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A Northeast Utilities Company

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January 10, 2014

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<b>ORIGINAL</b>	
N.H.P.U.C. Case No.	DE 13-108
Exhibit No.	2
Witness	Panel 1
DO NOT REMOVE FROM FILE	

RE: DE 13-108, Public Service Company of New Hampshire  
Reconciliation of PSNH's Energy Service and Stranded Cost for Calendar Year 2012

Dear Ms. Howland:

Please find enclosed an original and six copies of the rebuttal testimony of Eric H. Chung in the above-referenced docket.

Thank you for your cooperation. Please do not hesitate to contact me with any questions.

Very truly yours,

  
Matthew J. Fossum  
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- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.**
- c) Serve a written copy on each person on the service list not able to receive electronic mail.**

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**THE STATE OF NEW HAMPSHIRE**  
**BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION**  
**PREPARED TESTIMONY OF ERIC H. CHUNG**  
**2012 RECONCILIATION OF ENERGY SERVICE AND STRANDED COSTS**  
**Docket No. DE 13-108**

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1 **Q. Please state your name, business address and position.**

2 A. My name is Eric H. Chung. My business address is 1 NSTAR Way, Westwood, Massachusetts  
3 02090. My position is Director of Revenue Requirements for Massachusetts and New Hampshire  
4 at Northeast Utilities.

5 **Q. Have you previously testified before the Commission?**

6 A. Yes, I have testified before the Commission in previous proceedings.

7 **Q. Please describe your educational background.**

8 A. I have a Bachelor of Arts in physics with honors from Harvard University, as well as a Master's  
9 of Business Administration in finance and economics from the University of Chicago, Booth  
10 School of Business.

11 **Q. Please describe your professional experience.**

12 A. I was appointed to my current position at Northeast Utilities in August 2013, and I have over  
13 fifteen years of related management consulting and industry experience, with most of my career  
14 dedicated to the power and utilities sectors. From May 2011 to August 2013, I was a Senior  
15 Manager in the Power Utilities Advisory practice at Ernst and Young LLP. From July 2009 to  
16 April 2011, I worked for PacifiCorp, a vertically- integrated electric utility based in Portland,

1 Oregon serving approximately 1.7 million customers across six states in the Western U.S. At  
2 PacifiCorp, my primary role was Director of Environmental Policy and Strategy, and I also held  
3 leadership roles in PacifiCorp's Transmission and Corporate Finance departments. I have also  
4 served as an Associate Partner in the Utilities practice at Oliver Wyman, a Senior Engagement  
5 Manager in the Power practice at Strategic Decisions Group, and a Senior Programmer Analyst at  
6 Goldman Sachs.

7 **Q. What are your current responsibilities?**

8 A. I am currently responsible for all regulatory activity affecting the financial requirements of  
9 Northeast Utilities' operating companies located in Massachusetts and New Hampshire.

10 **Q. What is the purpose of your testimony?**

11 A. The purpose of my testimony is to provide rebuttal to the testimony provided by the Office of  
12 Consumer Advocate (OCA) in Docket DE 13-108. I will address each of the following topics  
13 raised by the OCA in its testimony:

- 14 1. Recovery of certain affiliate costs
- 15 2. Depreciation changes and depreciation reserve imbalance
- 16 3. Newington fuel oil sales
- 17 4. Return on generation assets not fully used and useful

18 **I. RECOVERY OF CERTAIN AFFILIATE COSTS**

19 **Q. Please explain your understanding of the OCA's argument regarding the affiliate charges.**

20 A. In Mr. Eckberg's testimony, the OCA states that at the time of the merger between PSNH's  
21 parent company, Northeast Utilities ("NU"), and NSTAR in April 2012, PSNH had an affiliate

1 contract with Northeast Utilities Service Company (“NUSCO”) for certain affiliate services. The  
2 OCA notes that PSNH had not filed with the Commission an affiliate contract between PSNH and  
3 NSTAR’s service company, NSTAR Electric and Gas Corporation (“NSTAR-EGC”), and that in  
4 2012 PSNH stated that certain NSTAR-EGC costs were incurred by PSNH for which PSNH  
5 sought recovery. According to the OCA, because PSNH had not filed an affiliate contract  
6 directly between PSNH and NSTAR-EGC, any payments by PSNH for NSTAR-EGC services  
7 should be disallowed under the terms of RSA 366:4.

8 **Q. Do you agree with the OCA’s contention that PSNH should not be permitted recovery?**

9 A. No, I do not.

10 **Q. Please explain why you believe PSNH should be permitted to recover these costs.**

11 A. The OCA is correct that PSNH did not file an affiliate agreement between PSNH and NSTAR-  
12 EGC with the Commission. I can further clarify that there was, in fact, no agreement between  
13 PSNH and NSTAR-EGC to file. However, while there was no contract and no filing, the absence  
14 of the filing or the contract does not preclude recovery of the costs of the services provided by  
15 NSTAR-EGC. PSNH’s contract with NUSCO permitted NUSCO to obtain services from other  
16 entities as agent on behalf of PSNH. NUSCO and NSTAR-EGC had contracts between them  
17 permitting them to provide services to each company’s affiliates. Through these contractual  
18 arrangements, NUSCO, as agent for PSNH, acquired services that were not available from  
19 NUSCO itself, from NSTAR-EGC. The contract between PSNH and NUSCO was filed with the  
20 Commission (and docketed as Docket No. DA 12-030). Because neither NUSCO nor NSTAR-  
21 EGC is regulated by the Commission, the contracts between them were not required to be filed  
22 with the Commission. Therefore, all appropriate filings were made and there is no cause to  
23 disallow any costs.

1 **Q. Please explain the contract arrangements between PSNH and NUSCO in further detail.**

2 A. In 2012, the year under review in this docket, PSNH had in place a service agreement with  
3 NUSCO that permitted NUSCO to provide certain services, such as legal, accounting, and  
4 administrative support, to PSNH. A copy of that agreement is attached to my testimony as  
5 Attachment 1. NUSCO did, in fact, provide such services to PSNH and charged PSNH for them.  
6 I note that the OCA specifically says that its concerns do not relate to any charges from NUSCO  
7 to PSNH. Section 1 of the agreement between PSNH and NUSCO states, in part: “In supplying  
8 services hereunder, Service Company may arrange for services of such executives, financial  
9 advisers, accountants, attorneys, technical advisers, engineers and other persons as are required  
10 for or pertinent to the rendition of such services.” In other words, in addition to providing  
11 services directly to PSNH, NUSCO had the right and ability under the agreement to arrange for  
12 services to be provided to PSNH by entities other than NUSCO itself.

13 **Q. Please explain the contract arrangements between NUSCO and NSTAR-EGC.**

14 A. In April 2012, the time of the merger between NU and NSTAR, NUSCO and NSTAR-EGC  
15 entered into contracts with each other. These agreements, which were transitional in nature,  
16 provided, in pertinent part, that each could avail itself of the services offered by the other  
17 company on its own behalf or on behalf of its affiliates. Copies of those agreements are attached  
18 to my testimony as Attachment 2. The agreements described the services that would be provided,  
19 how they would be obtained, and how the charges for those services would be addressed. During  
20 the NU-NSTAR merger process, PSNH has, from time to time, obtained services from NSTAR-  
21 EGC when NUSCO (with whom PSNH has a direct contract) obtained those services on its  
22 behalf through NUSCO’s arrangement with NSTAR-EGC and PSNH has been charged for those  
23 services consistent with its agreement with NUSCO and the agreements between NUSCO and

1 NSTAR-EGC. Subsequent to the dates of the charges in question, NSTAR-EGC has been  
2 merged into NUSCO as part of the overall NU-NSTAR merger process, and NSTAR-EGC no  
3 longer exists. The employees of NSTAR-EGC are now NUSCO employees, and the services  
4 formerly provided by NSTAR-EGC are now all provided by NUSCO.

5 **Q. In light of the contractual arrangements, do you have an opinion on the OCA's argument**  
6 **that the charges from NSTAR-EGC should not be recovered under RSA 366:4?**

7 A. Yes. I believe the OCA's argument has no basis.

8 **Q. Please explain.**

9 A. There is nothing in the OCA's testimony that claims or even suggests that the charges for services  
10 provided by NSTAR-EGC to PSNH are not accurate or reasonable. Instead, the OCA contends  
11 only that because PSNH had not filed a direct contract between it and NSTAR-EGC, the charges  
12 should not be permitted. Contrary to the OCA's argument, PSNH did not have an obligation to  
13 file a contract between it and NSTAR-EGC. RSA 366:3 says that contracts between utilities and  
14 affiliates are to be filed with the Commission, and PSNH had filed its contract with NUSCO.  
15 That contract allowed for NUSCO to obtain services from others on behalf of PSNH. In these  
16 circumstances, there was no need for a direct contract or arrangement between PSNH and  
17 NSTAR-EGC, because PSNH had an agreement with NUSCO and NUSCO had an agreement  
18 with NSTAR-EGC. Therefore, there was nothing to file and no need for a direct contractual  
19 arrangement.

20 As to the recovery of the charges, RSA 366:4 provides that if a contract is not filed payments  
21 under it "may" be disallowed by the Commission, not that they "must" be disallowed. For the  
22 reasons I have already stated, there was no need for a contract, or a filing with the Commission,

1 to address the charges from NSTAR-EGC to PSNH. Also, as I noted already, there is no  
2 contention that the charges are improper or unreasonable. Therefore, there is no basis to disallow  
3 the costs. The only contention the OCA makes is that the services and charges did not come  
4 under an agreement on file with the Commission. In that there was no need or obligation to file  
5 an agreement between PSNH and NSTAR-EGC, there is no basis to disallow the costs and the  
6 OCA's argument should be rejected by the Commission.

7 **II. DEPRECIATION CHANGES AND DEPRECIATION RESERVE IMBALANCE**

8 **Q. Did Staff and/or intervenors provide testimony regarding PSNH's update of the Average**  
9 **Year of Final Retirement (AYFR) figures reflected in the 2012 ES charge?**

10 A. Yes. Steve Mullen, Commission Staff, and Steven Eckberg, OCA, both discussed AYFR  
11 changes in their testimony.

12 **Q. Were any concerns identified in these testimonies specific to the updated AYFRs included in**  
13 **PSNH 2012 ES rate?**

14 A. Yes. The OCA raised a concern about a depreciation reserve imbalance and suggested more  
15 documentation from the Company would assist it in determining the appropriateness of the  
16 methodology. The OCA also recommended that the Commission direct the Company to provide  
17 additional details in schedules similar to those provided in PSNH's 2007 Depreciation Update.

18 **Q. Were any similar concerns raised in Staff's testimony?**

19 A. No. Staff provided a clear overview of the regulatory treatment associated with depreciation and  
20 explained what an AYFR is and its impact from an accounting and rate perspective when an  
21 AYFR changes for a particular plant. Staff's testimony confirmed that an AYFR update was

1 made in PSNH's December 2011 filing for the PSNH 2012 ES rate. Staff noted previous  
2 technical updates had been completed in 1986, 1997, 2007 and 2011/2012. Importantly, Staff  
3 confirmed that PSNH had historically used, and in 2012 continued to use, the same depreciation  
4 methodology for the generating assets, specifically a remaining-life methodology.

5 **Q. Does PSNH believe there is a resulting imbalance in the depreciation reserve associated**  
6 **with the AYFR update?**

7 A. No. An Accumulated Depreciation Reserve reflects the cumulative depreciation expense at a  
8 given point in time. To the extent the AYFR studies result in a change in useful lives, the  
9 monthly depreciation changes, and the resulting buildup into Accumulated Depreciation Reserve  
10 changes.

11 **Q. Was the AYFR update discussed during the technical session held on December 13, 2013**  
12 **subsequent to the filing of these testimonies?**

13 A. Yes. After the technical session discussion, a request was made for PSNH to respond to a data  
14 request, TS-03-001, which requested more detail similar to Staff 2-1 in DE 11-215, specifically  
15 requesting documentation similar to the 2007 technical update.

16 **Q. Did PSNH comply with that request?**

17 A. Yes. On December 20, 2013, PSNH responded to this request with additional information similar  
18 to past filings. In that the request of the OCA was for PSNH to provide additional information  
19 consistent with the 2007 update, PSNH believes it has satisfied the concern in the OCA's  
20 testimony.

1 **Q. Finally, does PSNH believe the AYFR update included in the 2012 proceeding is**  
2 **appropriate and consistent with past Commission-approved methodologies?**

3 A. Yes.

4 **III. NEWINGTON FUEL OIL SALES**

5 **Q. Please explain your understanding of the OCA's argument regarding the Newington fuel oil**  
6 **sales.**

7 A. On page 8, line 2 of its testimony, the OCA claims that customers realized a loss of roughly \$2  
8 million related to the sale of fuel oil inventory for Newington station.

9 **Q. Do you agree with the points outlined in OCA's testimony on this subject?**

10 A. No, I do not. The OCA's testimony was based on a misunderstanding of when customers pay for  
11 fuel oil.

12 **Q. Please explain the problems with the OCA's understanding of when customers pay for fuel**  
13 **oil.**

14 A. On page 7, lines 16 – 22 of its filed testimony, the OCA explains how it derived a total cost to  
15 customers of \$10,450,238 for the Newington fuel oil that was sold. One component of this  
16 amount is the amount of \$7,690,191 that was paid for fuel acquired in January and February of  
17 2009. This amount is not relevant to the cost paid by customers because customers do not pay for  
18 fuel until it is burned. As early as 1980, the Commission noted that the actual cost of fuel is only  
19 recognized when it “is actually burned for the benefit of consumers.” *Re PSNH Fuel Adjustment*  
20 *Charge*, 65 NHPUC 465, 469 (1980). The Commission reiterated this concept in 1988, when it  
21 stated, “PSNH purchases and uses fuel to provide electricity. The company records the expense

1 when this fuel is burned — not when the fuel costs are actually paid.” *Re PSNH*, 73 NHPUC  
2 263, 266 (1988).

3 **Q. What are the costs to customers for fuel inventory?**

4 A. The only cost to customers for fuel in inventory is the return the Company earns on this asset.

5 **Q. Did the total amount credited to customers for the fuel oil sale exceed the return the**  
6 **Company earned on the fuel oil while it was in inventory?**

7 A. Yes it did. The Company provided a calculation of return earned by the Company on the last #6  
8 oil purchases made by the Company in its response to a data request. That response showed that  
9 the return earned by the Company on those purchases was \$2,760,047. The credit to customers of  
10 \$8.4 million (the difference between the proceeds of the sale less the cost of the fuel) that was  
11 included in the ES calculation for these fuel oil sales far exceeded this amount of return earned by  
12 the Company.

13 **IV. RETURN ON GENERATION ASSETS NOT FULLY USED AND USEFUL**

14 **Q. Please explain your understanding of the OCA’s argument on this subject.**

15 A. The OCA is proposing a fractional disallowance of PSNH’s revenue requirement for its 2012  
16 Default Energy Service (ES) rate, based on an assessment of whether or not PSNH’s generation  
17 assets are “fully used and useful”.

18 **Q. Do you agree with the points outlined in OCA’s testimony on this subject?**

19 A. No, I do not agree with OCA’s testimony regarding the “used and useful” fractional disallowance,  
20 for the following two reasons:

1           A: *PSNH has demonstrated that it is entitled to a reasonable return on rate base that includes its*  
2           *generating assets.*

3           B: *The OCA's proposal is flawed and should not be adopted.*

4    A:    *PSNH has demonstrated that it is entitled to a reasonable return on rate base that includes its*  
5           *generating assets*

6    Q.    **What is your basic understanding of PSNH's statutory requirement with respect to setting**  
7           **its Default Energy Service (ES) rate?**

8           Very briefly, PSNH sets rates for Default ES customers according to RSA 369-B:3, IV(b)(1)(a),  
9           RSA 378:27 and RSA 378:28 based upon "PSNH's actual, prudent, and reasonable costs" for  
10          "plant, equipment, or capital improvement" investments that are "found by the Commission to be  
11          prudent, used, and useful." This Commission has held that "the net value of used and useful  
12          property is the minimum rather than the maximum legal basis for yielding a reasonable return."  
13          *Re PSNH*, 63 NHPUC 127, 148 (1978).

14   Q.    **Is there any evidence to suggest that PSNH's generating assets are not "used and useful", as**  
15           **that term is used in RSA 378:28?**

16   A.    None whatsoever. The entirety of the OCA's argument is contained in two sentences in its  
17          testimony where it states: "The evidence provided by PSNH demonstrates that it did not use its  
18          own fossil fuel generation assets to provide service to customers to the full extent that these assets  
19          were built and intended to provide such service. The entirety of these generation assets, then, do  
20          not meet the requirements of RSA 378:27 and RSA 378:28, which limit the recovery of a return  
21          on investment to assets that are 'used and useful' in the service to customers." (Eckberg  
22          Testimony at page 9, lines 4-9.) In other words, the OCA's argument is not that PSNH's

1 generating units were *not* used and useful, only that they were not used to the extent the OCA  
2 believes appropriate. There is nothing in the law supporting such a position.

3 **Q. What is wrong with the OCA's claim that PSNH has not met its statutory requirement?**

4 A. The OCA introduces the concept it terms "*fully* used and useful" in an attempt to create an  
5 arbitrary distinction between units that are and are not "*fully*" used and useful. This is a phantom  
6 distinction. The expression "*fully* used and useful" does not appear in RSA 378:27 or RSA  
7 378:28, and there is no reason for the Commission to accept or apply it here.

8 Further, the OCA has admitted both that "a generating asset that is available for service but not  
9 actually running could be considered as used and useful" and that "a generating asset that is in  
10 operation but running at a reduced load could be considered used and useful." It has also admitted  
11 that "The OCA did not intend to convey that a generating asset must demonstrate a capacity  
12 factor of 100% in order to be considered used and useful." Please see Attachments 3 and 4.  
13 Given these admissions, PSNH's plants as is are, in fact, "used and useful".

14 **Q. Is it your testimony, then, that the OCA is misinterpreting RSA 378:27 and RSA 378:28?**

15 A. Yes. The OCA appears to be supporting a misreading of RSA 378:27 and 378:28 as creating  
16 some distinction between "fully" and "not fully" used assets. "Used and useful" does not have a  
17 statutory distinction whereby one may attempt to assign a spectrum of used-and-usefulness.

18 Further, in that a generating unit is not a divisible piece of property, any assessment of its used-  
19 and-usefulness should be conducted on a whole unit basis and not a fractional one. In other  
20 words, the asset is either "used and useful," or it isn't. The OCA's concept of "fully used and  
21 useful" versus "used and useful" is one without any basis or support. It is puzzling to me that the

1 OCA is citing RSA 378:27 and 378:28 as the basis for suggesting this disallowance, yet has failed  
2 to support any argument related to the actual text in those statutes.

3 **Q. Does the OCA’s application of “used and useful” in this context have any merit?**

4 A. No, it is my position that the OCA’s suggestion has no merit whatsoever. In theory, a used-and-  
5 useful determination could potentially be made at the time a generating plant comes online, with  
6 such a determination made based on an estimation of expected peak plus a reserve margin.  
7 However, once a generating plant is found to be prudent and is included in rate base, any  
8 hindsight review based on dispatch results conducted in order to reduce its value for ratemaking  
9 purposes would constitute "retroactive ratemaking", violate the established utility compact that  
10 balances the needs of the utility and its customers, and ultimately not reflect sound public policy.

11 Furthermore, I feel it is important for the Commission to understand that constant revisiting of the  
12 “used and useful” test in the rate-setting process of a regulated utility sets a dangerous precedent,  
13 in that it promotes asymmetry in the sharing of risk between the utility and its customers. This  
14 Commission has noted:

15 The seminal decision on the used and useful standard in New Hampshire is the  
16 New Hampshire Supreme Court's decision in *Appeal of Conservation Law*  
17 *Foundation*, 127 NH 606 (1986). In that decision the Court made the following  
18 distinction between prudence and used and useful:

19 While prudence judges an investment or expenditure in the light  
20 of what due care required at the time an investment or  
21 expenditure was planned and made, usefulness judges its value at  
22 the time its reflection in rate base is under consideration.

23 *Re PSNH*, 83 NHPUC 40 (1998). Hence this Commission has recognized that the “used and  
24 useful” standard is applied to a prudently-incurred investment “at the time its reflection in rate  
25 base is under consideration” – not on a continuing basis. A continuing application of the “used  
26 and useful” test as the OCA suggests would lead to an increase in PSNH’s financial risk

1 exposure, which would subsequently yield an increase in PSNH's cost of capital and ultimately  
2 higher rates for PSNH's customers (this mechanism is discussed further in subpart B below).  
3 Such increased risk exposure would also impair PSNH's ability to make long-term planning  
4 investments, as the specter of a fractional disallowance of a prudent investment bears the  
5 disincentive to make that investment. In short, the OCA's proposal is ultimately detrimental to  
6 not only PSNH, but New Hampshire's electric customers.

7 Moreover, this Commission has further defined the used and useful standard. In *Re New England*  
8 *Telephone and Telegraph Company d/b/a Bell Atlantic*, 83 NHPUC 316, 321 (1998) the  
9 Commission held that the more reasonable interpretation of the used and useful standard is that  
10 "used" refers to that which is customarily employed for the purpose, or, "intended for and capable  
11 of use" for the purpose. PSNH's generating assets are all not only "'intended for and capable of  
12 use' for the purpose" of providing energy, capacity, and ancillary services to customers – they *are*  
13 providing energy, capacity and ancillary service to customers.

14 **B:** *The OCA's proposal is flawed and should not be adopted*

15 **Q.** **What is your understanding of the OCA's proposal?**

16 A. The OCA is proposing a fractional disallowance of PSNH's rate base and, by extension, a portion  
17 of its revenue requirement. Under the OCA's proposal, the fraction is determined by comparing  
18 the average capacity factor for each of PSNH's plants during 2009-2012 to an historical average  
19 capacity factor based on the years 1993-2001.

1 **Q. Please describe the concerns you have with the OCA's proposal.**

2 A. In addition to basing the entire proposal on a faulty premise, as described in subpart A above, the  
3 OCA has not considered numerous issues relating to it (as the OCA has made clear in its  
4 responses to discovery). For example, in response to a question about the reason it thought  
5 capacity factor was an appropriate measure of used-and-usefulness, the OCA stated only that it  
6 did not investigate others. *See* Attachment 5. As a further example, the OCA stated that it chose  
7 1993-2001 as a baseline because it represented historic levels of usage of PSNH's plants, but  
8 offered no justification for why those years were appropriately representative for a comparison.  
9 *See* Attachment 6. Basing a disallowance of millions of dollars on a concept that has been  
10 inadequately developed is not sound policy.

11 Furthermore, the OCA's proposal reflects a lack of understanding of how to assess the value of a  
12 power plant portfolio. No credible assessment of the value of any power plant, regulated or  
13 unregulated, could be based simply on a measurement of output or a proxy for output such as  
14 capacity factor, as plants that can ramp up and down like most of PSNH's fleet hold intrinsic  
15 financial and operational value in the form of flexibility. In addition, plants that run on different  
16 fuels can operate under different conditions, and the use of capacity factors does not account for  
17 that difference.

18 Moreover, the OCA's proposal has internal logic inconsistencies. One such issue is that it is  
19 inconsistent and arbitrary to allow recovery of operations and maintenance expense, property  
20 taxes, etc., but not return on and recovery of capital. Any cash expenditure is either prudent or it  
21 is not, and it reflects inconsistent thinking to suggest that cash expenditures that are expensed can  
22 be recovered in revenue requirements, while potentially a portion of those that are capitalized are  
23 not recoverable. Furthermore, because PSNH's generating plants are in operation and required to

1 be available for default service, one cannot validly argue that expenditures PSNH makes to  
2 maintain reliability are not reasonable and prudent.

3 Finally, it appears the OCA has not considered fully the consequences of adopting its proposal on  
4 the customers it is supposed to represent and protect. If its proposal is adopted, it would be the  
5 case that prudently incurred costs could be disallowed at any time in the future, while the ability  
6 of the utility to recover its costs will shift over time as markets change. Despite these added risks,  
7 the utility would not be permitted to profit from advantageous decisions.<sup>1</sup> Given this increase in  
8 risk of disallowance without any offsetting benefits, PSNH's bond rating would likely decline,  
9 meaning that the cost to PSNH to obtain capital and finance its operations will rise and that  
10 PSNH will be less able to borrow money at competitive rates<sup>2</sup>. Thus, any short-term gains that  
11 customers may potentially see through a reduction in rates would likely be offset by the long-term  
12 costs to the Company to finance its operations. It is doubtful that the OCA intends to make the  
13 long-term costs to customers higher.

14 **Q. Based on the issues noted above, what is your conclusion?**

15 A. It is my position that the OCA's proposal simply cannot and should not be adopted. Given the  
16 incomplete thinking in the OCA's proposal, I would strongly recommend that the OCA has not  
17 provided a proposal that takes into account numerous substantial issues relating to power plant  
18 planning and operations and utility ratemaking. Furthermore, I am not aware of any legal  
19 precedent that supports applying a "used and useful" test in the setting of PSNH's ES rate in  
20 order to revisit the amount of prudent investment the Commission has previously allowed, nor

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<sup>1</sup> See, for example, the OCA response to data request PSNH 1-24, Attachment 7, where the OCA states that although PSNH's Schiller 5 unit has a present capacity factor higher than its historical one, PSNH may not reap the benefit of that improved position. It may only recover its costs.

<sup>2</sup> Said differently, PSNH's approved rate of return is based on its weighted cost of capital, which includes both debt and equity components, a portion of the recovery of interest on debt would be disallowed, likely increasing the cost of debt going forward.

1 has the OCA supplied an example where such a test is being effectively applied to the rate-setting  
2 of a similarly-regulated utility. Based on these problems and the lack of any evidence or  
3 examples to show that such a proposal would reflect sound policy, I would recommend that the  
4 Commission not accept the OCA's proposal.

5 **Q. Does this conclude your testimony?**

6 A. Yes, it does.

NORTHEAST UTILITIES SERVICE COMPANY

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SERVICE CONTRACT

AGREEMENT made and entered into as of the 5<sup>th</sup> day of June, 1992, by and between NORTHEAST UTILITIES SERVICE COMPANY (hereinafter referred to as "Service Company") and PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE (hereinafter referred to as "Associate Company").

WHEREAS, by order in File No. 37-65, the Securities and Exchange Commission (hereinafter referred to as "SEC") approved and authorized, under the Public Utility Holding Company Act of 1935 (hereinafter referred to as the "Act"), the organization and conduct of business of Service Company in accordance herewith, as a wholly owned subsidiary service company of Northeast Utilities (hereinafter referred to as "Northeast"); and

WHEREAS, Service Company is willing to render services as provided herein to Northeast and its associated subsidiaries (hereinafter collectively referred to as the System) at cost, determined in accordance with applicable rules and regulations under the Act; and

WHEREAS, economies, increased efficiencies and other benefits will result to the System from the performance by Service Company of services as herein provided:

NOW, THEREFORE, in consideration of the premises and of the mutual agreements herein, it is agreed as follows:

Section 1. Agreement to Furnish Services.

Service Company agrees to furnish to Associate Company if and to the extent requested by Associate Company, and other System companies, upon the terms and conditions herein provided, the services hereinafter referred to in Section 2 hereof at such times and for such periods as may be required, and Service Company will, as and to the extent requested to provide such services to the System, keep itself and its personnel available and competent to render such services to the Associate Company so long as it is authorized so to do by federal and state regulatory agencies having jurisdiction.

For the purpose of providing services as herein provided, Service Company has established various departments, one or more of which will participate in providing particular services hereinafter described. Service Company reserves to itself the privilege, without amendment hereof or express prior agreement by Associate Company or other System companies, from time to time to establish

new departments, to subdivide or otherwise reorganize any of the departments established by it, and to reallocate services among various departments.

Service Company will provide for Associate Company such other services not referred to in Section 2 hereof as Associate Company may request and Service Company concludes it is competent to perform and may furnish with economies and increased efficiencies to Associate Company without impairing the services rendered to other System companies by Service Company.

Service Company will also furnish services to other System companies under agreements similar hereto and may also furnish, in Service Company's discretion, services to others, provided that by so doing the cost of services to Associate Company or other System companies will not be increased.

In supplying services hereunder, Service Company may arrange for services of such executives, financial advisers, accountants, attorneys, technical advisers, engineers and other persons as are required for or pertinent to the rendition of such services.

Section 2. Services to be Performed.

Subject to the provisions of Section 1 hereof, Service Company will provide to Associate Company the following services:

(A) General System Management: Executive, administrative, managerial, coordinating and advisory services, particularly with respect to the formulation and effectuation of policies and programs affecting or relating to the System as a whole, including financial, accounting, and economic policies and programs, power supply, public and employee relations, regulation, contractual arrangements, administrative and other proceedings, industry-wide activities and like matters.

(B) Other Functions and Activities: Studying, planning, advice, assistance, guidance, supervision, direction, administration, maintenance, handling, performance and operation, as may be required, in connection with the following functions and activities:

(i) Corporate and Secretarial: Policies and practices relating to the performance of corporate secretarial functions and activities, including the preparation and maintenance of official corporate records, reports, minutes and correspondence in accordance with assigned responsibilities and duties.

(ii) Financial Planning: Financial structures; financial programs to raise funds required to effect savings through refinancing; relations with commercial banks and negotiation of short-term borrowings; relationships with investment bankers, analysts, analyst societies, securities holders, stock exchanges and indenture trustees, transfer agents and registrars; and general treasury, banking and financial matters.

(iii) Accounting: General accounting, customer accounting and related records; depreciation, accounting procedures and practices to improve efficiency; internal auditing, relations with independent auditors and appearances before and requirements of regulatory bodies with respect to accounting matters; and financial and operating reports and other statistical matters and analyses thereof.

(iv) Taxes: Consolidated and other income tax returns and other federal, state and municipal tax returns, and all matters related thereto, including relations with the Internal Revenue Service and other taxing authorities, the examination and processing of tax returns, assessments and claims, and developments in federal, state and municipal taxes.

(v) Insurance: Insurance programs and matters, including pension and other employee benefit plans and programs; and relations with insurance brokers and agents.

(vi) Budgets: Operating, construction and cash budgets, and similar studies or documents, including estimates and other information required therefor or related thereto.

(vii) Data Processing: Computer and other data processing activities.

(viii) Bulk Power Supply: The bulk power supply system from sources of supply through to bulk substations, to achieve reliable service at minimum cost, including forecasts of electric loads; power supply arrangements among System companies; power supply relations with other utilities; design, engineering and scheduling of electric production and transmission facilities; the design, engineering and scheduling of major and unusual distribution facilities; System electric load dispatching operations; and related matters.

(ix) Engineering Research and Standardization: Engineering activities in the fields of research, design, construction and standardization; technical specifications and standard designs for and procedures and methods of utilizing materials, equipment and associated services; and technical support and engineering as required in all areas of the System's operations.

(x) System Operations: Electric operations, including production, transmission and distribution of electricity and gas; the construction, operation and maintenance of electric facilities; and in general all electric construction, maintenance and operating activities.

(xi) Other Administrative Services: Management-union and all other employee relation activities, including the definition of major organizational responsibilities and the translation of those responsibilities into effective organization structures; employee welfare and other programs and problems; business methods and procedures; and transportation activities and matters.

(xii) Purchasing and Stores: The purchasing and handling of materials and supplies, fuel and equipment, including such activities as buying, traffic, expediting and stock control, and scrap and salvage sales; major and long-term purchase contracts pertaining to the foregoing; and contacts with market conditions and principal suppliers.

(xiii) Commercial Activities: Electric and other sales; customer service facilities; rate matters and rate structures; and area development plans and activities.

(C) Officers and other employees of Service Company will, on request of Associate Company, serve, without charge other than as herein provided, as officers or representatives of Associate Company.

Section 3. Agreement to Pay for Services.

Associate Company agrees to pay to Service Company the cost, determined as herein provided, of such services as are requested by Associate Company and are provided by Service Company. It is the intent of this Agreement that the payment for services rendered by the Service Company to the System shall cover all the costs of its doing business (less credits for services to non-System companies and any other miscellaneous income items), including reasonable compensation for necessary capital as permitted by Rule 91 of the SEC under the Act. The methods and procedure for determining the cost of services performed for Associate Company are set forth in Appendix A hereto.

Bills will be rendered for each calendar month on or before the twentieth day of the succeeding month and will be payable on presentation and not later than the last day of that month. Monthly charges may be made in whole or in part for particular expenses on an estimated basis, subject to adjustment, so that all charges for services during a calendar year will be made on an actual basis.

Section 4. Effective Date; Term; and Cancellation.

This Agreement shall become and be effective as of the date hereof and it shall continue in effect, unless sooner terminated as herein provided, to January 1, \_\_\_\_\_. It may be renewed from time to time for similar one-year periods by mutual agreement. This Agreement shall also be subject to termination and shall terminate, without any action by either of the parties, to the extent and from the time that performance may conflict with the Act or with any rule, regulation or order of the SEC adopted before or after the making hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, by their respective officers thereunto duly authorized, all as of the day and year first above written.

NORTHEAST UTILITIES SERVICE COMPANY

By: \_\_\_\_\_  
Executive Vice President and  
Chief Financial Officer

Attest:

\_\_\_\_\_  
Assistant Secretary

PUBLIC SERVICE COMPANY OF  
NEW HAMPSHIRE

BY: \_\_\_\_\_  
Executive Vice President and  
Chief Financial Officer

Attest:

\_\_\_\_\_  
Assistant Secretary

APPENDIX A

DESCRIPTION OF METHODS AND PROCEDURE  
FOR ALLOCATING COST OF SERVICES

JOB OR WORK ORDERS FOR SERVICE

There shall be job or work orders covering services to be performed for Associate Company or other System companies. These orders may be either general or specific. Services of a continuing nature, such as accounting, financial planning and dispatching, will be covered by general job or work orders; specific job or work orders will cover such things as issues of securities, special studies or construction projects. General orders, as well as specific orders, will specify the nature of the services to be performed thereunder in sufficient detail that charges therefor may be determined as herein provided and properly accounted for by the Associate Company under its prescribed Uniform System of Accounts.

CHARGES FOR SERVICES

General

Charges for services rendered to Associate Company and other System companies will be made on the bases of benefits conferred and of actual cost (including reasonable compensation for necessary capital as permitted by Rule 91 of the SEC under the Act), fairly and equitably allocated.

### Specific Services

Charges for specific services performed will be made to the appropriate specific job or work order number assigned to accumulate the charges applicable to the particular activity. These charges will include both direct and indirect costs involved in providing the specific services.

### General Services

Charges for general services performed will be made to the appropriate general job or work order number assigned to accumulate the charges applicable to the particular activity. These charges will include both direct and indirect costs involved in providing the general services.

## NATURE OF CHARGES AND METHOD OF ALLOCATION

### Direct Charges

Direct charges consist of those costs which can practicably be recorded separately and identified not only by job or work order number and department but also as to source, such as time reports for each employee, vehicle reports, invoices and other source documents. Time reports will be maintained for each employee, including officers, in such detail as may be appropriate for such employee and the nature of the services performed. Employees

(other than stenographic, secretarial, clerical, and other workers engaged in rendering support services) will record on their time reports hours chargeable to the appropriate job or work order numbers and the nature of the work performed.

Northeast will be charged with 25% of the costs chargeable to job or work orders for general services not of an operating or functional nature related primarily to the System subsidiary companies but primarily of benefit to and performed for Northeast and the System as a whole. The balance of the charges to such job or work orders will be allocated to among System subsidiary companies as provided hereafter under "Charges to System Companies - General Services."

Indirect Charges or Overhead Expenses

Indirect charges or overhead expenses consist of all costs of the Service Company, other than direct charges described above. These charges may be classified into the following two general categories:

1. General Service Company Overheads - These charges include costs which cannot be identified as applicable to either a particular job or work order number or department on a fair and equitable basis. The following items are illustrative, and not all-inclusive, of the types of costs which may be so-

allocated to the extent above provided: rents; office supplies  
and expenses; depreciation; building operation and  
maintenance; insurance; reasonable compensation for necessary  
capital; general services, such as stenographic, files, mail,  
etc., including salaries, employee benefits, and expenses of  
related employees; and other general overheads.

These overhead costs will be allocated to each  
department on the basis of functional relationship, such as  
number of personnel, space occupied, use, etc.

2. Department Overheads - These charges include costs which can  
be identified as applicable to a particular department but  
which cannot be directly associated with a particular job or  
work order number. These costs will consist of the following:
  - (a) Wages and salaries of stenographic, secretarial,  
clerical and other workers in the department engaged in  
rendering support services.
  - (b) Lost or nonproductive time for vacations, personal time  
off, sickness, holidays, etc., of all employees in  
department.
  - (c) Payroll-related Federal and State taxes and group  
benefit plans for pension, life insurance,

hospitalization and medical, etc., of all employees in  
department.

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- (d) Miscellaneous supplies and expense.
- (e) General Service Company overheads allocated to the particular department as set forth in item 1 above.

The indirect charges of a particular department, as outlined in this item 2, will be distributed to the active specific or general job or work orders for which work is being performed by that department on the same proportionate basis as the actual direct payroll charges of that department.

#### CHARGES TO OTHER THAN SYSTEM COMPANIES

Services performed for other than System companies will be billed and paid for by them on an appropriate basis. All amounts so billed will be credited to the appropriate job or work orders before any charges are made therefrom to System companies.

#### CHARGES TO SYSTEM COMPANIES

##### Specific Services

Charges for specific services recorded in the appropriate job or work order numbers including overhead items, will be billed to the company or companies for whom the services are performed.

General Services

Charges for general services recorded in the appropriate job or work order numbers, including overhead items, will be allocated among System subsidiary companies on one of the following bases determined on the basis of functional relationship to be the most fair and equitable:

1. Revenues - The relation of each company's gross operating revenues to the sum of the operating revenues of all System companies for the preceding calendar year.
2. Electric Peak Load - The relation of each company's annual electric peak load to the combined electric peak load of all System companies for the preceding calendar year.
3. Peak Day Sendout - The relation of each company's gas peak day sendout to the combined gas peak day sendout of all System companies for the preceding calendar year.

4. Customers Billed - The relation of each company's total customers billed to the combined total customers billed of all System companies for the preceding calendar year.
5. Other - Such other basis or bases as experience may show will provide, on a functional relationship, a more fair and equitable allocation of particular charges than any of the foregoing.

#### DEPARTMENT COST CONTROLS

Annual operating budgets, on a departmental basis, will be used and costs will be controlled independently for each department so as to maintain a periodic check on the balances, if any, over or under billed to insure that services rendered are being billed at cost. Each department will be charged with all of its expenses, including overhead items allocated to it, and will be credited with amounts billed from the department for services rendered. The accounts of each department will be maintained so as to be substantially in balance at all times. Accordingly, semiannual reviews will be made of balances to determine to what extent the billings should be adjusted to reflect actual cost.

#### BILLING

Bills will be provided Associate Company in sufficient detail so as to identify the services rendered and permit proper accounting distribution of the charges under the Associate Company's prescribed Uniform System of Accounts. Detail on the bill will include: (1) Department; (2) Function or type of service; (3) Nature of charges, whether direct or indirect (overhead); and (4) Source of charges, if direct.

**AMENDMENT AND RENEWAL OF SERVICE CONTRACT  
NORTHEAST UTILITIES SERVICE COMPANY AND  
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE**

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This Amendment and Renewal of Service Contract (“Agreement”) is made and entered into as of the 31<sup>st</sup> of December 2006, by and between Northeast Utilities Service Company (“Service Company”) and Public Service Company of New Hampshire (“Associate Company”).

WHEREAS, under the terms of the Service Contract by and between Service Company and Associate Company, Service Company is willing to render certain services to Associate Company at cost, determined in accordance with the applicable rules and regulations promulgated by the Securities and Exchange Commission (“SEC”) under the Public Utility Holding Company Act of 1935 (the “35 Act”); and

WHEREAS, the 35 Act was repealed in 2006, and jurisdiction over certain of Service Company’s activities was transferred from the SEC to the Federal Energy Regulatory Commission (“FERC”) under the Federal Power Act, as amended (the “Act”), including the provision of services for affiliated companies at cost; and

WHEREAS, the Service Contract between Service Company and Associate Company expires as of December 31, 2006; and

WHEREAS, both parties deem it to be in their best interests to renew the Service Contract for an additional period of one year on the same terms and conditions and in accordance with the requirements of FERC.

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, it is agreed as follows:

1. Amendment of Service Contract. The Service Contract between Service Company and Associate Company is hereby amended as follows:
  - (a) All references to the “Act” in the Service Contract and attachments shall be deemed to refer to the Federal Power Act.
  - (b) The reference to the “SEC” in Section 4 of the Service Contract shall be deleted and replaced with “FERC.”
  - (c) The phrase “Rule 91 of the SEC” contained in Section 3 of the Service Contract and on Appendix A shall be replaced with the phrase “applicable rules and requirements of FERC.”
  
2. Renewal of Service Contract. (a) The Service Contract between Service Company and Associate Company, as heretofore amended, is hereby renewed as of January 1, 2007, for a period of one year.
  - (b) Except as modified and amended by this Agreement, all terms and conditions of the Service Contract shall continue in full force and effect during such renewal period.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers thereunto duly authorized, all as of the date first above written.

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NORTHEAST UTILITIES SERVICE COMPANY

Attest:

By: Kerry J. Kuhlman  
Name: Kerry J. Kuhlman  
Title: Vice President-Shared Services and Secretary

O. Kay Comendul  
Assistant Secretary

Date: February 26, 2007

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Attest:

By: Randy A. Shoop  
Name: Randy A. Shoop  
Title: Vice President and Treasurer

O. Kay Comendul  
Assistant Secretary

Date: February 26, 2007

## MANAGEMENT SERVICES AGREEMENT

THIS MANAGEMENT SERVICES AGREEMENT (the "Agreement") is entered into as of the 10<sup>th</sup> day of April, 2012 by and between Northeast Utilities Service Company, a Connecticut corporation having a place of business at 50 Prospect Street, Hartford, Connecticut, (hereinafter referred to as "NUSCO ") and NSTAR Electric & Gas Corporation, a Massachusetts corporation having a place of business at 800 Boylston Street, Boston, Suffolk County, Massachusetts, (hereinafter referred to as "NE&G")

### Recitals:

- A. NUSCO is a Connecticut corporation organized to provide accounting, financial, human resources, corporate relations, energy supply, procurement, ratemaking, information technology, legal and other services on behalf of its pre-merger affiliates, and has substantial experience in providing such services to such pre-merger affiliates.
- B. NE&G is a Massachusetts corporation also organized to provide similar services on behalf of its pre-merger affiliates, and also has substantial experience in providing such services to its pre-merger affiliates.
- C. The sole shareholder of each of NE&G and NUSCO (NSTAR and Northeast Utilities, respectively) have agreed to merge, and following the completion of the merger between such sole shareholders, the parties acknowledge that NUSCO will, in addition to continuing to provide services to its pre-merger affiliates, perform similar services for, NE&G, its pre-merger affiliates and any new affiliated companies formed post-merger (collectively, "NE&G affiliates"), and NE&G will, in addition to continuing to provide services to its pre-merger affiliates, perform similar services for NUSCO and its pre-merger affiliates, both so as to continue to realize economies and increased efficiency to pre-merger affiliates of each of the companies. The terms under which NE&G shall provide such services to NUSCO and its pre-merger affiliates are set forth in a separate agreement of even date between NUSCO and NE&G.

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D. As set forth above, NE&G desires to obtain such services on behalf of itself and the NE&G affiliates, and NUSCO desires to provide such services to NE&G and the NE&G affiliates upon the terms and conditions set forth herein. Therefore, in consideration of the foregoing, the mutual covenants and promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Definitions. All of the capitalized terms used herein shall have the meanings set forth in this Section.

"**FERC**" means the Federal Energy Regulatory Commission.

"**Force Majeure**" means any event or cause beyond the reasonable control of the affected party, including but not limited to action or failure of action by any court or public authority having or purporting to have jurisdiction, storms, flood, fire, earthquake, explosion, civil disturbance, labor dispute, act of God, war, sabotage, or any other cause, whether or not similar thereto, which is beyond the reasonable control of the affected party, subject to the obligation of the parties to use diligent effort to overcome and remove the cause of failure to perform.

"**MDPU**" means the Massachusetts Department of Public Utilities.

"**NHPUC**" means the New Hampshire Public Utilities Commission.

"**NUSCO affiliates**" means any pre-merger affiliate of NUSCO and any affiliate formed or created after the closing of the Northeast Utilities merger with NSTAR.

"**Pre-merger affiliates**" of a company means companies controlling, controlled by or under common control with the company prior to the merger of Northeast Utilities and NSTAR.

"**PURA**" means the Connecticut Public Utility Regulatory Authority.

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"SEC" means the Securities and Exchange Commission.

"Services" means the services described on Exhibit A hereto and any other services provided hereunder.

"Uniform System of Accounts" means the Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Federal Power Act, 18 C.F.R., Part 101, as modified by 220 CMR 51.00.

2. Agreement to Provide Services. For and in consideration of the charges specified herein, NUSCO hereby agrees to furnish or to have furnished to NE&G, at NE&G's request, on NE&G's behalf and on behalf of all of the NE&G affiliates who shall have the need for such services during the term of this Agreement, any and all of the services enumerated in Exhibit A, which is attached hereto and incorporated by reference herein ("Services"). NUSCO agrees to provide Services to NE&G upon request, and NE&G may at any time request all or some of the enumerated Services, may request different combinations of Services from time to time, or may request such other services, whether or not enumerated in Exhibit A. In providing such Services, NUSCO reserves the right from time to time to establish new departments, subdivide or otherwise reorganize any of the departments established by it, and reallocate services among various departments.
  
3. Service Personnel. NUSCO currently has maintained, and will, at all times during the term of this Agreement, maintain or cause to be maintained a staff of personnel trained and experienced in the Services described herein. All persons performing Services pursuant to this Agreement shall at all times be either employees of NUSCO, one of NUSCO's pre-merger affiliates, or independent contractors, and in no event shall any persons who are providing Services be considered employees of NE&G or any of the NE&G affiliates. NUSCO and NE&G acknowledge that employees of each of the parties and their pre-merger affiliates will be working together simultaneously providing Services to some or all of the NE&G affiliates, but that employees providing Services hereunder shall have his or her costs for such specific Services being provided at a

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particular time billed solely to NE&G. To the extent any such persons performing Services are employees of NUSCO or a pre-merger affiliate thereof and are not independent contractors, NUSCO or such affiliate shall be solely responsible for compliance with all laws and regulations with respect to employee relations, workmen's compensation, payroll and income tax withholding, pension and retirement obligations, and other employer responsibilities. It is agreed that NUSCO shall bill an appropriate portion of the cost of compliance with such laws and regulations to NE&G pursuant to the provisions of Section 7. In addition to the Services of its own staff, NUSCO will arrange, at NE&G's expense, for appropriate Services to be rendered by non-affiliated experts, consultants, accountants, attorneys and other professionals.

4. Method for Requesting Services. NE&G shall initiate a request for Services either orally or by submitting to NUSCO one or more purchase orders, substantially in the form attached hereto as Exhibit B ("Purchase Order") or by some other commercially reasonable method acceptable to both parties. The Purchase Order or other request shall specify the type and, if applicable, quantity of Services requested, as well as the maximum amount of expenditure authorized by NE&G for such Services, if any, based upon the methods of calculating NUSCO's charges, as set forth in Section 7 hereof, and subject to reconciliation and adjustment from time to time.
  
5. Change Orders. NE&G shall have the right from time to time to amend any Purchase Order or service request by issuing a written change order ("Change Order"), provided that (a) any such Change Order which results in a material change in the scope or character of the Services to be rendered shall be subject to the prior written approval of NUSCO, which approval shall not be unreasonably withheld or delayed; (b) the charges for the Services covered by the affected Purchase Order shall include any costs or expenses incurred by NUSCO as a result of any such Change Order; and (c) no Change Order shall release NE&G from liability for all charges previously incurred by or contracted for by NUSCO pursuant to the affected Purchase Order, regardless of whether

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the Services associated with such charges are discontinued by such Change Order. In the event of any such Change Order, NUSCO shall use its best efforts to avoid, mitigate or otherwise minimize any costs or expenses incurred pursuant to the affected Purchase Order, to avoid any unnecessary duplication of effort, and to realize any possible savings.

6. Standard of Performance. NUSCO shall have control and discretion over all aspects of the performance of the Services, including, without limitation, selection of appropriate employees and independent contractors and implementation of Services, including means, methods, procedures, equipment, materials and other aspects of service performance. NUSCO shall perform all Services in a workmanlike manner, meeting any standards and specifications as may be set forth in the applicable Purchase Order or otherwise, in conformity with good utility practice.

7. Charges for Services.

- 7.1 Cost. As compensation for Services rendered, NE&G shall reimburse NUSCO for all costs properly chargeable or allowable to the Services performed, it being the intent of this Agreement that the payment for services rendered under this Agreement shall cover all of the actual costs of NUSCO expended so providing Services to NE&G and only NE&G, less all appropriate credits, including capital costs as described in this Agreement. The method for determining what constitutes "costs" for different types or categories of Services, as well as the methodology for appropriate allocation of such costs, shall be as set forth in Sections 7.1 through 7.5 below, and as is or may be required by any and all state or federal laws or regulations relating thereto, including but not limited to the Federal Power Act and 220 C.M.R. 12.00 and 51.00, and any rules or orders of the MDPU, and any other regulatory agency or commission having jurisdiction. Notwithstanding any other provision of this Agreement, NUSCO shall ensure that all costs billed to NE&G hereunder shall be reasonable, purposeful and consistent with good utility practice.

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- 7.2 Third Party Services. Any Services provided to NE&G hereunder by a third-party independent contractor shall be billed to NE&G, either directly by the provider or by NUSCO at cost and with no direct mark-up by NUSCO, based upon the agreement with such provider.
- 7.3 NUSCO Services. The methods for computing charges for Services provided by NUSCO employees, including associated employee benefits, are set forth in Exhibit C attached hereto and incorporated by reference herein.
- 7.4 Materials. The charges for Services shall include the cost of any materials used in the performance of such Services. Materials purchased directly from vendors specifically in connection with particular Services shall be billed at the vendor's invoice cost.
- 7.5 Compensation For Use of Capital. The charge for Services shall also include a proportional share of a reasonable NUSCO cost of capital used to provide the assets for the performing of the Services. Such cost of capital shall be based on NUSCO's actual cost of capital supporting its business. NUSCO agrees to provide NE&G, from time to time upon request, a Statement of Allocated Costs, including cost of capital, which shall detail the formulae and bases used and which provide support for the amounts allocated and billed to NE&G and to NUSCO's pre-merger affiliates, both for services performed during the preceding calendar year and as anticipated for the current year. On an annual basis or otherwise as agreed, the statistics relative to the bases will be updated, subject to agreement by the parties.
8. Billing and Payment. NUSCO will render bills to NE&G promptly but no later than the 20<sup>th</sup> day of the calendar month following the month in which the Services were performed, and NE&G shall remit payment on such bills promptly but no later than the last business day of such month. In the event of any dispute concerning a billed amount, NE&G shall pay such portion of the billed amounts as is not in dispute. Cash advances may be requested by NUSCO monthly to meet NUSCO's working capital needs and so as to help avoid unnecessary short-term borrowings. Monthly bills rendered to NE&G shall

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reflect such advances. Monthly bills may also be rendered in whole or in part on an estimated basis, subject to adjustment, so that all charges for Services during a calendar year may be made on an actual basis.

9. Term of Agreement. This Agreement shall become effective on the date of execution hereof and shall continue in effect for an initial term of one year, and then continue from year to year, subject to the right of either party after the expiration of the initial term to terminate this Agreement upon the giving of written notice one year in advance. Notwithstanding any such termination of this Agreement, NE&G shall remain fully liable for all charges for Services performed or requested prior to the effective date of such termination. In addition, all the terms and provisions of this Agreement shall remain in full force and effect, notwithstanding any such termination, with respect to any Services which are not yet fully performed by NUSCO prior to the effective date of the termination of this Agreement.
10. Recordkeeping and Reporting. NUSCO shall maintain accurate records of all Services performed and charges billed to NE&G, and shall account for such charges in accordance with the Uniform System of Accounts, and in compliance with any applicable FERC requirements or guidelines and the requirements of any other regulatory agency including, without limitation, the regulations and orders of the SEC and the MDPU, including but not limited to Standards of Conduct Regulations, 220 C.M.R. 12.00 and 220 C.M.R. 51.00. NUSCO shall send NE&G from time to time, and at any time upon the request of NE&G, periodic statements summarizing the Services performed on behalf of NE&G, as well as the applicable billing and payment records. Upon request, NUSCO shall also provide to NE&G any other information NE&G may reasonable require. NE&G shall inform NUSCO of any new guidelines and/or requirements of any regulatory agency that impact the provision of the Services by NUSCO to NE&G.
11. Insurance. NUSCO shall procure and maintain during the term of this Agreement, as

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necessary, agreed upon levels insurance coverage for the Services provided by NUSCO to NE&G. NUSCO shall furnish certificates to NE&G evidencing compliance with the terms of this Section 11 upon request. NE&G acknowledges that NUSCO is self-insured with respect to certain insurance coverage required by this section.

12. Limitation of Liability. Except to the extent set forth in this Agreement and to the maximum extent allowed by law, neither party nor its officers, agents, employees, successors and assigns, shall be liable or responsible to the other party or to its officers, directors, agents, employees, successors and assigns, or to their respective insurers, for direct, incidental, indirect, consequential or other damages of any nature whatsoever, connected with or resulting from performance or nonperformance of this Agreement, or anything done in connection therewith, including, without limitation, claims in the nature of lost use or revenues, income or profits, losses by reason of service interruption, cost of purchased or replacement equipment, or cost of capital, fines or other penalties, irrespective of whether such claims are based upon breach of warranty, tort (including negligence), strict liability, contract, operation of law or other legal theory.
  
13. Failure of NUSCO to Perform. In the event of any failure by NUSCO in the performance of any Services under this Agreement, the sole and exclusive remedy of NE&G shall be either (a) correction or re-performance of any such Services by NUSCO, to the extent reasonably feasible under the circumstances, or (b) a refund of the amounts paid or payable by NE&G reasonably attributable to such failed performance of Services.
  
14. No Warranties. Except as set forth specifically in Section 6 of this Agreement, no warranties of any kind, whether statutory, written or verbal, express or implied, including, without limitation, warranties of merchantability or fitness for a particular

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purpose, shall apply to the services performed by NUSCO under this Agreement, or to any goods delivered by NUSCO incidental to any such services hereunder.

15. Indemnification. Each party agrees to indemnify and hold harmless the other party, and its officers, agents and employees from and against any and all claims for loss, costs, damages, expenses and liabilities whatsoever (including reasonable attorneys fees and costs of defense) incurred by the other party as a result of damage to property or injury to persons arising out of willful or negligent acts, errors or omissions of the offending party, its officers, agents, employees or contractors in connection with the performance of this Agreement. Each party shall be solely liable for all claims of its own employees arising out of any provisions of any workers compensation law, without any right to indemnity or contribution from the other party.
  
16. Conditions to Performance. The obligation of NUSCO to provide Services under this Agreement is subject to the requirement of obtaining from time to time any and all permissions, authorizations, consents, licenses and approvals required by applicable laws, rules, regulations and orders of all governmental authorities having jurisdiction. This Agreement and all rights, obligations and performances of the parties hereunder are subject to all applicable state and federal laws, rules and regulations, and to any and all duly authorized action of any governmental authority having jurisdiction. It shall be NUSCO's obligation to obtain any permits, approvals or licenses that may be necessary from time to time for the performance of the Services, but the cost of such permits, approvals and licenses shall be included in the charges payable by NE&G pursuant to Section 7 hereof. In the event that the MDPU or any another regulatory authority having jurisdiction disallows any costs related to NUSCO's performance under this Agreement, or disallows a particular method of cost allocation described herein, NUSCO reserves the right, as a condition to its continued performance under this Agreement, to modify or alter, by notice to NE&G, the method of cost allocation used, consistent with the order or directive of such regulatory authority. Upon receipt of such notice of modification, the parties shall cause to be prepared appropriate amendments and modifications to this

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Agreement resulting from the change.

17. Force Majeure. Except for the obligations of any party to make payments under this Agreement, the parties shall be excused from performing hereunder if performance is interrupted by reason of Force Majeure, provided that, as a condition to excuse from performance;
- (a) The non-performing party promptly after the occurrence of the Force Majeure event, but in no event later than ten (10) days thereafter, gives the other party written notice (1) describing the particulars of the occurrence, and (2) claiming the existence of a Force Majeure event;
  - (b) The suspension of performance is of no greater scope and of no longer duration than is reasonably required by the Force Majeure event;
  - (c) No obligations of any party which arose before the occurrence causing the suspension of performance shall be excused as a result of the occurrence of a Force Majeure;
  - (d) The non-performing party uses its best efforts to remedy its inability to perform;
  - (e) The non-performing party gives written notice of whether it intends to cure, describes any plans for a cure in detail, in writing, and commences any repairs or other necessary efforts to cure the suspension of performance all within ten (10) days after performance was first suspended, provided that if the non-performing party, despite the exercise of reasonable diligence, intends to cure, but is unable to formulate its cure plan within 10 days, then it shall provide the performing party with its cure plan as soon as is reasonably possible, but in no event greater than thirty (30) days from the occurrence of the Force Majeure event; and
  - (f) As soon as the non-performing party is able to resume performance of its obligations excused as a result of the occurrence, it shall give prompt, written notification thereof to

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the other party.

18. Labor Disputes. No party shall be required to settle any strike, walkout, lockout or other labor dispute on terms which, in the sole judgment of the party involved in the dispute, are contrary to its interests, it being understood and agreed that the settlement of strikes, walkouts, lockouts or other labor disputes shall be entirely within the discretion of the party having such dispute.
19. Accident Prevention. NUSCO shall furnish, maintain and use, and cause all its contractors to furnish, maintain and use all necessary safety devices and safe practices in the performance of the Services and will adopt, follow and maintain such additional safety measures as are conducive to safe operation by NUSCO and its contractors. NE&G shall have the right to suspend any Services if, in NE&G's opinion, and after thirty (30) days notice to NUSCO setting forth both the nature of the failure to adhere to the requirements of this section and the necessary corrective action, such Services are not being carried on in a safe and proper manner, or where persons and property are not being properly protected or safeguarded. Such services shall not be resumed until NE&G's requirements have been met and NE&G has directed that the Services be resumed.
20. Proprietary Rights. Except as may otherwise be agreed by the parties, the entire title and interest, including copyright, in all original works of authorship fixed in any tangible medium of expression hereto before or hereafter, originated and developed by NUSCO as part of the Services covered in this Agreement, furnished to NE&G hereunder, shall be vested in NUSCO, subject to NUSCO's obligation to equally and ratably share with NE&G the proceeds derived as a result of the sales, license fees or other income arising from such works of authorship.
21. Confidentiality and Protection of NE&G, Employee and Customer Information

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(a) NE&G Information. NUSCO agrees to keep confidential, in accordance with general accepted industry practice, requirements of laws and regulations, its own policies relating to the protection of information, and any additional requirements reasonably requested by NE&G, all information provided by NE&G (“Confidential Information”) pursuant to this Agreement, including, without limitation, any Confidential Information concerning employees, shareholders, vendors and customers of NE&G and the NE&G affiliates. NUSCO also acknowledges such Confidential Information may constitute “critical infrastructure” for purposes of state and federal law, policy or regulation. Confidential Information is not to be reproduced or disclosed to any third party, without the NE&G’s permission. Confidential Information is not to be used by anyone other than the party to whom disclosed, nor used for any purpose other than the performance of the Services. Confidential Information shall be destroyed or returned to NE&G (at NE&G’s election) upon completion of the Services or at such earlier time as requested by NE&G, and NUSCO shall not retain any copies (including in electronic format) of the same. To the extent the Confidential Information relates to “critical infrastructure” as reference herein, NUSCO acknowledges and agrees further restrictions regarding such information apply under of state and federal law, policy and regulation.

(b) Customer Information. In addition to its obligations set forth in Section 21 (a) above, to the extent NUSCO (or its subcontractors or any other party acting by or on behalf of NUSCO) is provided or has access to customer information of NE&G affiliates, the following provisions apply: NUSCO warrants and represents that NUSCO and its subcontractors and all other persons or entities having access to such customer information by or through NUSCO have the appropriate safeguards in place to prevent the disclosure or use of any customer information received from NE&G or customers of NE&G affiliates, and further agrees to use such information solely for the purpose of performing Services for NE&G under this Agreement. Such safeguards shall include, without limitation, security tools and processes on NUSCO’s systems, restricting access to such customer information to persons on a need-to-know basis, and adequately training and notifying its employees and contractors of the restrictions associated with such

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information, and identifying and correcting any impermissible use or disclosure. NUSCO also agrees to comply with all applicable state, federal and local laws, regulations, codes and policies regarding the protection of customer information, and the avoidance of theft or fraud through the improper use or disclosure of such information. Upon the request of NE&G, NUSCO shall provide NE&G with detailed information regarding such safeguards, and NE&G shall have the right to monitor and audit the compliance of NUSCO at any time with the requirements of this provision. All such customer information shall be returned to NE&G upon the completion of the Services (or destroyed if so directed by NE&G), and NUSCO shall retain no copy or other record thereof. NUSCO shall give immediate notice to NE&G of any incident that may cause such customer information to be disclosed or otherwise used in an unauthorized manner. Such immediate notice shall be given first by telephone to NE&G's Security at 781-441-3979 and shall be followed by a more complete written notice to be sent by express mail overnight courier by the close of business on the day that the incident took place and capable of delivery on the day following the date of the notice. Such notice shall set forth all relevant information regarding the incident, including the specific nature and extent of the disclosure / use, the measures taken and to be taken to retrieve and restore the customer information and/or to otherwise prevent the unauthorized use or disclosure of the customer information. NUSCO shall, at its sole cost, cooperate fully with NE&G and, as necessary, any law enforcement, regulatory authority, insurance carrier, auditors, attorneys and other parties in the investigation and evaluation of such incident, and shall implement at its sole cost any remedial measures recommended by any such parties as approved by NE&G.

(c) Protection of Information/Legal and Regulatory Proceedings. NUSCO understands and acknowledges the failure of NUSCO to honor its obligations with respect to Confidential Information and NE&G customer information will result in immediate and irreparable harm and that monetary damages may be inadequate compensation or remedy. Accordingly, NUSCO agrees that NE&G (and in the case of customer information of NE&G affiliates, such affiliate(s) and customer(s)) will be

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entitled to all monetary and equitable remedies available, including injunctive relief, to enforce the terms of this Agreement.

In addition to the foregoing, if NUSCO becomes legally compelled to disclose any Confidential Material or NE&G customer information, NUSCO shall provide advance written notice to NE&G, shall provide NE&G with the opportunity to seek a protective order or other means to limit the disclosure of the Confidential Material and/ or customer information, and shall inform any recipient of the Confidential Material or the customer information of the restrictions and provisions of this Agreement.

- 22 Notices. Except as the parties may otherwise agree in writing, any notice, request, demand, statement, bill or payment required by this Agreement or any other communication which either party may desire to give the other, shall be in writing and shall be delivered either in person, against receipt, by certified mail, return receipt requested, or by first class mail, postage prepaid, and addressed as follows:

If to NE&G

NSTAR Electric & Gas Corporation  
800 Boylston Street  
Boston, MA02199  
Attn: Controller

If to NUSCO:

Northeast Utilities Service Company  
107 Selden St.  
Berlin, CT 06037  
Attn: Assistant Controller

Any party may change the above designation by giving the other party notice of such change in accordance with this Section. If notice is given by first class mail, notice shall be deemed given pursuant to this Agreement three (3) days following the date of mailing.

- 23 Successors and Assigns. This Agreement shall be binding upon and shall inure to the

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benefit of the parties hereto and their respective successors and assigns; provided, however, that neither party shall assign this Agreement without the prior written approval of the other party, and provided further, that no assignment of this Agreement by either party shall operate to release the assignor from any of its obligations under this Agreement unless consent to such release is given in writing by the other party.

24. No Partnership. Nothing in this Agreement shall be construed as making the parties hereto partners, joint members of a joint enterprise, or as rendering either of said parties liable for the debts or obligations of the other.
25. Cooperation. NE&G and NUSCO shall cooperate and coordinate, as may be necessary from time to time, their respective activities, in order to minimize cost and maximize efficiency.
26. No Waiver. No failure by either party to insist upon the strict performance of any term or condition hereof, or to exercise any right, upon breach of this Agreement, and no acceptance of a payment during the continuance of any such breach, or in an amount less than stipulated, shall constitute a waiver of any such breach or of any other such term or condition. No waiver of any breach shall affect or alter this Agreement, which shall continue to full force and effect, nor shall any such waiver affect the rights of either party with respect to any other then existing or subsequent breach.
27. Severability. If any term or provision of this Agreement, or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remaining terms and provisions of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.
28. Amendment and Modification. No amendment, modification or termination of this Agreement shall be valid or effective unless agreed to and accepted in writing by the

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other party, and no act of any representative or agent of either party, other than such a written agreement and acceptance, shall constitute an agreement thereto or acceptance thereof.

29. Counterparts. This Agreement may be executed in any number of counterparts each of which shall be an original with the same effect as if the signatures thereto and hereto were upon the same instrument.
30. No Third Party Beneficiary. This Agreement is executed by the parties for the exclusive benefit of the parties hereto, and nothing herein shall be construed to confer any right or benefit upon any person not a party to this Agreement.
31. Regulatory Review. The amount of compensation to be paid under this Agreement, to the extent affected by the provisions hereof, may be subject to review and determination by the FERC and the MDPU.
32. Non-Exclusive Agreement. NE&G hereby acknowledges that NUSCO provides similar services to its pre-merger affiliates and that the services provided to NE&G are not exclusive, subject to NUSCO's agreement that by providing such services to its pre-merger affiliates, the cost of services to NE&G will not by that reason alone be increased.
33. Entire Agreement. This Agreement, together with any exhibits and schedules hereto, constitutes the entire agreement between the parties relating to the subject matter hereof, and supersedes any previous agreements or understanding, whether verbal or written.
34. Governing Law. This Agreement shall be governed by and construed under the laws of the state of Connecticut.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as a sealed instrument by their duly authorized representatives as of the day and year first above written.

**NORTHEAST UTILITIES SERVICES COMPANY**

By: \_\_\_\_\_  
Name: David R. McHale  
Title:

**NSTAR ELECTRIC & GAS CORPORATION**

By:   
Name: James J. Judge  
Title: Executive Vice President and Chief Financial Officer

[Signature Page to Nusco Management Services Agreement]

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as a sealed instrument by their duly authorized representatives as of the day and year first above written.

NORTHEAST UTILITIES SERVICES COMPANY

By: 

Name: David R. McHale

Title: Executive Vice President and Chief  
Administrative Officer

NSTAR ELECTRIC & GAS CORPORATION

By: \_\_\_\_\_

Name: James J. Judge

Title: Executive Vice President and Chief Financial  
Officer

[Signature Page to Nusco Management Services Agreement]

**EXHIBIT A**

Description of Services which are to be provided by  
Northeast Utilities Service Company

Accounting

The keeping of accounts and collateral activities, including billing and customer relations; preparation of reports and preservation of records.

Auditing

Periodic audits by auditors and the furnishing of reports and recommendations.

Construction

Employee services and equipment for construction and maintenance of gas and electric properties. Assistance in obtaining, and supervision of, non-affiliated contractors.

Corporate and Corporate Records

Cooperation with attorneys and officers of associate companies on corporate matters, financing, regulation, contracts, claims and litigation. Services in connection with stockholders' and directors' meetings and keeping of corporate records. Corporate communications.

Data Processing/Information Technology

Maintenance and operation of data processing center and equipment for accounting, engineering, administration and other functions.

Demand Side Management

DSM program design, project management, and monitoring and evaluation services. Technical advice and assistance in preparing responses to RFPs.

Emergencies

Assistance in emergency maintenance and restoration of utility service and in mobilization of personnel and equipment.

### Energy Supply

Planning and other services for supply of fuel, natural gas and negotiation of contracts therefor.

### Public Information and Relations

Services regarding information to and relations with the public, including customers, security holders, financial analysts, rating agencies and investment firms.

### Purchasing and Stores

Services regarding purchase and storing of materials, supplies and equipment.

### Rates

Review, design, interpretation, analysis and other services regarding rates and special contracts for sale of gas and electricity.

### Regulation

Analysis of laws, rules and regulations and recommendations for action thereunder; handling of matters with regulatory and governmental authorities; preparation of applications, registrations and periodic reports. Analysis and compliance with environmental requirements.

### Systems

Establishing of accounting and other procedures and standards.

### Taxes

Services regarding federal, state and municipal taxes, preparation of returns and handling of audits and claims by taxing authorities.

### Treasury and Statistical

Services regarding financing of associate companies, both short and long-term, determination of capital needs, and preparation of financial and statistical reports.

**EXHIBIT B**

**PURCHASE ORDER**

ATTN: Assistant Controller  
Northeast Utilities Service Company  
107 Selden Street  
Berlin, CT 06037

Please provide the services listed on the following pages in accordance with the Management Services Agreement between Northeast Utilities Service Company and NSTAR Electric & Gas Corporation. Billings are to be in accordance with Exhibit C of that agreement, not to exceed the amounts indicated on the attachment without the express written consent of NSTAR Electric & Gas Corporation.

NSTAR Electric & Gas Corporation

By: \_\_\_\_\_

## Methods of Computing Charges

### 2012 Methodologies

- 1 Budgeted Capital Expenditures  
Based on capital
- 2 Budgeted FTEs  
Based on budgeted number of full time equivalents (FTEs)
- 3 Budgeted Payroll  
Based on budgeted labor costs
- 4 Budgeted Revenues  
Based on budgeted sales and rates
- 5 Conservation and Load Management Programs, Labor and Expenditures  
Based on budgeted costs
- 6 Customers  
Based on actual number, at a point in time
- 7 Direct Charged Costs  
Based on actual charges, at a point in time
- 8 Facilities Floor Space  
Projected square footage occupied by facility, provided by Facilities Management
- 9 Forecasted Departments' Work Plan  
Based on each departments' analysis
- 10 Gross Plant Assets  
Based on budgeted plant assets
- 11 Invoices Processed  
Based on actual number, at a point in time
- 12 IT Storage  
Based on actual usage of storage infrastructure, at a point in time, provided by the Information Technology Department
- 13 Number of Businesses  
Based on actual number.
- 14 NUSCO - Common - Gross Plant Asset and Net Income  
Based on budgeted plant assets and Net Income
- 15 PC Counts  
Based on actual count, at a point in time, provided by the Information Technology Department
- 16 Vehicles  
Based on number of vehicles, at a point in time, provided by the Transportation Department
- 17 Meter Reads  
Based on actual count, at a point in time, provided by MDM project team.
- 18 Customer Handle Time  
Based on actual count, at a point in time, provided by the Customer Experience Department

## MANAGEMENT SERVICES AGREEMENT

THIS MANAGEMENT SERVICES AGREEMENT (the "Agreement") is entered into as of the 10<sup>th</sup> day of April, 2012 by and between NSTAR Electric & Gas Corporation, a Massachusetts corporation having a place of business at 800 Boylston Street, Boston, Suffolk County, Massachusetts, (hereinafter referred to as "NE&G") and Northeast Utilities Service Company, a Connecticut corporation having a place of business at 56 Prospect Street, Hartford, Connecticut, (hereinafter referred to as "NUSCO ")

### Recitals:

- A. NE&G is a Massachusetts corporation organized to provide accounting, financial, human resources, corporate relations, energy supply, procurement, ratemaking, information technology, legal and other services on behalf of its pre-merger affiliates, and has substantial experience in providing such services to such pre-merger affiliates.
- B. NUSCO is a Connecticut corporation also organized to provide similar services on behalf of its pre-merger affiliates, and also has substantial experience in providing such services to its pre-merger affiliates.
- C. The sole shareholder of each of NE&G and NUSCO (NSTAR and Northeast Utilities, respectively) have agreed to merge, and following the completion of the merger between such sole shareholders, the parties acknowledge that NE&G will, in addition to continuing to provide services to its pre-merger affiliates, perform similar services for NUSCO, its pre-merger affiliates and any new affiliated companies formed post-merger (collectively, "NUSCO affiliates"), and NUSCO will, in addition to continuing to provide services to its pre-merger affiliates, perform similar services for NE&G and its pre-merger affiliates, both so as to continue to realize economies and increased efficiency to pre-merger affiliates of each of the companies. The terms under which NUSCO shall provide such services to NE&G and its pre-merger affiliates are set forth in a separate agreement of even date between NUSCO and NE&G.

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D. As set forth above, NUSCO desires to obtain such services on behalf of itself and the NUSCO affiliates, and NE&G desires to provide such services to NUSCO and the NUSCO affiliates upon the terms and conditions set forth herein. Therefore, in consideration of the foregoing, the mutual covenants and promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Definitions. All of the capitalized terms used herein shall have the meanings set forth in this Section.

"FERC" means the Federal Energy Regulatory Commission.

"Force Majeure" means any event or cause beyond the reasonable control of the affected party, including but not limited to action or failure of action by any court or public authority having or purporting to have jurisdiction, storms, flood, fire, earthquake, explosion, civil disturbance, labor dispute, act of God, war, sabotage, or any other cause, whether or not similar thereto, which is beyond the reasonable control of the affected party, subject to the obligation of the parties to use diligent effort to overcome and remove the cause of failure to perform.

"MDPU" means the Massachusetts Department of Public Utilities.

"NHPUC" means the New Hampshire Public Utilities Commission

"NUSCO affiliates" means any pre-merger affiliate of NUSCO and any affiliate formed or created after the closing of the Northeast Utilities merger with NSTAR.

"Pre-merger affiliates" of a company means companies controlling, controlled by or under common control with the company prior to the merger of Northeast Utilities and NSTAR.

"PURA" means the Connecticut Public Utility Regulatory Authority

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"SEC" means the Securities and Exchange Commission.

"Services" means the services described on Exhibit A hereto and any other services provided hereunder.

"Uniform System of Accounts" means the Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Federal Power Act, 18 C.F.R., Part 101, as modified by 220 CMR 51.00.

2. Agreement to Provide Services. For and in consideration of the charges specified herein, NE&G hereby agrees to furnish or to have furnished to NUSCO, at NUSCO's request, on NUSCO's behalf and on behalf of all of the NUSCO affiliates who shall have the need for such services during the term of this Agreement, any and all of the services enumerated in Exhibit A, which is attached hereto and incorporated by reference herein ("Services"). NE&G agrees to provide Services to NUSCO upon request, and NUSCO may at any time request all or some of the enumerated Services, may request different combinations of Services from time to time, or may request such other services, whether or not enumerated in Exhibit A. In providing such Services, NE&G reserves the right from time to time to establish new departments, subdivide or otherwise reorganize any of the departments established by it, and reallocate services among various departments.
  
3. Service Personnel. NE&G currently has maintained, and will, at all times during the term of this Agreement, maintain or cause to be maintained a staff of personnel trained and experienced in the Services described herein. All persons performing Services pursuant to this Agreement shall at all times be either employees of NE&G, one of NE&G's pre-merger affiliates, or independent contractors, and in no event shall any persons who are providing Services be considered employees of NUSCO or any of the NUSCO affiliates. NE&G and NUSCO acknowledge that employees of each of the parties and their pre-merger affiliates will be working together simultaneously providing Services to some or all of the NUSCO affiliates, but that employees providing Services hereunder shall have his or her costs for such specific Services being provided at a

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particular time billed solely to NUSCO. To the extent any such persons performing Services are employees of NE&G or a pre-merger affiliate thereof and are not independent contractors, NE&G or such affiliate shall be solely responsible for compliance with all laws and regulations with respect to employee relations, workmen's compensation, payroll and income tax withholding, pension and retirement obligations, and other employer responsibilities. It is agreed that NE&G shall bill an appropriate portion of the cost of compliance with such laws and regulations to NUSCO pursuant to the provisions of Section 7. In addition to the Services of its own staff, NE&G will arrange, at NUSCO's expense, for appropriate Services to be rendered by non-affiliated experts, consultants, accountants, attorneys and other professionals.

4. Method for Requesting Services. NUSCO shall initiate a request for Services either orally or by submitting to NE&G one or more purchase orders, substantially in the form attached hereto as Exhibit B ("Purchase Order") or by some other commercially reasonable method acceptable to both parties. The Purchase Order or other request shall specify the type and, if applicable, quantity of Services requested, as well as the maximum amount of expenditure authorized by NUSCO for such Services, if any, based upon the methods of calculating NE&G's charges, as set forth in Section 7 hereof, and subject to reconciliation and adjustment from time to time.
  
5. Change Orders. NUSCO shall have the right from time to time to amend any Purchase Order or service request by issuing a written change order ("Change Order"), provided that (a) any such Change Order which results in a material change in the scope or character of the Services to be rendered shall be subject to the prior written approval of NE&G, which approval shall not be unreasonably withheld or delayed; (b) the charges for the Services covered by the affected Purchase Order shall include any costs or expenses incurred by NE&G as a result of any such Change Order; and (c) no Change Order shall release NUSCO from liability for all charges previously incurred by or contracted for by NE&G pursuant to the affected Purchase Order, regardless of whether

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the Services associated with such charges are discontinued by such Change Order. In the event of any such Change Order, NE&G shall use its best efforts to avoid, mitigate or otherwise minimize any costs or expenses incurred pursuant to the affected Purchase Order, to avoid any unnecessary duplication of effort, and to realize any possible savings.

6. Standard of Performance. NE&G shall have control and discretion over all aspects of the performance of the Services, including, without limitation, selection of appropriate employees and independent contractors and implementation of Services, including means, methods, procedures, equipment, materials and other aspects of service performance. NE&G shall perform all Services in a workmanlike manner, meeting any standards and specifications as may be set forth in the applicable Purchase Order or otherwise, in conformity with good utility practice.

7. Charges for Services.

7.1 Cost. As compensation for Services rendered, NUSCO shall reimburse NE&G for all costs properly chargeable or allowable to the Services performed, it being the intent of this Agreement that the payment for services rendered under this Agreement shall cover all of the actual costs of NE&G expended so providing Services to NUSCO and only NUSCO, less all appropriate credits, including capital costs as described in this Agreement. The method for determining what constitutes "costs" for different types or categories of Services, as well as the methodology for appropriate allocation of such costs, shall be as set forth in Sections 7.1 through 7.5 below, and as is or may be required by any and all state or federal laws or regulations relating thereto, including but not limited to the Federal Power Act and 220 C.M.R. 12.00 and 51.00, and any rules or orders of the MDPU, PURA, NHPUC and any other regulatory agency or commission having jurisdiction. Notwithstanding any other provision of this Agreement, NE&G shall ensure that all costs billed to NUSCO hereunder shall be reasonable, purposeful and consistent with good utility practice.

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7.2 Third Party Services. Any Services provided to NUSCO hereunder by a third-party independent contractor shall be billed to NUSCO, either directly by the provider or by NE&G at cost and with no direct mark-up by NE&G, based upon the agreement with such provider.

7.3 NE&G Services. The methods for computing charges for Services provided by NE&G employees, including associated employee benefits, are set forth in Exhibit C attached hereto and incorporated by reference herein.

7.4 Materials. The charges for Services shall include the cost of any materials used in the performance of such Services. Materials purchased directly from vendors specifically in connection with particular Services shall be billed at the vendor's invoice cost.

7.5 Compensation For Use of Capital. The charge for Services shall also include a proportional share of a reasonable NE&G cost of capital used to provide the assets for the performing of the Services. Such cost of capital shall be based on NE&G's actual cost of capital supporting its business. NE&G agrees to provide NUSCO, from time to time upon request, a Statement of Allocated Costs, including cost of capital, which shall detail the formulae and bases used and which provide support for the amounts allocated and billed to NUSCO and to NE&G's pre-merger affiliates, both for services performed during the preceding calendar year and as anticipated for the current year. On an annual basis or otherwise as agreed, the statistics relative to the bases will be updated, subject to agreement by the parties.

8. Billing and Payment. NE&G will render bills to NUSCO promptly but no later than the 20<sup>th</sup> day of the calendar month following the month in which the Services were performed, and NUSCO shall remit payment on such bills promptly but no later than the last business day of such month. In the event of any dispute concerning a billed amount, NUSCO shall pay such portion of the billed amounts as is not in dispute. Cash advances may be requested by NE&G monthly to meet NE&G's working capital needs and so as to help avoid unnecessary short-term borrowings. Monthly bills rendered to NUSCO shall

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reflect such advances. Monthly bills may also be rendered in whole or in part on an estimated basis, subject to adjustment, so that all charges for Services during a calendar year may be made on an actual basis.

9. Term of Agreement. This Agreement shall become effective on the date of execution hereof and shall continue in effect for an initial term of one year, and then continue from year to year, subject to the right of either party after the expiration of the initial term to terminate this Agreement upon the giving of written notice one year in advance. Notwithstanding any such termination of this Agreement, NUSCO shall remain fully liable for all charges for Services performed or requested prior to the effective date of such termination. In addition, all the terms and provisions of this Agreement shall remain in full force and effect, notwithstanding any such termination, with respect to any Services which are not yet fully performed by NE&G prior to the effective date of the termination of this Agreement.
  
10. Recordkeeping and Reporting. NE&G shall maintain accurate records of all Services performed and charges billed to NUSCO, and shall account for such charges in accordance with the Uniform System of Accounts, and in compliance with any applicable FERC requirements or guidelines and the requirements of any other regulatory agency including, without limitation, the regulations and orders of the SEC, the MDPU, PURA and the NHPUC, including but not limited to Standards of Conduct Regulations, 220 C.M.R. 12.00 and 220 C.M.R. 51.00. NE&G shall send NUSCO from time to time, and at any time upon the request of NUSCO, periodic statements summarizing the Services performed on behalf of NUSCO, as well as the applicable billing and payment records. Upon request, NE&G shall also provide to NUSCO any other information NUSCO may reasonable require. NUSCO shall inform NE&G of any new guidelines and/or requirements of any regulatory agency that impact the provision of the Services by NE&G to NUSCO.

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11. Insurance. NE&G shall procure and maintain during the term of this Agreement, as necessary, agreed upon levels insurance coverage for the Services provided by NE&G to NUSCO. NE&G shall furnish certificates to NUSCO evidencing compliance with the terms of this Section 11 upon request. NUSCO acknowledges that NE&G is self-insured with respect to certain insurance coverage required by this section.
  
12. Limitation of Liability. Except to the extent set forth in this Agreement and to the maximum extent allowed by law, neither party nor its officers, agents, employees, successors and assigns, shall be liable or responsible to the other party or to its officers, directors, agents, employees, successors and assigns, or to their respective insurers, for direct, incidental, indirect, consequential or other damages of any nature whatsoever, connected with or resulting from performance or nonperformance of this Agreement, or anything done in connection therewith, including, without limitation, claims in the nature of lost use or revenues, income or profits, losses by reason of service interruption, cost of purchased or replacement equipment, or cost of capital, fines or other penalties, irrespective of whether such claims are based upon breach of warranty, tort (including negligence), strict liability, contract, operation of law or other legal theory.
  
13. Failure of NE&G to Perform. In the event of any failure by NE&G in the performance of any Services under this Agreement, the sole and exclusive remedy of NUSCO shall be either (a) correction or re-performance of any such Services by NE&G, to the extent reasonably feasible under the circumstances, or (b) a refund of the amounts paid or payable by NUSCO reasonably attributable to such failed performance of Services.
  
14. No Warranties. Except as set forth specifically in Section 6 of this Agreement, no warranties of any kind, whether statutory, written or verbal, express or implied,

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including, without limitation, warranties of merchantability or fitness for a particular purpose, shall apply to the services performed by NE&G under this Agreement, or to any goods delivered by NE&G incidental to any such services hereunder.

15. Indemnification. Each party agrees to indemnify and hold harmless the other party, and its officers, agents and employees from and against any and all claims for loss, costs, damages, expenses and liabilities whatsoever (including reasonable attorneys fees and costs of defense) incurred by the other party as a result of damage to property or injury to persons arising out of willful or negligent acts, errors or omissions of the offending party, its officers, agents, employees or contractors in connection with the performance of this Agreement. Each party shall be solely liable for all claims of its own employees arising out of any provisions of any workers compensation law, without any right to indemnity or contribution from the other party.
  
16. Conditions to Performance. The obligation of NE&G to provide Services under this Agreement is subject to the requirement of obtaining from time to time any and all permissions, authorizations, consents, licenses and approvals required by applicable laws, rules, regulations and orders of all governmental authorities having jurisdiction. This Agreement and all rights, obligations and performances of the parties hereunder are subject to all applicable state and federal laws, rules and regulations, and to any and all duly authorized action of any governmental authority having jurisdiction. It shall be NE&G's obligation to obtain any permits, approvals or licenses that may be necessary from time to time for the performance of the Services, but the cost of such permits, approvals and licenses shall be included in the charges payable by NUSCO pursuant to Section 7 hereof. In the event that the MDPU, PURA, the NHPUC or any another regulatory authority having jurisdiction disallows any costs related to NE&G's performance under this Agreement, or disallows a particular method of cost allocation described herein, NE&G reserves the right, as a condition to its continued performance under this Agreement, to modify or alter, by notice to NUSCO, the method of cost allocation used, consistent with the order or directive of such regulatory authority. Upon

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receipt of such notice of modification, the parties shall cause to be prepared appropriate amendments and modifications to this Agreement resulting from the change.

17. Force Majeure. Except for the obligations of any party to make payments under this Agreement, the parties shall be excused from performing hereunder if performance is interrupted by reason of Force Majeure, provided that, as a condition to excuse from performance;
- (a) The non-performing party promptly after the occurrence of the Force Majeure event, but in no event later than ten (10) days thereafter, gives the other party written notice (1) describing the particulars of the occurrence, and (2) claiming the existence of a Force Majeure event;
  - (b) The suspension of performance is of no greater scope and of no longer duration than is reasonably required by the Force Majeure event;
  - (c) No obligations of any party which arose before the occurrence causing the suspension of performance shall be excused as a result of the occurrence of a Force Majeure;
  - (d) The non-performing party uses its best efforts to remedy its inability to perform;
  - (e) The non-performing party gives written notice of whether it intends to cure, describes any plans for a cure in detail, in writing, and commences any repairs or other necessary efforts to cure the suspension of performance all within ten (10) days after performance was first suspended, provided that if the non-performing party, despite the exercise of reasonable diligence, intends to cure, but is unable to formulate its cure plan within 10 days, then it shall provide the performing party with its cure plan as soon as is reasonably possible, but in no event greater than thirty (30) days from the occurrence of the Force Majeure event; and
  - (f) As soon as the non-performing party is able to resume performance of its obligations

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excused as a result of the occurrence, it shall give prompt, written notification thereof to the other party.

18. Labor Disputes. No party shall be required to settle any strike, walkout, lockout or other labor dispute on terms which, in the sole judgment of the party involved in the dispute, are contrary to its interests, it being understood and agreed that the settlement of strikes, walkouts, lockouts or other labor disputes shall be entirely within the discretion of the party having such dispute.
19. Accident Prevention. NE&G shall furnish, maintain and use, and cause all its contractors to furnish, maintain and use all necessary safety devices and safe practices in the performance of the Services and will adopt, follow and maintain such additional safety measures as are conducive to safe operation by NE&G and its contractors. NUSCO shall have the right to suspend any Services if, in NUSCO's opinion, and after thirty (30) days notice to NE&G setting forth both the nature of the failure to adhere to the requirements of this section and the necessary corrective action, such Services are not being carried on in a safe and proper manner, or where persons and property are not being properly protected or safeguarded. Such services shall not be resumed until NUSCO's requirements have been met and NUSCO has directed that the Services be resumed.
20. Proprietary Rights. Except as may otherwise be agreed by the parties, the entire title and interest, including copyright, in all original works of authorship fixed in any tangible medium of expression hereto before or hereafter, originated and developed by NE&G as part of the Services covered in this Agreement, furnished to NUSCO hereunder, shall be vested in NE&G, subject to NE&G's obligation to equally and ratably share with NUSCO the proceeds derived as a result of the sales, license fees or other income arising from such works of authorship.
21. Confidentiality and Protection of NUSCO, Employee and Customer Information

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(a) NUSCO Information. NE&G agrees to keep confidential, in accordance with general accepted industry practice, requirements of laws and regulations, its own policies relating to the protection of information, and any additional requirements reasonably requested by NUSCO, all information provided by NUSCO ("Confidential Information") pursuant to this Agreement, including, without limitation, any Confidential Information concerning employees, shareholders, vendors and customers of NUSCO and the NUSCO affiliates. NE&G also acknowledges such Confidential Information may constitute "critical infrastructure" for purposes of state and federal law, policy or regulation. Confidential Information is not to be reproduced or disclosed to any third party, without the NUSCO's permission. Confidential Information is not to be used by anyone other than the party to whom disclosed, nor used for any purpose other than the performance of the Services. Confidential Information shall be destroyed or returned to NUSCO (at NUSCO's election) upon completion of the Services or at such earlier time as requested by NUSCO, and NE&G shall not retain any copies (including in electronic format) of the same. To the extent the Confidential Information relates to "critical infrastructure" as reference herein, NE&G acknowledges and agrees further restrictions regarding such information apply under of state and federal law, policy and regulation.

(b) Customer Information. In addition to its obligations set forth in Section 21 (a) above, to the extent NE&G (or its subcontractors or any other party acting by or on behalf of NE&G) is provided or has access to customer information of NUSCO affiliates, the following provisions apply: NE&G warrants and represents that NE&G and its subcontractors and all other persons or entities having access to such customer information by or through NE&G have the appropriate safeguards in place to prevent the disclosure or use of any customer information received from NUSCO or customers of NUSCO affiliates, and further agrees to use such information solely for the purpose of performing Services for NUSCO under this Agreement. Such safeguards shall include, without limitation, security tools and processes on NE&G's systems, restricting access to such customer information to persons on a need-to-know basis, and adequately training and notifying its employees and contractors of the restrictions associated with such

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information, and identifying and correcting any impermissible use or disclosure. NE&G also agrees to comply with all applicable state, federal and local laws, regulations, codes and policies regarding the protection of customer information, and the avoidance of theft or fraud through the improper use or disclosure of such information. Upon the request of NUSCO, NE&G shall provide NUSCO with detailed information regarding such safeguards, and NUSCO shall have the right to monitor and audit the compliance of NE&G at any time with the requirements of this provision. All such customer information shall be returned to NUSCO upon the completion of the Services (or destroyed if so directed by NUSCO), and NE&G shall retain no copy or other record thereof. NE&G shall give immediate notice to NUSCO of any incident that may cause such customer information to be disclosed or otherwise used in an unauthorized manner. Such immediate notice shall be given first by telephone to NUSCO's \_\_\_\_\_, and to NUSCO's \_\_\_\_\_, and shall be followed by a more complete written notice to be sent by express mail overnight courier by the close of business on the day that the incident took place and capable of delivery on the day following the date of the notice. Such notice shall set forth all relevant information regarding the incident, including the specific nature and extent of the disclosure / use, the measures taken and to be taken to retrieve and restore the customer information and/or to otherwise prevent the unauthorized use or disclosure of the customer information. NE&G shall, at its sole cost, cooperate fully with NUSCO and, as necessary, any law enforcement, regulatory authority, insurance carrier, auditors, attorneys and other parties in the investigation and evaluation of such incident, and shall implement at its sole cost any remedial measures recommended by any such parties as approved by NUSCO.

(c) Protection of Information/Legal and Regulatory Proceedings. NE&G understands and acknowledges the failure of NE&G to honor its obligations with respect to Confidential Information and NUSCO customer information will result in immediate and irreparable harm and that monetary damages may be inadequate compensation or remedy. Accordingly, NE&G agrees that NUSCO (and in the case of customer information of

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NUSCO affiliates, such affiliate(s) and customer(s)) will be entitled to all monetary and equitable remedies available, including injunctive relief, to enforce the terms of this Agreement.

In addition to the foregoing, if NE&G becomes legally compelled to disclose any Confidential Material or NUSCO customer information, NE&G shall provide advance written notice to NUSCO, shall provide NUSCO with the opportunity to seek a protective order or other means to limit the disclosure of the Confidential Material and/ or customer information, and shall inform any recipient of the Confidential Material or the customer information of the restrictions and provisions of this Agreement.

- 22 Notices. Except as the parties may otherwise agree in writing, any notice, request, demand, statement, bill or payment required by this Agreement or any other communication which either party may desire to give the other, shall be in writing and shall be delivered either in person, against receipt, by certified mail, return receipt requested, or by first class mail, postage prepaid, and addressed as follows:

If to NE&G

NSTAR Electric & Gas Corporation  
800 Boylston Street  
Boston, MA02199  
Attn: Controller

If to NUSCO:

Northeast Utilities Service Company  
107 Selden St.  
Berlin, CT 06037  
Attn: Assistant Controller

Any party may change the above designation by giving the other party notice of such change in accordance with this Section. If notice is given by first class mail, notice shall be deemed given pursuant to this Agreement three (3) days following the date of mailing.

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23. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that neither party shall assign this Agreement without the prior written approval of the other party, and provided further, that no assignment of this Agreement by either party shall operate to release the assignor from any of its obligations under this Agreement unless consent to such release is given in writing by the other party.
24. No Partnership. Nothing in this Agreement shall be construed as making the parties hereto partners, joint members of a joint enterprise, or as rendering either of said parties liable for the debts or obligations of the other.
25. Cooperation. NUSCO and NE&G shall cooperate and coordinate, as may be necessary from time to time, their respective activities, in order to minimize cost and maximize efficiency.
26. No Waiver. No failure by either party to insist upon the strict performance of any term or condition hereof, or to exercise any right, upon breach of this Agreement, and no acceptance of a payment during the continuance of any such breach, or in an amount less than stipulated, shall constitute a waiver of any such breach or of any other such term or condition. No waiver of any breach shall affect or alter this Agreement, which shall continue to full force and effect, nor shall any such waiver affect the rights of either party with respect to any other then existing or subsequent breach.
27. Severability. If any term or provision of this Agreement, or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remaining terms and provisions of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.
28. Amendment and Modification. No amendment, modification or termination of this

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Agreement shall be valid or effective unless agreed to and accepted in writing by the other party, and no act of any representative or agent of either party, other than such a written agreement and acceptance, shall constitute an agreement thereto or acceptance thereof.

29. Counterparts. This Agreement may be executed in any number of counterparts each of which shall be an original with the same effect as if the signatures thereto and hereto were upon the same instrument.
30. No Third Party Beneficiary. This Agreement is executed by the parties for the exclusive benefit of the parties hereto, and nothing herein shall be construed to confer any right or benefit upon any person not a party to this Agreement.
31. Regulatory Review. The amount of compensation to be paid under this Agreement, to the extent affected by the provisions hereof, may be subject to review and determination by the FERC, the MDPU, PURA and/or the NHPUC.
32. Non-Exclusive Agreement. NUSCO hereby acknowledges that NE&G provides similar services to its pre-merger affiliates and that the services provided to NUSCO are not exclusive, subject to NE&G's agreement that by providing such services to its pre-merger affiliates, the cost of services to NUSCO will not by that reason alone be increased.
33. Entire Agreement. This Agreement, together with any exhibits and schedules hereto, constitutes the entire agreement between the parties relating to the subject matter hereof, and supersedes any previous agreements or understanding, whether verbal or written.
34. Governing Law. This Agreement shall be governed by and construed under the laws of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as a sealed instrument by their duly authorized representatives as of the day and year first above written.

**NORTHEAST UTILITIES SERVICES COMPANY**

By: \_\_\_\_\_  
Name: David R. McHale  
Title:

**NSTAR ELECTRIC & GAS CORPORATION**

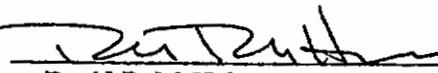
By:   
Name: James J. Judge  
Title: Executive Vice President and Chief Financial Officer

[Signature Page to Nusco Management Services Agreement]

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as a sealed instrument by their duly authorized representatives as of the day and year first above written.

NORTHEAST UTILITIES SERVICES COMPANY

By:   
Name: David R. McHale  
Title: Executive Vice President and Chief  
Administrative Officer

NSTAR ELECTRIC & GAS CORPORATION

By: \_\_\_\_\_  
Name: James J. Judge  
Title: Executive Vice President and Chief Financial  
Officer

[Signature Page to Nusco Management Services Agreement]

**EXHIBIT A**

Description of Services which are to be provided by  
NSTAR Electric & Gas Corporation

**Accounting**

The keeping of accounts and collateral activities, including billing and customer relations; preparation of reports and preservation of records.

**Auditing**

Periodic audits by auditors and the furnishing of reports and recommendations.

**Construction**

Employee services and equipment for construction and maintenance of gas and electric properties. Assistance in obtaining, and supervision of, non-affiliated contractors.

**Corporate and Corporate Records**

Cooperation with attorneys and officers of associate companies on corporate matters, financing, regulation, contracts, claims and litigation. Services in connection with stockholders' and directors' meetings and keeping of corporate records. Corporate communications.

**Data Processing/Information Technology**

Maintenance and operation of data processing center and equipment for accounting, engineering, administration and other functions.

**Demand Side Management**

DSM program design, project management, and monitoring and evaluation services. Technical advice and assistance in preparing responses to RFPs.

**Emergencies**

Assistance in emergency maintenance and restoration of utility service and in mobilization of personnel and equipment.

### Engineering

Civil, mechanical, electrical, environmental and other engineering services; technical advice, design, installation, supervision, planning, research, testing, operation of communications, and operation and maintenance of specialized technical equipment.

### Electrical and Gas Plant Operations and Maintenance

Comprehensive services relating to ongoing and maintenance of electric and gas generating, transmission and distribution facilities.

### Executive and Administrative

Consultation and services in management and administration of all aspects of gas and electric utility business.

### Finance/Business Planning

Financial analysis; cost analysis; budgeting and tax planning; relations with lenders and contract customers.

### Insurance

Development, placement and administration of all types of insurance coverages, property inspections and valuations for insurance.

### Legal

Legal services.

### Marketing

Services and expertise related to natural gas, DSM, electric transportation and other services.

### Other Services

Such other services as requested from time to time.

### Properties

Services regarding acquisition and disposition of properties; cooperation with attorneys of associate companies in title examinations and conveyancing; maintenance of property records; and making of property inventories and valuations.

### Energy Supply

Planning and other services for supply of fuel, natural gas and negotiation of contracts therefor.

### Public Information and Relations

Services regarding information to and relations with the public, including customers, security holders, financial analysts, rating agencies and investment firms.

### Purchasing and Stores

Services regarding purchase and storing of materials, supplies and equipment.

### Rates

Review, design, interpretation, analysis and other services regarding rates and special contracts for sale of gas and electricity.

### Regulation

Analysis of laws, rules and regulations and recommendations for action thereunder; handling of matters with regulatory and governmental authorities; preparation of applications, registrations and periodic reports. Analysis and compliance with environmental requirements.

### Systems

Establishing of accounting and other procedures and standards.

### Taxes

Services regarding federal, state and municipal taxes, preparation of returns and handling of audits and claims by taxing authorities.

### Treasury and Statistical

Services regarding financing of associate companies, both short and long-term, determination of capital needs, and preparation of financial and statistical reports.

**EXHIBIT B**

**PURCHASE ORDER**

ATTN:       Controller  
              NSTAR Electric & Gas Corporation  
              800 Boylston Street  
              Boston, MA 02199

Please provide the services listed on the following pages in accordance with the Management Services Agreement between NSTAR Electric & Gas Corporation and Northeast Utilities Service Company. Billings are to be in accordance with Exhibit C of that agreement, not to exceed the amounts indicated on the attachment without the express written consent of Northeast Utilities Service Company.

Northeast Utilities Service Company

By: \_\_\_\_\_

**NSTAR Electric & Gas Corporation  
 Summary of Allocation Factors  
 2010  
 Exhibit C**

Department	Allocation Methodology	NSTAR Electric	NSTAR Gas	HEEC	NSTAR Parent	Hopkint LNG	NSTAR Com.	Total	
1	Executive Office	Avg of Service Co. Allocations	83.75%	13.48%	0.07%	1.69%	0.22%	0.79%	100.00%
2	Accounting and Finance	Operating Revenues/Capitalization	80.09%	11.78%	0.10%	5.77%	0.26%	2.00%	100.00%
3	Regulatory Policy-Revenue Requirements	Utilities only	87.10%	12.79%	0.11%	0.00%	0.00%	0.00%	100.00%
4	Unregulated Accounting	Unregulated companies	0.00%	0.00%	0.00%	89.00%	1.00%	10.00%	100.00%
5	Corporate Finance	Operating Revenues/Capitalization (excl. NSTAR Comm)	81.73%	12.02%	0.10%	5.89%	0.26%	0.00%	100.00%
6	Investor Relations	Operating Revenues/Capitalization (excl. NSTAR Parent)	85.34%	12.67%	0.11%	0.00%	0.26%	0.62%	100.00%
7	Real Estate & Property Taxes	Operating Revenues/Capitalization (excl. Parent & N Com)	85.87%	12.75%	0.11%	0.00%	0.27%	0.00%	100.00%
8	Risk Management	Insurance expense	64.53%	23.70%	0.11%	7.69%	3.96%	0.02%	100.00%
9	Strategic & Financial Planning VP	Departmental time analysis Cost area 23500	87.61%	6.99%	0.01%	5.29%	0.01%	0.10%	100.00%
10	Strategic & Financial Planning	Departmental time analysis Cost area 23505	76.92%	9.83%	0.04%	12.31%	0.10%	0.80%	100.00%
11	Human Resources	Labor percentage	81.83%	17.51%	0.01%	0.34%	0.15%	0.16%	100.00%
12	Corporate Relations	Operating revenues	86.36%	13.10%	0.08%	0.00%	0.46%	0.00%	100.00%
13	Regulatory Relations	Operating companies only	85.76%	13.16%	0.08%	0.00%	0.00%	0.00%	100.00%
14	Strategy & Law Policy	Operating Revenues/Capitalization - Legal only	79.27%	11.66%	0.10%	5.71%	0.25%	3.00%	100.00%
15	Outside Legal Services	Case by Case (Info from Legal Dept) - Acct 823	82.16%	12.99%	0.01%	4.74%	0.04%	0.06%	100.00%
16	Information Technology	Operating revenues	85.22%	13.08%	0.08%	0.00%	0.23%	0.40%	100.00%
17	Information Technology - Utilities	Utilities only	85.83%	13.17%	0.00%	0.00%	0.00%	0.00%	100.00%
18	Business Services - Facilities	Operating Revenues/Capitalization	85.97%	12.77%	0.11%	0.00%	0.15%	0.00%	100.00%
19	Business Services - Utility Facilities	Utilities only	87.20%	12.80%	0.00%	0.00%	0.00%	0.00%	100.00%
20	Accounts Payable	AP allocator ( Invoice \$ amount thru PPort)	87.91%	11.51%	0.01%	0.15%	0.42%	0.00%	100.00%
21	Fixed Asset Accounting	Fixed Asset Accounting allocator	87.12%	12.06%	0.00%	0.00%	0.83%	0.00%	100.00%

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**NSTAR Electric & Gas Corporation  
 Summary of Allocation Factors  
 2010  
 Exhibit C**

Department	Allocation Methodology	NSTAR	NSTAR		NSTAR	Hopdnt	NSTAR	Total	
		Electric	Gas	HEEC	Parent	LNG	Com.		
22	Office Services & Records Management	Office Services & Records Management	86.87%	12.75%	0.11%	0.00%	0.27%	0.00%	100.00%
23	Warehouse	Whse allocation ( based on Inventory balances) - 2 Utilities	94.09%	5.91%	0.00%	0.00%	0.00%	0.00%	100.00%
24	Customer Care	# of customers / Operating Revenue / Net Plant	85.49%	14.51%	0.00%	0.00%	0.00%	0.00%	100.00%
25	Customer Care Commercial/Industrial Customers	Commercial / Industrial customers	87.72%	12.28%	0.00%	0.00%	0.00%	0.00%	100.00%
26	Meter Data Management	Based on number of meters	80.82%	19.18%	0.00%	0.00%	0.00%	0.00%	100.00%
27	Operational Services	Utilities only	86.89%	13.11%	0.00%	0.00%	0.00%	0.00%	100.00%
28	Claims - General Liability	Operating Revenues/Capitalization - Actual claims General Liability	69.29%	25.06%	0.07%	4.01%	0.18%	1.39%	100.00%
29	Claims - Motor Vehicles	Operating Revenues/Capitalization - Actual claims Motor Vehicle	91.80%	4.85%	0.04%	2.38%	0.11%	0.82%	100.00%
30	Risk Management - Property Insurance	Risk Management - Property Insurance - replacement values	70.26%	4.54%	0.00%	0.00%	25.20%	0.00%	100.00%
31	Risk Management - Excess Liability Insurance	Risk Management - Excess Liability Insurance - Operating Revenue	72.17%	25.57%	0.19%	0.00%	2.06%	0.00%	100.00%
32	Risk Management - D&O Insurance	Risk Mgmt - D & O Insurance labor \$ + # of customers	40.51%	9.02%	0.03%	50.28%	0.05%	0.10%	100.00%
33	Risk Management - Workers' Compensation Insurance	Risk Management - Workers Compensation Insurance - labor \$	82.01%	17.42%	0.01%	0.14%	0.30%	0.12%	100.00%
34	Performance Management	Performance Management	86.97%	12.77%	0.11%	0.00%	0.15%	0.00%	100.00%
35	Operations Services - Summit	Facilities - Summit	86.54%	12.70%	0.11%	0.00%	0.26%	0.38%	100.00%
36	Service Company Benefits	Service company labor allocator	85.35%	13.04%	0.04%	1.04%	0.13%	0.40%	100.00%

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**DE 13-108**  
**Public Service Company of New Hampshire**  
**2012 Energy Service/Stranded Cost Recovery Charge Reconciliation**  
**OCA's Responses to PSNH's Data Requests – Set #1**

**Date Received: November 25, 2012**  
**Request No.: PSNH 1-5**

**Date of Response: December 9, 2012**  
**Witness: Stephen R. Eckberg**

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**Request:** In testimony, at page 5, the OCA compared the value of 0.930% on the first line of page 2 of 45 of Attachment SRE-2, referring to Merrimack Station, to the value of 1.66% on the first line of page 3 of 45 of the same attachment, referring to all generating stations and contended that the new rate was a “noticeable change”. Please explain why the OCA compared the 0.930% on page 2, to the 1.66% on page 3, rather than the 0.92% shown for Merrimack Station account 311.00 on page 4 of 45 of the attachment?

**Response:** The comparison provided by the OCA was intended to be one of similar asset accounts to illustrate that certain depreciation rates have changed noticeably.

**DE 13-108**  
**Public Service Company of New Hampshire**  
**2012 Energy Service/Stranded Cost Recovery Charge Reconciliation**  
**OCA's Responses to PSNH's Data Requests – Set #1**

**Date Received: November 25, 2012**  
**Request No.: PSNH 1-6**

**Date of Response: December 9, 2012**  
**Witness: Stephen R. Eckberg**

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**Request:** If a regulator sought to correct for a depreciation reserve imbalance resulting from a previously approved level of depreciation expense by "amortizing the imbalance over a reasonable period of time," would that constitute retroactive ratemaking?

**Response:** No. See for example, the testimony of James J. Cunningham dated 1/15/2010 in DE 09-035 at page 3, lines 18-22 which provides a general explanation of the amortization of such an imbalance. Further, at page 7 lines 17-22 of that same testimony Mr. Cunningham proposes an amortization of an imbalance over a specific period of time. The OCA is not aware that any party to that Docket considered Mr. Cunningham's proposal to be retroactive ratemaking.

**DE 13-108**  
**Public Service Company of New Hampshire**  
**2012 Energy Service/Stranded Cost Recovery Charge Reconciliation**  
**OCA's Responses to PSNH's Data Requests – Set #1**

**Date Received: November 25, 2012**  
**Request No.: PSNH 1-23**

**Date of Response: December 9, 2012**  
**Witness: Stephen R. Eckberg**

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**Request:** Reference testimony page 9-14. Why is capacity factor the relevant measure for determining whether a unit, or portion of a unit, is used and useful?

**Response:** There may be other measures that could serve as appropriate metrics in the determination of the “used and useful fraction.” but the OCA did not investigate any other metrics.

**DE 13-108**  
**Public Service Company of New Hampshire**  
**2012 Energy Service/Stranded Cost Recovery Charge Reconciliation**  
**OCA's Responses to PSNH's Data Requests – Set #1**

**Date Received: November 25, 2012**  
**Request No.: PSNH 1-21**

**Date of Response: December 9, 2012**  
**Witness: Stephen R. Eckberg**

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**Request:** Reference testimony page 12. Why is it appropriate to use the years 1993-2001 to establish the historical baseline capacity factor? Would that period always be the baseline period against which any changes are measured? If so, why? If not, how would the baseline period be adjusted over time?

**Response:** The OCA selected the time period 1993 – 2001 to represent historic levels of usage of the generating assets. This data was available in the charts provided with Mr. Smagula's testimony. The OCA believes this would be an appropriate constant baseline period to use as the period representing historic usage of the generating assets.

**DE 13-108**  
**Public Service Company of New Hampshire**  
**2012 Energy Service/Stranded Cost Recovery Charge Reconciliation**  
**OCA's Responses to PSNH's Data Requests – Set #1**

**Date Received: November 25, 2012**  
**Request No.: PSNH 1-24**

**Date of Response: December 9, 2012**  
**Witness: Stephen R. Eckberg**

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**Request:** Reference testimony page 13, Table 2. The table shows that the more recent capacity factor for Schiller 5 is higher than the historic capacity factor. In that the more recent capacity factor is higher than the historic capacity factor, please explain why the eligible portion is capped.

**Response:** Please see the response to Staff 1-3.

The OCA is not aware of any ratemaking principles which would suggest that rates should be set using the value of an asset that is greater than its undepreciated value. In other words, it is reasonable to cap the eligible portion of the asset value at 100% to be included for ratemaking purposes.

**Public Service Company of New Hampshire  
2012 Energy Service/Stranded Cost Recovery Charge Reconciliation  
OCA's Responses to Staff's Data Requests – Set #1**

**Date Received: November 25, 2012  
Request No.: Staff 1-5**

**Date of Response: December 9, 2012  
Witness: Stephen R. Eckberg**

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**Request:** Reference page 11, line 23 through page 12, line 1. Do you consider a generating asset that is available for service but not actually running to be “used and useful?” Please explain the reasoning for your response.

**Response:** It depends on the factual circumstances. A generating asset that is available for service but not actually running could be considered as used and useful. The OCA did not intend to convey that a generating asset must demonstrate a capacity factor of 100% in order to be considered used and useful. The OCA's use of the average capacity factor from 1993-2001 was intended to represent full usage of the assets as they were intended to be used and as they were actually used historically. The information provided in Table 1 on page 10 of Mr. Eckberg's testimony shows, for example, that the “Average Capacity Factor 1993-2001” for MK1 was 80.1%. This value would be considered the full extent to which this asset would provide service.

**Public Service Company of New Hampshire  
2012 Energy Service/Stranded Cost Recovery Charge Reconciliation  
OCA's Responses to Staff's Data Requests – Set #1**

**Date Received: November 25, 2012  
Request No.: Staff 1-6**

**Date of Response: December 9, 2012  
Witness: Stephen R. Eckberg**

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**Request:** Reference page 11, line 23 through page 12, line 1. Do you consider a generating asset that is in operation but running at a reduced load to be “used and useful?” Please explain the reasoning for your response.

**Response:** Yes. A generating asset that is in operation but running at a reduced load could be considered used and useful. In the information presented in my testimony in Table 1 on page 10 it is shown, for example, that Schiller 4's average capacity factor from 1993 – 2001 was 56%. One should not conclude based on this information that the asset was generating at full capacity for an average of 56% of the hours during that time period. The asset could have been operating at reduced load for more than 56% of the hours resulting in a calculated average capacity factor over the time period of 56%.