments and Contingencies," to the financial statements.

Year 2000 Issues
The transition into the year 2000 was a success for the NU system and NAEC. Its mission to provide safe, reliable energy to its customers and to ensure continued operability of critical business functions was not affected by any year 2000 related issues.

The projected total cost of the year 2000 program is estimated at $21 million. The total cost to date was funded through operating cash flows. The NU system has incurred and expensed $20 million related to year 2000 readiness efforts.

Forward Looking Statements
This discussion and analysis includes forward looking statements, which are statements of future expectations and not facts. Words such as estimates, expects, anticipates, intends, plans, and similar expressions identify forward looking statements. Actual results or outcomes could differ materially as a result of further actions by state and federal regulatory bodies, competition and industry restructuring, changes in economic conditions, changes in historical weather patterns, changes in laws, developments in legal or public policy doctrines, technological developments, and other presently unknown or unforeseen factors.

RESULTS OF OPERATIONS

The components of significant income statement variances for the past two years are provided in the table below.

Income Statement Variances
Millions of Dollars

	1999 over/(under) 1998		1998 over/(under) 1997	
	Amount	Percent	Amount	Percent
Operating Revenues	$11	4%	$ 84	44%
Operating Expenses:				
Fuel	2	17	-	-
Other operation and maintenance	10	19	(12)	(20)
Depreciation	2	9	-	-
Amortization of regulatory assets, net	-	-	79	(a)
Federal and state income taxes	(6)	(28)	11	(a)
Taxes other than income taxes	2	17	(1)	(8)
Operating Income	(4)	(8)	(3)	(5)
Deferred Seabrook return - other funds	(2)	(34)	-	-
Other, net	1	12	(8)	(a)
Interest charges, net	(1)	(3)	(1)	(2)
Net Income	-	-	-	-

(a) Percent greater than 100.

Operating Revenues
Operating revenues represent amounts billed to PSNH under the terms of the Seabrook Power Contracts and for decommissioning expense.

Operating revenues increased in 1999, primarily due to the higher operating expenses related to the Seabrook refueling and maintenance outage in 1999.

Operating revenues increased in 1998, primarily due to amounts billed to PSNH for the amortization of the Seabrook deferred return which began in December 1997.

Fuel
Fuel expense increased in 1999, primarily due to a higher fuel amortization rate since the Seabrook refueling outage.

Other Operation and Maintenance
Other operation and maintenance (O&M) expenses increased in 1999, primarily due to higher costs relating to the Seabrook refueling outage.

Other O&M expenses decreased in 1998, primarily due to lower costs associated with Seabrook outages in 1998.

Depreciation
Depreciation increased in 1999 due to shorter useful lives for 1999 plant asset additions.

Federal and State Income Taxes
Federal and state income taxes decreased in 1999, primarily due to lower taxable income.

Federal and state income taxes increased in 1998, primarily due to higher taxable income.

Taxes Other Than Income Taxes
Taxes other than income taxes increased in 1999, as the result of the New Hampshire change to a statewide utility property tax in place of the nuclear station tax.

The change in taxes other than income taxes in 1998 was not significant.

Deferred Seabrook Return - Other Funds
The deferred Seabrook return income decreased in 1999 as NAEC continues to recover the Seabrook deferred return, reducing the outstanding balance.

Other, Net
Other, net increased in 1999, primarily due to higher interest income on investments in the NU System Money Pool.

Other, net decreased in 1998, primarily due to the amortization of the taxes associated with the Seabrook phase-in costs, which began in December 1997.

Interest Charges, Net
Interest charges, net decreased in 1999 and 1998, primarily due to lower long-term debt outstanding.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors
of North Atlantic Energy Corporation:

We have audited the accompanying balance sheets of North Atlantic Energy Corporation (a New Hampshire corporation and a wholly owned subsidiary of Northeast Utilities) as of December 31, 1999 and 1998, and the related statements of income, common stockholder's equity and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Atlantic Energy Corporation as of December 31, 1999 and 1998, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the company will continue as a going concern. As discussed in Note 7A, Public Service Company of New Hampshire (PSNH), Northeast Utilities, and the state of New Hampshire are involved in litigation regarding the proposed implementation of restructuring legislation. PSNH is the sole customer of the company. The restructuring legislation as currently contemplated would require the company to discontinue the application of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation." The discontinuance would result in the company being in technical default under its current financial covenants, which would, if not waived or renegotiated, give rise to the rights of lenders to accelerate the payment of approximately $405 million of the company's indebtedness and approximately $516 million of PSNH's indebtedness. Although a settlement agreement on restructuring has been reached among the company, the state of New Hampshire, and others, implementation is subject to significant contingencies, including New Hampshire legislative, federal and state regulatory, and financial lender approvals. These conditions raise substantial doubt about the company's ability to continue as a going concern. The financial statements referred to above do not include any adjustments that might result from the outcome of this uncertainty.

/s/ ARTHUR ANDERSEN LLP
ARTHUR ANDERSEN LLP

Hartford, Connecticut
January 25, 2000

NORTH ATLANTIC ENERGY CORPORATION

STATEMENTS OF INCOME

FOR THE YEAR ENDED DECEMBER 31,	1999	1998	1997
	(Thousands of Dollars)		
Operating Revenues	$ 287,369	$ 276,685	$ 192,381
Operating Expenses:			
Operation -			
Fuel	15,596	13,305	13,405

Other	41,727	36,763	39,091
Maintenance	19,030	14,120	24,146
Depreciation	27,576	25,381	25,170
Amortization of regulatory assets, net	85,488	85,464	6,270
Federal and state income taxes	34,854	36,194	14,845
Taxes other than income taxes	13,370	11,401	12,393
Total operating expenses	237,641	222,628	135,320
Operating Income	49,728	54,057	57,061
Other Income:			
Deferred Seabrook return - other funds	4,417	6,731	7,205
Other, net	(7,432)	(8,435)	(747)
Income taxes	19,131	14,378	4,394
Other income, net	16,116	12,674	10,852
Income before interest charges	65,844	66,731	67,913
Interest Charges:			
Interest on long-term debt	45,297	50,082	50,722
Other interest	(542)	(676)	649
Deferred Seabrook return - borrowed funds	(8,467)	(12,169)	(13,411)
Interest charges, net	36,288	37,237	37,960
Net Income	$ 29,556	$ 29,494	$ 29,953

The accompanying notes are an integral part of these financial statements.

NORTH ATLANTIC ENERGY CORPORATION

BALANCE SHEETS

AT DECEMBER 31,	1999	1998
	(Thousands of Dollars)	
ASSETS		
Utility Plant, at original cost:		
Electric	$ 736,472	$ 753,379
Less: Accumulated provision for depreciation	196,694	165,114
	539,778	588,265
Construction work in progress	10,274	7,090
Nuclear fuel, net	21,149	23,644
Total net utility plant	571,201	618,999
Other Property and Investments:		
Nuclear decommissioning trusts, at market	43,667	35,210
	43,667	35,210
Current Assets:		
Cash	-	71
Special deposits	7	11,198
Notes receivable from affiliated companies	56,400	30,350
Accounts receivable from affiliated companies	22,840	23,804
Taxes receivable	11,717	7,887
Materials and supplies, at average cost	13,088	12,812
Prepayments and other	1,766	2,198
	105,818	88,320
Deferred Charges:		
Regulatory assets	129,641	199,882
Unamortized debt expense	1,780	2,742
	131,421	202,624
Total Assets	$ 852,107	$ 945,153

The accompanying notes are an integral part of these financial statements.

NORTH ATLANTIC ENERGY CORPORATION

BALANCE SHEETS

AT DECEMBER 31,	1999	1998
	(Thousands of Dollars)	
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, $1 par value - 1,000 shares authorized and outstanding in 1999 and 1998	$ 1	$ 1
Capital surplus, paid in	160,999	160,999
Retained earnings	12,752	43,196
Total common stockholder's equity	173,752	204,196
Long-term debt	135,000	405,000
Total capitalization	308,752	609,196
Current Liabilities:		
Long-term debt - current portion	270,000	70,000
Accounts payable	11,694	5,924
Accounts payable to affiliated companies	806	867
Accrued taxes	-	710
Accrued interest	2,340	2,987
Other	272	285
	285,112	80,773
Deferred Credits and Other Long-term Liabilities:		
Accumulated deferred income taxes	222,601	209,634
Deferred obligation to affiliated company	12,984	22,728
Other	22,658	22,822
	258,243	255,184
Total Capitalization and Liabilities	$ 852,107	$ 945,153

The accompanying notes are an integral part of these financial statements.

NORTH ATLANTIC ENERGY CORPORATION

STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

	Common Stock	Capital Surplus, Paid In	Retained Earnings (a)	Total
	(Thousands of Dollars)			
Balance at January 1, 1997	$ 1	$ 160,999	$ 53,749	$ 214,749
Net income for 1997			29,953	29,953
Cash dividends on common stock			(25,000)	(25,000)
Balance at December 31, 1997	1	160,999	58,702	219,702
Net income for 1998			29,494	29,494
Cash dividends on common stock			(45,000)	(45,000)
Balance at December 31, 1998	1	160,999	43,196	204,196
Net income for 1999			29,556	29,556
Cash dividends on common stock			(60,000)	(60,000)

Balance at December 31, 1999.....	$ 1	$ 160,999	$ 12,752	$ 173,752

(a) All retained earnings are available for distribution, plus an allowance of $10 million.

The accompanying notes are an integral part of these financial statements.

NORTH ATLANTIC ENERGY CORPORATION

STATEMENTS OF CASH FLOWS

(Thousands of Dollars)	For the Years Ended December 31, 1999	1998	1997
Operating Activities:			
Net income.....	$ 29,556	$ 29,494	$ 29,953
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation.....	27,576	25,381	25,170
Amortization of nuclear fuel.....	12,642	10,453	10,705
Deferred income taxes and investment tax credits, net.....	452	6,010	22,649
Deferred return - Seabrook.....	(12,884)	(18,900)	(20,616)
Amortization of regulatory assets, net.....	85,488	85,464	6,270
Deferred obligation to affiliated company.....	(9,744)	(9,744)	(812)
Other sources of cash.....	35,486	18,214	3,370
Changes in working capital:			
Receivables.....	964	1,891	(9,273)
Materials and supplies.....	(276)	191	90
Accounts payable.....	5,709	(7,161)	(11,835)
Accrued taxes.....	(710)	710	(3,486)
Other working capital (excludes cash).....	7,133	(13,258)	3,429
Net cash flows provided by operating activities.....	181,392	128,745	55,614
Financing Activities:			
Net (decrease)/increase in short-term debt.....	-	(9,950)	7,450
Reacquisitions and retirements of long-term debt.....	(70,000)	(20,000)	(20,000)
Cash dividends on common stock.....	(60,000)	(45,000)	(25,000)
Net cash flows used in financing activities.....	(130,000)	(74,950)	(37,550)
Investing Activities:			
Investment in plant:			
Electric utility plant.....	(7,895)	(9,028)	(6,606)
Nuclear fuel.....	(9,934)	(6,474)	(6,147)
Net cash flows used for investments in plant.....	(17,829)	(15,502)	(12,753)
Investment in NU system Money Pool.....	(26,050)	(30,350)	-
Investment in nuclear decommissioning trusts.....	(7,584)	(7,885)	(5,597)
Net cash flows used in investing activities.....	(51,463)	(53,737)	(18,350)
Net (decrease)/increase in cash for the period.....	(71)	58	(286)
Cash - beginning of period.....	71	13	299
Cash - end of period.....	$ -	$ 71	$ 13
Supplemental Cash Flow Information:			
Cash paid during the year for:			
Interest, net of amounts capitalized.....	$ 38,042	$ 42,498	$ 45,297
Income taxes.....	$ 3,000	$ 22,136	$ -

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. About North Atlantic Energy Corporation

North Atlantic Energy Corporation (NAEC or the company) along with The Connecticut Light and Power Company (CL&P), Public Service Company of New Hampshire (PSNH), Western Massachusetts Electric Company (WMECO), and Holyoke Water Power Company (HWP) are the operating companies comprising the Northeast Utilities system (NU system) and are wholly owned by Northeast Utilities (NU). The NU system serves in excess of 30 percent of New England's electric needs and is one of the 20 largest electric utility systems in the country as measured by revenues. The NU system furnishes franchised retail electric service in New Hampshire, Connecticut and western Massachusetts through PSNH, CL&P and WMECO. NAEC owns 35.98 percent of the Seabrook Station (Seabrook) nuclear unit and sells all of its entitlement to the capacity and output of Seabrook to PSNH under the terms of two life-of-unit, full cost recovery contracts (Seabrook Power Contracts). HWP, also is engaged in the production and distribution of electric power.

NU is registered with the Securities and Exchange Commission (SEC) as a holding company under the Public Utility Holding Company Act of 1935 (1935 Act) and the NU system, including NAEC, is subject to provisions of the 1935 Act. Arrangements among the NU system companies, outside agencies and other utilities covering interconnections, interchange of electric power and sales of utility property are subject to regulation by the Federal Energy Regulatory Commission (FERC) and/or the SEC. NAEC is subject to further regulation for rates, accounting and other matters by the FERC and/or applicable state regulatory commissions.

Several wholly owned subsidiaries of NU provide support services for the NU system companies and, in some cases, for other New England utilities. Northeast Utilities Service Company (NUSCO) provides centralized accounting administrative, information resources, engineering, financial, legal, operational, planning, purchasing, and other services to the NU system companies. Northeast Nuclear Energy Company acts as agent for the NU system companies and other New England utilities in operating the Millstone nuclear units. North Atlantic Energy Service Corporation (NAESCO) has operational responsibility for Seabrook.

On October 13, 1999, NU and Consolidated Edison, Inc. (Con Edison) announced that they have agreed to a merger to combine the two companies. For further information, see Note 11, "Merger Agreement with Con Edison."

B. Presentation

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain reclassifications of prior years' data have been made to conform with the current year's presentation.

All transactions among affiliated companies are on a recovery of cost basis which may include amounts representing a return on equity and are subject to approval by various federal and state regulatory agencies.

C. New Accounting Standards

The Financial Accounting Standards Board (FASB) has issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments and hedging activities. This statement will require derivative instruments utilized by NAEC to be recognized as assets or liabilities at fair value.

In June 1999, the FASB delayed the adoption date of SFAS No. 133 until January 1, 2001.

Based on the derivative instruments which currently are being utilized by NAEC to hedge some of its interest rate risk there may be an impact on earnings upon adoption of SFAS No. 133 which management has not estimated at this time.

D. Jointly Owned Electric Utility Plant

Seabrook: NAEC has a 35.98 percent ownership interest in Seabrook, a 1,148 megawatt nuclear generating unit. NAEC sells all of its share of the power generated by Seabrook to PSNH under the Seabrook Power Contracts. NAEC expects to auction its investment in Seabrook upon the resolution of the restructuring issues in the state of New Hampshire.

NAEC's share of Seabrook's plant-in-service as of December 31, 1999 and 1998, was $728 million and $721.2 million, respectively, and the accumulated provision for depreciation was $153 million and $130.7

million, respectively.

E. Depreciation

The provision for depreciation is calculated using the straight-line method based on estimated remaining lives of depreciable utility plant-in-service, adjusted for salvage value and removal costs, as approved by the appropriate regulatory agency. Except for major facilities, depreciation rates are applied to the average plant-in-service during the period. Major facilities are depreciated from the time they are placed in service. When plant is retired from service, the original cost of plant, including costs of removal, less salvage, is charged to the accumulated provision for depreciation. The costs of closure and removal of nonnuclear facilities are accrued over the life of the plant as a component of depreciation. The depreciation rates for the several classes of electric plant-in-service are equivalent to a composite rate of 3.8 percent in 1999 and 3.5 percent in 1998 and 1997.

F. Seabrook Power Contracts

NAEC and PSNH have entered into two power contracts that obligate PSNH to purchase NAEC's share of the capacity and output of Seabrook for the term of Seabrook's operating license. Under the terms of the power contracts, PSNH is obligated to pay NAEC's cost of service during this period, regardless of whether Seabrook is operating. NAEC's cost of service includes all of its Seabrook-related costs, including operation and maintenance expenses, fuel expense, income and property tax expense, depreciation expense, certain overhead and other costs, and a return on its allowed investment.

The Seabrook Power Contracts established the value of the initial investment in Seabrook at $700 million. As prescribed by the 1989 rate agreement between NU, PSNH, and the state of New Hampshire (Rate Agreement), as of May 1, 1996, NAEC phased into rates 100 percent of the recoverable portion of its investment in Seabrook. From June 5, 1992 (the date NU acquired PSNH and NAEC acquired Seabrook from PSNH - the Acquisition Date) through November 1997, NAEC recorded a $203.9 million deferred return on its investment in Seabrook. At November 30, 1997, NAEC's utility plant included $84.1 million of the deferred return that was transferred as part of the Seabrook plant assets to NAEC on the Acquisition Date.

Beginning on December 1, 1997, the deferred return, including the portion transferred to NAEC, began to be billed through the Seabrook Power Contracts to PSNH. The deferred return will be fully recovered from customers by May 2001. NAEC is depreciating its initial investment over the term of Seabrook's operating license (39 years), and any subsequent plant additions are depreciated on a straight-line basis over the remaining term of the Seabrook Power Contracts at the time the subsequent additions are placed in service.

Under the current Seabrook Power Contracts, if Seabrook is shut down prior to the expiration of its operating license, PSNH will be unconditionally required to pay NAEC termination costs for 39 years, less the period during which Seabrook has operated. These termination costs will reimburse NAEC for its share of Seabrook shut-down and decommissioning costs and will pay NAEC a return of and on any undepreciated balance of its initial investment over the remaining term of the Seabrook Power Contracts. In addition, PSNH will pay NAEC a return of and on any capital additions to the plant made after the Acquisition Date over a period of five years after shut down (net of any tax benefits to NAEC attributable to the cancellation).

In August 1999, NU, PSNH and the state of New Hampshire signed the "Agreement to Settle PSNH Restructuring" (Settlement Agreement) which, once approved and implemented, will resolve a number of pending regulatory and court proceedings related to PSNH. The Settlement Agreement is awaiting approval of the New Hampshire Public Utilities Commission (NHPUC) and is subject to legislative approval for the issuance of rate reduction bonds (securitization). The Settlement Agreement also requires NAEC to sell via public auction its share of Seabrook, with the sale to occur no later than December 31, 2003. Upon the approval and implementation of the Settlement Agreement, NAEC and PSNH will restructure the power contracts to provide for the buydown of the value of the Seabrook asset to $100 million. Upon a successful sale of NAEC's share of Seabrook, the existing Seabrook Power Contracts between NAEC and PSNH will be terminated. However, PSNH will continue to be responsible for funding NAEC's ownership share of Seabrook's decommissioning liability.

G. Regulatory Accounting and Assets

The accounting policies of NAEC and the accompanying financial statements conform to generally accepted accounting principles applicable to rate-regulated enterprises and reflect the effects of the rate-making process in accordance with SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation." Assuming a cost-of-service based regulatory structure, regulators may permit incurred

costs, normally treated as expenses, to be deferred and recovered through future revenues. Through their actions, regulators may also reduce or eliminate the value of an asset, or create a liability. If any portion of NAEC's operations were no longer subject to the provisions of SFAS No. 71, the company would be required to write off all of its related regulatory assets and liabilities unless there is a formal transition plan that provides for the recovery, through established rates, for the collection of these costs through a portion of the business, which would remain regulated on a cost-of-service basis. At the time of transition, NAEC would be required to determine any impairment to the carrying costs of deregulated plant and inventory assets.

Based on a current evaluation of the various factors and conditions that are expected to impact future cost recovery, management continues to believe it is probable that NAEC will recover its investments in long-lived assets, including regulatory assets. In addition, all material regulatory assets are earning a return. The components of NAEC's regulatory assets are as follows:

At December 31,	1999	1998
	(Millions of Dollars)	
Deferred costs-Seabrook	$ 88.5	$147.1
Income taxes, net	35.6	39.5
Recoverable energy costs	1.7	1.9
Unamortized loss on reacquired debt	3.8	11.4
	$129.6	$199.9

At this time, management continues to believe that the application of SFAS No. 71 remains appropriate. If the Settlement Agreement, as filed, is approved by the NHPUC and implemented, then NAEC will discontinue the application of SFAS No. 71. At that time, PSNH will make a payment to NAEC to buydown the Seabrook Power Contracts. NAEC will reduce the Seabrook asset to $100 million and will write off any remaining regulatory assets.

H. Income Taxes

The tax effect of temporary differences (differences between the periods in which transactions affect income in the financial statements and the periods in which they affect the determination of taxable income) is accounted for in accordance with the rate-making treatment of the applicable regulatory commissions.

The tax effect of temporary differences, including timing differences accrued under previously approved accounting standards, which give rise to the accumulated deferred tax obligation is as follows:

At December 31,	1999	1998
	(Millions of Dollars)	
Accelerated depreciation and other plant-related differences	$205.1	$182.2
Regulatory assets - income tax gross up	12.2	13.6
Other	5.3	13.8
	$222.6	$209.6

I. Recoverable Energy Costs

Under the Energy Policy Act of 1992 (Energy Act), NAEC is assessed for its proportionate shares of the costs of decontaminating and decommissioning uranium enrichment plants owned by the United States Department of Energy (DOE) (D&D Assessment). The Energy Act requires that regulators treat D&D Assessments as a reasonable and necessary current cost of fuel, to be fully recovered in rates, like any other fuel cost. NAEC is currently recovering these costs through the Seabrook Power Contracts. As of December 31, 1999 and 1998, NAEC's total D&D Assessment deferral was $1.7 million and $1.9 million, respectively.

J. Deferred Cost - Seabrook

Under the Rate Agreement, the plant costs of Seabrook were phased into rates over a 7-year period beginning May 15, 1991. Total costs deferred under the phase-in plan were $288 million. Total deferred costs outstanding at December 31, 1999 and 1998 were $88.5 million and $147.1 million, respectively. This plan is accounted for in compliance with SFAS No. 92, "Regulated Enterprises - Accounting for Phase-In Plans." The costs will be fully recovered from PSNH's customers by May 2001.

K. Interest Rate Risk Management Instruments
NAEC utilizes market risk management instruments to hedge well-defined risks associated with variable interest rates. To qualify for hedge treatment, the underlying hedged item must expose the company to risks associated with market fluctuations and the market risk management instrument used must be designated as a hedge and must reduce the company's exposure to market fluctuations throughout the period. Amounts receivable or payable under interest rate management instruments are accrued and offset against interest expense.

2. NUCLEAR DECOMMISSIONING AND PLANT CLOSURE COSTS

Seabrook: Under the terms of the Rate Agreement, PSNH is obligated to pay NAEC's share of Seabrook's decommissioning costs, even if the unit is shut down prior to the expiration of its operating license. Accordingly, NAEC bills PSNH directly for its share of the costs of decommissioning Seabrook. Under New Hampshire law, Seabrook decommissioning funding requirements are set by the New Hampshire Nuclear Decommissioning Financing Committee (NDFC). During April 1999, the NDFC issued an order that adjusted the decommissioning collection period and funding levels assuming that Seabrook's anticipated energy producing life was 25 years from the date it went into commercial operation. Decommissioning collections are now expected to be completed by October 2015. The cost of funding decommissioning Seabrook is now being accrued over the estimated remaining accelerated funding period that was ordered by the NDFC.

Upon retirement, Seabrook must be decommissioned. Current decommissioning studies conclude that complete and immediate dismantlement as soon as practical after retirement continues to be the most viable and economic method of decommissioning a unit. These studies are reviewed and updated periodically to reflect changes in decommissioning requirements, costs, technology, and inflation. Changes in requirements or technology, the timing of funding or dismantling or adoption of a decommissioning method other than immediate dismantlement would change decommissioning cost estimates and the amounts required to be recovered.

The estimated cost of decommissioning NAEC's share of Seabrook, in year end 1999 dollars is $203.3 million. Nuclear decommissioning costs are accrued over the expected service life of the unit and are included in depreciation expense. Nuclear decommissioning expenses for the unit amounted to $6.8 million in 1999, $4.7 million in 1998 and $4.5 million in 1997. Nuclear decommissioning, as a cost of removal, is included in the accumulated provision for depreciation.

Payments for NAEC's ownership share of the cost of decommissioning Seabrook are paid to an independent decommissioning financing fund managed by the state of New Hampshire. Funding of the estimated decommissioning costs assumes escalated collections and after-tax earnings on the Seabrook decommissioning fund of 6.5 percent.

As of December 31, 1999 and 1998, NAEC has paid $32.7 million and $25.6 million (including payments made prior to the Acquisition Date by PSNH), into Seabrook's decommissioning financing fund. Earnings on the decommissioning financing fund increase the decommissioning trust balance and the accumulated reserve for depreciation. Unrealized gains and losses associated with the decommissioning financing fund also impact the balance of the trust and the accumulated reserve for depreciation. The fair values of the amounts in the external decommissioning trust for NAEC were $43.7 million and $35.2 million at December 31, 1999 and 1998, respectively.

3. SHORT-TERM DEBT

Limits: The amount of short-term borrowings that may be incurred by NAEC is subject to periodic approval by either the SEC under the 1935 Act or by its state regulator. SEC authorization allowed NAEC, as of January 1, 1999, to incur short-term borrowings up to a maximum of $60 million.

Money Pool: Certain subsidiaries of NU, including NAEC, are members of the Northeast Utilities System Money Pool (Pool). The Pool provides a more efficient use of the cash resources of the NU system, and reduces outside short-term borrowings. NUSCO administers the Pool as agent for the member companies. Short-term borrowing needs of the member companies are first met with available funds of other member companies, including funds borrowed by NU parent. NU parent may lend to the Pool but may not borrow. Funds may be withdrawn from or repaid to the Pool at any time without prior notice. Investing and borrowing subsidiaries receive or pay interest based on the average daily federal funds rate. Borrowings based on loans from NU parent, however, bear interest at NU parent's cost and must be repaid based upon the terms of NU parent's original borrowing. At December 31, 1999 and 1998, NAEC had no borrowings outstanding from the Pool.

4. LONG-TERM DEBT

Details of long-term debt outstanding are:

At December 31,	1999	1998
	(Millions of Dollars)	
First Mortgage Bonds:		
9.05% Series A, due 2002	$205	$275
Notes:		
Variable - Rate Facility, due 2000	200	200
Less amounts due within one year	270	70
Long-term debt, net	$135	$405

Long-term debt maturities and cash sinking fund requirements on debt outstanding at December 31, 1999, for the years 2000 through 2004 are $270 million, $70 million and $65 million for years 2000 through 2002, respectively, and no requirements for 2003 and 2004.

Essentially all utility plant of NAEC is subject to the liens of the company's first mortgage bond indenture.

Interest rate swaps effectively fix the interest rate of NAEC's $200 million variable-rate bank note at interest rates ranging from 5.81 percent to 6.07 percent.

5. INCOME TAX EXPENSE

The components of the federal and state income tax provisions were charged/(credited) to operations as follows:

For the Years Ended December 31,	1999	1998	1997
	(Millions of Dollars)		
Current income taxes:			
Federal	$15.1	$15.2	$(11.9)
State	0.2	0.6	(0.3)
Total current	15.3	15.8	(12.2)
Deferred income taxes, net:			
Federal	0.4	4.0	21.5
State	-	2.0	1.1
Total deferred	0.4	6.0	22.6
Total income tax expense	$15.7	$21.8	$ 10.4

The components of total income tax expense/(credit) are classified as follows:

For the Years Ended December 31,	1999	1998	1997
	(Millions of Dollars)		
Income taxes charged to operating expenses	$ 34.8	$ 36.2	$14.8
Other income taxes	(19.1)	(14.4)	(4.4)
Total income tax expense	$ 15.7	$ 21.8	$10.4

Deferred income taxes are comprised of the tax effects of temporary differences as follows:

For the Years Ended December 31,	1999	1998	1997
	(Millions of Dollars)		
Depreciation	$ 19.5	$ 21.8	$20.8
Bond redemptions	(2.8)	(2.8)	(2.4)
Seabrook deferred return	(15.7)	(14.2)	3.4
Other	(0.6)	1.2	0.8
Deferred income taxes, net	$ 0.4	$ 6.0	$22.6

A reconciliation between income tax expense and the expected tax expense

at 35 percent of pretax income is as follows:

For the Years Ended December 31,	1999	1998	1997
	(Millions of Dollars)		
Expected federal income tax.....	$15.8	$18.0	$14.1
Tax effect of differences:			
Amortization of regulatory assets....	7.0	7.1	(0.3)
Depreciation.....	(3.2)	1.6	(0.5)
Deferred Seabrook return.....	(1.5)	(2.4)	(2.5)
State income taxes, net of federal benefit	0.1	1.7	0.5
Allocation of Parent Company's loss..	(2.1)	(3.9)	(0.6)
Other, net.....	(0.4)	(0.3)	(0.3)
Total income tax expense.....	$15.7	$21.8	$10.4

6. DEFERRED OBLIGATION TO AFFILIATED COMPANY

At the time PSNH emerged from bankruptcy on May 16, 1991, in accordance with the phase-in under the Rate Agreement, it began to accrue a deferred return on the unphased-in portion of its Seabrook investment. From May 16, 1991 to the Acquisition Date, PSNH accrued a deferred return of $50.9 million. On the Acquisition Date, PSNH transferred the $50.9 million deferred return to NAEC as part of the Seabrook-related assets.

At the time PSNH transferred the deferred return to NAEC, it realized, for income tax purposes, a gain that was deferred under the consolidated income tax rules. Beginning December 1, 1997, the gain is being amortized into income for income tax purposes as the deferred return of $50.9 million, and the associated income taxes of $33.2 million, are collected by NAEC through the Seabrook Power Contracts scheduled to end in May 2001. As NAEC recovers the $33.2 million in years eight through ten of the Rate Agreement, corresponding payments are being made to PSNH. The balance of the deferred obligation to PSNH at December 31, 1999 and 1998, was $13 million and $22.7 million, respectively.

7. COMMITMENTS AND CONTINGENCIES

A. Restructuring

In August 1999, NU, PSNH and the state of New Hampshire signed a Settlement Agreement intended to settle a number of pending regulatory and court proceedings related to PSNH. Parties to the agreement included the governor of New Hampshire, the Governor's Office of Energy and Community Service, the New Hampshire attorney general, certain members of the staff of the NHPUC, PSNH, and NU. The Settlement Agreement was submitted to the NHPUC on August 2, 1999, and is awaiting approval. If approved by the NHPUC, the Settlement Agreement would resolve 11 NHPUC dockets and PSNH's federal lawsuit which had enjoined the state of New Hampshire from implementing its restructuring legislation, would require PSNH to write off $225 million after-tax of its stranded costs and would allow for the recovery of the remaining amount. Also, implementation of the Settlement Agreement is contingent upon securitization. Securitization requires the initial approval of the NHPUC and final approval from the New Hampshire Legislature via enactment of appropriate legislation. Other approvals are also required from various federal and state regulatory agencies and financial lenders.

The Settlement Agreement also requires NAEC to auction its Seabrook investment. Once NAEC's share of Seabrook is sold, the existing Seabrook Power Contracts between NAEC and PSNH will be terminated. However, PSNH will continue to pay NAEC's ownership share of Seabrook's decommissioning liability.

B. Environmental Matters

The NU system, including NAESCO on behalf of NAEC, is subject to environmental laws and regulations intended to mitigate or remove the effect of past operations and improve or maintain the quality of our environment. As such, the NU system and NAESCO, have an active environmental auditing and training program and believes it is in compliance with the current laws and regulations.

However, the normal course of operations may necessarily involve activities and substances that expose NAEC to potential liabilities of which management cannot determine the outcome. Additionally, management cannot determine the outcome for liabilities that may be imposed for past acts, even though such past acts may have been lawful at the time they occurred. Management does not believe, however, that this will have a material impact on NAEC's financial statements.

C. Spent Nuclear Fuel Disposal Costs

Under the Nuclear Waste Policy Act of 1982, NAEC must pay the DOE for the disposal of spent nuclear fuel and high-level radioactive waste. The DOE is responsible for the selection and development of repositories for, and the disposal of, spent nuclear fuel and high-level radioactive waste. Fees for nuclear fuel burned are billed currently to customers and paid to the DOE on a quarterly basis.

D. Nuclear Insurance Contingencies

Insurance policies covering NAEC's ownership share of Seabrook have been purchased for the primary cost of repair, replacement or decontamination of utility property and certain extra costs for repair, replacement or decontamination or premature decommissioning of utility property.

NAEC is subject to retroactive assessments if losses under those policies exceed the accumulated funds available to the insurer. The maximum potential assessments against NAEC, including costs resulting from PSNH's contracts with NAEC, with respect to losses arising during the current policy year for the primary property insurance program and the excess property damage policies are $2.1 million and $3.2 million, respectively. In addition, insurance has been purchased by the NU system in the aggregate amount of $200 million on an industry basis for coverage of worker claims.

Under certain circumstances, in the event of a nuclear incident at one of the nuclear facilities covered by the federal government's third-party liability indemnification program, the NU system, including NAEC, could be assessed liabilities in proportion to its ownership interest in each of its nuclear units up to $83.9 million. The NU system's payment of this assessment would be limited to, in proportion to its ownership interest, $10 million in any one year per nuclear unit. In addition, if the sum of all claims and costs from any one nuclear incident exceeds the maximum amount of financial protection, the NU system would be subject to an additional 5 percent or $4.2 million liability, in proportion to its ownership interest in each of its nuclear units. Under the terms of the Seabrook Power Contracts with NAEC, PSNH could be obligated to pay for any assessment charged to NAEC as a cost of service. Based upon NAEC's ownership interest in Seabrook, PSNH's maximum liability, including any additional assessments, would be $31.3 million per incident, of which payments would be limited to $3.6 million per year.

E. Seabrook Construction Program

NAEC currently forecasts construction expenditures for its share of Seabrook to be $9.7 million for the years 2000-2001, including approximately $4.6 million for 2000. In addition, NAEC estimates that its share of Seabrook nuclear fuel requirements will be $46.3 million for the years 2000-2003, including $14.8 million for 2000.

F. New England Power Pool (NEPOOL) Generation Pricing

Disputes with respect to interpretation and implementation of the NEPOOL market rules have arisen with respect to various competitive product markets. In certain cases, NAEC stands to gain as a result of resolution of such disputes. In other cases, NAEC could incur additional costs as the result of resolution of the disputes. The various disputes are in various stages of resolution through alternative dispute resolution and regulatory review. It is too early to tell the level of potential gain or loss that may result upon resolution of these issues.

8. MARKET RISK AND MANAGEMENT INSTRUMENTS

Interest Rate Risk Management: NAEC uses swap instruments with financial institutions to hedge against interest rate risk associated with its $200 million variable-rate bank note. Under the agreements, NAEC exchanges quarterly payments based on a differential between a fixed contractual interest rate and the 3-month LIBOR rate at a given time. As of December 31, 1999 and 1998, NAEC had outstanding agreements with a total notional value of $200 million and mark-to-market positions of positive $0.5 million and negative $2.3 million, respectively.

Credit Risk: These agreements have been made with various financial institutions, each of which is rated "A3" or better by Moody's Investors Service rating group. NAEC is exposed to credit risk on its respective market risk management instruments if the counterparties fail to perform their obligations. Management anticipates that the counterparties will fully satisfy their obligations under the agreements.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each of the following financial instruments:

Cash and cash equivalents: The carrying amounts approximate fair value due to the short-term nature of cash and cash equivalents.

Nuclear decommissioning trust: The investments held in NAEC's nuclear

decommissioning fund were adjusted to market by $3.2 million as of December 31, 1999, and by $2.3 million as of December 31, 1998, with corresponding offsets to the accumulated provision for depreciation. The amounts adjusted in 1999 and 1998 represent cumulative gross unrealized holding gains. The cumulative gross unrealized holding losses were immaterial for 1999 and 1998.

Long-term debt: The fair value of NAEC's fixed-rate security is based upon the quoted market price for that issue or similar issue. The adjustable rate security is assumed to have a fair value equal to its carrying value.

The carrying amounts of NAEC's financial instruments and the estimated fair values are as follows:

	At December 31, 1999	
(Millions of Dollars)	Carrying Amount	Fair Value
First mortgage bonds	$205.0	$207.8
Other long-term debt	$200.0	$200.0

	At December 31, 1998	
(Millions of Dollars)	Carrying Amount	Fair Value
First mortgage bonds	$275.0	$284.5
Other long-term debt	$200.0	$200.0

10. SEGMENT INFORMATION

Effective January 1, 1999, the NU system companies, including NAEC, adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." The NU system is organized between regulated utilities and unregulated energy services. NAEC is included in the regulated utilities segment of the NU system and has no other reportable segments.

11. MERGER AGREEMENT WITH CON EDISON

On October 13, 1999, NU and Con Edison announced that they have agreed to a merger to combine the two companies. The shareholders of NU will receive $25 per share in a combination of cash and Con Edison common stock.

NU shareholders also have the right to receive an additional $1 per share if a definitive agreement to sell its interests (other than that now held by PSNH) in Millstone 2 and 3 is entered into and recommended by the Utility Operations and Management Unit of the Connecticut Department of Public Utility Control on or prior to the later of December 31, 2000, or the closing of the merger. Further, the value of the amount of cash or common stock to be received by NU shareholders is subject to increase by an amount of $0.0034 per share per day for each day that the transaction does not close after August 5, 2000.

Upon completion of the merger, NU will become a wholly owned subsidiary of Con Edison. The purchase is subject to the approval of the shareholders of both companies and several regulatory agencies. The companies anticipate that these regulatory procedures will be completed by July 2000.

North Atlantic Energy Corporation

SELECTED FINANCIAL DATA	1999	1998	1997	1996	1995
	(Thousands of Dollars)				
Operating Revenues	$287,369	$276,685	$ 192,381	$ 162,152	$ 157,183
Operating Income	49,728	54,057	57,061	54,889	51,394
Net Income	29,556	29,494	29,953	32,072	24,441
Cash Dividends on Common Stock	60,000	45,000	25,000	38,000	24,000
Total Assets	852,107	945,153	1,014,639	1,017,388	1,014,649
Long-Term Debt (a)	405,000	475,000	495,000	515,000	560,000

CONSOLIDATED QUARTERLY FINANCIAL DATA (Unaudited)

	Quarter Ended			
1999	March 31	June 30	September 30	December 31
	(Thousands of Dollars)			
Operating Revenues.....	$70,289	$77,203	$69,779	$70,098
Operating Income.....	$12,475	$12,303	$12,122	$12,828
Net Income.....	$ 6,461	$ 6,243	$ 6,442	$10,410
1998				
Operating Revenues.....	$68,169	$69,627	$69,087	$69,802
Operating Income.....	$13,648	$13,365	$13,159	$13,885
Net Income.....	$ 6,909	$ 8,303	$ 7,170	$ 7,112

STATISTICS (Unaudited)	1999	1998	1997	1996	1995
Gross Electric Utility Plant at December 31, (Thousands of Dollars).....	$767,895	$784,113	$811,140	$816,446	$806,892
kWh Sales (Millions) for the year ended December 31,.....	$ 3,125	$ 3,018	$ 2,859	$ 3,542	$ 3,016

(a) Includes portion due within one year.

UT
0000072741
NORTHEAST UTILITIES AND SUBSIDIARIES
1,000

YEAR	
	DEC-31-1999
	DEC-31-1999
	PER-BOOK
	3,947,434
	888,181
	1,071,280
	3,781,157
	0
	9,688,052
	686,969
	940,726
	581,817
	2,083,311
	121,289
	136,200
	2,372,341
	278,000
	0
	0
	0
	457,065
	46,250
	62,824
	118,469
	4,012,303
	9,688,052
	4,471,251
	98,611
	3,945,831
	4,126,714
	344,537
	(106,187)
	320,622
	263,651
	56,971
	22,755
	34,216
	13,168
	258,093
	614,218
	0.26
	0.26

UT
0000023426
THE CONNECTICUT LIGHT AND POWER COMPANY AND SUBSIDIARIES
1,000

YEAR	
	DEC-31-1999
	DEC-31-1999
	PER-BOOK
	1,772,650
	607,964
	317,285
	2,600,385
	0
	5,298,284
	122,229
	665,598
	153,254
	941,497
	79,789
	116,200
	1,241,051
	101,700
	0
	0
	159,005
	19,750
	50,969
	93,431
	2,495,308
	5,298,284
	2,452,855
	85,138
	2,156,047
	2,278,106
	174,749
	(86,787)
	124,883
	138,451
	(13,568)
	12,832
	(26,400)
	0
	127,533
	299,427
	0.00
	0.00

UT
0000315256
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
1,000

YEAR
DEC-31-1999
DEC-31-1999
PER-BOOK
1,609,032
28,884
461,370
523,147
0
2,622,433
1
424,654
319,938
745,667
25,000
0
516,485
0
0
0
0
25,000
624,477
101,676
585,202
2,622,433
1,160,572
40,724
999,157
1,035,967
124,605
6,793
127,484
43,275
84,209
6,625
77,584
0
42,728
199,119
0.00
0.00

UT
0000106170
WESTERN MASSACHUSETTS ELECTRIC COMPANY AND SUBSIDIARY
1,000

YEAR	
	DEC-31-1999
	DEC-31-1999
	PER-BOOK
	402,037
	165,522
	85,173
	600,872
	0
	1,253,604
	26,812
	171,691
	38,712
	237,375
	16,500
	20,000
	290,279
	132,400
	0
	0
	0
	1,500
	8,106
	21,866
	525,738
	1,253,604
	414,231
	8,943
	353,641
	372,490
	41,741
	(21,246)
	30,401
	27,514
	2,887
	3,298
	(411)
	0
	24,255
	2,057
	0.00
	0.00

UT
0000880416
NORTH ATLANTIC ENERGY CORPORATION
1,000

YEAR
DEC-31-1999
DEC-31-1999
PER-BOOK
571,201
43,667
105,818
131,421
0
852,107
1
160,999
12,752
173,752
0
0
135,000
0
0
0
270,000
0
0
0
273,355
852,107
287,369
15,723
202,787
237,641
49,728
(3,015)
65,844
36,288
29,556
0
29,556
60,000
45,297
181,392
0.00
0.00