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Public Service of New Hampshire

R M. KACICH

March 26, 1992

APR - 2 1992

VIA HAND DELIVERY

RECEIVED

Mr. Robert J. Murphy
Executive Secretary
Department of Public Utility Control
One Central Park Plaza
New Britain, Connecticut 06051

Re: Docket No. 90-07-25 - Application of Public Service Company of New Hampshire for Waiver of Approval to Issue Securities in Connection with the Second Step of the Acquisition of Public Service Company of New Hampshire by Northeast Utilities

Dear Mr. Murphy:

On August 29, 1990, the Department of Public Utility Control issued a decision (the "Decision") pursuant to Section 16-43 of the Connecticut General Statutes that: (a) approved the issuance of securities by Public Service Company of New Hampshire ("PSNH") in connection with the second step ("Step Two") of Northeast Utilities' proposed acquisition of PSNH; and (b) approved all other transactions to effect Step Two. The Department's approvals were conditioned on the securities and other transactions conforming with the Third Amended Joint Plan of Reorganization for PSNH, and "with the Order dated July 20, 1990 by the New Hampshire Public Utilities Commission ["NHPUC"] and any Supplemental Order thereto." (emphasis added). I note that the Department's Draft Order dated March 20, 1992 did not contain reference to "Supplemental Orders" of the NHPUC (which I understand was pointed out to the Department by NU). I am writing for two reasons: (1) to echo NU's concern that the Final Order reinstate the Department's earlier acknowledgement that the NHPUC must supplement its July 20, 1990 Order, and (2) to provide to the Department the latest order of the NHPUC with respect to the Step Two financing.

Attached to this letter for the Department's information is a copy of the NHPUC's March 19, 1992, Report and Order No. 20,416 in Docket No. DF 91-193 approving the Step Two financing. The Report and Order noted that the Step Two financing package appeared consistent with the financing contemplated in the NHPUC's July 20, 1990 Order (Report at 4) and approved those financings as consistent with the public good (Order at 1).

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333 March Ave. • Manchester, NH 03105 • Telephone (603) 668-1300


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Mr. Robert J. Murphy
March 26, 1992
Page 2

PSNH believes that NHPUC Order No. 20,416 is a "Supplemental Order" to the NHPUC Order dated July 20, 1990, as contemplated by this Department's August 29, 1990 Decision in the captioned docket. Accordingly, except for reinstating the language in the Conclusion of the Final Decision that recognizes the need for "Supplemental Orders" to the NHPUC's July 20, 1990 Order, no further action is required by the Department.

Please contact me at (603) 634-2560 if you require further information about this matter.

Very truly yours,



Pierre O. Caron
Assistant General Counsel
Public Service Company of New Hampshire

cc: Leon E. Maglathlin, Jr.
Gerald Garfield, Esq.
Service List

POC:wes

DF 91-193

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE, INC./
NORTHEAST UTILITIES/
NORTH ATLANTIC ENERGY CORPORATION

Order Approving Financing

REPORT

Appearances: Rath, Young, Pignatelli and Oyer, by William F. Ardinger, Esq. and Day, Berry and Howard, by Robert Knickerbocker, Esq. for Northeast Utilities and North Atlantic Energy Corporation; Gerald M. Eaton, Esq. for Public Service Company of New Hampshire, Inc.; Shelley A. Nelkens, pro se; Office of Consumer Advocate by Michael W. Holmes, Esq. for Residential Ratepayers; Amy L. Ignatius, Esq. for the staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

By Order of Notice dated November 27, 1991, the New Hampshire Public Utilities Commission (Commission) opened docket DF 91-193 to consider the plan of financing jointly filed on November 18, 1991, by Public Service Company of New Hampshire, Inc. (PSNH), Northeast Utilities (NU) and North Atlantic Energy Corporation (NAEC). The financing plan was submitted by PSNH, NU and NAEC in anticipation of approval of the merger proposed between PSNH and NU. Shelley A. Nelkens was granted leave to intervene. Robert Knickerbocker, Esquire, of Day, Berry and Howard, counsel to NU and NAEC, was granted permission to appear pro hac vice. The Commission scheduled an evidentiary

hearing for January 14, 1992, which was subsequently re-scheduled to February 18, 1992.

II. FINANCING PROPOSAL

NU, NAEC and PSNH (collectively referred to as the companies) propose to finance the merger transaction between NU and PSNH by means of a financing plan involving approximately \$355 million in mortgage bonds at a projected interest rate of 9.25% to 9.50% but in no event greater than 11.5%, issuance by NAEC of common stock to NU to provide approximately 20% equity component of NAEC's capitalization to fund the costs of the merger, and issuance by PSNH of common stock to provide cash needed for the merger transaction. In addition, the companies intend to participate in the NU "money pool" by which pool members may borrow at rates lower than rates available to them as individual borrowers, and for NU to make capital contributions when necessary, particularly in order to maintain required debt ratios under borrowing agreements.

At the February 18, 1992 hearing, the companies presented two financial witnesses who testified to the components of the companies' financing proposal: Michael Wiater, Manager of NU's Corporate Financial Forecasting and Eugene Vertefeulle, NU's Assistant Treasurer, responsible for Short Term Financing. According to Mr. Wiater and Mr. Vertefeulle, the companies intend to market the mortgage bonds upon final approval of all regulatory entities,

including the Commission, the Connecticut Department of Public Utility Control, the Securities and Exchange Commission, and the Nuclear Regulatory Commission. Although the decisions of some regulatory agencies may be appealed, the companies intend to proceed with the development of the financing package, unless any appeal filed appears to fundamentally challenge the viability of the merger.

The companies submitted a Preliminary Request for Findings and Approvals on February 3, 1992, detailing the components of the proposed financing. The proposed findings are attached hereto as Appendix A. In addition, on February 14, 1992, the companies submitted to the Commission a letter requesting an additional approval of a letter agreement between PSNH and NAEC dated February 13, 1992, which explains the terms of the Seabrook Power Contract and the First Mortgage Indenture and Deed of Trust regarding insurance proceeds in the event of condemnation of the Seabrook Plant. The February 13 letter agreement is attached hereto as Appendix B.

III. COMMISSION ANALYSIS

The major components of the financing package appear consistent with those components contemplated in the Commission's decision in DR 89-244, 75 NH PUC 396 (1990), though particular details have now changed. For example, interest rates are lower than anticipated in 1990, while costs of the merger are higher due to the greater than anticipated length of time it has taken for the merger to reach the point of being financed. We do not find the changed circumstances to be detrimental to ratepayers or to cause us to reconsider our approval of the merger transaction.

Based upon the current estimates of the rates at which the mortgage bonds can be issued (9.25% - 9.50%) and the rate of return on equity that was found by the Federal Energy Regulatory Commission (FERC) of 12.53%, it appears that the overall cost of capital will be lower than was anticipated in Docket No. DR 89-244.

The following is a comparison of the current projections as compared to those approved in DR 89-244:

	<u>Current Projections</u> (000's)		<u>Docket 89-244</u>	
	<u>PSNH</u>	<u>NAEC</u>	<u>PSNH</u>	<u>NAEC</u>
Common Equity	\$ 390,000	\$ 157,300	\$ 320,000	\$ 140,000
Preferred Stock	125,000	0	127,551	0
Long-term Debt	<u>1,232,200</u>	<u>549,600</u>	<u>1,150,805</u>	<u>560,000</u>
Capitalization	\$1,747,200	\$ 706,900	\$1,598,356	\$ 700,000
% Common Equity	22.32%	22.25%	20.02%	20.00%
% Preferred Stock	7.15	0.00	7.98	0.00
% Long-term Debt	<u>70.53</u>	<u>77.75</u>	<u>72.00</u>	<u>80.00</u>
Total	100.00%	100.00%	100.00%	100.00%

Embedded Cost

Common Equity	13.25%	12.53%	13.25%	13.75%
Preferred Stock	10.60*	0	11.40	0
Long-term Debt	7.60*	12.01**	10.41	13.20

Weighted Cost of Capital

Common Equity	2.96%	2.78%	2.65%	2.75%
Preferred Stock	.76	.00	.91	.00
Long-term Debt	<u>5.36</u>	<u>9.34</u>	<u>7.50</u>	<u>10.56</u>
Total	9.08%	12.12%	11.06%	13.31%

*Reflects the actual embedded costs from the Step 1 financings which occurred on May 16, 1991 for the fixed rate securities and an estimate of interest rates at the time of the merger for the variable rate securities.

**Includes the assumption from PSNH at merger date of the existing \$205 million of Seabrook notes at 15.23% and the issuance of a projected new NAEC \$355 million first mortgage bond with an estimate interest rate of 9.5%.

The company also furnished the following information related to the transactions which will occur if the merger were to occur on April 1, 1992. PSNH would require the following cash requirements:

	<u>Millions</u>
Purchase of PSNH Common Stock	\$ 771.1
Seabrook Transfer Tax	7.9
Reimbursement of NU Expenses	45.0
Reduction of Term Loan	52.0
Reduction of Short-term Debt	<u>46.3</u>
Cash Requirement (4/1/92)	\$ 992.3

The sources of funds needed to satisfy the \$922.3 million requirement are as follows:

	<u>Millions</u>
Capital stock purchases by NU to PSNH	\$ 410.0
Capital stock purchases by NH to North Atlantic	157.3
North Atlantic First Mortgage Bonds	<u>355.0</u>
Total	\$ 922.3

Upon consummation of the merger North Atlantic will provide PSNH with the funds obtained from the sale of the first mortgage bonds and the capital contribution from NU, along with the assumption of \$205 million of Seabrook notes in return for the Seabrook asset.

One financial transaction not contemplated by the Commission in DR 89-244 is the NU money pool. Participation in the money pool, according to the companies' witnesses, is voluntary on the part of each member; members are free to borrow from and extend loans to the pool if they so wish; at no point are they required to do so. Because members would be able to borrow money at lower rates than they could obtain elsewhere, which inures to the benefit of ratepayers, we find that the participation of the companies in the NU money pool to be consistent with the public good and an acceptable component of the financing proposal.

In addition, our order in DR 89-244 did not contemplate capital contributions from NU to maintain required debt ratios. The companies testified that they intend to undertake such borrowing only in the event it is necessary to maintain required debt ratios or in other emergency situations, and in most circumstances the companies would notify the Commission staff following such contributions. When this is not possible, the companies have agreed to notify the staff immediately after such contributions. Given the companies' commitment to involve the Commission staff in all circumstances except emergencies, and the representation of the companies that they anticipate a need for emergency contributions to be extremely rare, we find the capital contributions proposal to be consistent with the public good and an acceptable component of the financing.

Finally, the companies have submitted a letter agreement explaining the operation of the Seabrook Power Contract and insurance proceeds in the event of condemnation of the Seabrook Plant. We find that the letter agreement is consistent with our understanding of the Seabrook Power Contract and in the public good and, therefore, an acceptable component of the financing.

Our order will issue accordingly.

Concurring:

March 19, 1992

Eruce B. Ellsworth
Commissioner

Linda G. Bisson
Commissioner

DF 91-193

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE, INC./
NORTHEAST UTILITIES/
NORTH ATLANTIC ENERGY CORPORATION

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Order Approving Financing

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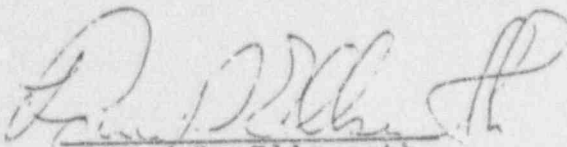
In consideration of the foregoing report,
which is made a part hereof; it is hereby

ORDERED, that the financing proposal presented
by Northeast Utilities, North Atlantic Energy Corporation
(NAEC) and Public Service Company of New Hampshire, Inc. (PSNH)
(collectively the companies) is consistent with the public good
and hereby approved; and it is

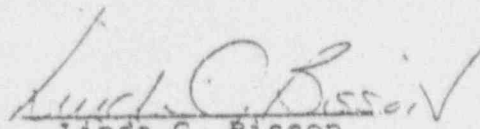
FURTHER ORDERED, that the Preliminary Request
for Findings and Approvals proposed by the companies and at-
tached to the Report as Appendix A is hereby accepted; and it
is

FURTHER ORDERED, that the letter agreement
between NAEC and PSNH dated February 13, 1992, interpreting the
Seabrook Power Contract and describing payment of insurance
proceeds in the event of condemnation of the Seabrook Plant,
attached to the Report as Appendix B, is hereby accepted.

By order of the New Hampshire Public Utilities
Commission this nineteenth day of March, 1992.

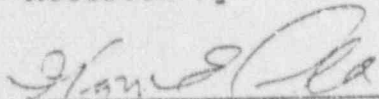


Bruce B. Ellsworth
Commissioner



Linda G. Bisson
Commissioner

Attested by:



Wynn E. Arnold
Executive Director and Secretary

STATE OF NEW HAMPSHIRE
BEFORE THE PUBLIC UTILITIES COMMISSION

Financing Petition of Northeast)
Utilities, Public Service Company) Docket No. DF 91-193
of New Hampshire and)
North Atlantic Energy Corporation)

PRELIMINARY REQUEST FOR FINDINGS AND APPROVALS

At a prehearing conference held before the New Hampshire Public Utilities Commission on December 17, 1991, Northeast Utilities ("NU"), Public Service Company of New Hampshire ("PSNH") and North Atlantic Energy Corporation ("NAEC") (collectively, the "Petitioners") agreed to submit a list of preliminary requests for findings to be made by the Commission at the close of the hearing in the above-referenced matter, and a list of approvals needed to implement the financings (the "Step 2 financings") required to consummate the merger (the "Merger") of PSNH and an NU subsidiary in accordance with the Third Amended Joint Plan of Reorganization dated December 28, 1989, proposed by various parties to the PSNH bankruptcy (the "Joint Plan"). In submitting this request, Petitioners understand that they may add additional requests for findings and approvals as may be required.

A. Proposed General Findings of Fact

1. In reviewing and approving the Rate Agreement and the PSNH reorganization proposal contained in the Joint Plan in DR 89-244, the Commission considered the Step 2 financings, including, inter alia, NAEC's first mortgage bonds and the PSNH and NAEC common stock, based upon the information and projections available to the Commission in the record at that time, including:

- a. for the first mortgage bonds, an aggregate principal amount of approximately \$355 million, a maturity of up to ten years and a projected interest rate of 11.5 percent;
- b. the issuance by NAEC of its common stock to NU to provide the approximately 20 percent equity component of NAEC's initial capitalization required to fund the costs, determined in accordance with the formula set out in Section 2 of the Rate Agreement, of the acquisition by NAEC of PSNH's Seabrook Interest; and
- c. the issuance by PSNH of its common stock in accordance with the Merger Agreement to provide the amount of cash needed (after taking into account the amount to be received on the transfer of the Seabrook Interest to NAEC) to satisfy PSNH's obligations under the Merger Agreement, including the amount needed to cash out the

shares of the existing PSNH common stock paid or accrued as stock dividends prior to the Merger in accordance with the Joint Plan.

2. In DR 89-244, the Commission found that these financings, as components of the overall financing plan, are essential to the consummation of the Merger and to implementation of the Joint Plan, are reasonable, permit resolution of the PSNH bankruptcy, are supported by the rates provided for in the Rate Agreement, and, based upon the information available at that time as to the Step 2 financings, were conceptually consistent with the public good and lent support to the Commission's findings as to the Rate Agreement under RSA 362-C:3.

3. The Commission further found in DR 89-244 that the rates, both those anticipated under the Rate Agreement for the seven-year fixed rate period and the range of rates projected for the years after the fixed rate period, are affordable, reasonably balance the competing interests of consumers and investors so that investors will realize a reasonable return and ratepayers will not suffer an undue burden, and will permit PSNH to support its anticipated capitalization for such years.

4. With respect to the issuance of the securities and other financings of PSNH and NAEC contemplated by the Joint Plan (including, inter alia, NAEC's first mortgage bonds and the PSNH and NAEC common stock), the Commission found in DR 89-244 that:

- a. the resulting capitalizations of these utilities are reasonable, permit resolution of the PSNH bankruptcy, are supported by the rates provided for in the Rate Agreement and are in the public good;
- b. the resulting capital structures of these utilities will not exceed the fair cost of the property reasonably requisite for present and future use to supply reliable electric service in the future to the New Hampshire ratepayers and its economy; and
- c. the resulting capitalization ratios and capital structures are reasonable and are justified by the special circumstances of the case.

5. Based upon the Commission's review in this docket of the specific proposals for the Step 2 financings as the Merger is becoming imminent, as contemplated in DR 89-244, the Commission finds the specific financing proposals herein are consistent with the Commission's understanding of such financings at the time of its Report and Order No. 19,889 in DR 89-244, including, without limitation, the amount, maturity and maximum cost of NAEC's first mortgage bonds, the amount (taking into account variables for cash requirements of the Merger that change over time as discussed in the Commissions' findings herein) and cost of common stock to be issued by PSNH and NAEC, and the resulting

capitalizations and capital structures, and the Commission's findings and approvals in said Report and Order No. 19,889 with respect to the public good are accordingly reconfirmed herein.

B. Proposed Findings With Respect to Specific Financings

First Mortgage Bonds

1. The NAEC first mortgage bonds will be issued in an aggregate principal amount of approximately \$355 million, with a proposed maturity not to exceed ten years, and at an interest rate which is expected not to exceed 11.5 percent.

2. Because the interest rate on the first mortgage bonds will be no higher than the 11.5 percent projected in DR 89-244 (and may be lower), and the aggregate principal amount and maturity are consistent with the projections considered by the Commission at that time, no material adverse change has occurred since DR 89-244 and the Commission need not repeat the detailed inquiry made at that time.

3. The issuance cost for the first mortgage bonds is not expected to exceed \$9.4 million.

4. Under RSA 369:1, 2 and 4, the issuance and sale to underwriters, at a price equal to the principal amount and with issuance costs not exceeding \$9.4 million, of approximately \$355

million in aggregate principal amount of first mortgage bonds by NAEC at the effective date of the Merger pursuant to the terms of an indenture (the "Indenture") substantially in the form submitted to the Commission and in accordance with testimony submitted to the Commission, with a term to maturity of not more than ten years and an interest rate of not more than 11.5% per annum, is in the public good.

5. Under RSA 369:2, the proposed first mortgage to be granted by NAEC in accordance with the Indenture of certain present and future property, both tangible and intangible, and including franchises, relating to the Seabrook Interest, to secure payment of its first mortgage bonds is in the public good.

6. The pledging and assignment to the trustee under the Indenture of NAEC's rights under the Seabrook Power Contract as security for NAEC's first mortgage bonds pursuant to the terms of the Indenture is in the public good.

NAEC Common Stock

7. Pursuant to the Joint Plan, the NAEC common stock will be issued to NU for an amount determined based on a common equity percentage of 20 percent and the \$700 million value initially assigned to Seabrook, plus an amount of equity reflecting the Investment Return, Deferred Capital Expense and AFUDC (each as defined in Schedule I to Exhibit A of the Rate Agreement) accrued

between May 16, 1991 and the Merger date. The approximate dollar amount of the common equity issuance would be \$150 million if the Merger had occurred on January 1, 1992, \$160 million if the Merger occurs on April 1, 1992, and \$165 million if the Merger occurs on July 1, 1992.

8. The issuance cost is not expected to exceed \$5,250.

9. Because the issuance of common stock by NAEC at the effective date of the Merger is pursuant to and in accordance with the terms of the Joint Plan and there has been no material change in the projections that the NAEC common stock will be issued without an underwriter at low issuance cost and NAEC's initial capitalization will be approximately 80 percent debt and 20 percent equity, the Commission need not repeat the detailed inquiry made in DR 89-244.

10. Under RSA 369:1 and 4, the issuance of common stock by NAEC in an amount as determined in accordance with the formula set out in paragraph 7 above and at an issuance cost of approximately \$5,250 is in the public good.

11. Under RSA 374:33, acquisition by NU of the shares of common stock issued by NAEC at the effective date of the Merger is in the public good.

PSNH Common Stock

12. Pursuant to the Joint Plan, at the Merger, PSNH will issue common stock to NU for an amount of cash necessary to satisfy PSNH's obligation to provide the cash requirements of the Merger, after taking into account the amount to be received on the transfer of the Seabrook Interest to NAEC.

13. The cash requirements of the Merger consist of the amount to be paid to existing PSNH common stockholders for their shares, including all stock dividends paid or accrued prior to the Merger in accordance with the Joint Plan, plus up to \$52 million to reduce PSNH's term loan, plus \$45 million to reimburse NU for expenses associated with the Merger, plus approximately \$7.3 million to be paid to the State of New Hampshire for the transfer tax on the transfer of the Seabrook Interest, plus an as yet undetermined amount (approximately \$50 million as of January 1, 1992) to reduce PSNH's short-term debt under its Revolving Credit Agreement. These cash requirements will change over time both (i) because of the requirement of the Joint Plan that PSNH accrue and pay 3 percent common stock dividends each quarter prior to the Merger, and (ii) the objective, which the Commission approves and which will require a reassessment by NU and PSNH of PSNH's future borrowing needs at the time of the Merger in light of PSNH's actual and forecasted revenues and expenses, of bringing PSNH's revolving credit borrowing at the Merger date down to a level which will provide reasonable assurance that

revolving credit borrowings thereafter will not exceed approximately \$107 million at any time during the remaining term of PSNH's Revolving Credit Agreement authorized in DR 89-244.

14. On the basis of current forecasts of revenue and expenses, the approximate dollar amount of PSNH's common equity would be \$390 million if the Merger had occurred on January 1, 1992, \$410 million if the Merger occurs on April 1, 1992 and \$440 million if the Merger occurs on July 1, 1992.

15. Because the issuance of common stock by PSNH at the effective date of the Merger in the amount required to meet the cash requirements of the Merger (after taking into account the amount to be received on the transfer of the Seabrook Interest to NAEC) is pursuant to and in accordance with the terms of the Joint Plan and the Merger Agreement, the Commission need not repeat the detailed inquiry made in DR 89-244.

16. The issuance cost of the PSNH common stock is not expected to exceed \$5,250.

17. Under RSA 369:1 and 4, the issuance of common stock by PSNH in a dollar amount determined pursuant to the Joint Plan and the testimony in this proceeding at an issuance cost of approximately \$5,250 is in the public good.

18. Under RSA 374:33, acquisition by NU of the shares of common stock issued by PSNH in accordance with the Merger Agreement is in the public good.

NU Money Pool

19. The NU Money Pool arrangement, which was not specifically contemplated in DR 89-244, is likely to enable PSNH and NAEC to obtain short-term credit at terms that are more favorable to the companies than could otherwise be obtained, and accordingly is just, reasonable and in the public good.

20. The contribution by PSNH or NAEC of excess cash, if any, to the NU Money Pool in order to earn interest on such cash is just, reasonable and in the public good.

21. The terms of the NU Money Pool, substantially as described in Exhibit 12 to the application herein and the testimony submitted to the Commission, are just, reasonable and in the public good.

Future Capital Contributions

22. The making of equity capital contributions from time to time hereinafter by NU to PSNH without further Commission authorization in the event that they are (and in such amounts as are) necessary to maintain PSNH's minimum amount of equity under PSNH's bank agreements is in the public good.

C. Requested Approvals

1. The issuance at the effective date of the Merger of approximately \$355 million in aggregate principal amount of the first mortgage bonds by NAEC in accordance with the Joint Plan, pursuant to the terms of the Indenture and in accordance with testimony submitted to the Commission, at a price equal to the principal amount and with issuance costs not exceeding \$9.4 million, with a term to maturity of not more than ten years and an interest rate of not more than 11.5% per annum, is approved as in the public good. NAEC is hereby authorized to:

- a. enter into the Indenture;
- b. grant the first mortgage in accordance with the Indenture of certain present and future property, both tangible and intangible, and including franchises, relating to the Seabrook Interest to secure payment of its first mortgage bonds;

- c. pledge and assign to the trustee under the Indenture, NAEC's rights under the Seabrook Power Contract as security for NAEC's first mortgage bonds pursuant to the terms of the Indenture; and
- d. issue and sell the first mortgage bonds at the principal amount to one or more underwriters.

2. Under RSA 369:1 and 4, the issuance by NAEC of its common stock to NU in accordance with the Joint Plan for an amount determined based on a common equity percentage of 20 percent and the \$700 million value initially assigned to Seabrook, plus an amount of equity reflecting the Investment Return, Deferred Capital Expense and AFUDC accrued between May 16, 1991 and the Merger date, such amount not to exceed \$175 million, at an issuance cost of approximately \$5,250 is approved as in the public good, and NAEC is hereby authorized to effect such issuance.

3. Under RSA 374:33, acquisition by NU of the shares of common stock issued by NAEC at the effective date of the Merger is in the public good, and NU is hereby authorized to acquire such stock.

4. Under RSA 369:1 and 4, the issuance by PSNH to NU through NUAC at the Merger, in accordance with the Merger Agreement, of an amount of equity to provide the cash requirements of the Merger, after taking into account the amount

to be received on the sale of the Seabrook Interest to NAEC, at an issuance cost of approximately \$5,250, is approved as in the public good, and PSNH is hereby authorized to effect such issuance.

5. Under RSA 374:33, acquisition by NU through NUAC of the shares of common stock issued by PSNH in accordance with the Merger Agreement is approved as in the public good, and NU is hereby authorized to acquire such shares in said manner.

6. The terms of the NU Money Pool, substantially as described in Exhibit 12 to the application herein and the testimony submitted to the Commission, are just, reasonable and in the public good and accordingly the NU Money Pool is approved as an affiliate contract pursuant to RSA 366:5. PSNH and NAEC are each hereby authorized to enter into the NU Money Pool arrangement, to contribute excess cash, if any, to the NU Money Pool and to obtain short-term credit from the NU Money Pool consistent with the N.H. Admin. Rule Puc 312.01.

7. The making of equity capital contributions from time to time hereinafter by NU to PSNH without further Commission authorization in the event that they are (and in such amounts as are) necessary to maintain PSNH's minimum amount of equity under PSNH's bank agreements is in the public good and is approved

without further Commission authorization. NU is hereby authorized to make and PSNH is hereby authorized to receive such capital contributions.

Respectfully submitted,

NORTHEAST UTILITIES
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
NORTH ATLANTIC ENERGY CORPORATION

By Their Attorneys,

Rath, Young, Pignatelli & Oyer, P.A.
2 Capital Plaza, P.O. Box 854
Concord, New Hampshire 03302-0854
(603) 226-2600

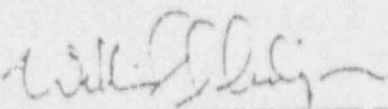
Dated: February 3, 1992

By: 
William F. J. Ardinger

CERTIFICATION

I hereby certify that, on the date written below, I caused a copy of this Preliminary Request for Findings of Fact and Requested Approvals to be sent by first class U.S. Mail, postage prepaid to the attached service list.

Dated: February 3, 1992


William F. J. Ardinger

NORTH ATLANTIC ENERGY CORPORATION
1000 Elm Street
Manchester, New Hampshire 03105

February 13, 1992

Public Service Company of New Hampshire
1000 Elm Street
Manchester, New Hampshire 03105

Re: Seabrook Insurance Arrangements

Gentlemen:

In anticipation of your transfer to us of your interest in Seabrook Unit 1 (the "Unit"), we are preparing to effect an initial issuance of one or more series of our first mortgage bonds to finance, in part, the purchase price. The initial bonds and any additional bonds that may subsequently be issued (the "Bonds") are to be issued under and secured by an open-end mortgage indenture (the "Indenture") with a bank as trustee (the "Trustee"), which, among other things, will include provisions with respect to the rebuilding of Seabrook Unit 1 (the "Unit") in the event of destruction or condemnation and the use of insurance and condemnation proceeds to be deposited with the Trustee. At the time of the transfer we will also assume your 5.23% Notes due 2000 (the "Notes") which were issued in connection with your reorganization.

The proposed form of the Seabrook Power Contract ("Seabrook Power Contract") which is included as Exhibit A to your Rate Agreement dated as of November 22, 1989, as amended, with the Governor and Attorney General of New Hampshire, also includes provisions with respect to the rebuilding of the Unit in the event of destruction or condemnation and the use of insurance or condemnation proceeds. (Although we have agreed that the form of the Seabrook Power Contract will be modified on certain respects to update it and to reflect a decision of the Federal Energy Regulatory Commission, none of the proposed revisions affects such provisions.)

We have discussed with you the relevant provisions of the proposed Indenture and the procedures which we will implement under the Seabrook Power Contract in order to confirm that these provisions and procedures are in accord with your understanding of the Seabrook Power Contract

Public Service Company of New Hampshire
February 13, 1992
Page 2

requirements. We understand that you concur that these provisions and procedures satisfy the Seabrook Power Contract requirements. Accordingly this letter is written to summarize these provisions and procedures and to ask you to confirm your agreement to them.

The provisions and procedures in question are as follows:

1. In order to give effect to the requirement in Section 6 of the Seabrook Power Contract that you have the right to instruct us as to how to vote on any repair or replacement of the Unit pursuant to the terms of the Joint Ownership Agreement among the joint owners of the Unit, we agree that we will notify you promptly after we become aware that any vote is to be taken pursuant to the terms of the Joint Ownership Agreement on repair or replacement of the Unit and that we will comply with any instructions given to us by you as to how to vote on the repair or replacement. In the event a determination is made to rebuild, repair or replace the Unit after a loss or condemnation in accordance with the Joint Ownership Agreement, we shall provide our share of the cost thereof and shall apply to the Trustee for the withdrawal of any proceeds deposited with the Trustee with respect to the loss or condemnation to reimburse us for the cost.

2. The Indenture shall be deemed to be consistent with the requirements of the Seabrook Power Contract in the event the Indenture includes the following provisions:

- a. A provision which requires that the Trustee be named as an additional insured under the property insurance policies with respect to the Unit and that any insurance proceeds received on a loss with respect to the Unit in excess of a specified minimum (\$1,000,000 or less) and any proceeds received on the condemnation of all or a portion of the Unit be paid to the Trustee to be held by it as part of the trust estate.
- b. Provisions which, if no Event of Default has occurred and subject to certain other conditions, permit us to withdraw insurance or condemnation proceeds deposited with the

Trustee to reimburse us for the cost of rebuilding, repair or replacement of the Unit.

- c. Provisions which provide that (i) if the destroyed, damaged or condemned property is not to be rebuilt, repaired or replaced in accordance with the Joint Ownership Agreement, all insurance or condemnation proceeds deposited with the Trustee shall be used to purchase or redeem Bonds in accordance with the Indenture, (ii) if any insurance or condemnation proceeds deposited with the Trustee are not to be used for the cost of rebuilding, repairing or replacing such property, such excess proceeds shall be used to purchase or redeem Bonds in accordance with the Indenture, and (iii) if all or substantially all of the property is destroyed, damaged to the extent of being completely destroyed or substantially completely destroyed or condemned, all insurance or condemnation proceeds deposited with the Trustee shall be used to redeem Bonds in accordance with the Indenture.

3. In the event insurance or condemnation proceeds are received by the Company or the Trustee with respect to the Unit and are not used to rebuild, repair or replace the Unit or to purchase or redeem Bonds, we shall, if so directed by you, apply an amount equal to such proceeds to the purchase or redemption of Notes or the repayment of any other outstanding indebtedness.

4. To the extent that insurance or condemnation proceeds are received by the Company or the Trustee with respect to the Unit and are not applied to rebuilding, repair or replacement of the Unit, or to the purchase or redemption of Bonds or Notes, or the repayment of other indebtedness, an amount equal to such proceeds shall be paid to you in accordance with the requirements of Section 6 or Section 11 of the Seabrook Power Contract and your obligations to make payments under the Power Contract shall continue without modification.

5. In the event any insurance or condemnation proceeds are applied to the redemption or purchase of

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Bonds or notes, or to the repayment of any other indebtedness, the Initial Plant Investment and Capital Addition Cost of the Unit (in each case as defined in Schedule I to the Seabrook Power Contract) shall be reduced by an amount equal to the proceeds so applied, effective as of the time of such application, and the amount thereafter required to be paid by you under the Power Contract for depreciation and investment return shall be appropriately adjusted to reflect such reduction.

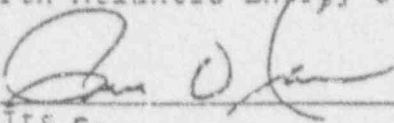
5. We shall give notice to you each time that insurance proceeds or condemnation proceeds are received with respect to the Unit and shall inform you of the intended disposition of such proceeds not less than 20 days before such disposition is made. In the event we are obligated to pay all or any portion of such proceeds to you in accordance with these procedures we shall effect such payment promptly after we determine that such payment is required.

7. It is agreed that compliance by us with the requirements of this letter shall satisfy our obligations to you under Section 6 and 11 of the Seabrook Power Contract with respect to repair or replacement of the Unit and the use of insurance or condemnation proceeds.

If we correctly stated the provisions and procedures on which we have agreed, please confirm your agreement by signing in the form provided below on a copy of this letter and returning it to us.

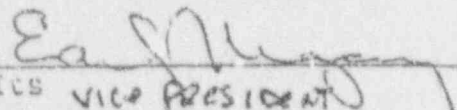
Very truly yours,

North Atlantic Energy Corporation

By 
Its SECRETARY

We confirm our agreement to the foregoing:

Public Service Company of New Hampshire

By 
Its VICE PRESIDENT

New Hampshire

Public Utilities Commission

Public Service Company of New Hampshire/Northeast Utilities/
North Atlantic Energy Corporation

Docket No. DR 91-193

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