



1 Davis Farm Rd
Portland, ME 04103

DT 07-011

Received 5/15/09
GTH

Robert Hybsch
Public Service of New Hampshire
780 N. Commercial Street
Manchester, NH 03105

5/13/09

Subject: December 2008 Ice Storm tree trimming

Dear Mr. Hybsch:

We received and are reviewing the March 23rd invoice for the December 2008 ice storm tree trimming. Given the magnitude of this single bill, if PSNH chooses to move forward with tree trimming plans in 2009, we will not be able to participate in any of the associated costs. This was a difficult decision for us, especially in light of the strides we have made to strengthen our working relationship. We look forward to working with you on the trimming plans for 2010.

Sincerely,

A handwritten signature in cursive script, appearing to read "Erin M. Austin".

Erin M. Austin
VP – OSP Engineering & Planning
207-797-1963
207-317-6986



**Public Service
of New Hampshire**

PSNH Energy Park
780 North Commercial Street, Manchester, NH 03101

Public Service Company of New Hampshire
P.O. Box 330
Manchester, NH 03105-0330
(603) 669-4000
www.psnh.com

The Northeast Utilities System

May 20, 2009

Erin M. Austin
VP-OSP Engineering & Planning
FairPoint Communications
1 Davis Farm Rd.
Portland, ME 04103

Subject: Erin M. Austin Letter Dated 5/13/09

Dear Ms. Austin:

We are in receipt of your letter dated May 13, 2009 which includes FairPoint Communications' notification to PSNH that your company will not be able to participate in any of the costs related to our maintenance tree trimming program for the remainder of 2009. While we appreciate the gravity of FairPoint Communications' decision, we have a responsibility to ensure adherence to the Joint Ownership Agreement and Inter-Company Operating Procedures.

As you are aware, Public Service Company of New Hampshire ("PSNH") and FairPoint Communications ("FairPoint") entered into a Memorandum of Understanding (MOU) on September 13, 2007 that was ultimately accepted by the New Hampshire Public Utilities Commission. Article 4 in the MOU specifically details the agreement both companies reached regarding maintenance trimming. As a condition of the MOU, FairPoint and PSNH incorporated the MOU into our Intercompany Operating Procedures ("IOP's") effective April 1, 2009. This included revisions to IOP #7, Joint Tree Trimming Agreement.

FairPoint's notification of its inability to participate in the maintenance trimming program for the remainder of 2009 places FairPoint in default of the Agreement. As you are aware, the MOU established a dispute resolution process. The first step of the dispute resolution process is to escalate the dispute to the Joint Pole Coordinators, and if not resolved, escalate to the senior management representatives. You and I are the designated senior representatives for both companies as defined in the MOU. Since you have formally notified PSNH on behalf of FairPoint Communications, we will assume these steps of the dispute resolution process have been completed. The next step in the dispute resolution process is for either party to initiate mediation by written notice.

Erin M. Austin
VP-OSP Engineering & Planning
FairPoint Communications
May 20, 2009
Page 2

As a cost-saving alternative, I would recommend that by mutual agreement we waive the mediation process, forego arbitration and proceed directly to the NHPUC for a resolution of this dispute. Should FairPoint agree to a waiver of the mediation process, please notify me at your earliest convenience. Should FairPoint not agree to a waiver of the mediation process, please consider this letter a formal request by PSNH for mediation of this dispute in accordance with IOP #1A.

We too view this as a difficult business decision that should have no impact on the excellent working relationships our two companies have developed over the past year. We look forward to resolution of this dispute.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert T. Hybsch". The signature is fluid and cursive, with a long horizontal stroke at the end.

Robert T. Hybsch
Director Customer Operations
603-634-3030

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding is dated as of September 13, 2007, and is by and between Public Service Company of New Hampshire (the Electric Company) and FairPoint Communications, Inc. (FairPoint).

WHEREAS, FairPoint has agreed to acquire the incumbent local exchange operations of Verizon Communications Inc. (individually or with its affiliates, Verizon) in the states of Maine, New Hampshire and Vermont (the "Acquired Properties"), which will be accomplished by Verizon's transfer of such Acquired Properties to an affiliate of Verizon, Northern New England Telephone Operations Inc., directly or indirectly held by another Verizon affiliate, Northern New England Spinco Inc. (Spinco), and the merger of Spinco with and into FairPoint (which transfer, merger, and all related transactions are collectively referred to herein as the Merger), with FairPoint being the surviving entity;

WHEREAS, FairPoint and Verizon are seeking all necessary approvals of the Merger from the Federal Communications Commission, the Maine Public Utilities Commission, the Vermont Public Service Board, the New Hampshire Public Utilities Commission (the Commission) and any other regulatory authorities as required by law;

WHEREAS, FairPoint and the Electric Company (individually a Party, and collectively the Parties) desire (i) to amicably resolve any differences between them, (ii) to allow FairPoint the opportunity to promptly secure all necessary approvals and consummate the Merger and (iii) set out terms of the Parties' agreement and understanding concerning the issues and differences between them as more fully set forth below; and

NOW, THEREFORE, in consideration of the foregoing, and the promises, representations and covenants set forth herein, the sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. Communication and Coordination

The Electric Company and FairPoint shall each designate an employee to serve as a Joint Pole Coordinator. The Joint Pole Coordinators shall meet monthly during the first year after the Merger and the first year of the term of the new Joint Ownership Agreement (JOA) and at least quarterly thereafter to discuss joint pole operations and procedures, budget issues and general methods of improving joint pole administration. The Joint Pole Coordinators shall also be responsible for maintaining contact information relating to other relevant stakeholders including but not limited to representatives of parties with pole attachments, municipal and state officials, emergency response personnel, etc.

The Electric Company and FairPoint shall each designate a senior management representative with ultimate responsibility for joint pole operations. Issues arising under the JOA that cannot be resolved at the Joint Pole Coordinator level shall be escalated to the senior management representatives. The senior management representatives shall

discuss the disputed issue(s) within ten (10) business days after such issues have been raised by one or both Joint Pole Coordinators. The senior management representatives shall resolve the matter within thirty (30) days from the date when the disputed issue(s) is brought to their attention. Failure to reach agreement at this senior management level shall allow one or both Parties to submit the dispute to the dispute resolution process prescribed under Paragraph 11 of this Memorandum of Understanding.

2. Emergency Response

The Electric Company and FairPoint shall work cooperatively to ensure that the Incident Control System adopted in each municipality includes protocols for pole emergencies that direct first responders (Incident Commander) to make contact with both the Electric Company and FairPoint at the earliest stages of the response regardless of the maintenance area.

The Electric Company and FairPoint shall maintain notification procedures to ensure early communication between each other during pole emergency situations. The utility with responsibility for the maintenance area involved shall notify other attaching carriers affected by the incident.

A transition period of six (6) months following the Merger will exist; thereafter, FairPoint will evaluate possible alternatives to meet the same average response time as the Electric Company, including, without limitation, the addition of new employees, the negotiation of stand-by arrangements with employees represented under a collective bargaining agreement, the possible use of contractors or the implementation of changes in intercompany practices, and then will implement the appropriate course of action with the objective of enabling FairPoint, within twenty-four (24) months of the Merger, to meet the same average response time to emergencies in its maintenance area as the target average emergency response time for the Electric Company in its maintenance area.

For poles temporarily made safe by emergency measures in FairPoint's maintenance area, FairPoint agrees to complete transfers and repairs and remove the defective condition or defective pole on an expedited basis.

This paragraph shall not apply in the event of major weather events as defined by the Commission.

3. Pole Inspection and Maintenance

The Electric Company shall maintain its existing pole inspection program. FairPoint shall develop and maintain a pole inspection program designed for all jointly owned poles to be inspected initially at or before the age of twenty (20) years and to be re-inspected at a maximum of 10 year intervals thereafter. Records of inspections shall be retained to show where and when corrective action was taken. The inspection program

IOP #6

and the criteria for poles needing replacement shall be in accordance with the Intercompany Operating Procedures (IOP) and National Electrical Safety Code.

4. Maintenance Trimming

IOP #7

The Electric Company and FairPoint shall meet on or before September 1st each year or another mutually agreeable date in advance of the Parties' respective budget cycles to determine the trimming plan and budget for the ensuing calendar year. The trimming plan shall be based on trimming circuits on average with 34.5 kilovolt lines every four years, with 12 kilovolt lines every five years and with 4 kilovolt lines every six years. In no year will the trimming plan involve more than twenty percent (20%) of the Electric Company's miles of lines. The Electric Company shall prepare a plan for maintenance trimming within the service territories of both Parties, using its own trimming specifications and specifications provided by FairPoint. Payment for trimming shall be as follows:

- A. Where the Electric Company and FairPoint agree that a trimming plan benefits both Parties, the Electric Company shall pay 75% and FairPoint shall pay 25% of the trimming costs.
- B. Where the Parties agree that particular maintenance trimming plan for a proposed circuit or proposed portion of a circuit benefits one Party and not the other, the Party benefited shall pay the entire trimming cost.
- C. If the Parties are unable to agree on a trimming plan for a particular circuit proposed by the Electric Company, the Electric Company shall pay 85% of total trimming costs and FairPoint shall pay 15% for circuits with jointly owned poles.

Participation in non-emergency trimming that is not included in the trimming plan shall be in accordance with the IOP. The Joint Pole Coordinators shall review maintenance trimming schedules at least monthly during the trimming season.

Emergency major storm trimming costs and the cost of removing so called "hazard trees" shall be managed in accordance with the IOP (i.e., 50%/50%).

5. New Construction Trimming

For new construction involving poles to be jointly owned by the Electric Company and FairPoint, the trimming costs shall be divided in accordance with the Parties' applicable IOP.

6. Pole Relocations

The Joint Pole Coordinators shall work cooperatively to arrange the scheduling of pole replacements required for highway construction. The Electric Company and FairPoint

shall participate in meetings of the New Hampshire Department of Transportation and municipal public works officials to coordinate and schedule relocation work thereby committing the necessary resources to meet the agreed upon schedules. Responsibility for expediting transfers of facilities by attaching carriers shall follow the requirements found in each utility's IOP. The Parties understand and agree that the relocation schedule includes the removal of double poles once facilities of the joint owners and third party attachees have been removed.

7. Transfer of Facilities; Double Poles

The company with maintenance area responsibility shall notify attaching parties of the need to transfer facilities in accordance with the IOP. Each Party shall effect such transfers consistent with each Party's IOP. With respect to the anticipated backlog of approximately 7,000 double poles, FairPoint shall eliminate such backlog within a maximum of 36 months following the six (6) month, post-Merger transition period.

8. New Pole Sets

The Joint Pole Coordinators shall each work cooperatively on the scheduling of new pole sets. The Electric Company and FairPoint agree to work together to develop an improved "Exchange of Notice" (EON) process. The EON process shall include a notification time frame in which FairPoint notifies the Electric Company of its non-desire to participate in the joint ownership of the new poles within fifteen days. In this case, the ownership, installation and maintenance of the poles shall be entirely the responsibility of the Electric Company without regard to maintenance area. The Electric Company and FairPoint shall schedule joint pole sets to be accomplished, on average, not later than the date the customer has requested the installation to be completed, which shall be no shorter than 15 days for small jobs (not more than 3 pole sets) or no shorter than 30 days for large jobs after the date that all pre-payments have been made and all necessary property rights and governmental permits have been obtained. The Party performing the pole set shall also perform the construction trimming necessary to accommodate telecom, electric and attaching party facilities. The Joint Pole Coordinators shall review their respective line extension policies to determine if there are any inconsistencies and, if so, determine if it would be beneficial to make them more consistent. The time frames set forth in this paragraph shall not apply to major highway construction, which shall be planned in advance and implemented in accordance with such plans (see Section 6).

9. Standards

All practices under the JOA shall be conducted in accordance with the requirements of the National Electric Safety Code and applicable regulatory requirements.

10. Readoption of Joint Ownership Agreement and Intercompany Operating Procedures

The Electric Company and FairPoint agree to negotiate in good faith to arrive at a new JOA and IOP which conform more closely with this Memorandum of Understanding. FairPoint and the electric utilities will explore the possibility of developing a standard JOA and IOP which will have common terms for all of the utilities wherever possible. Within six (6) months after the Merger, FairPoint and the Electric Company shall begin to incorporate into the JOA and IOP all of the terms agreed to in this Memorandum of Understanding, and such incorporation shall be completed no longer than six (6) months thereafter. No later than twelve (12) months after the Merger, FairPoint and the Electric Company agree to negotiate in good faith any other changes in the JOA and IOP that will bring further operational efficiencies to the relationship and the construction, operation and management of the jointly owned plant. Failure to agree on the terms of the new JOA and IOP(s) shall neither prevent the Parties from proceeding with all other jointly agreed procedures, hereunder or otherwise, nor prevent the Parties from abiding by the terms of this Memorandum of Understanding. Any disagreements shall be resolved in accordance with Paragraph 11 below.

11. Resolution of Disputes

The Electric Company and FairPoint agree that all disputes not resolved at the senior management level, as described in Paragraph 1 of this Memorandum of Understanding, shall be resolved as follows:

First, the Parties shall attempt to resolve the matter through mediation. Either Party may initiate mediation by notice in writing to the other Party. Within five business days following the receipt of such notice, the other Party will provide a list of three possible mediators. The Party requesting mediation will choose one mediator. Mediation will then be scheduled within 30 days. If mediation results in an agreed resolution, the resulting agreement shall be the final and binding resolution of the matter.

Second, if the matter is not resolved by mediation, the Parties may, by mutual agreement, submit the matter to arbitration. Arbitration will proceed by each Party selecting one representative to a three member arbitration panel. The selection will be communicated to the other Party within ten (10) days of the request for arbitration. Within fourteen (14) days, the two arbitrators will then select a mutually agreeable individual to serve as the third member of the panel. Arbitration will be scheduled within thirty (30) days of the notice of the choice of the third arbitrator, unless a longer period is agreed to by both

Parties. A final decision shall be made in writing, shall be based on a two-thirds vote of the panel members and shall constitute the final and binding resolution of the matter. The arbitration shall be heard in Concord, New Hampshire, unless the Parties agree otherwise.

Third, if the dispute is not resolved by mediation or submitted to arbitration, the Parties shall have all of their respective rights at law and in equity to resolve the matter before a court or regulatory agency having jurisdiction, including, without limitation, the Commission. The Electric Company and FairPoint agree that the Commission has jurisdiction over disputes arising out of this Memorandum of Understanding, the JOA and the IOP.

12. Approval by the New Hampshire Public Utilities Commission

The Electric Company and FairPoint agree that it is a condition of the effectiveness of this Memorandum of Understanding that it be approved in its entirety by the Commission as a condition of the Commission's approval of the Merger. Each of the Parties agrees to fully support, through its filings, testimony and other proceedings in Commission Docket No. DT 07-011, the approval of this Memorandum of Understanding by the Commission, as representing the good faith negotiated resolution of the issues and concerns raised in said Docket by the Electric Company with respect to post closing operations by FairPoint and the intent of FairPoint to fully and adequately address those issues and concerns upon FairPoint's completion of the Merger. As a result, and subject to the Commission's approval of the terms hereof, the Electric Company hereby supports the Commission's approval of the Merger. However, the Electric Company does not waive its rights as to any disputed claims under any other agreement or on any other basis.

*[The remainder of this page intentionally has been left blank.
Signature pages follow.]*

IN WITNESS WHEREOF the parties have executed this Memorandum of Understanding as of the day and year first above written.

FAIRPOINT COMMUNICATIONS, INC.

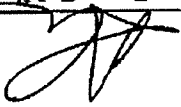
By: _____
Peter G. Nixon, President

PUBLIC SERVICE COMPANY OF
NEW HAMPSHIRE

By: *Gary A. Long*
Gary A. Long, President and
Chief Operating Officer

IN WITNESS WHEREOF the parties have executed this Memorandum of Understanding as of the day and year first above written.

FAIRPOINT COMMUNICATIONS, INC.



By: _____
Peter G. Nixon, President

PUBLIC SERVICE COMPANY OF
NEW HAMPSHIRE

By: _____
Gary A. Long, President and
Chief Operating Officer

INTERCOMPANY OPERATING PROCEDURE #1A
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
AND
NORTHERN NEW ENGLAND TELEPHONE OPERATIONS, LLC
D/B/A FAIRPOINT COMMUNICATIONS

COMMUNICATIONS, COORDINATION & DISPUTE RESOLUTION

EFFECTIVE 4/1/09

Communication and Coordination

PSNH and FairPoint shall each designate an employee to serve as a Joint Pole Coordinator. The Joint Pole Coordinators shall meet monthly during the first year after the Merger and the first year of the term of the new Joint Ownership Agreement (JOA) and at least quarterly thereafter to discuss joint pole operations and procedures, budget issues and general methods of improving joint pole administration. The Joint Pole Coordinators shall also be responsible for maintaining contact information relating to other relevant stakeholders including but not limited to representatives of parties with pole attachments, municipal and state officials, emergency response personnel, etc.

The Electric Company and FairPoint shall each designate a senior management representative with ultimate responsibility for joint pole operations. Issues arising under the JOA that cannot be resolved at the Joint Pole Coordinator level shall be escalated to the senior management representatives. The senior management representatives shall discuss the disputed issue(s) within ten (10) business days after such issues have been raised by one or both Joint Pole Coordinators. The senior management representatives shall resolve the matter within thirty (30) days from the date when the disputed issue(s) is brought to their attention. Failure to reach agreement at this senior management level shall allow one or both Parties to submit the dispute to the dispute resolution process prescribed below.

Resolution of Disputes

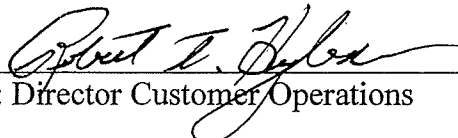
The Electric Company and FairPoint agree that all disputes not resolved at the senior management level, as described above shall be resolved as follows:

First, the Parties shall attempt to resolve the matter through mediation. Either Party may initiate mediation by notice in writing to the other Party. Within five business days following the receipt of such notice, the other Party will provide a list of three possible mediators. The Party requesting mediation will choose one mediator. Mediation will then be scheduled within 30 days. If mediation results in an agreed resolution, the resulting agreement shall be the final and binding resolution of the matter.

Second, if the matter is not resolved by mediation, the Parties may, by mutual agreement, submit the matter to arbitration. Arbitration will proceed by each Party selecting one representative to a three member arbitration panel. The selection will be communicated to the other Party within ten (10) days of the request for arbitration. Within fourteen (14) days, the two arbitrators will then select a mutually agreeable individual to serve as the third member of the panel. Arbitration will be scheduled within thirty (30) days of the notice of the choice of the third arbitrator, unless a longer period is agreed to by both Parties. A final decision shall be made in writing, shall be based on a two-thirds vote of the panel members and shall constitute the final and binding resolution of the matter. The arbitration shall be heard in Concord, New Hampshire, unless the Parties agree otherwise.

Third, if the dispute is not resolved by mediation or submitted to arbitration, the Parties shall have all of their respective rights at law and in equity to resolve the matter before a court or regulatory agency having jurisdiction, including, without limitation, the Commission. PSNH and FairPoint agree that the Commission has jurisdiction over disputes arising out of this Memorandum of Understanding, the JOA and the IOP.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

By: 
Title: Director Customer Operations

Date: 4-1-09

NORTHERN NEW ENGLAND TELEPHONE OPERATIONS, LLC
D/B/A FAIRPOINT COMMUNICATIONS

By: 
Title: Vice President – Outside Plant Engineering

Date: 4/1/09

INTERCOMPANY OPERATING PROCEDURE #7
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
AND
NORTHERN NEW ENGLAND TELEPHONE OPERATIONS, LLC
D/B/A FAIRPOINT COMMUNICATIONS
JOINT TREE TRIMMING AGREEMENT

EFFECTIVE: 4/1/09

The purpose of this Intercompany Operating Procedure is to establish a definite method of allocating the costs of trimming and any related basal ground spraying of tree and brush stumps associated with the construction and maintenance of a joint pole line.

1. Maintenance Trimming

- a. Maintenance trimming shall be done on a joint basis with the division of costs as follows: Where PSNH and FairPoint agree that the trimming benefits both parties, FairPoint will contribute 25% of the trimming costs and PSNH will contribute 75%, where the parties are unable to agree on a trimming plan, FairPoint will contribute 15% and PSNH will contribute 85%. For efficiency in administration, it is mutually agreed that maintenance trimming costs will be shared with PSNH paying 80% and FairPoint paying 20%. (see attachment #1) This division of cost sharing is based on joint field sampling of actual trimming. (Based on that sampling it was agreed by PSNH and Fairpoint that 50% of the trimming was a benefit to both parties at a FairPoint reimbursement rate to PSNH of 25% and 50% of the trimming was to be reimbursed by FairPoint at a rate of 15 %.)
- b. Cost sharing for midcycle reliability or service improvement projects shall be done in a coordinated manner via the Exchange of Notice Form 605a. The division of costs for approved joint projects shall be PSNH paying 80% and FairPoint paying 20% (see explanation in paragraph a). Invoicing shall include a description of the nature of the work to distinguish it from normal maintenance cycle trimming.
- c. Heavy storm work such as hurricanes, wet snow, tornadoes and ice storms are handled without prior review. Both parties agree to a 50/50 basis for sharing costs for heavy storm work. Billing should include information regarding the cities/towns, street and lines that were trimmed as a result of a heavy storm. The parties agree to reciprocal acceptance of each other's tree contractors for heavy storms.
- d. Removal of weakened or toppled trees and large limbs which threaten both parties' plant will be removed on a 50/50 basis.

2. Construction Trimming

Trimming for addition, extension or reconstruction shall be surveyed in the field and a determination made whether both parties have a need. All construction trimming agreements will be performed via the Exchange of Notice Form 605a. The division of costs shall be: PSNH paying 60% and FairPoint paying 40%. (see attachment #2)

3. Ground Cutting

The cost of removal of roadside brush and small trees shall be done on a joint basis and borne at the same percentages as is stated in items 1 and 2 of this agreement.

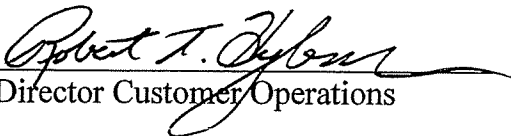
4. Chemical Treatment

The cost of basal ground spraying of tree and brush stumps at the time of ground trimming and chemical treatment shall be borne at the same percentages as is stated in items 1 and 2 of this agreement.

5. Administration

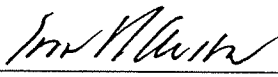
- a. Each company will annually furnish the other company with a list of its approved trimming contractors.
- b. For construction trimming done by a contractor that is not on both companies' list of approved contractors, the constructing company will pay the full cost of the trimming bill and then bill the other company its share of the total cost. Such bill shall be accompanied by a copy of the contractor's bill.
- c. When construction trimming is done by mutually approved contractors, the contractor will bill each company separately for its share of the trimming costs. Bills rendered by the contractor to each company will show the total cost of the job and the percentage and cost billed to the other company.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

By: 
Title: Director Customer Operations

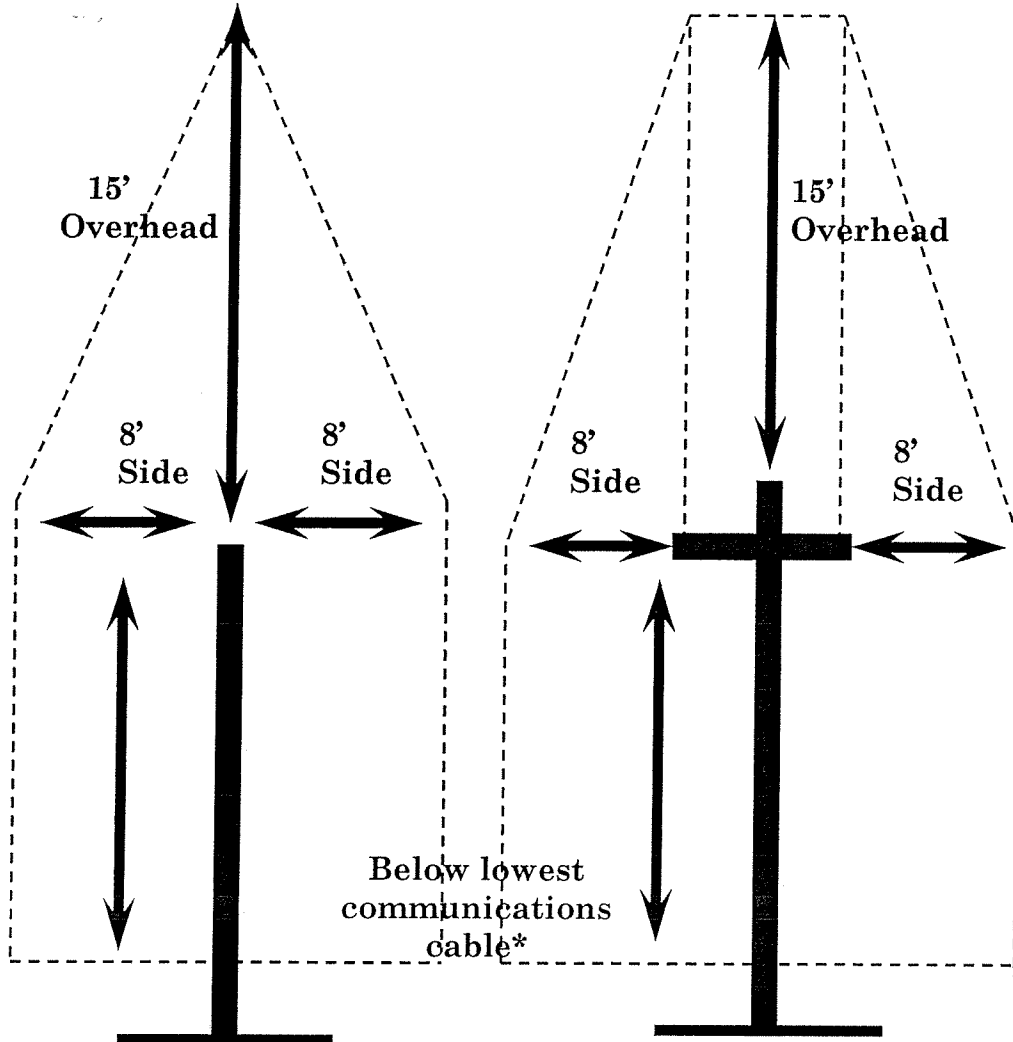
Date: 4-1-09

NORTHERN NEW ENGLAND TELEPHONE OPERATIONS, LLC
D/B/A FAIRPOINT COMMUNICATIONS

By: 
Title: Vice President – Outside Plant Engineering

Date: 4/1/09

MAINTENANCE TRIMMING

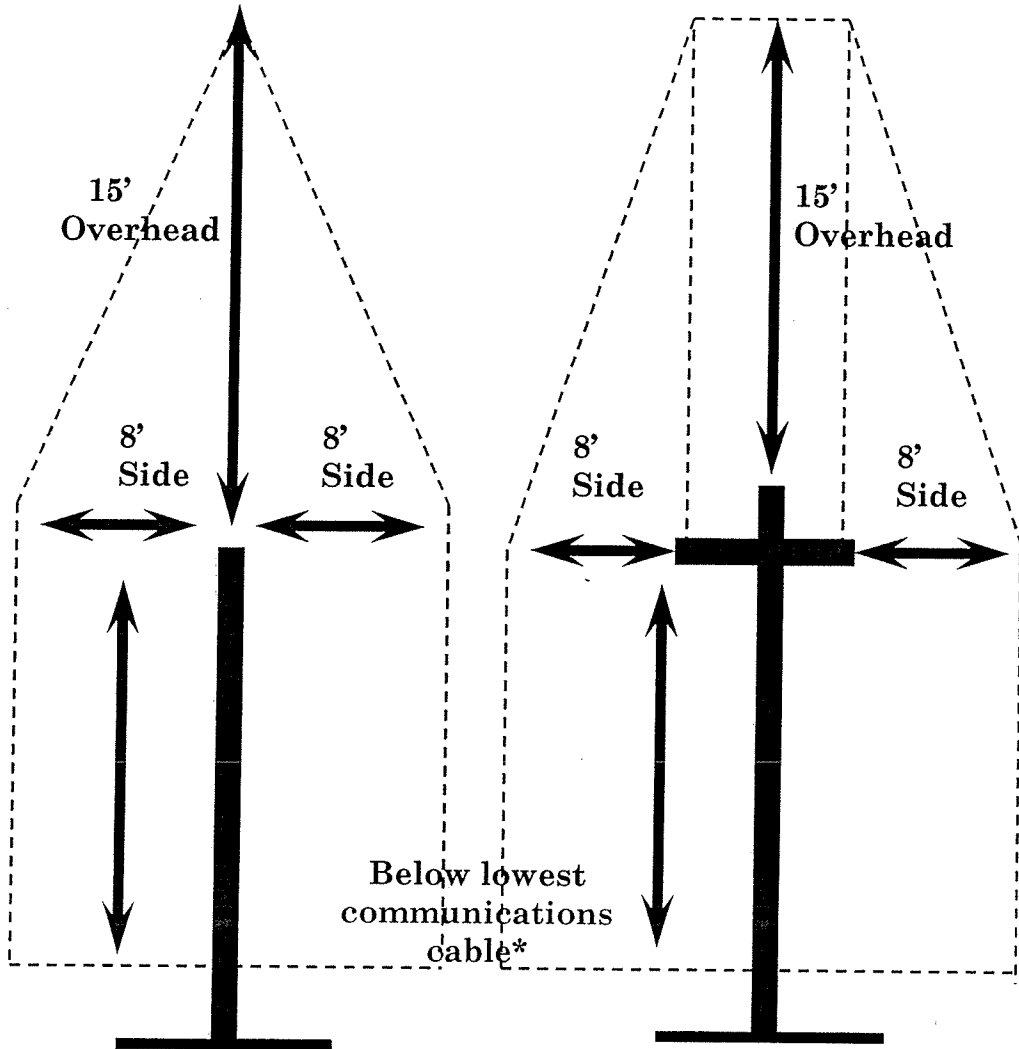


* Fast growing tree species under the lines are removed, when possible, rather than pruned. If necessary to prune, accepted arboricultural practices are to be used (i.e. No shelf trimming or hedging). Proper directional pruning cuts shall be made several feet below communications cables to encourage growth away from lines.

Division of Trimming Costs

PSNH = 80%
FairPoint = 20%

CONSTRUCTION TRIMMING



* Fast growing tree species under the lines are removed, when possible, rather than pruned. If necessary to prune, accepted arboricultural practices are to be used (i.e No shelf trimming or hedging). Proper directional pruning cuts shall be made several feet below communications cables to encourage growth away from lines.

Division of Trimming Costs

PSNH = 60%

FairPoint = 40%