



U.S. Department of Justice

United States Attorney
District of Connecticut

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July 13, 1999

Stanley A. Twardy, Jr., Esq.
Day, Berry & Howard
One Canterbury Green
Stamford, CT 06901-2047

Re: Northeast Utilities Service Company -- Binding Plea Agreement

Dear Mr. Twardy:

This letter confirms the plea agreement entered into between your client, Northeast Utilities Service Company (the "defendant"), and the United States Attorney's Office for the District of Connecticut (the "Government") concerning the referenced criminal matter.

1. The Plea and Offense

The defendant agrees to waive its right to be indicted and to plead guilty to an Information charging it with violations of the Clean Water Act, 33 U.S.C. § 1319(c). The defendant understands that in order to be guilty of the offenses charged in the Information the following must have occurred:

Counts 20 - 22, 24, 25

A. The defendant violated the conditions and limitations of discharge permits issued by the State of Connecticut as set forth in the Information; and

B. The defendant acted knowingly.

Count 23

A. The defendant discharged hydrazine into a water of the United States without a permit; and

B. The defendant acted knowingly.

2. The Penalties

These offenses carry fines of \$5,000 to \$50,000 per day of violation.

The defendant also is subject to the alternative fine provision of 18 U.S.C. § 3571. Under this section, the maximum fine that may be imposed on the defendant is the greatest of the following amounts: (a) twice the gross gain to the defendant resulting from the offense; (b) twice the gross loss resulting from the offense; (c) \$500,000; or (d) the amount specified in the section defining the offense.

In addition, the defendant is obligated by 18 U.S.C. § 3013 to pay a special assessment of \$200 (if the offense concludes prior to April 1996) or \$400 on each count of which it is convicted. The defendant agrees to pay the special assessment to the Clerk of the Court on the day the guilty plea is accepted.

Finally, unless otherwise ordered, should the Court impose a fine of more than \$2,500 as part of the sentence, interest will be charged on the unpaid balance of a fine amount not paid within 15 days after the judgment date. 18 U.S.C. § 3612(f).

3. Sentence Agreement

The Government and the defendant have agreed, pursuant to Federal Rule of Criminal Procedure 11(e)(1)(C), that the following sentence is an appropriate disposition of this case:

A. Fine

The Defendant will pay a fine of \$3.35 million at the time of sentencing. The defendant shall not seek to take the payment of this fine as a deduction on any federal or state tax return.

B. Probation

1) General Terms

The Defendant will be on probation for a period of three years from the date of sentencing. The defendant shall cooperate fully with federal and state environmental officials by complying with all reasonable and lawful requests for inspection, verification and monitoring of all practices relating to the discharge of wastewater at the Millstone and Devon facilities. The defendant further agrees that, as a condition of probation, it will implement the environmental compliance and audit programs described below.

It is understood that the Devon and one or more of the three nuclear power plants at the Millstone facility may be sold during the period of probation. If the facilities are sold to an entity in which the current owners or affiliates of these facilities do not have a majority ownership interest, do not otherwise operate or maintain the facilities, and the defendant has completed the financial commitments set forth herein, the government agrees to recommend early termination of the probationary term pursuant to 18 U.S.C. § 3564(c).

2) Environmental Compliance Program

The defendant acknowledges that the federal sentencing guidelines require the Court: (a) to determine whether the defendant has an "effective program to detect and prevent violations of law," U.S.S.G. § 8A1.2, Application Note 3(K); and (b) to place the defendant on probation if the Court finds that the defendant lacks such a program. U.S.S.G. § 8D1.1(a)(3). The Court may also order the defendant to develop and implement such a program. U.S.S.G. § 8D1.4(c). The defendant shall submit all evidence of its existing environmental regulatory compliance program to the Probation Office and the United States within 30 days after sentencing.

The defendant shall develop an environmental regulatory compliance program which will address environmental matters. This program will be developed and implemented by the defendant in sufficient detail to satisfy the requirements of U.S.S.G. Chapter 8 concerning effective programs to prevent and detect violations of law. See U.S.S.G. §§ 8A1.2, Application Note 3(k), and 8C2.5(f).

As part of its compliance program, the defendant will develop an environmental compliance manual for its Millstone and Devon facilities within 90 days of sentencing. Copies will be kept at the Berlin, Millstone and Devon, facilities and will be made available to all employees. The manual will cover general areas of environmental regulations, including spills, releases of pollutants into the environment, discharges into sewer systems, dealings with regulatory inspectors and personnel, and the importance of accuracy, timeliness, and honesty in reporting to regulatory agencies all information required to determine compliance with applicable environmental statutes and regulations. The defendant will provide the United States with a draft copy of the manual for its review and comments, as well as a final copy.

3) Environmental Compliance Audit

The defendant will hire an independent outside consultant to perform an environmental audit of its Millstone and Devon

facilities. The defendant will comply with the following requirements concerning the audit:

a. It will retain the consultant within 60 days from the date of the guilty plea and will ensure that the consultant is acceptable to the United States. It shall submit to the United States within 60 days of the date of the guilty plea, documentation identifying the consultant, a copy of the contract between the consultant and the defendant which details the scope of the audit to be performed, and a schedule of interim and final deadlines.

b. The consultant will follow generally accepted environmental auditing techniques, procedures and policies in designing, implementing and executing the audit, including the reporting of deficiencies and corrective measures. The audit will cover all applicable regulated environmental matters at the Millstone and Devon facilities.

c. The defendant will have the consultant prepare a draft report of its findings and recommendations which will be furnished to the Probation Department and the United States Attorney's Office at the same time it is given to the defendant.

d. The defendant will have the consultant prepare a final report of its findings and recommendations which the defendant will furnish to the Probation Department and the United States Attorney's Office within 10 days of its receipt of the final report.

e. The defendant will submit a written response to the Probation Office and the United States Attorney's Office no later than 30 days after receiving the consultant's final written report. The response will specify what action the defendant will take to correct any noted deficiencies and regulatory violations.

f. The defendant agrees to have its Millstone and Devon facilities audited annually by a consultant approved by the United States Attorney's Office during the probationary period. This annual audit will cover all federal and state regulated environmental matters at the facilities, including but not limited to, laboratory operations and analytical procedures, quality control, spills and training conducted during the preceding year and projected training, and permit and license requirements.

g. The defendant will identify a specific environmental liaison for the Millstone and Devon facilities and will ensure that he/she has sufficient training, background and

experience for the job. The job responsibilities for the environmental liaison must include environmental compliance. The defendant's environmental liaison must have authority to report noncompliance directly to the defendant's appropriate officials.

4. Sentencing Guidelines

A. Applicability

The defendant understands that the Sentencing Reform Act of 1984 and the Sentencing Guidelines apply in this case. The defendant and the Government agree that pursuant to Sections 8C2.1 and 8C2.10 of the Sentencing Guidelines, which pertain to the sentencing of organizations, the Sentencing Guidelines do not determine the fine range for environmental offenses, but leave such determinations to the sound discretion of the Court in accordance with 18 U.S.C. §§3553 and 3572.

B. Information to the Court

It is expressly understood that both the Government and the defendant will discuss the facts of this case with the United States Probation Office and that the Government will provide the Probation Officer with access to its file, with the exception of grand jury material.

5. Corporate Authorization

The defendant will provide to the Office of the United States Attorney and to the Court written evidence, in the form of a notarized resolution of the Board of Directors with both notary and corporate seals, certifying that the defendant is authorized to waive its right to indictment, to plead guilty to the information in this case, and to enter into and comply with all provisions of this agreement. The resolution shall further certify that the Chairman of the Board is authorized to take these actions, and that all corporate formalities, including, but not limited to, approval by the defendant's directors, required for such authorization have been observed.

The defendant agrees that the Chairman of the Board for Northeast Utilities Services Company, Inc., shall appear on behalf of the defendant to waive indictment, to enter pleas of guilty, and to receive the imposition of sentence by the Court.

6. Donations

In negotiating this agreement, the defendant has offered to make charitable contributions toward the improvement of Connecticut's environment. The defendant pledges that it will

make a donation of \$1 million to the State of Connecticut for the purpose of acquiring property for public benefit under the Open Space & Watershed Land Acquisition Grant Program. The defendant further pledges to make a donation of \$650,000 to the University of Connecticut to establish an Environmental Engineering Clinic charged with providing environmental educational opportunities to urban youth and to small businesses. The defendant shall not seek to take the payment of this contribution as a deduction on any federal or state tax return.

The United States has relied on this pledge in entering into this plea agreement. Should the defendant fail to completely implement the specific terms of this pledge within three months of this agreement, and in any event no later than 30 days after sentencing, the government may void all or part of this agreement.

7. Cooperation with Law Enforcement

The defendant agrees during the period of probation to cooperate truthfully and completely with the United States in its investigation of possible violations of federal and state environmental laws and in any trial or other proceedings arising out of the investigation of the defendant and any of its present and former officers and employees.

A. General Obligations

The defendant understands and agrees that its cooperation obligations will require it to do the following:

- 1) correct all instances of false statements or misrepresentations to federal or state environmental authorities or the creation of false or misleading records concerning the sampling or discharge of wastewater at the Millstone and Devon facilities now known, or which become known during the period of probation;
- 2) provide access to original documents and records;
- 3) provide access to defendant's experts and consultants and copies of their records, reports and documents;
- 4) permit and encourage the defendant's directors, officers and employees to cooperate fully and truthfully with the United States and to disclose all information with respect to their activities and those of others relating to violations of

federal criminal laws.

B. Continuing Cooperation

The defendant agrees to cooperate with the Government's continuing investigation in the following manner:

- 1) Upon the Government's request, the defendant agrees to expeditiously determine whether an identified communication or document contains attorney-client or work product privileged information.
- 2) Where a communication or document contains privileged and non-privileged information, the defendant shall redact or otherwise excise only the privileged information and disclose the non-privileged information.
- 3) In asserting any privilege, the defendant shall bear the burden of establishing the factual basis for its claims of privilege.
- 4) The Government expressly reserves its right to challenge the defendant's assertion of privilege. Nothing in this agreement is intended to limit that right in any way.

C. Specific Obligations

Discharges from the 006 outfall at Millstone, the movement of the 006 sampling location at Millstone, and the addition of river water to the wastewater treatment system at Devon Station, may have been the subject of communications between employees and counsel for the defendant at or about the time of the events alleged in the Information. The parties acknowledge that any such communications might be subject to certain privileges. The Government anticipates that current and former employees may, during the course of the Government's ongoing investigation or during subsequent proceedings, assert that they sought and relied in good faith upon the advice of the defendant's counsel in connection with the events alleged in the Information. If such an assertion is made, it may be that the individual employee/and or the Government may seek to explore the substance of any such communications.

Subject to the conditions below, if an individual employee is compelled pursuant to a grand jury subpoena to provide information to the Government related to the assertion of a reliance of counsel defense in connection with discharges from the 006 outfall at Millstone, the movement of the 006 sampling location at Millstone, and the addition of river water to the wastewater treatment system at Devon Station, the defendant will not object to either the individual employee's disclosure of, or

the Government's inquiry into such discussions, all subject to the following:

(a) the Government shall provide reasonable notice (in writing) of the individual's or the Government's intention to disclose or inquire into any such conversations;

(b) the Government shall provide the defendant a reasonable opportunity to seek -- and shall join in -- a request for protective relief from the district court and/or a Confidentiality Agreement binding all parties;

(c) the U.S. Attorney's Office and Criminal Division of the E.P.A. agree to use the information only in connection with this criminal investigation and will not disseminate information obtained to any other persons or entities; and

(d) the Government shall not claim in any forum that this agreement constitutes a waiver of any privileges by the defendant.

The parties further acknowledge and understand that the decision to provide information rests exclusively with the individual employees involved. The parties further agree that any disputes concerning the specific obligations in this provision of the plea agreement will be presented to the District Court for resolution, and shall be treated by the parties as subject to the limitations and constraints of Rule 6 of the Federal Rules of Criminal Procedure.

The parties further acknowledge and agree that this provision of the plea agreement does not, and is not intended to, constitute a waiver of the defendant's attorney-client, work product, or any other privileges. The parties further acknowledge and agree that this provision of the plea agreement shall not take effect unless and until the Court has accepted the defendant's plea in accordance with the terms of this plea agreement.

D. Notifications

If the defendant complies with all the terms of this agreement, the United States will, upon request of the defendant, advise the Court and any federal, state or local government agency, including licensing agencies or authorities, of the nature and extent of any cooperation provided by the defendant.

8. Waiver of Rights

A. Waiver of Right to Appeal or Collaterally Attack Sentence

The defendant acknowledges that it is entitled to appeal its sentence. 18 U.S.C. § 3742. It is specifically agreed that neither the Government nor the defendant will appeal or collaterally attack in any proceeding, including a motion under 28 U.S.C. § 2255, a sentence imposed by the Court if that sentence is consistent with the "Sentence Agreement" set forth above. The defendant expressly acknowledges that it is waiving its appellate rights knowingly and intelligently.

B. Waiver of Right to Indictment

The defendant understands that it has the right to have the facts of this case presented to a federal grand jury, consisting of between sixteen and twenty-three citizens, twelve of whom would have to find probable cause to believe that it committed the offenses set forth in the Information before an indictment could be returned. The defendant expressly acknowledges that it is waiving its right to be indicted knowingly and intelligently.

C. Waiver of Trial Rights and Consequences of Plea

The defendant understands that it has the right to be represented by an attorney at every stage of the proceeding.

The defendant understands that it has the right to plead not guilty or to persist in that plea if it has already been made, the right to be tried by a jury with the assistance of counsel, the right to confront and cross-examine the witnesses against it, and the right to compulsory process for the attendance of witnesses to testify in its defense. The defendant understands that by pleading guilty it waives and gives up those rights and that if the plea of guilty is accepted by the Court, there will not be a further trial of any kind.

The defendant understands that if it pleads guilty, the Court may ask it questions about each offense to which it pleads guilty, and if it answers those questions falsely under oath, on the record, and in the presence of counsel, its answers may later be used against it in a prosecution for making false statements.

9. Acknowledgment of Guilt; Voluntariness of Plea

The defendant acknowledges that it is entering into this agreement and is pleading guilty freely and voluntarily because it is guilty. The defendant further acknowledges that it is entering into this agreement without reliance upon any discussions between the Government and it (other than those described in the plea agreement letter), without promise of benefit of any kind (other than the concessions contained in the plea agreement letter), and without threats, force, intimidation, or coercion of any kind. The defendant further acknowledges its

understanding of the nature of the offense to which it is pleading guilty, including the penalties provided by law. The defendant also acknowledges its complete satisfaction with the representation and advice received from its undersigned attorney. The defendant and its undersigned counsel are unaware of any conflict of interest concerning counsel's representation of the defendant in the case.

10. Scope of Agreement

The defendant acknowledges and understands that this agreement is limited to the undersigned parties and cannot bind any other federal authority, or any state or local authority. The defendant acknowledges that no representations have been made to it with respect to any civil or administrative consequences that may result from this plea of guilty because such matters are solely within the province and discretion of the specific administrative or governmental entity involved. Finally, the defendant understands and acknowledges that this agreement has been reached without regard to any civil tax matters that may be pending or which may arise involving it, other than as set forth explicitly in this agreement.

11. Collateral Consequences

The defendant further understands that it will be adjudicated guilty of each offense to which it has pleaded guilty and may thereby be barred from entering into certain government contracts. The defendant understands that the Government reserves the right to notify any state or federal agency by whom it is licensed, or with whom it does business, of the fact of its conviction. In accordance with the standard practice of this Office in all matters of this nature, the government agrees to take no position with respect to the action to be taken by any such agency. The defendant further understands that its conviction triggers provisions of 33 U.S.C. § 1368 and 40 C.F.R. Part 33.

12. Satisfaction of Federal Criminal Liability; Breach

The defendant's guilty plea, if accepted by the Court, will satisfy the federal criminal liability of the defendant and its affiliated entities in the District of Connecticut as a result of its participation in the Clean Water Act violations set forth in the Information filed in this case, as well as any environmental offenses in the District of Connecticut now known to this Office, the Criminal Investigation Division of the Environmental Protection Agency, the Office of Investigations of the Nuclear Regulatory Commission, or the Federal Bureau of Investigation.

However, the defendant understands that if, before

sentencing, it violates any term or condition of this agreement, engages in any criminal activity, or fails to appear for sentencing, the Government may void all or part of this agreement.

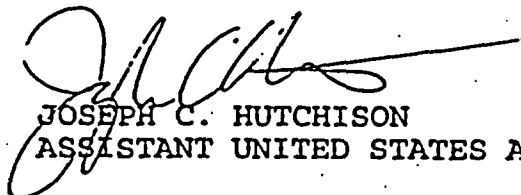
13. No Other Promises

The defendant acknowledges that no other promises, agreements, or conditions have been entered into other than those set forth in this plea agreement, and none will be entered into unless set forth in writing, signed by all the parties.

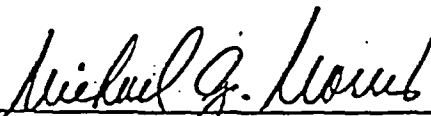
This letter shall be presented to the Court, in open court, and filed in this case.

Very truly yours,

STEPHEN C. ROBINSON
UNITED STATES ATTORNEY


JOSEPH C. HUTCHISON
ASSISTANT UNITED STATES ATTORNEY

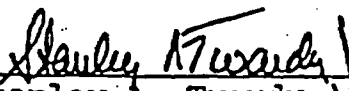
I certify that I have been authorized by formal action of the Board of Directors of Northeast Utilities Service Company to enter into this agreement on behalf of the defendant. I have read this plea agreement letter, and fully understand and accept the terms thereof.



Michael G. Morris
Chairman of the Board,
on behalf of The Defendant

July 23, 1999
Date

I have read the above and explained it to Michael G. Morris, Chairman of the Board of the defendant, who advises me that he understands and accepts its terms on behalf of the defendant.



Stanley A. Twardy, Jr., Esq.
Attorney for the Defendant

July 23, 1999
Date

NUSCO Directors July 29, 1999

I, the undersigned, HEREBY CERTIFY that at a meeting of the Board of Directors of NORTHEAST UTILITIES SERVICE COMPANY, duly called and held on July 29, 1999, at which a quorum was present and acting throughout, the following resolutions were duly adopted:

RESOLVED, that the Company is authorized to enter into a Plea Agreement with the United States Attorney's Office for the District of Connecticut in substantially the form presented to this Board to resolve certain alleged violations by the Company of the Clean Water Act, including specifically that the Company is authorized to waive its right to indictment, to plead guilty to the Information in this case in substantially the form presented to this Board and to enter into and comply with all of the provisions of said Plea Agreement.

RESOLVED, that the Chairman of the Board of the Company is authorized in the name of and on behalf of the Company to take these actions on behalf of the Company, and that all corporate formalities required for such authorization, including approval by the Company's directors, have been observed.

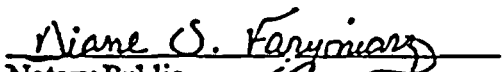
I DO FURTHER CERTIFY that the foregoing resolutions are still in full force and effect as of this date.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of said Company on this 29th day of July, 1999.


Cheryl W. Grisé
Secretary

(Seal)

Subscribed and sworn to before me this 29th day of July, 1999.


Notary Public
Date Commission Expires: 11/30/99