

**TERM SHEET**  
**2015 PSNH RESTRUCTURING AND RATE STABILIZATION**

This settlement resolves all of the issues raised in the following proceedings: Docket No. IR 13-020, Investigation into Market Conditions Affecting PSNH and its Default Service Customers and the Impact of PSNH's Ownership of Generation on the Competitive Electric Market; Docket No. DE 11-250, Investigation of Scrubber Costs and Recovery; and Docket No. DE 14-238, Determination Regarding PSNH's Generation Assets.


1. For the economic benefit of customers, PSNH, d/b/a Eversource Energy, shall expeditiously initiate and pursue divestiture of its owned generation fleet upon final PUC approval of the settlement agreement reflecting the provisions of this term sheet. PSNH will retain existing Power Purchase Agreements (PPAs) and sell the energy and capacity into the market, with the difference between the contract costs and the market revenues associated with the PPAs' energy and capacity to be recovered through the Stranded Cost Recovery Charge (SCRC). RECs will be retained only to the extent that they are needed for PSNH's RPS requirements.
2. In order to resolve the proceedings listed above, PSNH shall agree to forego recovery of \$25 million of the deferred equity return related to the Merrimack Station Scrubber.
3. Subject to paragraph 2 above, PSNH shall receive full recovery of the total stranded costs incurred from divestiture of its generation assets and any outstanding deferral. Stranded costs, deferrals, and other transaction-related costs shall be recovered from the proceeds of a securitization of such costs over a period of up to 15 years. Any costs not recovered through securitization shall be recovered in accordance with the Commission's approved method for recovery of stranded costs. The prompt divestiture of PSNH's generating assets and the securitization of the resulting stranded costs will result in significant customer savings estimated to be on the order of \$300 million over the first 5 years following divestiture, including avoided future Company earnings.
4. Effective January 1, 2016, all costs of the Merrimack Scrubber shall be placed into PSNH's Default Energy Service rate for recovery, along with its allowed equity return on those costs. Those costs include the annual costs of owning and operating the Scrubber, the previously-deferred costs resulting from the temporary Scrubber rate, and final construction contract costs upon payment. The previously-deferred costs shall be included in rates based upon an amortization period of seven years. PSNH shall be allowed to recover all Scrubber-related costs, including any remaining deferred equity return in excess of the \$25 million not allowed for recovery, as set forth in paragraph 2.
5. All purchaser(s) of PSNH's generation assets shall be required to keep the acquired plants in service for a minimum of eighteen months from the date of purchase by a new owner.

6. PSNH will transition to a competitive procurement process for default service. The competitive process utilized shall be the process determined by the Commission in IR 14-338, Review of Default Service Procurement Processes for Electric Distribution Utilities. The transition date will occur no later than six months after the final financial closing resulting from the divestiture of PSNH's generating assets (the "final divestiture date").
7. The provisions of existing Collective Bargaining Agreements (CBA) shall remain in effect and be binding upon PSNH and the purchaser(s) of the existing generating assets for the term of such agreements. PSNH agrees to pursue good faith bargaining with the union representing affected employees regarding enhancements to employee protections contained in such CBA for inclusion in the final settlement document. As a condition of any settlement, RSA 369-B:3-b must be amended to comply with this provision. PSNH shall provide employee protections to non-represented affected employees as well.
8. To help ensure economic stability of New Hampshire municipalities impacted by divestiture, PSNH shall make payments in lieu of taxes (PILOT) that ramp down and phase out over a period of no more than three tax years following divestiture to the communities where the generating units operate, to the extent that the purchase price of the asset is less than the municipality's assessed value of the asset.
9. Accomplishment of this settlement is conditioned upon the enactment of implementing proposed legislation that is substantially similar to the draft attached. The settlement parties agree to support legislation reasonably necessary to implement the terms of the settlement, and agree to oppose legislation inconsistent with this settlement.
10. To continue distribution rate funding for grid reliability, resiliency, and automation expenditures, PSNH shall continue its Reliability Enhancement Program (REP), grid hardening, grid modernization, and enhanced tree trimming (ETT) expenditures as set forth in the "Settlement Agreement on Permanent Distribution Service Rates" approved by the Commission in Docket No. DE 09-035, and shall be allowed to recover the costs of these continued expenditures via an annual adjustment to its distribution rates until its next distribution rate case, and until the Commission provides further authority to continue these programs. PSNH agrees to forego the filing of a distribution rate case until July 1, 2017, which results in a distribution base rate freeze for at least two years. The current level of storm funding and the exogenous events clause specified in PSNH's 2009 rate settlement agreement shall remain in effect until an NHPUC order is finalized with respect to PSNH's next distribution rate case.
11. PSNH shall work with interested parties to establish and implement increased energy efficiency savings and distributed energy investment targets. PSNH shall be allowed recovery of all costs associated with


the energy efficiency and distribution energy investments required to meet these targets. Such recovery will occur via the System Benefits Charge or other non-bypassable charge. PSNH also agrees to provide \$5 million to capitalize a clean energy fund, not to be recovered from customers.

12. All net costs related to the existing PPAs, employment-related costs, and PILOT payments will be treated as stranded costs to be fully recovered through the SCRC.
13. A final, comprehensive "2015 Eversource Restructuring and Rate Stabilization Settlement" intended to incorporate and supersede the provisions of this Term Sheet, and implement the understandings contained herein, shall be targeted for completion by April 1, 2015.


Agreed to this 11<sup>th</sup> day of March, 2015, by and between:


  
James J. Judge  
Chief Financial Officer  
Northeast Utilities  
d/b/a Eversource Energy

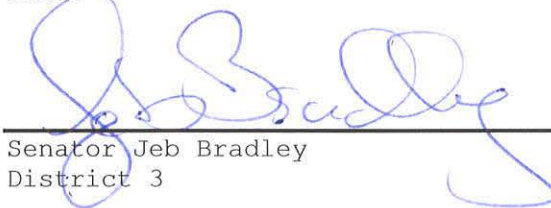
  
William J. Quinlan  
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Meredith Hatfield  
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