

APPENDIX L

- L-1 Newfound Lake Dam – Water Use Agreements

NEWFOUND PROJECT
CONTRACT WITH WATER USERS

Between the

NEW HAMPSHIRE DEPARTMENT OF ENVIRONMENTAL SERVICES

and the

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE, INC.

for their

HYDROPOWER DEVELOPMENT

at their

**AMOSKEAG
HYDROELECTRIC FACILITY**

on the

MERRIMACK RIVER

This Contract is between the State of New Hampshire [**STATE**] acting by its Department of Environmental Services, located at 6 Hazen Drive, Concord, New Hampshire, hereinafter called the "**DEPARTMENT**", and Public Service Company of NH, Inc., a New Hampshire corporation with its principal place of business at 1000 Elm Street, Manchester, NH, hereinafter called the "**CONTRACTOR**".

WITNESSETH THAT

WHEREAS, by Chapter 481 of the Revised Statutes Annotated (RSA), entitled "State Dams, Reservoirs, and Other Water Conservation Projects", as amended, the Water Resources Board [**BOARD**] was created and empowered, among other things, to construct, maintain, and operate projects;

WHEREAS, by Chapter 420 of the Laws of 1973, the General Court authorized the **BOARD** to accept conveyance of the Newfound Lake Dam (Dam), the water rights, land, and other facilities connected therewith; to make repairs and modifications to the dam or to rebuild as may best serve the interests of the State; and approved an appropriation of \$50,000 for the repairs, modifications, or rebuilding of the Dam after Governor and Executive Council approval;

WHEREAS, among other actions taken on July 17, 1973, the Governor and Executive Council authorized the **BOARD** to expend a sum not to exceed \$50,000 to make necessary repairs at the Dam;

WHEREAS, the deed conveying all rights and title to the Dam was duly executed on March 28, 1974, which, when combined with the legislative and Governor and Executive Council actions, establishes and constitutes the Newfound Project (Project) for the purposes of maintenance, operation, and management of the Dam by the **BOARD**;

WHEREAS, the **BOARD** has continued these functions of maintenance, operation, and management of this facility;

WHEREAS, the Governor and Executive Council have more recently reaffirmed their 1973 decision on May 13, 1976, by authorizing additional expenditures for needed repairs; on December 23, 1981, by determining that the proposed leasing of the Dam for hydroelectric re-activation was of public use and benefit and within the authority of the **BOARD**, and directing the **BOARD** to proceed; and on September 14, 1986, by authorizing additional expenditures for more repairs to the Dam;

WHEREAS, by Chapter 202, Laws of 1986, the **BOARD** was reorganized and its public corporation functions were assumed by the new Water Resources Council on January 2, 1987;

WHEREAS, by legislation, the Water Resources Council's public corporation functions were transferred to the **DEPARTMENT** effectively on July 1, 1996;

WHEREAS, the **DEPARTMENT** now owns the Newfound Dam which is located on the Newfound River at the outlet of Newfound Lake;

WHEREAS, the **DEPARTMENT** is now empowered to charge and collect fees for the use of delivered water from storage and other related services, subject to and in accordance with agreements with Water Users, developers, and operators as provided by RSA 481:3;

WHEREAS, pursuant to RSA 481:8, the **DEPARTMENT** is required to make contracts with Water Users, subject to the approval of Governor and Executive Council, to recover compensation for the use of stored water or other special benefits created by a water storage project;

WHEREAS, the **CONTRACTOR** is a Water User by virtue of operating the Amoskeag hydroelectric facility downstream of the Newfound Project;

WHEREAS, the **DEPARTMENT** has determined that the continued operation and maintenance of the **CONTRACTOR's** Amoskeag hydroelectric facility promote the purposes of the Project as set forth in RSA 481:1 and 13 and are in the best interest of the

State of New Hampshire;

WHEREAS, it is desirable for the **DEPARTMENT** to continue to maintain and operate the Project for an additional period of at least fifteen (15) years from the effective date of this Contract;

NOW THEREFORE, in consideration of these premises and of the mutual promises herein contained, the Parties hereto, for themselves and their respective successors and assigns, and with the approval of the Governor and Executive Council of the State of New Hampshire, agree as follows:

ARTICLE 1. EFFECTIVE DATE AND TERM

1.1 This Contract shall become effective upon the approval of the Governor and Executive Council and shall remain in effect for a period of fifteen (15) years from that date, unless sooner terminated as provided in Article 8 of this Contract.

1.2 In the event that the effective date is not the first of January 2001, the Water User Fee as described in Article 4 shall be computed as of the first of January 2001.

1.3 Subject to the provisions of RSA 481:8, this Contract may be renewed upon the mutual agreement of the Parties hereto, and upon the approval of the Governor and Executive Council, on a year-to-year basis or longer. This renewal option shall be initiated by one or both of the Parties hereto, in writing, no later than one hundred twenty (120) days before the expiration of the Contract term, or any renewal term of the Contract.

ARTICLE 2. DEFINITIONS

Whenever used in this Contract, the following terms shall have the following meaning:

2.1 "Calendar Year" shall mean a period of one year beginning January 1 and ending December 31.

2.2 "Minor Amendments" shall mean any amendment to the Contract which does not alter the expected revenues to be generated during the original term of the Contract.

2.3 "Parties" shall collectively mean the **DEPARTMENT** and the

CONTRACTOR.

2.4 "Semi-Annual Fee" shall mean the fee payment to be made by the **CONTRACTOR** to the **DEPARTMENT** for the semi-annual fee periods, the first of which begins on January 1 and runs through June 30 of each Calendar Year, and the second of which begins July 1 and runs through December 31 of each Calendar Year.

2.5 "Significant Amendments" shall mean any amendment to the Contract which alters the expected revenues to be generated during the original term of the Contract.

2.6 "Water User" shall mean those entities specially benefited by the Project, pursuant to RSA 481:8.

2.7 "Water User Fee" (WUF) shall mean the fee payable by the **CONTRACTOR** under Article 4.

ARTICLE 3. OPERATION OF THE NEWFOUND PROJECT

3.1 Subject to acts of God, war, insurrection, other causes beyond its control; and sale, lease, or granting of an easement pursuant to the Dam Leasing Program or Federal law; the **DEPARTMENT** shall, at its own expense, own, operate, repair, and maintain the Newfound Project in proper operating condition and in a good state of repair and perform all acts necessary to effect the regulation and release of stored water in the manner set forth in this article.

3.2 During the period from March 15th to June 1st of each year, the Project shall be filled to elevation 588.4 feet NGVD (6.5 feet on the local gauge), plus or minus 0.3 of a foot, as far as the run-off will allow. Thereafter, the stored water shall be released from the Project at such times and in such quantities as may yield the most overall beneficial use of the stored water to the end that on or about March 15th of the following year, the Project shall be drawn down 3.5 feet to elevation 584.9 feet NGVD (3.0 feet on the local gauge), plus or minus 0.3 of foot, if necessary, for the abatement of spring flood waters and the impounding of the spring run-off then anticipated. All of this shall be in accordance with the established operating principles

in view of the prevailing and/or anticipated meteorological conditions.

3.4 The method of storage and release of water set forth shall be subject to the provisions of RSA 481:13. The day-by-day and hour-by-hour discharge of water from the Newfound Project, in the method and in the manner set forth in this article, shall be performed so as to deliver the water stored by the Newfound Project, in such quantities and amounts as prescribed, to the **CONTRACTOR**. Operating records of the **DEPARTMENT** indicate that the annualized amount of water delivered from the artificial storage in Newfound Lake, at times when the Amoskeag facility can generate additional power and derive a benefit and which meets the definition of stored water in RSA 481:12, equates to a minimum of 0.60 billion cubic feet. With a Gross Operating Head of 45 feet and a plant efficiency of 80%, the amount of additional power generated at the Amoskeag hydroelectric facility using this delivered water equates to 509 Megawatt-Hours per year.

ARTICLE 4. WATER USER FEE

4.1 Commencing on the first day of January 2000 and continuing semi-annually thereafter, the **CONTRACTOR**, as a beneficiary of stored water and headwater benefits at the Project, shall prospectively pay to the **DEPARTMENT** a Water User Fee for the use of stored water and all other benefits associated with the Newfound Project. The semi-annual WUF shall be calculated in accordance with the following formula:

$$WUF = M \times 6 \times S \times H$$

Where:

WUF = Water User Fee

- M = Monthly Charges per billion cubic feet of usable stored water at the Newfound Project, per foot of total Gross Operating head at the Amoskeag hydroelectric facility.
- S = Billion cubic feet (0.60) of stored water from the Newfound Project delivered to the Amoskeag hydroelectric facility at times when the Amoskeag facility can generate additional power and derive a benefit.
- H = The Gross Operating Head at the Amoskeag hydroelectric facility. (As of the date of this Contract, the Gross Operating Head of the Amoskeag facility is 45 feet).

4.2 Commencing with the first computation of the WUF under this Contract, "M" shall be set at \$11.00. "M" shall automatically escalate or deescalate on January 1 of each subsequent year, at a percentage rate equal to the percent change in the prior year's Gross Domestic Product Implicit Price Deflator as reported by the United States Department of Commerce, Economics and Statistics Administration, Bureau of Economic Analysis. If such a figure is not reported, then the percent escalation or deescalation shall be computed using another appropriate national index, designated by the **DEPARTMENT**, that represents the changes in costs of operating the Newfound Project due to inflation or deflation.

4.3 The WUF shall not exceed an amount equal to 85% of the semiannual benefit that the **CONTRACTOR** derives from the stored water delivered to the Amoskeag hydroelectric facility from the

Newfound Project. The semiannual benefit shall be computed as one-half of the product of the additional power generated annually at the Amoskeag hydroelectric facility using water delivered from the Newfound Project (509 Megawatt-Hours) times the **CONTRACTOR'S** Annual Average Incremental Energy Cost per Megawatt-Hour. The Annual Average Incremental Energy Cost shall be calculated by the **CONTRACTOR**. The **DEPARTMENT** reserves the right to request data upon which said Annual Average Incremental Energy Cost was calculated.

4.4 Invoices for all amounts due under this Article 4 shall be rendered semi-annually by the **DEPARTMENT** to the **CONTRACTOR** for the next semi-annual fee period. If all or any part of any invoice shall remain unpaid for more than thirty (30) days, then interest will be charged at a rate per annum of two percent (2%) above the prime (or comparable) rate as reported by the Federal Reserve Bank of New York (on the date of the invoice) and shall thereafter accrue and be payable to the **DEPARTMENT** either (1) on such unpaid amount, or (2) in the event the amount of the invoice is disputed, on the amount finally determined to be due and payable. The **CONTRACTOR** may dispute all or any part of any invoice by mailing to the **DEPARTMENT** a written notice thereof within thirty (30) days of receipt of such invoice and by paying to the **DEPARTMENT** any amount not in dispute.

ARTICLE 5. RE-DETERMINATION OF WATER USERS FEES

If either of the following events should occur during the term of this Contract, then the **CONTRACTOR** and the **DEPARTMENT** agree to enter into good faith negotiations for the re-determination of the Water User Fee assessed under Article 4. If:

(A) New governing laws or rules institute restrictive water use allocations which adversely affect the **DEPARTMENT'S** ability to release the stipulated volume of water from storage;

(B) The management and control of the Project are modified

and thereby materially alter the headwater benefits received by the **CONTRACTOR**;

(C) The **CONTRACTOR** modifies its Amoskeag facility and thereby alters its Gross Operating Head; or

(D) Changes to the retail electric supply market occur that substantially affect the benefits received under the Contract.

ARTICLE 6. DAM RECONSTRUCTION

If the Dam and its appurtenances are substantially destroyed or damaged from any cause, then this Contract shall terminate automatically sixty (60) days after the occurrence of such destruction or damage. If, subsequent to the termination of this Contract, the **DEPARTMENT** determines to reconstruct the Dam, then the reconstruction shall be deemed a new Project and the **DEPARTMENT** shall proceed in accordance with RSA 481:7 through :9.

ARTICLE 7. CONTRACTOR A LAWFUL WATER USER

The **CONTRACTOR** shall be deemed a lawful user of stored water from the Project under RSA 481 for the term of this Contract, provided that all fees due and owing have been paid-in-full.

ARTICLE 8. TERMINATION OF CONTRACTOR STATUS

8.1 The **CONTRACTOR** may terminate its rights and obligations under this Contract if the **CONTRACTOR** gives the **DEPARTMENT** at least six (6) month's prior written notice of its intention to both cease power generation at the Amoskeag hydroelectric facility and to render the Amoskeag hydroelectric facility incapable of immediate re-activation. Included in said written notice will be the date of termination (the "Contract Termination Date"). If the **CONTRACTOR** does not in-fact cease to generate power at the facility on or before the Contract Termination Date, then the **DEPARTMENT**, at its discretion, may treat the termination notice as non-effective. The **CONTRACTOR** shall remain liable for the payment

of all Water User Fees incurred by such **CONTRACTOR** under Article 4 during that time frame, and, for all other purposes, the Contract shall remain in full force and effect.

8.2 In the event that acts of God, war, storm, flood, fire, lightning, earthquake, civil disturbance, insurrection or other causes beyond its reasonable control damages the Amoskeag hydroelectric facility to the extent that the **CONTRACTOR** ceases to generate electricity at the Amoskeag hydroelectric facility, then this Contract can be terminated by the **CONTRACTOR**, effective as of the date that the **CONTRACTOR** gives the **DEPARTMENT** notice of its intent to terminate. All other provision of Article 8.1 shall remain in full force and effect.

8.3 In the event that the **CONTRACTOR** expects to suspend the generation of electricity at the Amoskeag hydroelectric facility for a period greater than six (6) consecutive months due to acts of God, war, storm, flood, fire, lightning, earthquake, civil disturbance, insurrection or other causes beyond its reasonable control, the **CONTRACTOR** will notify the **DEPARTMENT** of a suspension of the Water User Fee for a specified period of time. If the suspension is greater than one year in length, either Party may terminate this Agreement in accordance with the provisions of Article 8.1, with the exception that the period required for prior written notice to the other Party shall be reduced to two (2) months. All other provisions of this Contract shall remain in full force and effect during the period of suspension. If the suspension is less than or equal to one year, then the Water User Fee set forth in Article 4 shall be reapplied on the earlier of (i) the resumption of generation at the facility, or (ii) the expiration of the designated suspension period.

ARTICLE 9. SALE BY CONTRACTOR OF THE AMOSKEAG FACILITY

The **CONTRACTOR** agrees that if it shall sell its Amoskeag hydroelectric facility, then it shall require as a condition of the sale that the purchaser enter into a contract with the

DEPARTMENT as of the date of sale that makes the **DEPARTMENT** whole against any loss of revenues from the **CONTRACTOR** under Article 4 resulting from the **CONTRACTOR's** sale of the facility. The **CONTRACTOR** shall remain liable to make payments associated with the facility under the provisions of Article 4 unless the purchaser of the facility has entered into such a contract. Alternatively, the **CONTRACTOR** may, with the **DEPARTMENT's** written consent, said consent not to be unreasonably withheld, assign the Contract's obligations and benefits; provided, that any such resulting assignee has agreed with the **DEPARTMENT** to perform all of the **CONTRACTOR's** covenants and obligations hereunder. The **DEPARTMENT** agrees to respond to the **CONTRACTOR's** request for a proposed assignment within sixty (60) days from the receipt thereof.

ARTICLE 10. SALE OF NEWFOUND PROJECT

In the event the **DEPARTMENT** shall desire, during the term of this Contract, to sell or otherwise dispose of the Newfound Project, excepting a lease or granting of an easement at the Newfound Dam under the State's Dam Leasing Program pursuant to Article 11, then the **DEPARTMENT** shall first offer the Project to any Water Users (excluding any Water User who at the time shall be in default of its Water User Contract) and shall in good faith negotiate with such Water Users or such of them as may desire to purchase, for a sale of the Newfound Project upon mutually satisfactory terms. The **DEPARTMENT** agrees that if it should sell the Project, it shall require as a condition of the sale, that the purchaser enter into a Water User Contract which provides the same minimum volume of water and method of reservoir management as does this existing Contract with all then existing Water Users including any rights to renewal held by the Water Users.

ARTICLE 11. DAM LEASING PROGRAM

Under any lease or granting of an easement at the Dam, or any

lease or granting of an easement of any portion thereof, for hydroelectric or other purposes, under the State of New Hampshire's Dam Leasing Program, or pursuant to Federal law, the **DEPARTMENT** shall require as a condition of the lease or deed of easement that the Project be maintained and operated in accordance with the terms of this Contract. This provision shall not provide the **CONTRACTOR** any cause of action as against the **DEPARTMENT** for acts or omissions of the lessee or grantee, but shall provide a cause of action directly against the lessee or grantee.

ARTICLE 12. NOTICES

Any notice or other communication required or permitted hereunder shall be in writing and shall be postage pre-paid, return receipt requested or hand delivered:

- (a) If to the **DEPARTMENT**: NH Department of Environmental Services
6 Hazen Drive
P.O. Box 95
Concord, NH 03302-0095

With a copy to: NH Attorney General's Office
33 Capitol Street
Concord, N.H. 03301-6397.

Re: Water Resources Council -- Newfound Project

- (b) If to **CONTRACTOR**: Public Service of NH, Inc.
1000 Elm Street
P.O. Box 330
Manchester, NH 03105

ARTICLE 13. AMENDMENTS TO CONTRACT

No change of or amendment to this Contract shall be made except by a written instrument signed by the Parties, executed with the formalities of this Contract. Any Significant Amendment, as defined in Article 2.5 of this Contract, shall be approved by the Governor and Executive Council of the State of New Hampshire. Minor Amendments, as defined in Article 2.2 of this Contract, may be executed without the approval of the Governor and Executive

Council of the State of New Hampshire.

ARTICLE 14. WAIVERS

Failure of either party to enforce any of the provisions of this Contract, or to require performance by the other party of any of the provisions hereof, shall not be construed to waive such provision, nor to affect the validity of this Contract or any part thereof, or the right of either party to thereafter enforce each and every provision.

ARTICLE 15. REGULATION

This Contract and all rights, obligations, and performance of the Parties hereunder are subject to all applicable State and Federal laws and regulations, and to all duly promulgated orders and other duly authorized action of governmental authority having jurisdiction.

ARTICLE 16. INTERPRETATION

The interpretation and performance of this Contract shall be in accordance with and controlled by the laws of the State of New Hampshire.

ARTICLE 17. COUNTERPARTS

This Contract may be executed in any number of counterparts, and each executed counterpart shall have the same force and effect as an original instrument.

ARTICLE 18. CERTIFICATES

Pursuant to RSA 5:18-a, the **CONTRACTOR** shall attach certificates to this Contract evidencing the authority of its signatory to execute this Contract on behalf of the **CONTRACTOR**, together with a Certificate of Registration with the Secretary of State of the State of New Hampshire.

ARTICLE 19. SHORTAGE CRISES

Pursuant to the provisions of RSA 481:8, III, as amended, in the event of a shortage crisis, as determined by the Governor and Executive Council, in either the water resources of the State of New Hampshire or the capacity to fulfill the electrical requirements of the State of New Hampshire, then the Governor and Executive Council, to fulfill the needs and requirements of the citizens of the State of New Hampshire, may suspend the terms of this Contract, but only to the extent that services are provided outside of the State of New Hampshire. This provision shall be read consistently with Federal law, including New England Power vs. New Hampshire, 455 US 331 (1982), as applicable.

ARTICLE 20. THIRD PARTIES

The Parties hereto do not intend to benefit any third parties, and this Contract shall not be construed to confer any such benefit.

ARTICLE 21. SEVERABILITY

If any term or provision of this Contract, or the application thereof, to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Contract, or the application of such term or provision to persons or circumstances, other than to those which it is held invalid or unenforceable, shall not be affected, and each term and provision of this Contract shall be valid and be enforced to the fullest extent permitted by law.

ARTICLE 22. MERGER

This Contract, including all exhibits attached hereto, constitutes the entire agreement between the Parties, and all prior understandings, agreements, and representations have been merged herein.

ARTICLE 23. NON-LIABILITY OF CONTRACTOR

In no event shall the **CONTRACTOR** be liable to the **DEPARTMENT**,

any other Water User or any third party for any claims, costs, loss, or expense (including attorney's fees) resulting from the ownership, operation, maintenance, or repair of the Dam.

ARTICLE 24. ADDITIONAL WATER USER CONTRACTS

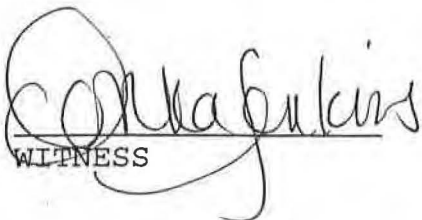
The **DEPARTMENT** shall use its best efforts to contract with each Water User, charging each Water User a fee for such water use which is equitable and non-discriminatory as among all Water Users, including the **CONTRACTOR**.

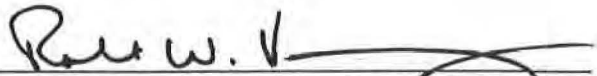
ARTICLE 25. SUCCESSOR AND ASSIGNS

This Contract shall be binding upon the Parties, their successors and assigns, including without limitation any successor owner of the Project.

IN WITNESS WHEREOF, the Parties hereto have executed this Contract.

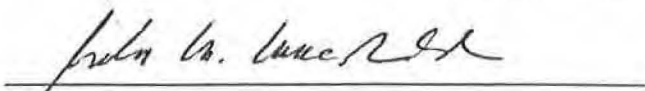
STATE OF NEW HAMPSHIRE
DEPARTMENT OF ENVIRONMENTAL SERVICES


WITNESS


ROBERT W. VARNEY, COMMISSIONER

PUBLIC SERVICE COMPANY OF NH, ~~INC.~~


WITNESS


JOHN M. MACDONALD, PRESIDENT
Vice President-Operations

STATE OF: NEW HAMPSHIRE
COUNTY OF: MERRIMACK

On this, the 23 day of May, 2001 before me the undersigned officer, personally appeared, Robert W. Varney, who acknowledged himself to be the Commissioner of the Department of Environmental Services, acting as a public corporation created by the State of New Hampshire and that he, as such Commissioner, being authorized to do so executed the foregoing instrument for the proposes therein contained.

Before me: Donna Jenkins
Notary Public/Justice of the Peace

My Commission Expires: None My Commission Expires June 25, 2002

STATE OF: NEW HAMPSHIRE
COUNTY OF:

On this, the 8TH day of MAY, 2001 before me the undersigned officer, JOHN M. MACDONALD, VICE president of Public Service Company of NH, Inc., and that he, as such VICE president, being authorized to do so, executed the foregoing instrument for the purposes therein contained.

Before me: Laurette B. Fortin
Notary Public/Justice of the Peace

My Commission Expires: _____

My Commission Expires April 11, 2008

Approved by the Attorney General this 24th day of May
2001, as to form, substance, and execution.

A handwritten signature in cursive script, appearing to read "Michael A. Walls". The signature is written in dark ink and is positioned above a horizontal line.

ASSISTANT ATTORNEY GENERAL

At this meeting on JUL 05 2001, the Governor and Executive Council determined that the proposed Contract will be of public use and benefit and within the authority conferred upon the **DEPARTMENT**, and approved execution of this Contract.



ROBERT P. AMBROSE, DEPUTY SECRETARY
OF STATE ON BEHALF OF GOVERNOR AND
EXECUTIVE COUNCIL

CERTIFICATE OF AUTHORITY for PUBLIC SERVICE CO., INC.

I, the undersigned, HEREBY CERTIFY that pursuant to action taken by unanimous written consent of the Board of Directors of PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE, dated as of June 22, 2000, the following resolutions were duly adopted:


RESOLVED, that this Board hereby confirms that the officers of the Company have the authority, by virtue of their offices and within the scope of their respective responsibilities, to sign for and on behalf of this Company contracts, bills, notes, receipts, acceptances, endorsements, releases and other papers and documents and that each officer shall have the powers and perform the duties which by law and general usage appertain to his/her particular office.

RESOLVED, that this Board hereby confirms that the President and any Vice President have the authority to delegate to Division Managers, Division Directors, Department Heads and other employees, agents and representatives of the Company authority to sign for and on behalf of this Company documents necessary and incidental to the routine conduct of the Company's business.

RESOLVED that this Board hereby confirms that pursuant to the provisions of the Service Agreement between the Company and Northeast Utilities Service Company (NUSCO), the officers of NUSCO have the authority, by virtue of their offices and within the scope of their respective responsibilities, to sign contracts and other papers, documents and certificates for and on behalf of this Company, as agents of this Company.

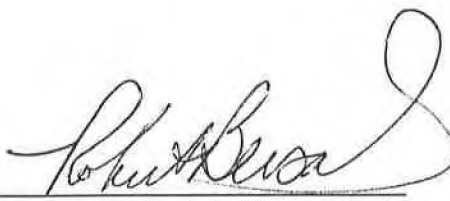
I DO FURTHER CERTIFY that the foregoing resolutions are still in full force and effect as of this date.

I further certify that the following is a duly elected, qualified and acting officer of the Company occupying the office set forth opposite his name and that the signature appearing opposite his name is the genuine signature of such officer:

<u>Name</u>	<u>Office</u>	<u>Signature</u>
John M. MacDonald	Vice President-Operations	

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of said Company on this 8th day of May, 2001.

(Seal)


Robert A. Bersak
Assistant Secretary

CERTIFICATE OF GOOD STANDING for PSNH, INC.
Obtained from the NH Secretary of State's office.

State of New Hampshire
Department of State

CERTIFICATE OF EXISTENCE

I, William M. Gardner, Secretary of State of the State of New Hampshire, do hereby certify PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE is a New Hampshire corporation duly incorporated under the laws of the State of New Hampshire on AUGUST 16, 1926. I further certify that all fees and annual reports required by the Secretary of State's office have been received and that articles of dissolution have not been filed.

In TESTIMONY WHEREOF, I hereto set my hand and cause to be affixed the Seal of the State of New Hampshire, this 12th day of March, A.D. 2001



William M. Gardner
Secretary of State



F:\WUCNTRCT\PSNHSQM.WUC

NEWFOUND PROJECT
CONTRACT WITH WATER USERS

Between the

NEW HAMPSHIRE DEPARTMENT OF ENVIRONMENTAL SERVICES

and the

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE, INC.

for their

HYDROPOWER DEVELOPMENT

at their

**GARVINS FALLS
HYDROELECTRIC FACILITY**

on the

MERRIMACK RIVER

This Contract is between the State of New Hampshire [**STATE**] acting by its Department of Environmental Services, located at 6 Hazen Drive, Concord, New Hampshire, hereinafter called the "**DEPARTMENT**", and Public Service Company of NH, Inc., a New Hampshire corporation with its principal place of business at 1000 Elm Street, Manchester, NH, hereinafter called the "**CONTRACTOR**".

WITNESSETH THAT

WHEREAS, by Chapter 481 of the Revised Statutes Annotated (RSA), entitled "State Dams, Reservoirs, and Other Water Conservation Projects", as amended, the Water Resources Board [**BOARD**] was created and empowered, among other things, to construct, maintain, and operate projects;

WHEREAS, by Chapter 420 of the Laws of 1973, the General Court authorized the **BOARD** to accept conveyance of the Newfound Lake Dam (Dam), the water rights, land, and other facilities connected therewith; to make repairs and modifications to the dam or to rebuild as may best serve the interests of the State; and approved an appropriation of \$50,000 for the repairs, modifications, or rebuilding of the Dam after Governor and Executive Council approval;

WHEREAS, among other actions taken on July 17, 1973, the Governor and Executive Council authorized the **BOARD** to expend a sum not to exceed \$50,000 to make necessary repairs at the Dam;

WHEREAS, the deed conveying all rights and title to the Dam was duly executed on March 28, 1974, which, when combined with the legislative and Governor and Executive Council actions, establishes and constitutes the Newfound Project (Project) for the purposes of maintenance, operation, and management of the Dam by the **BOARD**;

WHEREAS, the **BOARD** has continued these functions of maintenance, operation, and management of this facility;

WHEREAS, the Governor and Executive Council have more recently reaffirmed their 1973 decision on May 13, 1976, by authorizing additional expenditures for needed repairs; on December 23, 1981, by determining that the proposed leasing of the Dam for hydroelectric re-activation was of public use and benefit and within the authority of the **BOARD**, and directing the **BOARD** to proceed; and on September 14, 1986, by authorizing additional expenditures for more repairs to the Dam;

WHEREAS, by Chapter 202, Laws of 1986, the **BOARD** was reorganized and its public corporation functions were assumed by the new Water Resources Council on January 2, 1987;

WHEREAS, by legislation, the Water Resources Council's public corporation functions were transferred to the **DEPARTMENT** effectively on July 1, 1996;

WHEREAS, the **DEPARTMENT** now owns the Newfound Dam which is located on the Newfound River at the outlet of Newfound Lake;

WHEREAS, the **DEPARTMENT** is now empowered to charge and collect fees for the use of delivered water from storage and other related services, subject to and in accordance with agreements with Water Users, developers, and operators as provided by RSA 481:3;

WHEREAS, pursuant to RSA 481:8, the **DEPARTMENT** is required to make contracts with Water Users, subject to the approval of Governor and Executive Council, to recover compensation for the use of stored water or other special benefits created by a water storage project;

WHEREAS, the **CONTRACTOR** is a Water User by virtue of operating the Garvins Falls hydroelectric facility downstream of the Newfound Project;

WHEREAS, the **DEPARTMENT** has determined that the continued operation and maintenance of the **CONTRACTOR's** Garvins Falls hydroelectric facility promote the purposes of the Project as set forth in RSA 481:1 and 13 and are in the best interest of the

State of New Hampshire;

WHEREAS, it is desirable for the **DEPARTMENT** to continue to maintain and operate the Project for an additional period of at least fifteen (15) years from the effective date of this Contract;

NOW THEREFORE, in consideration of these premises and of the mutual promises herein contained, the Parties hereto, for themselves and their respective successors and assigns, and with the approval of the Governor and Executive Council of the State of New Hampshire, agree as follows:

ARTICLE 1. EFFECTIVE DATE AND TERM

1.1 This Contract shall become effective upon the approval of the Governor and Executive Council and shall remain in effect for a period of fifteen (15) years from that date, unless sooner terminated as provided in Article 8 of this Contract.

1.2 In the event that the effective date is not the first of January 2001, the Water User Fee as described in Article 4 shall be computed as of the first of January 2001.

1.3 Subject to the provisions of RSA 481:8, this Contract may be renewed upon the mutual agreement of the Parties hereto, and upon the approval of the Governor and Executive Council, on a year-to-year basis or longer. This renewal option shall be initiated by one or both of the Parties hereto, in writing, no later than one hundred twenty (120) days before the expiration of the Contract term, or any renewal term of the Contract.

ARTICLE 2. DEFINITIONS

Whenever used in this Contract, the following terms shall have the following meaning:

2.1 "Calendar Year" shall mean a period of one year beginning January 1 and ending December 31.

2.2 "Minor Amendments" shall mean any amendment to the Contract which does not alter the expected revenues to be generated during the original term of the Contract.

2.3 "Parties" shall collectively mean the **DEPARTMENT** and the

CONTRACTOR.

2.4 "Semi-Annual Fee" shall mean the fee payment to be made by the **CONTRACTOR** to the **DEPARTMENT** for the semi-annual fee periods, the first of which begins on January 1 and runs through June 30 of each Calendar Year, and the second of which begins July 1 and runs through December 31 of each Calendar Year.

2.5 "Significant Amendments" shall mean any amendment to the Contract which alters the expected revenues to be generated during the original term of the Contract.

2.6 "Water User" shall mean those entities specially benefited by the Project, pursuant to RSA 481:8.

2.7 "Water User Fee" (WUF) shall mean the fee payable by the **CONTRACTOR** under Article 4.

ARTICLE 3. OPERATION OF THE NEWFOUND PROJECT

3.1 Subject to acts of God, war, insurrection, other causes beyond its control; and sale, lease, or granting of an easement pursuant to the Dam Leasing Program or Federal law; the **DEPARTMENT** shall, at its own expense, own, operate, repair, and maintain the Newfound Project in proper operating condition and in a good state of repair and perform all acts necessary to effect the regulation and release of stored water in the manner set forth in this article.

3.2 During the period from March 15th to June 1st of each year, the Project shall be filled to elevation 588.4 feet NGVD (6.5 feet on the local gauge), plus or minus 0.3 of a foot, as far as the run-off will allow. Thereafter, the stored water shall be released from the Project at such times and in such quantities as may yield the most overall beneficial use of the stored water to the end that on or about March 15th of the following year, the Project shall be drawn down 3.5 feet to elevation 584.9 feet NGVD (3.0 feet on the local gauge), plus or minus 0.3 of foot, if necessary, for the abatement of spring flood waters and the impounding of the spring run-off then anticipated. All of this shall be in accordance with the established operating principles

in view of the prevailing and/or anticipated meteorological conditions.

3.4 The method of storage and release of water set forth shall be subject to the provisions of RSA 481:13. The day-by-day and hour-by-hour discharge of water from the Newfound Project, in the method and in the manner set forth in this article, shall be performed so as to deliver the water stored by the Newfound Project, in such quantities and amounts as prescribed, to the **CONTRACTOR**. Operating records of the **DEPARTMENT** indicate that the annualized amount of water delivered from the artificial storage in Newfound Lake, at times when the Garvins Falls facility can generate additional power and derive a benefit and which meets the definition of stored water in RSA 481:12, equates to a minimum of 0.67 billion cubic feet. With a Gross Operating Head of 29 feet and a plant efficiency of 80%, the amount of additional power generated at the Garvins Falls hydroelectric facility using this delivered water equates to 366 Megawatt-Hours per year.

ARTICLE 4. WATER USER FEE

4.1 Commencing on the first day of January 2000 and continuing semi-annually thereafter, the **CONTRACTOR**, as a beneficiary of stored water and headwater benefits at the Project, shall prospectively pay to the **DEPARTMENT** a Water User Fee for the use of stored water and all other benefits associated with the Newfound Project. The semi-annual WUF shall be calculated in accordance with the following formula:

$$WUF = M \times 6 \times S \times H$$

Where:

WUF = Water User Fee

- M = Monthly Charges per billion cubic feet of usable stored water at the Newfound Project, per foot of total Gross Operating head at the Garvins Falls hydroelectric facility.
- S = Billion cubic feet (0.67) of stored water from the Newfound Project delivered to the Garvins Falls hydroelectric facility at times when the Garvins Falls facility can generate additional power and derive a benefit.
- H = The Gross Operating Head at the Garvins Falls hydroelectric facility. (As of the date of this Contract, the Gross Operating Head of the Garvins Falls facility is 29 feet).

4.2 Commencing with the first computation of the WUF under this Contract, "M" shall be set at \$11.00. "M" shall automatically escalate or deescalate on January 1 of each subsequent year, at a percentage rate equal to the percent change in the prior year's Gross Domestic Product Implicit Price Deflator as reported by the United States Department of Commerce, Economics and Statistics Administration, Bureau of Economic Analysis. If such a figure is not reported, then the percent escalation or deescalation shall be computed using another appropriate national index, designated by the **DEPARTMENT**, that represents the changes in costs of operating the Newfound Project due to inflation or deflation.

4.3 The WUF shall not exceed an amount equal to 85% of the semiannual benefit that the **CONTRACTOR** derives from the stored water delivered to the Garvins Falls hydroelectric facility from

the Newfound Project. The semiannual benefit shall be computed as one-half of the product of the additional power generated annually at the Garvins Falls hydroelectric facility using water delivered from the Newfound Project (366 Megawatt-Hours) times the **CONTRACTOR'S** Annual Average Incremental Energy Cost per Megawatt-Hour. The Annual Average Incremental Energy Cost shall be calculated by the **CONTRACTOR**. The **DEPARTMENT** reserves the right to request data upon which said Annual Average Incremental Energy Cost was calculated.

4.4 Invoices for all amounts due under this Article 4 shall be rendered semi-annually by the **DEPARTMENT** to the **CONTRACTOR** for the next semi-annual fee period. If all or any part of any invoice shall remain unpaid for more than thirty (30) days, then interest will be charged at a rate per annum of two percent (2%) above the prime (or comparable) rate as reported by the Federal Reserve Bank of New York (on the date of the invoice) and shall thereafter accrue and be payable to the **DEPARTMENT** either (1) on such unpaid amount, or (2) in the event the amount of the invoice is disputed, on the amount finally determined to be due and payable. The **CONTRACTOR** may dispute all or any part of any invoice by mailing to the **DEPARTMENT** a written notice thereof within thirty (30) days of receipt of such invoice and by paying to the **DEPARTMENT** any amount not in dispute.

ARTICLE 5. RE-DETERMINATION OF WATER USERS FEES

If either of the following events should occur during the term of this Contract, then the **CONTRACTOR** and the **DEPARTMENT** agree to enter into good faith negotiations for the re-determination of the Water User Fee assessed under Article 4. If:

(A) New governing laws or rules institute restrictive water use allocations which adversely affect the **DEPARTMENT'S** ability to release the stipulated volume of water from storage;

(B) The management and control of the Project are modified

and thereby materially alter the headwater benefits received by the **CONTRACTOR**;

(C) The **CONTRACTOR** modifies the Garvins Falls facility and thereby alters its Gross Operating Head; or

(D) Changes to the retail electric supply market occur that substantially affect the benefits received under the Contract.

ARTICLE 6. DAM RECONSTRUCTION

If the Dam and its appurtenances are substantially destroyed or damaged from any cause, then this Contract shall terminate automatically sixty (60) days after the occurrence of such destruction or damage. If, subsequent to the termination of this Contract, the **DEPARTMENT** determines to reconstruct the Dam, then the reconstruction shall be deemed a new Project and the **DEPARTMENT** shall proceed in accordance with RSA 481:7 through :9.

ARTICLE 7. CONTRACTOR A LAWFUL WATER USER

The **CONTRACTOR** shall be deemed a lawful user of stored water from the Project under RSA 481 for the term of this Contract, provided that all fees due and owing have been paid-in-full.

ARTICLE 8. TERMINATION OF CONTRACTOR STATUS

8.1 The **CONTRACTOR** may terminate its rights and obligations under this Contract if the **CONTRACTOR** gives the **DEPARTMENT** at least six (6) month's prior written notice of its intention to both cease power generation at the Garvins Falls hydroelectric facility and to render the Garvins Falls hydroelectric facility incapable of immediate re-activation. Included in said written notice will be the date of termination (the "Contract Termination Date"). If the **CONTRACTOR** does not in-fact cease to generate power at the facility on or before the Contract Termination Date, then the **DEPARTMENT**, at its discretion, may treat the termination notice as non-effective. The **CONTRACTOR** shall remain liable for

the payment of all Water User Fees incurred by such **CONTRACTOR** under Article 4 during that time frame, and, for all other purposes, the Contract shall remain in full force and effect.

8.2 In the event that acts of God, war, storm, flood, fire, lightning, earthquake, civil disturbance, insurrection or other causes beyond its reasonable control damages the Garvins Falls hydroelectric facility to the extent that the **CONTRACTOR** ceases to generate electricity at the Garvins Falls hydroelectric facility, then this Contract can be terminated by the **CONTRACTOR**, effective as of the date that the **CONTRACTOR** gives the **DEPARTMENT** notice of its intent to terminate. All other provision of Article 8.1 shall remain in full force and effect.

8.3 In the event that the **CONTRACTOR** expects to suspend the generation of electricity at the Garvins Falls hydroelectric facility for a period greater than six (6) consecutive months due to acts of God, war, storm, flood, fire, lightning, earthquake, civil disturbance, insurrection or other causes beyond its reasonable control, the **CONTRACTOR** will notify the **DEPARTMENT** of a suspension of the Water User Fee for a specified period of time. If the suspension is greater than one year in length, either Party may terminate this Agreement in accordance with the provisions of Article 8.1, with the exception that the period required for prior written notice to the other Party shall be reduced to two (2) months. All other provisions of this Contract shall remain in full force and effect during the period of suspension. If the suspension is less than or equal to one year, then the Water User Fee set forth in Article 4 shall be reapplied on the earlier of (i) the resumption of generation at the facility, or (ii) the expiration of the designated suspension period.

ARTICLE 9. SALE BY CONTRACTOR OF THE GARVINS FALLS FACILITY

The **CONTRACTOR** agrees that if it shall sell its Garvins Falls hydroelectric facility, then it shall require as a condition of the sale that the purchaser enter into a contract with the

DEPARTMENT as of the date of sale that makes the **DEPARTMENT** whole against any loss of revenues from the **CONTRACTOR** under Article 4 resulting from the **CONTRACTOR's** sale of the facility. The **CONTRACTOR** shall remain liable to make payments associated with the facility under the provisions of Article 4 unless the purchaser of the facility has entered into such a contract. Alternatively, the **CONTRACTOR** may, with the **DEPARTMENT's** written consent, said consent not to be unreasonably withheld, assign the Contract's obligations and benefits; provided, that any such resulting assignee has agreed with the **DEPARTMENT** to perform all of the **CONTRACTOR's** covenants and obligations hereunder. The **DEPARTMENT** agrees to respond to the **CONTRACTOR's** request for a proposed assignment within sixty (60) days from the receipt thereof.

ARTICLE 10. SALE OF NEWFOUND PROJECT

In the event the **DEPARTMENT** shall desire, during the term of this Contract, to sell or otherwise dispose of the Newfound Project, excepting a lease or granting of an easement at the Newfound Dam under the State's Dam Leasing Program pursuant to Article 11, then the **DEPARTMENT** shall first offer the Project to any Water Users (excluding any Water User who at the time shall be in default of its Water User Contract) and shall in good faith negotiate with such Water Users or such of them as may desire to purchase, for a sale of the Newfound Project upon mutually satisfactory terms. The **DEPARTMENT** agrees that if it should sell the Project, it shall require as a condition of the sale, that the purchaser enter into a Water User Contract which provides the same minimum volume of water and method of reservoir management as does this existing Contract with all then existing Water Users including any rights to renewal held by the Water Users.

ARTICLE 11. DAM LEASING PROGRAM

Under any lease or granting of an easement at the Dam, or any

lease or granting of an easement of any portion thereof, for hydroelectric or other purposes, under the State of New Hampshire's Dam Leasing Program, or pursuant to Federal law, the **DEPARTMENT** shall require as a condition of the lease or deed of easement that the Project be maintained and operated in accordance with the terms of this Contract. This provision shall not provide the **CONTRACTOR** any cause of action as against the **DEPARTMENT** for acts or omissions of the lessee or grantee, but shall provide a cause of action directly against the lessee or grantee.

ARTICLE 12. NOTICES

Any notice or other communication required or permitted hereunder shall be in writing and shall be postage pre-paid, return receipt requested or hand delivered:

(a) If to the **DEPARTMENT**: NH Department of Environmental Services
6 Hazen Drive
P.O. Box 95
Concord, NH 03302-0095

With a copy to: NH Attorney General's Office
33 Capitol Street
Concord, N.H. 03301-6397

Re: Water Resources Council -- Newfound Project

(b) If to **CONTRACTOR**: Public Service of NH, Inc.
1000 Elm Street
P.O. Box 330
Manchester, NH 03105

ARTICLE 13. AMENDMENTS TO CONTRACT

No change of or amendment to this Contract shall be made except by a written instrument signed by the Parties, executed with the formalities of this Contract. Any Significant Amendment, as defined in Article 2.5 of this Contract, shall be approved by the Governor and Executive Council of the State of New Hampshire. Minor Amendments, as defined in Article 2.2 of this Contract, may be executed without the approval of the Governor and Executive

Council of the State of New Hampshire.

ARTICLE 14. WAIVERS

Failure of either party to enforce any of the provisions of this Contract, or to require performance by the other party of any of the provisions hereof, shall not be construed to waive such provision, nor to affect the validity of this Contract or any part thereof, or the right of either party to thereafter enforce each and every provision.

ARTICLE 15. REGULATION

This Contract and all rights, obligations, and performance of the Parties hereunder are subject to all applicable State and Federal laws and regulations, and to all duly promulgated orders and other duly authorized action of governmental authority having jurisdiction.

ARTICLE 16. INTERPRETATION

The interpretation and performance of this Contract shall be in accordance with and controlled by the laws of the State of New Hampshire.

ARTICLE 17. COUNTERPARTS

This Contract may be executed in any number of counterparts, and each executed counterpart shall have the same force and effect as an original instrument.

ARTICLE 18. CERTIFICATES

Pursuant to RSA 5:18-a, the **CONTRACTOR** shall attach certificates to this Contract evidencing the authority of its signatory to execute this Contract on behalf of the **CONTRACTOR**, together with a Certificate of Registration with the Secretary of State of the State of New Hampshire.

ARTICLE 19. SHORTAGE CRISES

Pursuant to the provisions of RSA 481:8, III, as amended, in the event of a shortage crisis, as determined by the Governor and Executive Council, in either the water resources of the State of New Hampshire or the capacity to fulfill the electrical requirements of the State of New Hampshire, then the Governor and Executive Council, to fulfill the needs and requirements of the citizens of the State of New Hampshire, may suspend the terms of this Contract, but only to the extent that services are provided outside of the State of New Hampshire. This provision shall be read consistently with Federal law, including New England Power vs. New Hampshire, 455 US 331 (1982), as applicable.

ARTICLE 20. THIRD PARTIES

The Parties hereto do not intend to benefit any third parties, and this Contract shall not be construed to confer any such benefit.

ARTICLE 21. SEVERABILITY

If any term or provision of this Contract, or the application thereof, to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Contract, or the application of such term or provision to persons or circumstances, other than to those which it is held invalid or unenforceable, shall not be affected, and each term and provision of this Contract shall be valid and be enforced to the fullest extent permitted by law.

ARTICLE 22. MERGER

This Contract, including all exhibits attached hereto, constitutes the entire agreement between the Parties, and all prior understandings, agreements, and representations have been merged herein.

ARTICLE 23. NON-LIABILITY OF CONTRACTOR

In no event shall the **CONTRACTOR** be liable to the **DEPARTMENT**,

any other Water User or any third party for any claims, costs, loss, or expense (including attorney's fees) resulting from the ownership, operation, maintenance, or repair of the Dam.

ARTICLE 24. ADDITIONAL WATER USER CONTRACTS

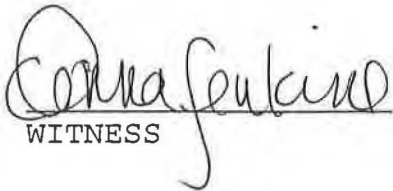
The **DEPARTMENT** shall use its best efforts to contract with each Water User, charging each Water User a fee for such water use which is equitable and non-discriminatory as among all Water Users, including the **CONTRACTOR**.

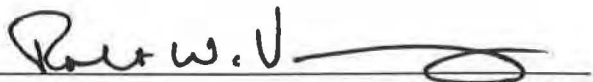
ARTICLE 25. SUCCESSOR AND ASSIGNS

This Contract shall be binding upon the Parties, their successors and assigns, including without limitation any successor owner of the Project.

IN WITNESS WHEREOF, the Parties hereto have executed this Contract.

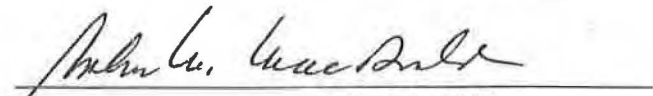
STATE OF NEW HAMPSHIRE
DEPARTMENT OF ENVIRONMENTAL SERVICES


WITNESS


ROBERT W. VARNEY, COMMISSIONER

PUBLIC SERVICE COMPANY OF  NH, INC.


WITNESS


JOHN M. MACDONALD ~~PRESIDENT~~
Vice President-Operations

STATE OF: NEW HAMPSHIRE
COUNTY OF: MERRIMACK

On this, the 23 day of May, 2001 before me the undersigned officer, personally appeared Robert W. Varney, who acknowledged himself to be the Commissioner of the Department of Environmental Services, acting as a public corporation created by the State of New Hampshire and that he, as such Commissioner, being authorized to do so executed the foregoing instrument for the proposes therein contained.

Before me:



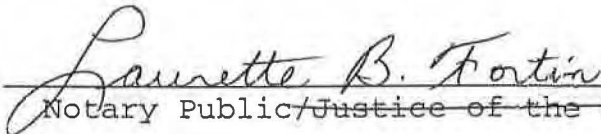
Notary Public/Justice of the Peace

My Commission Expires:
DONNA J. JENKINS, Notary Public
My Commission Expires June 25, 2002

STATE OF: NEW HAMPSHIRE
COUNTY OF:

On this, the 8TH day of MAY, 2001 before me the undersigned officer, JOHN M. MACDONALD, who acknowledged himself to be the VICE president of PEAKATIONS Public Service Company of NH, Inc., and that he, as such VICE president, being authorized to do so, executed the foregoing instrument for the purposes therein contained.

Before me:



Notary Public/Justice of the Peace

My Commission Expires:

My Commission Expires April 11, 2003

Approved by the Attorney General this 24th day of May
2001, as to form, substance, and execution.



ASSISTANT ATTORNEY GENERAL

At this meeting on _____, the Governor and Executive Council determined that the proposed Contract will be of public use and benefit and within the authority conferred upon the **DEPARTMENT**, and approved execution of this Contract.

ROBERT P. AMBROSE, DEPUTY SECRETARY
OF STATE ON BEHALF OF GOVERNOR AND
EXECUTIVE COUNCIL

CERTIFICATE OF AUTHORITY for PUBLIC SERVICE CO., INC.

I, the undersigned, HEREBY CERTIFY that pursuant to action taken by unanimous written consent of the Board of Directors of PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE, dated as of June 22, 2000, the following resolutions were duly adopted:

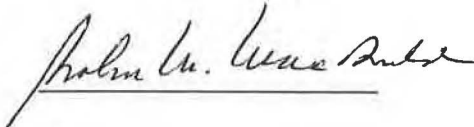
RESOLVED, that this Board hereby confirms that the officers of the Company have the authority, by virtue of their offices and within the scope of their respective responsibilities, to sign for and on behalf of this Company contracts, bills, notes, receipts, acceptances, endorsements, releases and other papers and documents and that each officer shall have the powers and perform the duties which by law and general usage appertain to his/her particular office.

RESOLVED, that this Board hereby confirms that the President and any Vice President have the authority to delegate to Division Managers, Division Directors, Department Heads and other employees, agents and representatives of the Company authority to sign for and on behalf of this Company documents necessary and incidental to the routine conduct of the Company's business.

RESOLVED that this Board hereby confirms that pursuant to the provisions of the Service Agreement between the Company and Northeast Utilities Service Company (NUSCO), the officers of NUSCO have the authority, by virtue of their offices and within the scope of their respective responsibilities, to sign contracts and other papers, documents and certificates for and on behalf of this Company, as agents of this Company.


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

I further certify that the following is a duly elected, qualified and acting officer of the Company occupying the office set forth opposite his name and that the signature appearing opposite his name is the genuine signature of such officer:

<u>Name</u>	<u>Office</u>	<u>Signature</u>
John M. MacDonald	Vice President-Operations	

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of said Company on this 8th day of May, 2001.

(Seal)


Robert A. Bersak
Assistant Secretary

CERTIFICATE OF GOOD STANDING for PSNH, INC.
Obtained from the NH Secretary of State's office.

State of New Hampshire
Department of State

CERTIFICATE OF EXISTENCE

I, William M. Gardner, Secretary of State of the State of New Hampshire, do hereby certify PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE is a New Hampshire corporation duly incorporated under the laws of the State of New Hampshire on AUGUST 16, 1926. I further certify that all fees and annual reports required by the Secretary of State's office have been received and that articles of dissolution have not been filed.

In TESTIMONY WHEREOF, I hereto
set my hand and cause to be affixed
the Seal of the State of New Hampshire,
this 12th day of March, A.D. 2001



William M. Gardner
Secretary of State



F:\WUCNTRCT\PSNHSQM.WUC

NEWFOUND PROJECT

CONTRACT WITH WATER USERS

Between the

NEW HAMPSHIRE DEPARTMENT OF ENVIRONMENTAL SERVICES

and the

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE, INC.

for their

HYDROPOWER DEVELOPMENT

at their

**HOOKSETT
HYDROELECTRIC FACILITY**

on the

MERRIMACK RIVER

This Contract is between the State of New Hampshire [**STATE**] acting by its Department of Environmental Services, located at 6 Hazen Drive, Concord, New Hampshire, hereinafter called the "**DEPARTMENT**", and Public Service Company of NH, Inc., a New Hampshire corporation with its principal place of business at 1000 Elm Street, Manchester, NH, hereinafter called the "**CONTRACTOR**".

WITNESSETH THAT

WHEREAS, by Chapter 481 of the Revised Statutes Annotated (RSA), entitled "State Dams, Reservoirs, and Other Water Conservation Projects", as amended, the Water Resources Board [**BOARD**] was created and empowered, among other things, to construct, maintain, and operate projects;

WHEREAS, by Chapter 420 of the Laws of 1973, the General Court authorized the **BOARD** to accept conveyance of the Newfound Lake Dam (Dam), the water rights, land, and other facilities connected therewith; to make repairs and modifications to the dam or to rebuild as may best serve the interests of the State; and approved an appropriation of \$50,000 for the repairs, modifications, or rebuilding of the Dam after Governor and Executive Council approval;

WHEREAS, among other actions taken on July 17, 1973, the Governor and Executive Council authorized the **BOARD** to expend a sum not to exceed \$50,000 to make necessary repairs at the Dam;

WHEREAS, the deed conveying all rights and title to the Dam was duly executed on March 28, 1974, which, when combined with the legislative and Governor and Executive Council actions, establishes and constitutes the Newfound Project (Project) for the purposes of maintenance, operation, and management of the Dam by the **BOARD**;

WHEREAS, the **BOARD** has continued these functions of maintenance, operation, and management of this facility;

WHEREAS, the Governor and Executive Council have more recently reaffirmed their 1973 decision on May 13, 1976, by authorizing additional expenditures for needed repairs; on December 23, 1981, by determining that the proposed leasing of the Dam for hydroelectric re-activation was of public use and benefit and within the authority of the **BOARD**, and directing the **BOARD** to proceed; and on September 14, 1986, by authorizing additional expenditures for more repairs to the Dam;

WHEREAS, by Chapter 202, Laws of 1986, the **BOARD** was reorganized and its public corporation functions were assumed by the new Water Resources Council on January 2, 1987;

WHEREAS, by legislation, the Water Resources Council's public corporation functions were transferred to the **DEPARTMENT** effectively on July 1, 1996;

WHEREAS, the **DEPARTMENT** now owns the Newfound Dam which is located on the Newfound River at the outlet of Newfound Lake;

WHEREAS, the **DEPARTMENT** is now empowered to charge and collect fees for the use of delivered water from storage and other related services, subject to and in accordance with agreements with Water Users, developers, and operators as provided by RSA 481:3;

WHEREAS, pursuant to RSA 481:8, the **DEPARTMENT** is required to make contracts with Water Users, subject to the approval of Governor and Executive Council, to recover compensation for the use of stored water or other special benefits created by a water storage project;

WHEREAS, the **CONTRACTOR** is a Water User by virtue of operating the Hooksett hydroelectric facility downstream of the Newfound Project;

WHEREAS, the **DEPARTMENT** has determined that the continued operation and maintenance of the **CONTRACTOR's** Hooksett hydroelectric facility promote the purposes of the Project as set forth in RSA 481:1 and 13 and are in the best interest of the

State of New Hampshire;

WHEREAS, it is desirable for the **DEPARTMENT** to continue to maintain and operate the Project for an additional period of at least fifteen (15) years from the effective date of this Contract;

NOW THEREFORE, in consideration of these premises and of the mutual promises herein contained, the Parties hereto, for themselves and their respective successors and assigns, and with the approval of the Governor and Executive Council of the State of New Hampshire, agree as follows:

ARTICLE 1. EFFECTIVE DATE AND TERM

1.1 This Contract shall become effective upon the approval of the Governor and Executive Council and shall remain in effect for a period of fifteen (15) years from that date, unless sooner terminated as provided in Article 8 of this Contract.

1.2 In the event that the effective date is not the first of January 2001, the Water User Fee as described in Article 4 shall be computed as of the first of January 2001.

1.3 Subject to the provisions of RSA 481:8, this Contract may be renewed upon the mutual agreement of the Parties hereto, and upon the approval of the Governor and Executive Council, on a year-to-year basis or longer. This renewal option shall be initiated by one or both of the Parties hereto, in writing, no later than one hundred twenty (120) days before the expiration of the Contract term, or any renewal term of the Contract.

ARTICLE 2. DEFINITIONS

Whenever used in this Contract, the following terms shall have the following meaning:

2.1 "Calendar Year" shall mean a period of one year beginning January 1 and ending December 31.

2.2 "Minor Amendments" shall mean any amendment to the Contract which does not alter the expected revenues to be generated during the original term of the Contract.

2.3 "Parties" shall collectively mean the **DEPARTMENT** and the

CONTRACTOR.

2.4 "Semi-Annual Fee" shall mean the fee payment to be made by the **CONTRACTOR** to the **DEPARTMENT** for the semi-annual fee periods, the first of which begins on January 1 and runs through June 30 of each Calendar Year, and the second of which begins July 1 and runs through December 31 of each Calendar Year.

2.5 "Significant Amendments" shall mean any amendment to the Contract which alters the expected revenues to be generated during the original term of the Contract.

2.6 "Water User" shall mean those entities specially benefited by the Project, pursuant to RSA 481:8.

2.7 "Water User Fee" (WUF) shall mean the fee payable by the **CONTRACTOR** under Article 4.

ARTICLE 3. OPERATION OF THE NEWFOUND PROJECT

3.1 Subject to acts of God, war, insurrection, other causes beyond its control; and sale, lease, or granting of an easement pursuant to the Dam Leasing Program or Federal law; the **DEPARTMENT** shall, at its own expense, own, operate, repair, and maintain the Newfound Project in proper operating condition and in a good state of repair and perform all acts necessary to effect the regulation and release of stored water in the manner set forth in this article.

3.2 During the period from March 15th to June 1st of each year, the Project shall be filled to elevation 588.4 feet NGVD (6.5 feet on the local gauge); plus or minus 0.3 of a foot, as far as the run-off will allow. Thereafter, the stored water shall be released from the Project at such times and in such quantities as may yield the most overall beneficial use of the stored water to the end that on or about March 15th of the following year, the Project shall be drawn down 3.5 feet to elevation 584.9 feet NGVD (3.0 feet on the local gauge), plus or minus 0.3 of foot, if necessary, for the abatement of spring flood waters and the impounding of the spring run-off then anticipated. All of this shall be in accordance with the established operating principles

in view of the prevailing and/or anticipated meteorological conditions.

3.4 The method of storage and release of water set forth shall be subject to the provisions of RSA 481:13. The day-by-day and hour-by-hour discharge of water from the Newfound Project, in the method and in the manner set forth in this article, shall be performed so as to deliver the water stored by the Newfound Project, in such quantities and amounts as prescribed, to the **CONTRACTOR**. Operating records of the **DEPARTMENT** indicate that the annualized amount of water delivered from the artificial storage in Newfound Lake, at times when the Hooksett facility can generate additional power and derive a benefit and which meets the definition of stored water in RSA 481:12, equates to a minimum of 0.36 billion cubic feet. With a Gross Operating Head of 14 feet and a plant efficiency of 80%, the amount of additional power generated at the Hooksett hydroelectric facility using this delivered water equates to 95 Megawatt-Hours per year.

ARTICLE 4. WATER USER FEE

4.1 Commencing on the first day of January 2000 and continuing semi-annually thereafter, the **CONTRACTOR**, as a beneficiary of stored water and headwater benefits at the Project, shall prospectively pay to the **DEPARTMENT** a Water User Fee for the use of stored water and all other benefits associated with the Newfound Project. The semi-annual WUF shall be calculated in accordance with the following formula:

$$WUF = M \times 6 \times S \times H$$

Where:

WUF = Water User Fee

- M = Monthly Charges per billion cubic feet of usable stored water at the Newfound Project, per foot of total Gross Operating head at the Hooksett hydroelectric facility.
- S = Billion cubic feet (0.36) of stored water from the Newfound Project delivered to the Hooksett hydroelectric facility at times when the Hooksett facility can generate additional power and derive a benefit.
- H = The Gross Operating Head at the Hooksett hydroelectric facility. (As of the date of this Contract, the Gross Operating Head of the Hooksett facility is 14 feet).

4.2 Commencing with the first computation of the WUF under this Contract, "M" shall be set at \$11.00. "M" shall automatically escalate or deescalate on January 1 of each subsequent year, at a percentage rate equal to the percent change in the prior year's Gross Domestic Product Implicit Price Deflator as reported by the United States Department of Commerce, Economics and Statistics Administration, Bureau of Economic Analysis. If such a figure is not reported, then the percent escalation or deescalation shall be computed using another appropriate national index, designated by the **DEPARTMENT**, that represents the changes in costs of operating the Newfound Project due to inflation or deflation.

4.3 The WUF shall not exceed an amount equal to 85% of the semiannual benefit that the **CONTRACTOR** derives from the stored water delivered to the Hooksett hydroelectric facility from the

Newfound Project. The semiannual benefit shall be computed as one-half of the product of the additional power generated annually at the Hooksett hydroelectric facility using water delivered from the Newfound Project (95 Megawatt-Hours) times the **CONTRACTOR'S** Annual Average Incremental Energy Cost per Megawatt-Hour. The Annual Average Incremental Energy Cost shall be calculated by the **CONTRACTOR**. The **DEPARTMENT** reserves the right to request data upon which said Annual Average Incremental Energy Cost was calculated.

4.4 Invoices for all amounts due under this Article 4 shall be rendered semi-annually by the **DEPARTMENT** to the **CONTRACTOR** for the next semi-annual fee period. If all or any part of any invoice shall remain unpaid for more than thirty (30) days, then interest will be charged at a rate per annum of two percent (2%) above the prime (or comparable) rate as reported by the Federal Reserve Bank of New York (on the date of the invoice) and shall thereafter accrue and be payable to the **DEPARTMENT** either (1) on such unpaid amount, or (2) in the event the amount of the invoice is disputed, on the amount finally determined to be due and payable. The **CONTRACTOR** may dispute all or any part of any invoice by mailing to the **DEPARTMENT** a written notice thereof within thirty (30) days of receipt of such invoice and by paying to the **DEPARTMENT** any amount not in dispute.

ARTICLE 5. RE-DETERMINATION OF WATER USERS FEES

If either of the following events should occur during the term of this Contract, then the **CONTRACTOR** and the **DEPARTMENT** agree to enter into good faith negotiations for the re-determination of the Water User Fee assessed under Article 4. If:

(A) New governing laws or rules institute restrictive water use allocations which adversely affect the **DEPARTMENT'S** ability to release the stipulated volume of water from storage;

(B) The management and control of the Project are modified

and thereby materially alter the headwater benefits received by the **CONTRACTOR**;

(C) The **CONTRACTOR** modifies its Hooksett facility and thereby alters its Gross Operating Head; or

(D) Changes to the retail electric supply market occur that substantially affect the benefits received under the Contract.

ARTICLE 6. DAM RECONSTRUCTION

If the Dam and its appurtenances are substantially destroyed or damaged from any cause, then this Contract shall terminate automatically sixty (60) days after the occurrence of such destruction or damage. If, subsequent to the termination of this Contract, the **DEPARTMENT** determines to reconstruct the Dam, then the reconstruction shall be deemed a new Project and the **DEPARTMENT** shall proceed in accordance with RSA 481:7 through :9.

ARTICLE 7. CONTRACTOR A LAWFUL WATER USER

The **CONTRACTOR** shall be deemed a lawful user of stored water from the Project under RSA 481 for the term of this Contract, provided that all fees due and owing have been paid-in-full.

ARTICLE 8. TERMINATION OF CONTRACTOR STATUS

8.1 The **CONTRACTOR** may terminate its rights and obligations under this Contract if the **CONTRACTOR** gives the **DEPARTMENT** at least six (6) month's prior written notice of its intention to both cease power generation at the Hooksett hydroelectric facility and to render the Hooksett hydroelectric facility incapable of immediate re-activation. Included in said written notice will be the date of termination (the "Contract Termination Date"). If the **CONTRACTOR** does not in-fact cease to generate power at the facility on or before the Contract Termination Date, then the **DEPARTMENT**, at its discretion, may treat the termination notice as non-effective. The **CONTRACTOR** shall remain liable for the payment

of all Water User Fees incurred by such **CONTRACTOR** under Article 4 during that time frame, and, for all other purposes, the Contract shall remain in full force and effect.

8.2 In the event that acts of God, war, storm, flood, fire, lightning, earthquake, civil disturbance, insurrection or other causes beyond its reasonable control damages the Hooksett hydroelectric facility to the extent that the **CONTRACTOR** ceases to generate electricity at the Hooksett hydroelectric facility, then this Contract can be terminated by the **CONTRACTOR**, effective as of the date that the **CONTRACTOR** gives the **DEPARTMENT** notice of its intent to terminate. All other provision of Article 8.1 shall remain in full force and effect.

8.3 In the event that the **CONTRACTOR** expects to suspend the generation of electricity at the Hooksett hydroelectric facility for a period greater than six (6) consecutive months due to acts of God, war, storm, flood, fire, lightning, earthquake, civil disturbance, insurrection or other causes beyond its reasonable control, the **CONTRACTOR** will notify the **DEPARTMENT** of a suspension of the Water User Fee for a specified period of time. If the suspension is greater than one year in length, either Party may terminate this Agreement in accordance with the provisions of Article 8.1, with the exception that the period required for prior written notice to the other Party shall be reduced to two (2) months. All other provisions of this Contract shall remain in full force and effect during the period of suspension. If the suspension is less than or equal to one year, then the Water User Fee set forth in Article 4 shall be reapplied on the earlier of (i) the resumption of generation at the facility, or (ii) the expiration of the designated suspension period.

ARTICLE 9. SALE BY CONTRACTOR OF THE HOOKSETT FACILITY

The **CONTRACTOR** agrees that if it shall sell its Hooksett hydroelectric facility, then it shall require as a condition of the sale that the purchaser enter into a contract with the

DEPARTMENT as of the date of sale that makes the **DEPARTMENT** whole against any loss of revenues from the **CONTRACTOR** under Article 4 resulting from the **CONTRACTOR's** sale of the facility. The **CONTRACTOR** shall remain liable to make payments associated with the facility under the provisions of Article 4 unless the purchaser of the facility has entered into such a contract. Alternatively, the **CONTRACTOR** may, with the **DEPARTMENT's** written consent, said consent not to be unreasonably withheld, assign the Contract's obligations and benefits; provided, that any such resulting assignee has agreed with the **DEPARTMENT** to perform all of the **CONTRACTOR's** covenants and obligations hereunder. The **DEPARTMENT** agrees to respond to the **CONTRACTOR's** request for a proposed assignment within sixty (60) days from the receipt thereof.

ARTICLE 10. SALE OF NEWFOUND PROJECT

In the event the **DEPARTMENT** shall desire, during the term of this Contract, to sell or otherwise dispose of the Newfound Project, excepting a lease or granting of an easement at the Newfound Dam under the State's Dam Leasing Program pursuant to Article 11, then the **DEPARTMENT** shall first offer the Project to any Water Users (excluding any Water User who at the time shall be in default of its Water User Contract) and shall in good faith negotiate with such Water Users or such of them as may desire to purchase, for a sale of the Newfound Project upon mutually satisfactory terms. The **DEPARTMENT** agrees that if it should sell the Project, it shall require as a condition of the sale, that the purchaser enter into a Water User Contract which provides the same minimum volume of water and method of reservoir management as does this existing Contract with all then existing Water Users including any rights to renewal held by the Water Users.

ARTICLE 11. DAM LEASING PROGRAM

Under any lease or granting of an easement at the Dam, or any

lease or granting of an easement of any portion thereof, for hydroelectric or other purposes, under the State of New Hampshire's Dam Leasing Program, or pursuant to Federal law, the **DEPARTMENT** shall require as a condition of the lease or deed of easement that the Project be maintained and operated in accordance with the terms of this Contract. This provision shall not provide the **CONTRACTOR** any cause of action as against the **DEPARTMENT** for acts or omissions of the lessee or grantee, but shall provide a cause of action directly against the lessee or grantee.

ARTICLE 12. NOTICES

Any notice or other communication required or permitted hereunder shall be in writing and shall be postage pre-paid, return receipt requested or hand delivered:

- (a) If to the **DEPARTMENT**: NH Department of Environmental Services
6 Hazen Drive
P.O. Box 95
Concord, NH 03302-0095

With a copy to: NH Attorney General's Office
33 Capitol Street
Concord, N.H. 03301-6397
Re: Water Resources Council -- Newfound Project

- (b) If to **CONTRACTOR**: Public Service of NH, Inc.
1000 Elm Street
P.O. Box 330
Manchester, NH 03105

ARTICLE 13. AMENDMENTS TO CONTRACT

No change of or amendment to this Contract shall be made except by a written instrument signed by the Parties, executed with the formalities of this Contract. Any Significant Amendment, as defined in Article 2.5 of this Contract, shall be approved by the Governor and Executive Council of the State of New Hampshire. Minor Amendments, as defined in Article 2.2 of this Contract, may be executed without the approval of the Governor and Executive

Council of the State of New Hampshire.

ARTICLE 14. WAIVERS

Failure of either party to enforce any of the provisions of this Contract, or to require performance by the other party of any of the provisions hereof, shall not be construed to waive such provision, nor to affect the validity of this Contract or any part thereof, or the right of either party to thereafter enforce each and every provision.

ARTICLE 15. REGULATION

This Contract and all rights, obligations, and performance of the Parties hereunder are subject to all applicable State and Federal laws and regulations, and to all duly promulgated orders and other duly authorized action of governmental authority having jurisdiction.

ARTICLE 16. INTERPRETATION

The interpretation and performance of this Contract shall be in accordance with and controlled by the laws of the State of New Hampshire.

ARTICLE 17. COUNTERPARTS

This Contract may be executed in any number of counterparts, and each executed counterpart shall have the same force and effect as an original instrument.

ARTICLE 18. CERTIFICATES

Pursuant to RSA 5:18-a, the **CONTRACTOR** shall attach certificates to this Contract evidencing the authority of its signatory to execute this Contract on behalf of the **CONTRACTOR**, together with a Certificate of Registration with the Secretary of State of the State of New Hampshire.

ARTICLE 19. SHORTAGE CRISES

Pursuant to the provisions of RSA 481:8, III, as amended, in the event of a shortage crisis, as determined by the Governor and Executive Council, in either the water resources of the State of New Hampshire or the capacity to fulfill the electrical requirements of the State of New Hampshire, then the Governor and Executive Council, to fulfill the needs and requirements of the citizens of the State of New Hampshire, may suspend the terms of this Contract, but only to the extent that services are provided outside of the State of New Hampshire. This provision shall be read consistently with Federal law, including *New England Power vs. New Hampshire*, 455 US 331 (1982), as applicable.

ARTICLE 20. THIRD PARTIES

The Parties hereto do not intend to benefit any third parties, and this Contract shall not be construed to confer any such benefit.

ARTICLE 21. SEVERABILITY

If any term or provision of this Contract, or the application thereof, to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Contract, or the application of such term or provision to persons or circumstances, other than to those which it is held invalid or unenforceable, shall not be affected, and each term and provision of this Contract shall be valid and be enforced to the fullest extent permitted by law.

ARTICLE 22. MERGER

This Contract, including all exhibits attached hereto, constitutes the entire agreement between the Parties, and all prior understandings, agreements, and representations have been merged herein.

ARTICLE 23. NON-LIABILITY OF CONTRACTOR

In no event shall the **CONTRACTOR** be liable to the **DEPARTMENT**,

any other Water User or any third party for any claims, costs, loss, or expense (including attorney's fees) resulting from the ownership, operation, maintenance, or repair of the Dam.

ARTICLE 24. ADDITIONAL WATER USER CONTRACTS

The **DEPARTMENT** shall use its best efforts to contract with each Water User, charging each Water User a fee for such water use which is equitable and non-discriminatory as among all Water Users, including the **CONTRACTOR**.

ARTICLE 25. SUCCESSOR AND ASSIGNS

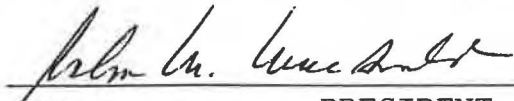
This Contract shall be binding upon the Parties, their successors and assigns, including without limitation any successor owner of the Project.

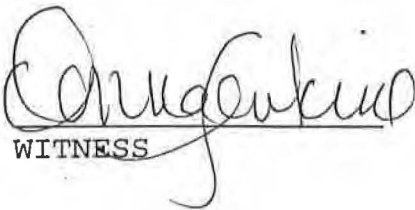
IN WITNESS WHEREOF, the Parties hereto have executed this Contract.

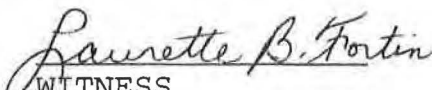
STATE OF NEW HAMPSHIRE
DEPARTMENT OF ENVIRONMENTAL SERVICES


ROBERT W. VARNEY, COMMISSIONER


PUBLIC SERVICE COMPANY OF NH, INC.


JOHN M. MACDONALD PRESIDENT
Vice President-Operations


WITNESS


WITNESS

STATE OF: NEW HAMPSHIRE
COUNTY OF: MERRIMACK

On this, the 23 day of May, 2001 before me the undersigned officer, personally appeared, Robert W. Varney, who acknowledged himself to be the Commissioner of the Department of Environmental Services, acting as a public corporation created by the State of New Hampshire and that he, as such Commissioner, being authorized to do so executed the foregoing instrument for the proposes therein contained.

Before me:



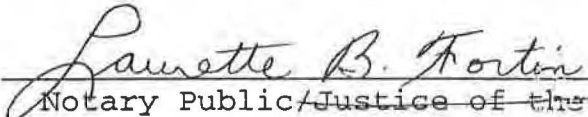
Notary Public/Justice of the Peace
DONNA J. JENKINS, Notary Public
My Commission Expires June 25, 2002

My Commission Expires: _____

STATE OF: NEW HAMPSHIRE
COUNTY OF:

On this, the 8TH day of MAY, 2001 before me the undersigned officer, JOHN M. MACDONALD, personally appeared, who acknowledged himself to be the VICE president of OPERATIONS of Public Service Company of NH, Inc. and that he, as such VICE president, OPERATIONS, being authorized to do so, executed the foregoing instrument for the purposes therein contained.

Before me:

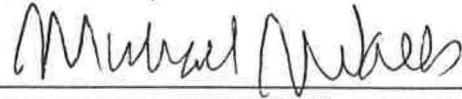


Notary Public/Justice of the Peace

My Commission Expires: _____

My Commission Expires April 11, 2003

Approved by the Attorney General this 24th day of May
2001, as to form, substance, and execution.



ASSISTANT ATTORNEY GENERAL

JUL 05 2001

At this meeting on _____, the Governor and Executive Council determined that the proposed Contract will be of public use and benefit and within the authority conferred upon the **DEPARTMENT**, and approved execution of this Contract.



ROBERT P. AMBROSE, DEPUTY SECRETARY
OF STATE ON BEHALF OF GOVERNOR AND
EXECUTIVE COUNCIL

CERTIFICATE OF AUTHORITY for PUBLIC SERVICE CO., INC.

I, the undersigned, HEREBY CERTIFY that pursuant to action taken by unanimous written consent of the Board of Directors of PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE, dated as of June 22, 2000, the following resolutions were duly adopted:

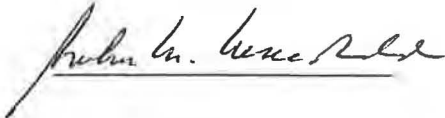
RESOLVED, that this Board hereby confirms that the officers of the Company have the authority, by virtue of their offices and within the scope of their respective responsibilities, to sign for and on behalf of this Company contracts, bills, notes, receipts, acceptances, endorsements, releases and other papers and documents and that each officer shall have the powers and perform the duties which by law and general usage appertain to his/her particular office.

RESOLVED, that this Board hereby confirms that the President and any Vice President have the authority to delegate to Division Managers, Division Directors, Department Heads and other employees, agents and representatives of the Company authority to sign for and on behalf of this Company documents necessary and incidental to the routine conduct of the Company's business.

RESOLVED that this Board hereby confirms that pursuant to the provisions of the Service Agreement between the Company and Northeast Utilities Service Company (NUSCO), the officers of NUSCO have the authority, by virtue of their offices and within the scope of their respective responsibilities, to sign contracts and other papers, documents and certificates for and on behalf of this Company, as agents of this Company.

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

I further certify that the following is a duly elected, qualified and acting officer of the Company occupying the office set forth opposite his name and that the signature appearing opposite his name is the genuine signature of such officer:

<u>Name</u>	<u>Office</u>	<u>Signature</u>
John M. MacDonald	Vice President-Operations	

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of said Company on this 8th day of May, 2001.

(Seal)



Robert A. Bersak
Assistant Secretary

CERTIFICATE OF GOOD STANDING for PSNH, INC.
Obtained from the NH Secretary of State's office.

State of New Hampshire
Department of State

CERTIFICATE OF EXISTENCE

I, William M. Gardner, Secretary of State of the State of New Hampshire, do hereby certify PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE is a New Hampshire corporation duly incorporated under the laws of the State of New Hampshire on AUGUST 16, 1926. I further certify that all fees and annual reports required by the Secretary of State's office have been received and that articles of dissolution have not been filed.

In TESTIMONY WHEREOF, I hereto
set my hand and cause to be affixed
the Seal of the State of New Hampshire,
this 12th day of March, A.D. 2001



William M. Gardner
Secretary of State



F:\WUCNTRCT\PSNHSQM.WUC

NEWFOUND PROJECT

CONTRACT WITH WATER USERS

Between the

NEW HAMPSHIRE WATER RESOURCES COUNCIL

and the

NEWFOUND HYDROELECTRIC COMPANY

for their

HYDROPOWER DEVELOPMENT

at their

NEWFOUND HYDROELECTRIC FACILITY

January 1994

This Contract is between New Hampshire Water Resources Council, a public corporation located at 64 North Main Street, Concord, New Hampshire 03301 hereinafter called the "**COUNCIL**", and the Newfound Hydroelectric Company, a partnership established under the laws of the state of New Hampshire, who is headquartered at Central Square, in Bristol, NH 03222, hereinafter called the "**CONTRACTOR**".

WITNESSETH THAT

WHEREAS, by Chapter 481 of the Revised Statutes Annotated, entitled "State Dams, Reservoirs, and Other Water Conservation Projects", as amended, the WATER RESOURCES BOARD (Board) was created and empowered, among other things, to construct, maintain, and operate projects;

WHEREAS, by Chapter 420 of the laws of 1973, the General Court authorized the Board to accept conveyance of the Newfound Lake Dam (Dam), the water rights, land, and other facilities connected therewith; to make repairs and modifications to the dam or to rebuild as may best serve the interests of the State; and approved an appropriation of \$50,000 for the repairs, modifications, or rebuilding of the Dam after Governor and Executive Council approval;

WHEREAS, among other actions taken on July 17, 1973 the Governor and Executive Council authorized the Board to expend a sum not to exceed \$50,000 to make necessary repairs at the Dam;

WHEREAS, the deed conveying all rights and title to the Dam was duly executed on March 28, 1974 which, when combined with the

legislative and Governor and Executive Council actions, establishes and constitutes the Newfound Project (Project) for the purposes of maintenance, operation, and management of the Dam by the Board;

WHEREAS, the Board has continued these functions of maintenance operation, and management of this facility;

WHEREAS, the Governor and Executive Council have more recently reaffirmed their 1973 decision on May 13, 1976 by authorizing additional expenditures for needed repairs and on December 23, 1981 by determining that the proposed leasing of the Dam for hydroelectric re-activation was of public use and benefit, within the authority of the Board, and directed the Board to proceed, and on September 14, 1986 by authorizing additional expenditures for more repairs to the Dam;

WHEREAS, by Chapter 202, Laws of 1986, the Water Resources Board was reorganized and its public corporation functions were assumed by the new Water Resources Council on January 2, 1987 and this contract between the **COUNCIL** and the **CONTRACTOR** carries all of the same powers and authorities of the former New Hampshire Water Resources Board;

WHEREAS, the **COUNCIL** now owns the Dam which is located on the Newfound River at the outlet of Newfound Lake, consisting of a concrete, stone, and timber structure 105 feet long by 14 feet high which includes two spillway sections: being 47 feet long by 7 feet high and the second being 22 feet long by 7 feet high, 3 discharge gates each being 6 feet wide by 6 feet high, two buttress piers each being about 12 feet wide by 14 feet high, and a gate house situated

on one of the piers;

WHEREAS, the Dam at the outlet of Newfound Lake is operated to achieve a June first operating level of 588.4 NGVD (local gauge reading of 6.4 feet) with rights of flowage extending to elevation 589.12 NGVD (7.24 feet) creating a surface area with the lake filled to 589.12 NGVD (7.24) resulting in 4106 acres and the impounding of 1.198 billion cubic feet of artificial storage;

WHEREAS, the **COUNCIL** is empowered to charge and collect fees for the use of delivered water from storage and other related services, subject to and in accordance with agreements water users, developers, and operators as provided by RSA 481:3;

WHEREAS, pursuant to RSA 481:8, to make the Project so far as possible self-liquidating and self-supporting, the **COUNCIL** shall require, subject to the approval of Governor and Executive Council, compensation for the use of stored water or other benefits created by the Project, which compensation is to be made equitable as among the different users;

WHEREAS, fees charged for water storage may equitably differ among the various water users to recognize, among other considerations, varying headwater benefits;

WHEREAS, the **CONTRACTOR** is a water user by virtue of operating their hydropower developments downstream of the Project;

WHEREAS, the Governor and Executive Council and the Water Resources Council have determined that the continued operation and maintenance of the **CONTRACTOR'S** hydropower facilities promotes the purposes of the Project as set forth in RSA 481:1 and 13 and is in

the best interest of the State of New Hampshire;

WHEREAS, it is desirable for the **COUNCIL** to continue to maintain and operate the Project for an additional period of at least fifteen (15) years from the effective date of this contract;

WHEREAS, such purpose with regard to the project will be furthered by the execution by the **COUNCIL** and the **CONTRACTOR** of a contract in accordance with the terms hereinafter set forth by RSA 481;

WHEREAS, the Attorney General of the State of New Hampshire has approved this contract as being within the power and authority of the **COUNCIL** to make.

NOW THEREFORE, in consideration of the premises and of the mutual promises herein contained, the parties hereto, for themselves and their respective successors and assigns, and with the approval of the Governor and Executive Council of the State of New Hampshire, agree as follows:

ARTICLE 1. EFFECTIVE DATE AND TERM

1.1 This contract shall become effective upon the approval of the Governor and Executive Council and shall remain in effect for a period of fifteen (15) years from that date, unless sooner terminated as provided in Article 7 and Article 11, infra.

1.2 In the event that the effective date is not the first of January 1994, the water user fee as described in Article 4 shall be computed as of the first of January 1994.

1.3 Subject to the provisions of RSA 481:8, this contract shall

be deemed to renew automatically for successive five (5) year terms, to a maximum total duration of fifty (50) years, unless the **CONTRACTOR** gives written notice to the **COUNCIL** of its intent not to renew this contract at least one-hundred twenty (120) days before the expiration of the contract term or any renewal term, except that as of the commencement of any renewal term, the **COUNCIL** may:

(A) Adjust the water user fee as described in Article 4 to the amount equal to the water user fee charged by the **COUNCIL** for similar projects at the time of renewal. The **COUNCIL** shall notify the **CONTRACTOR** at least one-hundred twenty (120) days before the end of the contract or renewal term, of its intent to adjust the water user fee and the amount of the fee for the following renewal term;

(B) Require the **CONTRACTOR** to enter into a new contract, in substitution of the present contract, provided such substituted contract does not materially affect the rights granted to the **CONTRACTOR** under Articles 1, 2, 3, 6, 7, 9 and 10.

ARTICLE 2. DEFINITIONS

Whenever used in this contract, the following terms shall have the following meaning:

2.1 "Gross Operating Head" shall mean, for each developed site owned by the **CONTRACTOR** and benefitted by the Project, the greatest difference in elevation, measured to the nearest foot, between the normal level of the pond or headwater above the dam at the site in question, such level being measured to the top of the flashboards

normally used, if any, or to the crest of the dam (or the spillway section thereof, if any) and the elevation of free water surface of the tailwater at the outlet of the power station or the Federal Energy Regulatory Commission (FERC) licensed gross head, whichever is greater.

2.2 "Water User Fee" shall mean the fee payable by the **CONTRACTOR** under Article 4. This fee shall be paid prospectively on a semi-annual basis for each calendar year on or before the 30th of June or the 31st of December, as appropriate.

2.3 "Calendar Year" shall mean a period of one year beginning January 1 and ending December 31.

2.4 "Water User" shall mean those entities specially benefitted by the Project, pursuant to RSA 481:8.

2.5 "Minor Amendments" shall mean any amendment to the contract which does not alter the expected revenues to be generated during the original term of the contract.

2.6 "Parties" shall collectively mean the **COUNCIL** and the **CONTRACTOR**.

ARTICLE 3. OPERATION OF THE NEWFOUND PROJECT

3.1 Subject to acts of God, war, insurrection other causes beyond its control, and sale, lease, or granting of an easement pursuant to the dam leasing program or federal law, the **COUNCIL** shall own, operate, repair, and maintain the Project in proper operating condition and in a good state of repair and perform all acts necessary to effect the regulation and release of stored water

in the manner set forth in this contract. In no event will the **CONTRACTOR** become liable by virtue of this contract for the maintenance, repair, operation, or upkeep of the Dam.

3.2 During the period commencing on or about March 15th and ending on or about June 1st of each year, the Project shall be filled to elevation 588.4 NGVD (6.5 feet on the local gauge) plus or minus 0.3 of a foot as far as the run-off will allow. Thereafter, the stored water shall be released from the Project at such times and in such quantities as may yield the most overall beneficial use of the stored water to the end that on or about March 15th of the following year, the Project shall be drawn down 3.5 feet to elevation 584.9 NGVD (3.0 feet) plus or minus 0.3 of a foot, if necessary, for the abatement of spring flood waters and the impounding of the spring run-off then anticipated. All of this in accordance with the established operating principles in-view of the prevailing and/or anticipated meteorological conditions. Throughout the duration of this annual fill and drain cycle, the prevailing meteorological conditions will cause the lake level to vary in elevation on a day-to-day basis. By way of the management and operation of the dam and the annual variance of lake level, the volume of stored water released from storage is 0.656 billion cubic feet.

3.3 During the three months of June, July, and August, the minimum discharge will be 80 cubic feet per second (cfs), 60 cfs, and 40 cfs, respectively for the purposes of maintaining and enhancing the fish and wildlife habitat populations which exists in

the Newfound River below the Dam. These minimum flows may be amended on an as-needed basis in case of emergencies or by negotiation.

3.4 The method of storage and release of water set forth shall be subject to the provisions of RSA 481:13. The day-by-day and hour-by-hour discharge of water from the Project, within the method and in the manner set forth in this article, shall be performed so as to deliver the water stored by the Project, in such quantities and amounts as prescribed, to the **CONTRACTOR** consistent with the **CONTRACTOR's** status as a water user. Operating records of the **COUNCIL** indicate that the annualized amount of water delivered from the artificial storage in Newfound Lake equates to a minimum of 0.656 billion cubic feet as determined by the definition of stored water in NH RSA 481:12.

3.5 Subject to the provisions of Article 3.4 of this contract, the **COUNCIL** shall operate the Project so as to maximize the amount and value of the marketable hydroelectricity collectively generated at the dam sites benefited by the Project while balancing the other benefits derived from abatement of damaging floods and recreational uses. The **COUNCIL** recognizes as a crucial consideration, the intent to maximize hydroelectric productivity utilizing the following goals while maintaining its other obligations:

- (A) Minimization of Project discharges of less than one-hundred (100) cfs as measured by the riverflow gauge at the Dam, except during the period from June 1st to September 1st,
- (B) Minimization of project discharges in excess of two

hundred fifty (250) cfs, as measured by the gauge at the Dam.

(C) To maximize the number of days that provide the overall optimum Dam discharge of two-hundred fifty (250) cfs and to provide a minimum of one-hundred twenty five (125) cfs Dam discharge during the month of January.

The fulfillment of these goals being dependent upon the prevailing hydrological and meteorological conditions.

3.6 If new governing laws or rules institute restrictive water use allocations which adversely affect the **COUNCIL'S** ability to release the stipulated volume of water from storage, then the **CONTRACTOR** may request to negotiate amendments to address the changed circumstances in-lieu of terminating the contract under Article 7. The parties hereby agree to negotiate in good faith in the attempt to agree upon such amendments.

ARTICLE 4. WATER USER FEE

4.1 Commencing on the first day of January 1994, the **CONTRACTOR** as a beneficiary of the stored water and headwater benefits at the Project, shall pay semi-annually to the **COUNCIL** a Water User Fee (WUF) for the stored water and other benefits calculated in accordance with the following formula:

$$WUF = M \times 6 \times 0.656 \times H$$

Where:

WUF (\$) = Water User Fee (\$)
 M = \$10.00 per billion cubic feet of deliverable stored water, per month, per foot of gross developed head;

- 6 = Number of months in the billing period;
- 0.656 = Fixed multiplier representing the water delivered from storage from the project in billions of cubic feet which is the result of the management and operation of the Dam and the prevailing meteorological conditions;
- H = Feet of gross developed head at the **CONTRACTOR'S** hydroelectric station at their dam; H=90 feet.

4.2 For the purposes of computing the WUF hereunder, "M" shall never be less than \$10.00 commencing on January 1, 1994. "M" shall automatically escalate or de-escalate on January 1 of each subsequent year at a percentage rate equal to the percentage change in the prior year's Gross Domestic Product Implicit Price Deflator as reported by the United States Department of Commerce . . . Bureau of Economic Analysis. If such a figure is not reported, then by another appropriate national index as designated by the **COUNCIL**. The prior year's index will be that one which is available for the December invoice and includes the entire year's inflation/deflation computations.

4.3 Invoices for all amounts due under this Article 4 shall be rendered semi-annually by the **COUNCIL** to the **CONTRACTOR** for the next semi-annual fee period. If all or any part of any invoice shall remain unpaid for more than thirty (30) days, then interest will be charged at a rate per annum of two percent (2%) above the prime (or comparable) rate as reported by the First National Bank of Boston (on the date of the invoice) shall thereafter accrue and be payable

to the **COUNCIL** either (1) on such unpaid amount, or (2) in the event the amount of the invoice is disputed, on the amount finally determined to be due and payable. The **CONTRACTOR** may dispute all or any part of any invoice by mailing to the **COUNCIL** a written notice thereof within thirty (30) days of receipt of such invoice and by paying to the **COUNCIL** any amount not in dispute.

ARTICLE 5. DAM RECONSTRUCTION

If the Dam and its appurtenance(s) is (are) substantially destroyed or damaged from any cause, then this contract shall terminate automatically sixty (60) days after the **COUNCIL'S** written notice to the **CONTRACTOR** declaring the occurrence of such destruction or damage. The **COUNCIL** may initiate reconstruction of the Dam as a new project in accordance with RSA 481:7.

ARTICLE 6. CONTRACTOR A LAWFUL WATER USER

The **CONTRACTOR** shall be deemed a lawful user of stored water from the project under RSA 481 for the term of our contract, provided that all fees due and owing have been paid-in-full.

ARTICLE 7. TERMINATION OF CONTRACTOR STATUS

7.1 The **CONTRACTOR** may terminate its rights and obligations under this contract if the **CONTRACTOR** gives the **COUNCIL** at least six (6) month's prior written notice of its intention to both cease power generation at the **CONTRACTOR'S** site and to render said site incapable of immediate re-activation. Included in said written

notice will be the date of termination (the "Contract Termination Date"). If the **CONTRACTOR** does not in-fact cease to generate power at the facility(s) on or before the Contract Termination Date, then the **COUNCIL**, at its discretion, may treat the termination notice as non-effective. The **CONTRACTOR** shall remain liable for the payment of all WUFs incurred by such **CONTRACTOR** under Article 4 through the Contract Termination Date.

ARTICLE 8. SALE BY CONTRACTOR OF DEVELOPED WATERPOWER SITES

The **CONTRACTOR** agrees that if it shall sell its developed waterpower site(s) on the Newfound River benefitted by the Project, then it shall require as a condition of the sale that the purchaser enter into a contract with the **COUNCIL** as of the date of sale that makes the **COUNCIL** whole against any loss of revenues from the **CONTRACTOR** under Article 4 resulting from the **CONTRACTOR'S** sale of the site(s). The **CONTRACTOR** shall remain liable to make payments associated with the site(s) under the provisions of Article 4 unless the purchaser of the site(s) has entered into such a contract provided that the site(s) is(are) still considered to be in commercial operation. Alternatively, the **CONTRACTOR** may with the **COUNCIL'S** written consent, said consent not to be unreasonably withheld, assign the contract's obligations and benefits; provided, that any such resulting assignee has agreed with the **COUNCIL** to perform all of the **CONTRACTOR'S** covenants and obligations hereunder. The **COUNCIL** agrees to respond to the **CONTRACTOR'S** request for a proposed assignment within sixty (60) days from the receipt thereof.

ARTICLE 9. SALE OF NEWFOUND PROJECT

In the event the **COUNCIL** shall desire, during the term of this contract, to sell or otherwise dispose of the Project, excepting a lease or granting of an easement at the Dam under the State's Dam Leasing Program pursuant to Article 10, then the **COUNCIL** shall first offer the Project to the water users (excluding any water user who at the time shall be in default of its water user contract), and shall in good faith negotiate with such water user(s) or such of them as may desire to purchase, for a sale to them of the Project upon mutually satisfactory terms. The **COUNCIL** agrees that if it should sell the Project, it shall require as a condition of the sale, that the purchaser enter into a water user contract which provides the same minimum volume of water and method of reservoir management as does this existing contract with all then existing water users, including any rights to renewal held by the water users.

ARTICLE 10. DAM LEASING PROGRAM

Under any lease or granting of an easement at the Dam, or any lease or granting of an easement of any portion thereof, for hydroelectric or other purposes, under the State of New Hampshire's Dam Leasing Program, or pursuant to federal law, the **COUNCIL** shall require as a condition of the lease or deed of easement that the Project be maintained and operated in accordance with the terms of this contract. This provision shall not provide the **CONTRACTOR** any

cause of action as against the **COUNCIL** for acts or omissions of the lessee or grantee, but shall provide a cause of action directly against the lessee or grantee.

ARTICLE 11. NOTICES

Any notice or other communication required or permitted hereunder shall be in writing and shall be postage pre-paid, return receipt requested or hand delivered:

(a) If to the **COUNCIL**: NH Water Resources Council
 PO Box 2008
 Concord, NH 03302-2008
 Attn: Delbert F. Downing, Chairman

With a copy to: N.H. Attorney General's Office
 Environmental Protection Bureau
 State House Annex
 Concord, N.H. 03301

Re: Water Resources Council -- Newfound Project

(b) If to **CONTRACTOR**: Newfound Hydroelectric Company
 c/o Mr. Nathan Wechsler
 85 Hampshire Lane
 Boynton, Florida 33436
 Attn: Mr. Nathan Wechsler

ARTICLE 12. AMENDMENTS TO CONTRACT

No change of or amendment to this contract shall be made except by a written instrument signed by the parties, executed with the formalities of this contract. Minor amendments may be executed without the approval of the Governor and Executive Council of the State of New Hampshire.

ARTICLE 13. WAIVERS

Failure of either party to enforce any of the provisions of

this contract, or to require performance by the other party of any of the provisions hereof, shall not be construed to waive such provision, nor to affect the validity of this contract or any part thereof, or the right of either party to thereafter enforce each and every provision.

ARTICLE 14. REGULATION

This contract and all rights, obligations, and performance of the parties hereunder are subject to all applicable State and Federal laws and regulations, and to all duly promulgated orders and other duly authorized action of governmental authority having jurisdiction.

ARTICLE 15. INTERPRETATION

The interpretation and performance of this contract shall be in accordance with and controlled by the laws of the State of New Hampshire.

ARTICLE 16. COUNTERPARTS

This contract may be executed in any number of counterparts, and each executed counterpart shall have the same force and effect as an original instrument.

ARTICLE 17. NO WAIVER OF SOVEREIGN IMMUNITY

No provision in this contract is intended to be, nor shall it be, interpreted by any party hereto to be a waiver of sovereign

immunity.

ARTICLE 18. HEADINGS

The article, paragraph, sub-paragraph headings throughout this instrument are for convenience and reference only, and the words contained therein shall in no way be held to explain, modify, amplify, or aid in the interpretation, construction or meaning of the provisions of the contract.

ARTICLE 19. CERTIFICATES

Pursuant to RSA 5:18-a, the **CONTRACTOR** shall attach certificates to this contract evidencing the authority of its signatory to execute this contract on behalf of the **CONTRACTOR**, together with a Certificate of Registration with the Secretary of State of the state of New Hampshire.

ARTICLE 20. SHORTAGE CRISES

Pursuant to the express provisions of RSA 481:8, III, as amended, in the event of a shortage crisis, as determined by the Governor and Executive Council, in either the water resources of the State of New Hampshire or the capacity to fulfill the electrical requirements of the State of New Hampshire, then the Governor and Executive Council, to fulfill the needs and requirements of the citizens of the State of New Hampshire, may suspend the terms of this contract, but only to the extent that services are provided outside of the State of New Hampshire. This provision shall be read

consistently with federal law, including New England Power vs. New Hampshire, 455 US 331 (1982), as applicable.

ARTICLE 21. THIRD PARTIES

The parties hereto do not intend to benefit any third parties and this contract shall not be construed to confer any such benefit.

ARTICLE 22. SEVERABILITY

If any term or provision of this contract, or the application thereof, to any person or circumstance shall to any extent, be invalid or unenforceable, the remainder of this contract, or the application of such term or provision to persons or circumstances, other than to those which it is held invalid or unenforceable, shall not be affected and each term and provision of this contract shall be valid and be enforced to the fullest extent permitted by law.

ARTICLE 23. MERGER

This contract, including all exhibits attached hereto, constitutes the entire agreement between the parties, and all prior understandings, agreements, and representations have been merged herein.

ARTICLE 24. NON-LIABILITY OF CONTRACTOR

In no event shall the **CONTRACTOR** be liable to the **COUNCIL**, any other water user or any third party for any claims, costs, loss, or expense resulting from the sole acts of the **COUNCIL**.

ARTICLE 25. ADDITIONAL WATER USER CONTRACTS

The **COUNCIL** shall use its best efforts to contract with each water user, charging each water user a fee for such water use which is equitable and non-discriminatory as among all water users, including the **CONTRACTOR**.

ARTICLE 26. SUCCESSORS AND ASSIGNS

This contract shall be binding upon the parties, their successors and assigns, including without limitation any successor owner of the Project.

IN WITNESS WHEREOF, the parties hereto have executed this contract.

NEW HAMPSHIRE RESOURCES COUNCIL

[Signature]
WITNESS

[Signature]
DELBERT F. DOWNING, CHAIRMAN

STATE OF NEW HAMPSHIRE
COUNTY OF MERRIMACK

On this, the 12th day of April, 1994 before me the undersigned officer, personally appeared Delbert F. Downing, who acknowledged himself to be the Chairman of the Water Resources Council, a public corporation created by the State of New Hampshire and that he, as such Chairman, being authorized to do so executed the foregoing instrument for the proposal therein contained.

Before me:

[Signature]
Notary Public/Justice of the Peace

My Commission Expires: May 8, 1995

JANET E. HILLSON, Notary Public
My Commission Expires May 8, 1995

NEWFOUND HYDROELECTRIC COMPANY

[Signature]
WITNESS

[Signature]

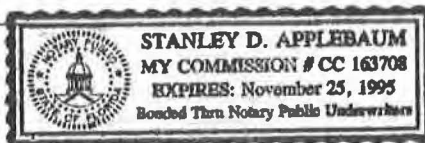
STATE OF
COUNTY OF F1 Palm Beach County

On this, the 26 day of January, 1994 before me the undersigned officer, personally appeared, who acknowledged himself to be the partner of the Newfound Hydroelectric Company, a New Hampshire partnership, and that he, as such partner, being authorized to do so, executed the foregoing instrument for the purposed therein contained.

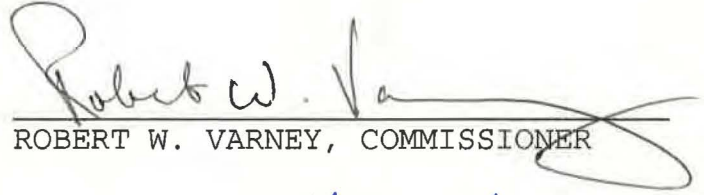
Before me:

[Signature]
Notary Public/Justice of the Peace

My Commission Expires:



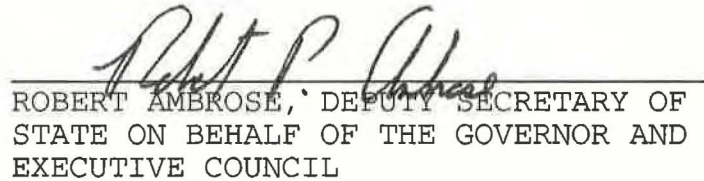
Reviewed by the Department of Environmental Services this day
of 1994.


ROBERT W. VARNEY, COMMISSIONER

Approved by the Attorney General this 19th day of April 1994,
as to form, substance, and execution.


ASSISTANT ATTORNEY GENERAL

At this meeting on MAY 4 1994, 1994 the Governor
and Executive Council approved execution of this contract.


ROBERT AMBROSE, DEPUTY SECRETARY OF
STATE ON BEHALF OF THE GOVERNOR AND
EXECUTIVE COUNCIL

CERTIFICATION

The undersigned Secretary of the New Hampshire Water Resources Council (The Council) does hereby certify that at a meeting of the Council held on the 30th day of Nov, 1994 and said Council voted affirmatively as follows:

Upon motion made and seconded, it was voted to approve the Contract with the Newfound Hydroelectric Company for a water user contract to the Newfound Project, and to ratify the preceding signature of Delbert F. Downing, Chairman, in execution of said contract on behalf of the Council.

I further certify that the above vote is official and still in force and effect and that Delbert F. Downing is Chairman of the Council as of the 30th day of Nov, 1994.

WITNESS

NEW HAMPSHIRE WATER RESOURCES COUNCIL

Henry Therriault, Secretary

STATE OF NEW HAMPSHIRE
COUNTY OF ~~MERRIMACK~~ ROCKINGHAM

The foregoing instrument was acknowledged before me this 13th day of Nov, 1994 by Henry Therriault, Secretary of the New Hampshire Water Resource Council.

NOTARY PUBLIC / JUSTICE OF THE PEACE

My Commission expires 3-3-98.

NEWFOUND HYDROELECTRIC COMPANY
Bristol, NH

Certificate of Authority

The undersigned, Joseph S. Ransmeier, being first duly sworn, hereby certifies as follows:

First. That he is an attorney, duly qualified and in good standing, engaged in the practice of law in The State of New Hampshire, at the offices of Ransmeier & Spellman Professional Corporation, One Capitol Street, Concord, NH, and that he has served as legal counsel to Newfound Hydroelectric Company since its organization;

Second. That the law firm of Ransmeier & Spellman, of which he was a partner, was retained by Nathan Wechsler to organize a New Hampshire limited partnership early in 1982, to be known as Newfound Hydroelectric Company, to acquire a site in Bristol, NH for the development of a hydroelectric power facility and thereafter to provide for the construction and operation of such a facility;

Third. That there is attached hereto a true copy of the Limited Partnership Agreement pursuant to which Newfound Hydroelectric Company ("Newfound") was organized, duly executed by each of the partners as of June 21, 1982, and which was duly filed for record at the offices of the New Hampshire Secretary of State on June 25, 1982 in Vol. C4, Page 658.

Fourth. That no amendments or changes in the said Agreement have ever been filed, that the said organization remains in good standing as a New Hampshire Limited Partnership at the date and time hereof, and that to the best of his knowledge as legal counsel for Newfound, no proceedings or actions of any sort are now pending which in any way would change the said Agreement or impair Newfound's good standing as a New Hampshire Limited Partnership;

Fifth. That Section 9.1 of Newfound's Limited Partnership Agreement provides in part as follows:

Section 9.1 Management

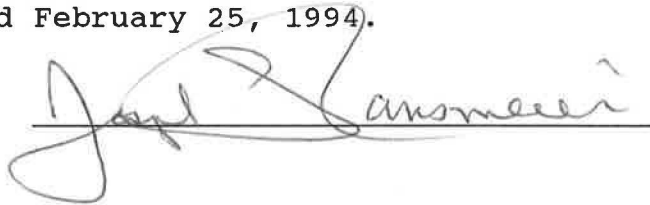
All of the business of the partnership, including, but not limited to, decisions on all tax elections, shall be under the exclusive management and control of the General Partners. The General Partners may, by agreement, designate one or more of their number as managing partner(s), who may be granted exclusive responsibility for the management and control of the business, and pursuant to this authority the General Partners have irrevocably designated Nathan Wechsler as Managing Partner to whom they have granted exclusive

authority and responsibility for such management and control. . . .

Sixth. That the foregoing irrevocable designation of Nathan Wechsler to exercise exclusive management and control of Newfound remains in full force and effect at the date and time hereof.

That each of the several representations of fact set forth in this Certificate above is true and correct to the best of his knowledge and belief.

This Certificate is dated February 25, 1994.



Handwritten signature of Joseph S. Ransmeier, written over a horizontal line.

The State of New Hampshire
Merrimack, ss

February 25, 1994

Then personally appeared Joseph S. Ransmeier, to me personally known, and took oath that the representations of fact set forth in the Certificate above are true and correct to the best of his information and belief.



Handwritten signature of Joyce M. Johnson, written over a horizontal line.

Notary Public/Justice of the Peace

My Commission Expires Jan. 10, 1995

State of New Hampshire
Department of State

CERTIFICATE OF GOOD STANDING

I, William M. Gardner, Secretary of State of the State of New Hampshire, do hereby certify that NEWFOUND HYDROELECTRIC CO. is a New Hampshire Limited Partnership formed JUNE 25 1982. I further certify that it is in good standing as far as this office is concerned, having paid the fees required by law.

IN TESTIMONY WHEREOF, I hereto
set my hand and cause to be affixed
the Seal of the State of New Hampshire,
this 30th day of December A.D. 1993

William M. Gardner

William M. Gardner
Secretary of State

